

Metro Vancouver



Rising tide of demand lifts all Metro Vancouver industrial markets as regional vacancy remains lowest in North America

Metro Vancouver's industrial market remains the tightest in North America as record-low vacancy and rapidly appreciating rental rates drive sales and leasing activity from owner-occupiers, tenants and investors alike. Meanwhile, developers continue to pursue new development in increasingly complex settings to keep up with demand.

Regional vacancy hovered at 0.9% in the first quarter of 2021 (unchanged from year-end 2020, which marked the first time that industrial vacancy had slipped to less than 1%). Other Canadian cities such as Toronto (1%), Ottawa (1.3%) and Montreal (1.5%) were also among the North American industrial markets with the lowest vacancy rates in the first quarter of 2021. Industrial vacancy in Calgary (7.5%) and Edmonton (6.9%) remained elevated in comparison.

Ongoing strong demand from tenants in Metro Vancouver's heavily space-constrained industrial market continued fuelling a rapid appreciation in the region's average industrial rental rate, pushing it to a record high of \$13.87 psf (the highest in Canada) - up 3.3% from year-end 2020 and 5.3% from a year earlier. As rates have continued to rise, the rental rate differential between core and suburban industrial markets has shrunk considerably with Vancouver, Burnaby and the North Shore still able to command premium rates. The days of tenants moving further out from the core in search of lower industrial rental rates have largely ended due to the fact that much of the new development is located in the suburbs, which are frequently the only areas with land left to

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Metro Vancouver's industrial vacancy lowest in North America at 0.9%



Strata development represents one-third of total square footage of new supply currently under construction



Rental-rate escalation expected to continue as region appears unable to build meaningful amounts of supply in the current environment



Delivery of new space for lease unable to alleviate chronically tight vacancy as majority is preleased through 2021/22



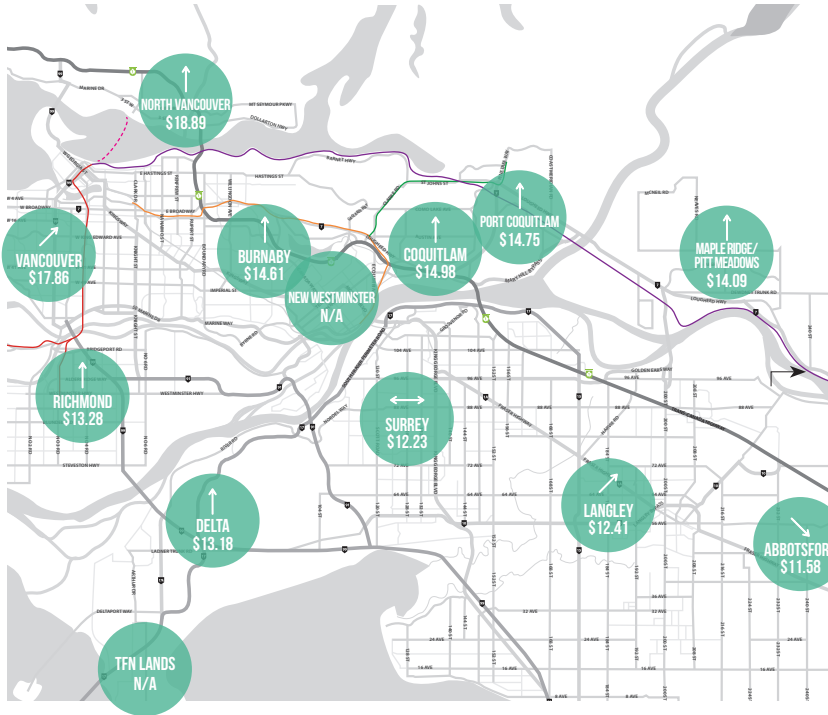
Lease rates hit new record high as Metro Vancouver average achieves \$13.87 psf



Investment in industrial properties continues to rise as the asset class outperforms other commercial real estate asset classes and remains the focus of investors of all types

Metro Vancouver Industrial Market Update (Q1 2021)

Average Asking Lease Rates in Metro Vancouver (PSF)



Approximately 1.3 million sf of new inventory will be delivered in the next six months, but 82% of that space is already preleased/presold.

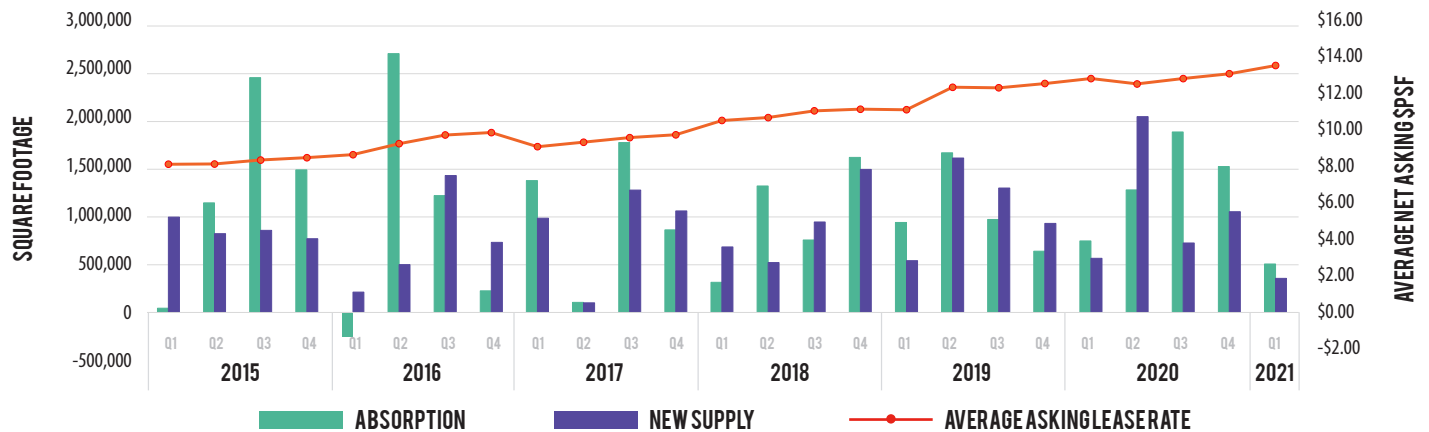
MUNICIPALITY	INVENTORY	Q1 VACANCY
Richmond	38,556,876	0.6%
Surrey	35,567,701	0.3%
Burnaby	29,561,462	0.4%
Vancouver	24,301,550	2.6%
Delta	25,539,228	1.1%
Langley	17,818,148	0.9%
Coquitlam	8,210,738	1.2%
Port Coquitlam	8,395,580	0.3%
Abbotsford	8,752,703	1.1%
North Vancouver	5,340,305	0.4%
New Westminster	4,405,187	0.0%
Maple Ridge/Pitt Meadows	4,647,715	0.9%
Tsawwassen (TFN Land)	1,348,540	0.0%
Metro Vancouver	212,445,733	0.9%

RECENT NOTABLE LEASE TRANSACTIONS IN METRO VANCOUVER SINCE FALL 2020

MUNICIPALITY	ADDRESS	SF	TENANT	TYPE
Richmond	1700 No. 6 Road	206,710	Cascades Containerboard Packaging	New
Delta	7400 Vantage Way (Velo)	203,172	Confidential	New
Langley	9385 200th Street	202,534	Confidential	New
Richmond	16131 Blundell Road	179,198	Confidential	New
Pitt Meadows	19265 Airport Way	145,518	Confidential	New
Delta	1168-1170 Derwent Way	140,650	Confidential	New
Delta	7799 Berg Road, Units 106-112 (Westpointe Business Centre)	121,000	JF Hillebrand Canada	New
Delta	8151 Churchill Street	109,768	Canada Post	New
Delta	598 Ebury Place	104,193	Kintetsu World Express Canada	Renewal
Burnaby	8651 Eastlake Drive	100,675	Confidential	New
Richmond	11511 No. 5 Road	94,035	Second Closet	New
Surrey	3825-3889 191st Street, Units 1-3	89,783	Structube	New
Langley	5350B 275th Street	89,724	Cascadia Windows	Renewal & expansion
Burnaby	7770 North Fraser Way, Units 1-5	88,535	Grand & Toy	New
Burnaby	8261 Fraser Reach Court (Riverbend Business Park - Building 6)	78,436	Article Furniture	New
Richmond	6751 Elmbridge Way	68,854	4PX Express	New
Richmond	12111 Jacobson Way	68,613	SIM Video International	New
Delta	904 Cliveden Avenue	68,282	Big Mountain Foods 2 Ltd.	Sublease
Delta	7848 Hoskins Street	67,608	Valhalla Distribution	Renewal
Delta	880 Cliveden Avenue	66,452	VK Delivery	New
Delta	7470 Vantage Way	56,988	Reliance Metals Canada	Renewal
Surrey	11350 Bridgeview Drive	56,140	Cloverdale Paint	New
Surrey	9087 198th Street	51,607	SCI Logistics	Renewal
Vancouver	870 West Kent Avenue South	50,654	SIM Video International	New
Langley	27353 58th Crescent, Units 201-207	50,332	McKillion Canadian	New

Sources: Avison Young Research & RealNet

Metro Vancouver Five-Year Industrial Trends



NOTABLE INDUSTRIAL INVESTMENT SALES BY PRICE IN METRO VANCOUVER SINCE FALL 2020

ADDRESS	VENDOR	PURCHASER	PURCHASE PRICE	PPSF	BUILDING (SF)/ SITE AREA (ACRE)
2920 188th Street, Surrey (South Surrey Business Park)	Blackwood Partners	Crestpoint Real Estate Investments	\$170,000,000	\$233	731,000/ 35.88
7788, 7677-7675 132nd Street, 30553 Great Northern Avenue, Surrey & 2707 - 2771 Progressive Way, Abbotsford	Dozyn Dezyn Properties	CanFirst Capital Management	\$104,500,000	\$313	333,603/ 18.67
3330 & 2270 Dollarton Highway, North Vancouver (NorthWoods Business Park Building 5 & 6)	QuadReal Property Group	Nicola Wealth	\$40,813,500	\$437	93,426/ 4.38
150 Glacier Street, Port Coquitlam	A2Z Capital	QuadReal	Share sale	-	34,400/ 10.31
2751 Production Way, Burnaby	Conwest Group of Companies	Metro Vancouver	\$26,540,000	\$252	105,229/ 5.14
11151 Horseshoe Way, Richmond (Riverside Centre)	iA Financial Group	1287494B.C. Ltd.	\$26,000,000	\$321	81,004/ strata
1519 & 1531 Derwent Way, Delta	Speedee Transport	Bosa Properties	\$18,400,000	\$224	82,260/ 3.58
4171 McConnell Drive, Burnaby	McConnell Properties	4171 McConnell Drive Property	\$16,475,000	\$373	44,145/ 2.01
12340 Horseshoe Way, Richmond	Spire	Herbaland Naturals	\$16,150,000	\$422	38,284/ 1.70
11307 Maple Crescent, Maple Ridge	Mayfair Properties Ltd. & Chelsea Properties	Mini Mall Storage Properties	\$15,500,000	\$247	60,707/ 1.25
19676 Telegraph Trail, Langley	Design Roofing & Sheet Metal	Trident Real Estate Partners I	\$14,800,000	\$223	66,435/ 3.06
26867 Gloucester Way, Langley	WT Miller Holdings	26867 Gloucester Way Ltd.	\$14,800,000	\$270	54,779/ 2.49
1650 Hartley Avenue, Coquitlam	Tanker Management	Boma Industries	\$14,700,000	\$907	16,200/ 2.65
12511 Vulcan Way, Richmond	D.M.H. Equities	Vulcanrich Nominee	\$14,667,132	\$392	37,400/ 2.38
19950 84th Avenue, Langley	Excessive Properties	Excessive Properties	\$14,240,000	\$317	44,857/ 2.50
20070 Stewart Crescent, Maple Ridge	Mayfair Properties	Avenue Living Asset Management	\$14,000,000	\$280	49,958/ 2.60

NOTABLE LAND SALES BY PRICE IN METRO VANCOUVER SINCE FALL 2020

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA (ACRES)	PRICE/ ACRE
8188 & 8132 Manitoba Street, Vancouver	Sen. Western Wholesale Lumber	Wesbild	\$59,999,999	4.96	\$12,106,537
8360 Ontario Street, Vancouver	Pacific Metals Recycling	PC Urban	\$17,500,000	2.24	\$7,822,977
901 East Kent Avenue North, Vancouver	Thomas Properties Corp.	PC Urban	\$15,000,000	2.00	\$7,500,000
3491 196th Street, Surrey	Private individual	Cedar Coast	\$14,775,000	5.00	\$2,955,000
18958 36th Avenue, Surrey	1050063 B.C. Ltd.	The Super Save Group of Companies	\$14,300,000	4.40	\$3,251,478
750,757 & 773 Kingsway Avenue, 1681 & 1703 Trenton Street, 1725 Fremont Drive, 1726 & 1746 Perkins Street, Port Coquitlam	Telken Industries	Surrey Cedar	\$13,515,500	9.80	\$1,379,133
1812 Foy Street, Abbotsford	Private individual	PowerHouse Building Solutions	\$11,400,000	4.91	\$2,322,265
13560 Mitchell Road, Richmond	Fraser River Planning Mills	Graestone Ready Mix	\$10,500,000	2.41	\$4,356,846
3030 190th Street, Surrey	Kuzco Lighting	Northwest Freightways	\$9,250,000	4.46	\$2,073,991
2315 & 2329 Pearndonville Road, Abbotsford	00814475 B.C. Ltd.	Golden Holdings	\$7,089,330	3.70	\$1,916,035
2924 192nd Street, Surrey	Private individual	1267882 B.C. Ltd.	\$6,500,000	2.50	\$2,600,000
17861 64th Avenue, Surrey	Surrey New & Used	0726076 B.C. Ltd.	\$6,300,000	2.02	\$3,118,812

Sources: Avison Young Research & RealNet

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be developed. The higher rents commanded by these new industrial spaces has served in part to reduce the differential that had previously existed between core and suburban rental rates. Tenants have become more interested in meeting their space requirements and are placing less emphasis than in the past on where the property is located. While Metro Vancouver may have the highest average industrial rental rates in Canada, the market remained a relative bargain in the first quarter of 2021 compared with its U.S. West Coast counterparts, including Metro Seattle (C\$13.99), Metro Los Angeles (C\$17.42), Oakland (C\$18.61), Long Beach (C\$19.20) and San Francisco (C\$29.62).*

The shortage of industrial space available for lease combined with a near record-low cost of capital have also driven many owner-occupiers and investors to heavily invest in BC industrial properties, with more than \$1.5B invested in assets (valued at more than \$5M) in 2020 and more than \$557M in the first quarter of 2021 alone. Despite the initial reluctance of many industrial property owners to execute on the disposition of their assets, premium pricing has continued to power transactional activity to record heights. Well-known local industrial developers such as **Beedie**, **Conwest Group**, **Cedar Coast**, **Wesmont Group** and **PC Urban Properties** among others have been extremely active in the market in an effort to maintain their development pipelines as most new developments (either strata or for lease) are typically spoken for prior to completion and are absorbed by the market at a ferocious pace.

A major component of industrial investment in BC is increasingly in the form of strata unit sales. The increasing pricing that strata units can command – supported by low-cost capital – has stimulated the continued appreciation in the value of industrial land, which remains severely constrained and, thus, also contributes to driving pricing even higher. According to the *Metro Vancouver 2020 Regional Industrial Lands Inventory*, there was 28,422 acres of industrial land, 82% of which was considered developed with 18% considered as “other/vacant”. The key findings from the report included:

- an increasing amount of industrial lands are being used for non-industrial purposes, posing a considerable threat to the industrial land base;
- there are few remaining available large sites for ‘trade-oriented’ logistics uses, which has impacts on businesses locating in the region and being able to stay and grow in the region;
- although there was an increase in the total size of the inventory between 2015 and 2020, many of the lands added are not in locations well served by the transportation / goods movement network and even with these additions, due to the rate of development activity, the amount of vacant industrial land continues to decline; and
- there are continuing competing priorities for the limited industrial lands.

The ability of the local development industry to continue delivering new industrial space in the face of this adversity – averaging more than 3.75 million square feet (msf) annually since 2016 and at a clip of almost 4.4 msf per annum since 2019 – has demonstrated the ingenuity necessary to operate successfully in Metro Vancouver’s highly complex environment of competing economic priorities, rising costs, municipal red tape and shortages of land, labour and materials. With more than 4.1 msf of new industrial space under construction as of the first quarter of 2021 and another 18.5 msf in various stages of planning, industrial development continues to find a way to move forward. Three current developments in Metro Vancouver highlight that perseverance.

Xchange Business Park, which entails 140 acres and will deliver 1.2 msf in its first phase, requires significant investment by **QuadReal Property Group** and **Hungerford Properties** in transportation infrastructure to improve access to the site. The developers will also transfer 28 acres to the City of Abbotsford for use as parkland as well as protect an additional 23 acres of riparian areas while also maintaining wildlife corridors running north and south through the property.

Beedie’s plans to develop the former Pineland Peat site, a 163-acre property in Delta, into an industrial park remains in the approval process involving a substantial number of government stakeholders and will require the redevelopment of a highway interchange and several other transportation infrastructure improvements in the area.

Montrose Property Holdings’ Richmond Industrial Centre is being constructed on a 170-acre land parcel that was home to a former construction waste landfill, which has been remediated and converted to an industrial park and will include 12 to 14 industrial buildings (ranging from 100,000 sf to 500,000 sf) when completed. The first building opened in September 2020.

In order to meet the voracious demand for industrial space in Metro Vancouver, developers are required to get creative and take on the challenge of delivering more opportunities for businesses to relocate and/or expand in the market. While the popular adoption of strata and unconventional forms of industrial development have assisted in the transition from a more traditional market, more flexibility will be required if the market’s full potential is to be truly realized. ■

*Q1 rental rates using CA-US exchange rate as of April 27, 2021

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