

Market Report

Overview – With the conclusion of the third quarter, and early signs for the fourth, Vancouver’s industrial market looks to have escaped the worst outcome previously thought possible from COVID-19. Demand, while off from year ago levels, is almost back to normal, although Q3 occupied space increased by a modest 600,000 square feet (SF), well below the 5-year quarterly average of 1,026,000 SF. New space delivered to the market during the third quarter was also below historic norms at just 329,000 SF. Of note, the bellweather availability rate fell 50 basis points to finish the quarter at 2.2%, just below the 5-year average of 2.3%. Industrial lease rates once again resumed their upward trajectory, rising \$0.31 per SF during the quarter to \$14.60 per SF. Looking through the 4th quarter, and into 2021, leasing conditions are unfortunately expected to only get more challenging for occupiers with few availabilities and higher rents.



Rental and Availability Rates

Direct Asking Rent* (\$/SF)	Total Availability Rate (09/31/2020)	QoQ Change
\$14.10	Port Coquitlam 3.7%	▲ 0.4%
\$13.16	Langley (Township) 3.5%	▲ 0.9%
\$17.59	Vancouver 3.1%	▲ 0.1%
\$13.83	Coquitlam 2.9%	▼ 0.2%
\$14.79	Richmond 2.8%	▼ 1.1%
\$14.46	Burnaby 2.1%	▼ 0.8%
\$11.43	Delta 1.8%	▼ 0.8%
\$18.29	North Shore 1.1%	▼ 0.3%
\$12.98	Surrey 0.9%	▼ 0.6%

*Net rent CAD

Recent Transactions (Lease)

Occupier	Size	Submarket	Industry	Address
1 Samsung Electronics	242,460 SF	Delta	Retailer	4327 Salish Sea Way
2 WorldPac Auto Parts	200,000 SF	Richmond	Distribution	8020 Zylmans Way
3 Save-on-Foods	122,691 SF	Surrey	Food Retailer	18991 34A Avenue
4 Grand & Toy	90,163 SF	Burnaby	Retailer	7770 North Fraser Way
5 UPS	27,963* SF	Burnaby	Transportation	7470-7470B Buller Ave

* Renewal

Thinking beyond space

Occupier's Perspective



After putting leasing (and purchase) decisions on hold pending better visibility on the duration and severity of the pandemic, warehouse users appear to have returned to the market.



Conditions remain highly restrictive for occupiers with no region, or segment of the market offering relief.



Supply/demand fundamentals are not expected to change in any meaningful way, pushing lease rates higher, and quite possibly sharply higher. Sales prices are also expected to rise.

Market Trends



Both the vacancy rate and availability rate, moved lower in the third quarter with both returning to historic lows making growth and expansion by warehouse users extremely challenging.

After a record amount of construction in the second quarter, Q3 completions totaled just 329,000 square feet, one of the least amounts on record.

Construction activity remained subdued at 1.9 million square feet (at quarter-end), compared with 4.1 MSF one year ago. Developers are expected to ramp up construction in the coming quarters, but not to levels that would provide (material) relief.