

Q3 2023

Vancouver

Industrial Market Report

Net Absorption

This Quarter	Previous Quarter
658K SF	771K SF
12-Month Absorption	5-Year Quarterly Avg.
2.4M SF	1.0M SF

Vacancy

This Quarter	Year-over-Year
1.2%	▲ 100 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$21.84 PSF	▲ 7.6%

Development

Under Construction	New Supply
9.6M SF	1.8M SF

Average Sales Price

Freestanding Sales*	Strata Sales*
\$671 PSF	\$648 PSF

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

The Greater Vancouver Area's (GVA) red-hot industrial market is adjusting to a healthier level after an extended period of rapid rental growth and depleted vacancies, with the vacancy rate now standing at 1.2% - its highest level in the past three years. The average asking net rate slipped by \$0.21 per square foot, down 1.0%, quarter-over-quarter (QoQ) to \$21.84 per square foot but has grown by over 7% year-over-year (YoY). This is a reassuring sign that the market is only slowing down at the moment but not contracting in response to changing market conditions.

The availability rate rose by 70 basis points (bps) to 2.4% in Q3 2023 and is more than triple the 0.7% availability recorded a year ago. Despite the influx of vacant properties coming onto the market, the net absorption remained positive as several sizable pre-leased developments completed construction this quarter.

As a result of cost control efforts, occupiers are re-evaluating their real estate needs. Some operators are returning non-essential parts of their facilities to the market, especially for users who overcommitted to space previously when options were scarce and growth projections were difficult to estimate. Sublease vacancy saw an almost tenfold increase QoQ, which played a major role in the jump in vacancy rate, representing over one third of the total vacant space in Q3. These availabilities range from small pocket spaces of several thousand square feet to bulk warehouse and distribution facilities well in excess of 100,000 square feet. For several

years it was rare to see a bulk space listing. Over the last six months this size category of listing has grown and as of the end of Q3 has broken through the double-digit threshold for number of options.

With occupiers having more options to choose from and less pressure to make decisions quickly, negotiating power has shifted more towards the tenant side compared to a year ago. Tenant inducements are more commonly seen in today's market as landlords try to sweeten the deal for potential tenants. These incentives include providing free rent periods within the lease term and paying out of pocket for building improvements. The latter of which can be considered a win-win situation as landlords are upgrading their properties and raising their values in the long run.

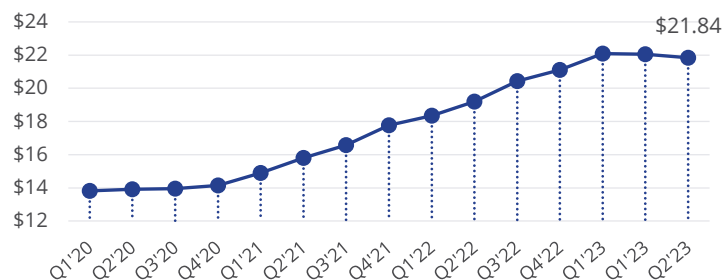
Looking at the bigger picture, the market appears to be returning to equilibrium. In a balanced market, older properties or the ones with suboptimal building designs are expected to sit on the market longer than premium properties. The supply shock in the last three years created a situation where even buildings of subpar quality were scooped up by users shortly after hitting the market as tenants had no option but to capture any opportunity in order to secure space for operations.

On the sales side, high interest rates continue to impede investment activities. Strata sales volume declined by 45% QoQ, with the high costs of borrowing arising as a dealbreaker for many buyers looking to finance purchases.

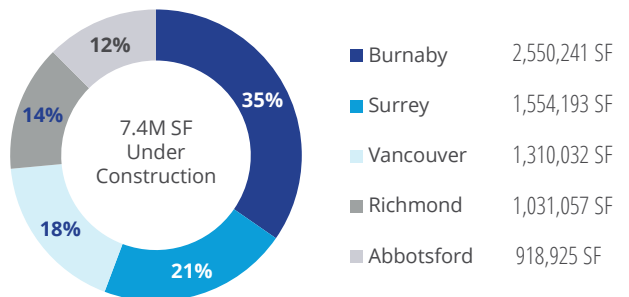
Accelerating success.

Market Overview

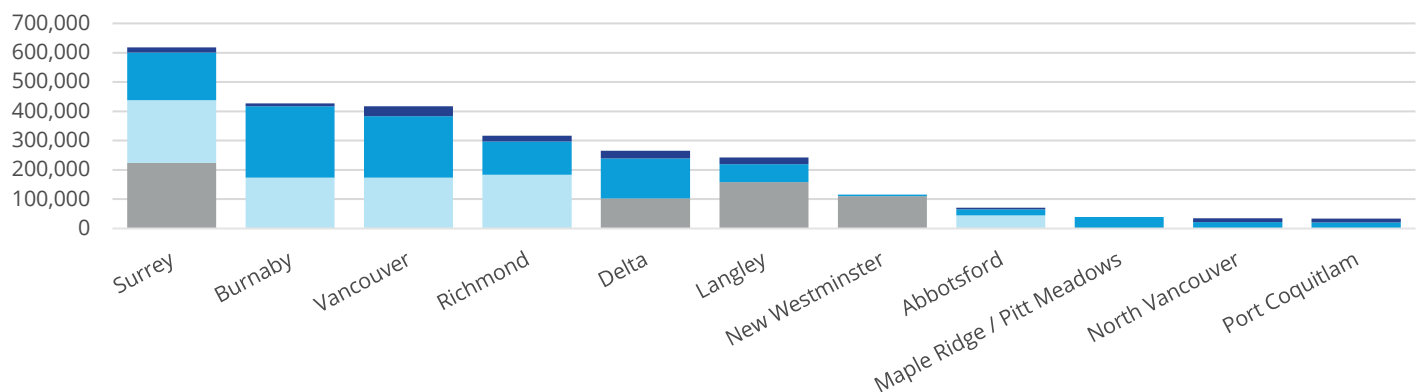
01 Greater Vancouver Rental Rates Weighted Average Asking Net Rent (PSF)



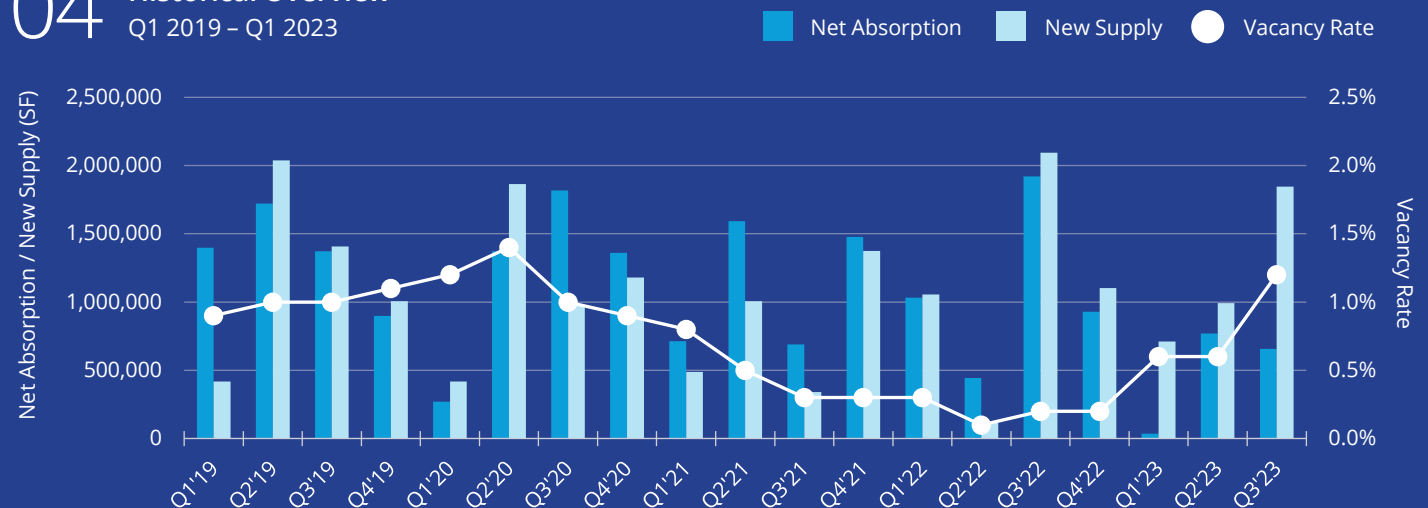
02 Under Construction by Market Top Five Markets (SF)



03 Vacancy by Property Size Total Square Feet (SF)

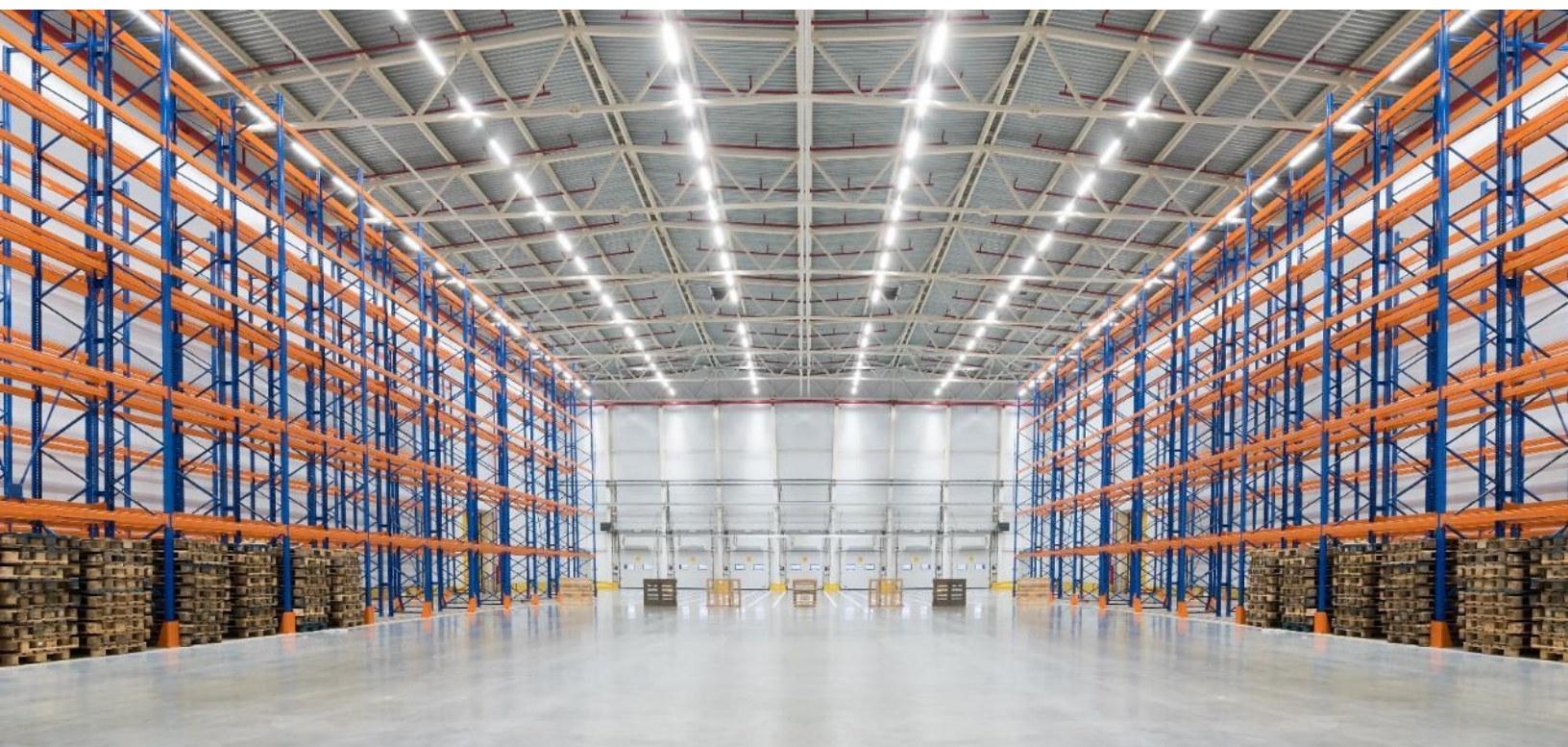


04 Historical Overview Q1 2019 – Q1 2023



Market Statistics

Market	Total Inventory (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Total Vacant Space (SF)	Vacancy Rate	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (PSF)	Wgt. Avg. Asking Additional Rent (PSF)
Surrey	42,661,188	464,532	153,946	618,478	1.4%	1,195,604	2.8%	-46,486	98,974	1,554,193	\$20.79	\$4.69
Richmond	36,469,272	178,186	138,061	316,247	0.9%	739,933	2.0%	277,099	503,813	1,031,057	\$22.57	\$4.53
Delta	30,318,706	205,494	59,653	265,147	0.9%	707,802	2.3%	-251,120	0	775,261	\$22.50	\$5.05
Burnaby	28,153,819	287,742	139,249	426,991	1.5%	1,050,362	3.7%	-87,239	110,000	2,550,241	\$22.14	\$5.66
Vancouver	21,398,397	377,821	39,871	417,692	2.0%	513,713	2.4%	9,998	54,221	1,310,032	\$22.42	\$8.24
Langley	20,739,158	65,444	177,377	242,821	1.2%	518,373	2.5%	-128,841	33,764	78,645	\$21.24	\$4.46
Abbotsford	9,930,840	70,706	0	70,706	0.7%	106,627	1.1%	145,046	180,496	918,925	\$18.50	\$4.55
Port Coquitlam	9,113,586	13,373	20,091	33,464	0.4%	106,571	1.2%	-2,918	0	63,262	\$23.07	\$6.22
Coquitlam	7,342,770	18,372	9,915	28,287	0.4%	202,957	2.8%	-11,751	0	216,062	\$24.41	\$5.11
North Vancouver	4,747,391	31,007	3,405	34,412	0.7%	62,773	1.3%	-5,372	0	0	\$18.97	\$8.80
Maple Ridge-Pitt Meadows	5,280,588	0	38,988	38,988	0.7%	92,787	1.8%	859,036	864,000	478,432	\$21.52	\$4.16
Chilliwack	4,082,017	29,081	0	29,081	0.7%	29,081	0.7%	16,075	0	105,362	\$16.13	\$4.68
New Westminster	3,499,038	5,486	109,883	115,369	3.3%	115,369	3.3%	-115,369	0	0	\$20.95	\$3.67
TFN Lands	1,348,920	0	0	0	0.0%	0	0.0%	0	0	485,791	-	-
Port Moody	561,059	0	0	0	0.0%	0	0.0%	0	0	0	-	-
Vancouver Total	225,646,749	1,747,244	890,439	2,637,683	1.2%	5,441,952	2.4%	658,158	1,845,268	9,567,263	\$21.84	\$5.21



Transaction Highlights

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Pet Valu	18899 24 Avenue	Surrey	New Deal	353,476
Urban Barn Ltd.	1348 Derwent Way	Delta	Renewal	159,614
Stryder Motorfreight Canada Ltd.	13240 Worster Court	Richmond	Renewal	126,540
Uni-Select Inc.	91 Glacier Street	Coquitlam	Renewal	97,598
Iconix Waterworks LP	19900 84 Avenue	Langley	Renewal	78,032

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
8057 North Fraser Way	Burnaby	13,936	\$9,058,400	Wyatt Holdings Inc.	User
Unit 203, 19365 22 Avenue	Surrey	14,908	\$8,869,200	1403355 B.C. Ltd.	Private Investor
1455 Spitfire Place	Port Coquitlam	11,450	\$7,025,000	Alito Development Ltd.	Private Investor
19416 94 Avenue	Surrey	9,384	\$6,550,000	Tri-Craft Holdings Ltd.	Private Investor
31 East 5 Avenue	Vancouver	4,282	\$4,200,000	1424741 B.C. Ltd.	User

Notable Developments

Building Name / Address	Market	Building Status	Est. Completion	Size (SF)	Owner / Developer
5213 North Fraser Way	Burnaby	Under Construction	2023 Q4	1,242,050	Beedie
8040 Zylmans Way	Richmond	Under Construction	2023 Q4	275,000	Montrose Property
19543 34A Avenue	Surrey	Under Construction	2023 Q4	230,102	BentallGreenOak
19550 36 Avenue	Surrey	Under Construction	2023 Q4	212,351	BentallGreenOak
8031 Zylmans Way	Richmond	Under Construction	2024 Q1	385,000	Montrose Property
18899 24 Avenue	Surrey	Under Construction	2024 Q1	353,476	Choice Properties

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