Vancouver Industrial - Q2 2020

Market Report

Overview – At first glance second quarter statistics suggest Vancouver's industrial market escaped the ravages of COVID-19. Occupied space increased by a very robust 1.8 million square feet (MSF), the vacancy rate increased by just 10 basis points to 1.7% and there was no appreciable change in rents (just thirty-seven cents per square foot to the downside), so on the surface no discernible change relative to pre-COVID-19 conditions. Much of the absorption, however, was the result of a record amount of new supply added during the quarter, based on leases signed well before the pandemic arrived. Furthermore, like office, there has been a noticeable uptick in sublease space, increasing to 1.54 MSF, up from 1.39 MSF in the prior quarter, and just 645,000 square feet in the year ago period. Leasing markets act with a lag, and Vancouver's industrial market is no different. Third quarter data will be far more instructive.

Availability	Average Rent	Occupied Space
2.7%	$14.29/SF	+1,779,962 SF

*arrows indicate change from prior quarter

Rental and Availability Rates

Direct Asking Rent* ($/SF)	Submarket	Total Availability Rate (06/30/2020)	QoQ Change
$14.53	Richmond	3.9%	▲ 0.1%
$13.82	Port Coquitlam	3.3%	▲ 0.8%
$17.88	Vancouver	3.1%	▲ 0.2%
$13.90	Coquitlam	3.1%	▲ 0.2%
$14.29	Burnaby	2.9%	▲ 0.3%
$13.07	Langley (Township)	2.6%	▲ 0.2%
$11.51	Delta	2.6%	▲ 1.4%
$12.91	Surrey	1.5%	▲ 0.5%
$18.92	North Shore	1.4%	▲ 0.3%

*Net rent CAD

Recent Transactions (Lease)

	Occupier	Size	Submarket	Industry	Address
1	Westkey Graphics	64,136* SF	Richmond	Printer	8315 Riverbend Court
2	Manly Shore Productions	64,383 SF	Richmond	Film	13248 Worster Court
3	Whitewater West	43,984 SF	Richmond	Manufacturer	6651 Fraserwood Place
4	Naturally Home Grown Foods	42,746 SF	Surrey	Food	3265 190th Street
5	Magnacharge Battery	22,000* SF	Delta	Wholesale	1279 Derwent Way

* Renewal

Thinking beyond space

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Occupier's Perspective

Warehouse users haven't escaped the effects of COVID-19, however most have been able to make adjustments and appear to have found a firmer footing.

Similar to office tenants, warehouse tenants are taking a much more conservative approach to their real estate needs with an eye out for any softeness in their respective businesses.

Like office, there has been a noticable increase in sublease space as companies have put excess space on the market reaching 1.5 million SF - the highest on record.

Market Trends

Both the vacancy rate and availability rate, crept higher in the second quarter, but both are extremely low (by historic standards) and not expected to rise appreciably above long term averages.

The second quater saw a record 1.9 million square feet of new supply, leaving just 1.9 million square feet under construction, the lowest level since 2016.

The there is no doubt the industrial market will be the most resilient real estate type [relative to office & retail], but even warehouse rents are expected to soften slightly as local, national and global economic conditions are unlikely to be back to normal for a prolonged period.