



Metro Vancouver industrial market report

Q2 2024

**AVISON
YOUNG**

Metro Vancouver industrial market fundamentals

2.9%

total vacancy rate
0.5% sublease vacancy

3.9%

total availability rate
down from 4.3% in Q1 2024

\$21.34

average asking net rent per square foot (psf)
**excludes \$6.23 psf average
additional rent**

5.5M

square feet (sf) vacant, including
1,079,970 sf of sublease space

-906,674

sf absorption
Q2 2024

6.7M

sf under construction
55 projects

Metro Vancouver industrial market trends

01.

Net rental rates have continued to trend downward, additional rents on the rise

For the third consecutive quarter, net rental rates have declined, dropping to \$21.34 psf in Q2 2024. The highest rate was recorded in Q3 2023, at \$21.99 psf.

Despite the decrease in net rents, additional rents have surged, primarily due to rising assessment values and property taxes. In Q2 2024, the average additional rent in Metro Vancouver reached \$6.23 psf, marking a 21% year-over-year increase. This increase pushed gross rental rates to a record high of \$27.57 psf.

Many tenants continue to experience "sticker shock" when negotiating lease renewals. For context, in 2014, the average gross rental rate in Metro Vancouver was \$12.45 psf.

02.

Vacancy continues to increase, market remains healthy

The vacancy rate increased by 80 basis points quarter-over-quarter, reaching 2.9% in Q2 2024. This is the highest vacancy rate seen in nearly a decade, when it hit 3.0% in Q3 2015.

Despite this rise, the market remains tight, especially for quality product. While tenants may start off expecting greater leverage in lease negotiations, they have realized that lease rates remain high due to the limited supply of comparable spaces.

As a result, some tenants have adopted a "wait and see" approach, conducting thorough due diligence and avoiding rushed decisions. This lack of urgency has extended the time required to negotiate deals.

03.

The second interest rate cut is bringing renewed optimism, especially for strata projects

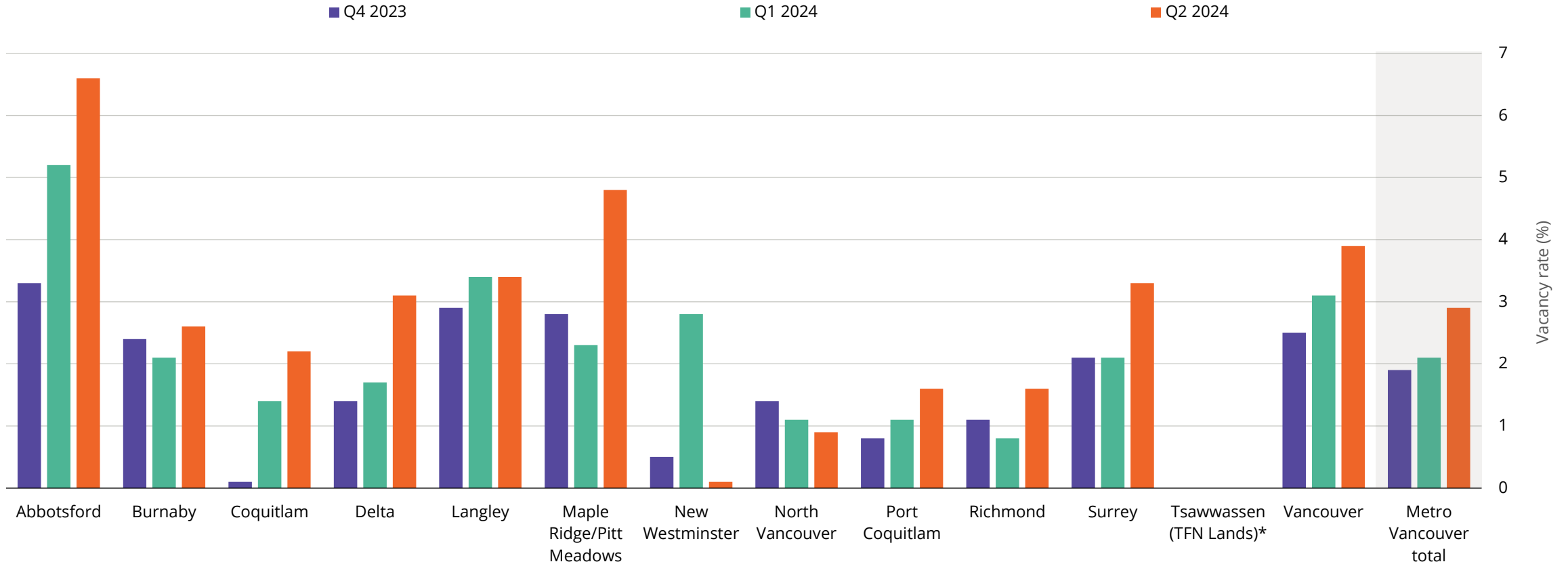
On July 24, 2024, the Bank of Canada reduced its benchmark interest rate by 25 basis points to 4.5%. As inflation continues to cool, additional interest rate cuts are anticipated throughout the year.

While the uncertain times have compelled some to sell assets unexpectedly, excellent investment opportunities have been created for those willing to commit capital.

In March 2024, 18.2% of strata projects under construction in the Metro Vancouver market were pre-sold. By June 2024, this percentage had risen to 24.5%. Although recovery remains slow, pre-sales are expected to continue increasing, especially with further expected interest rate cuts from the Bank of Canada.

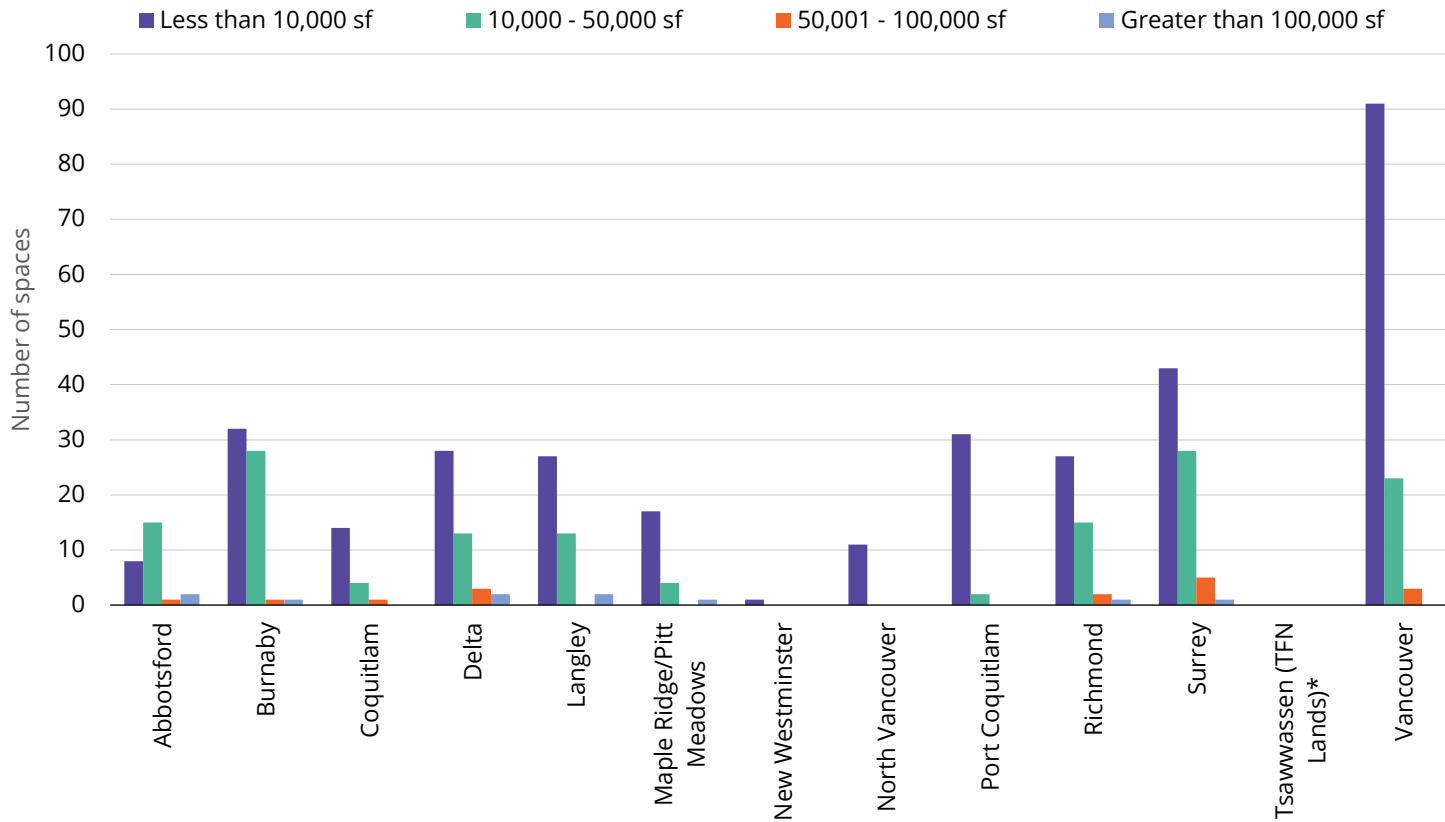
Metro Vancouver industrial market indicators

Quarterly vacancy rate by market



Metro Vancouver industrial market indicators

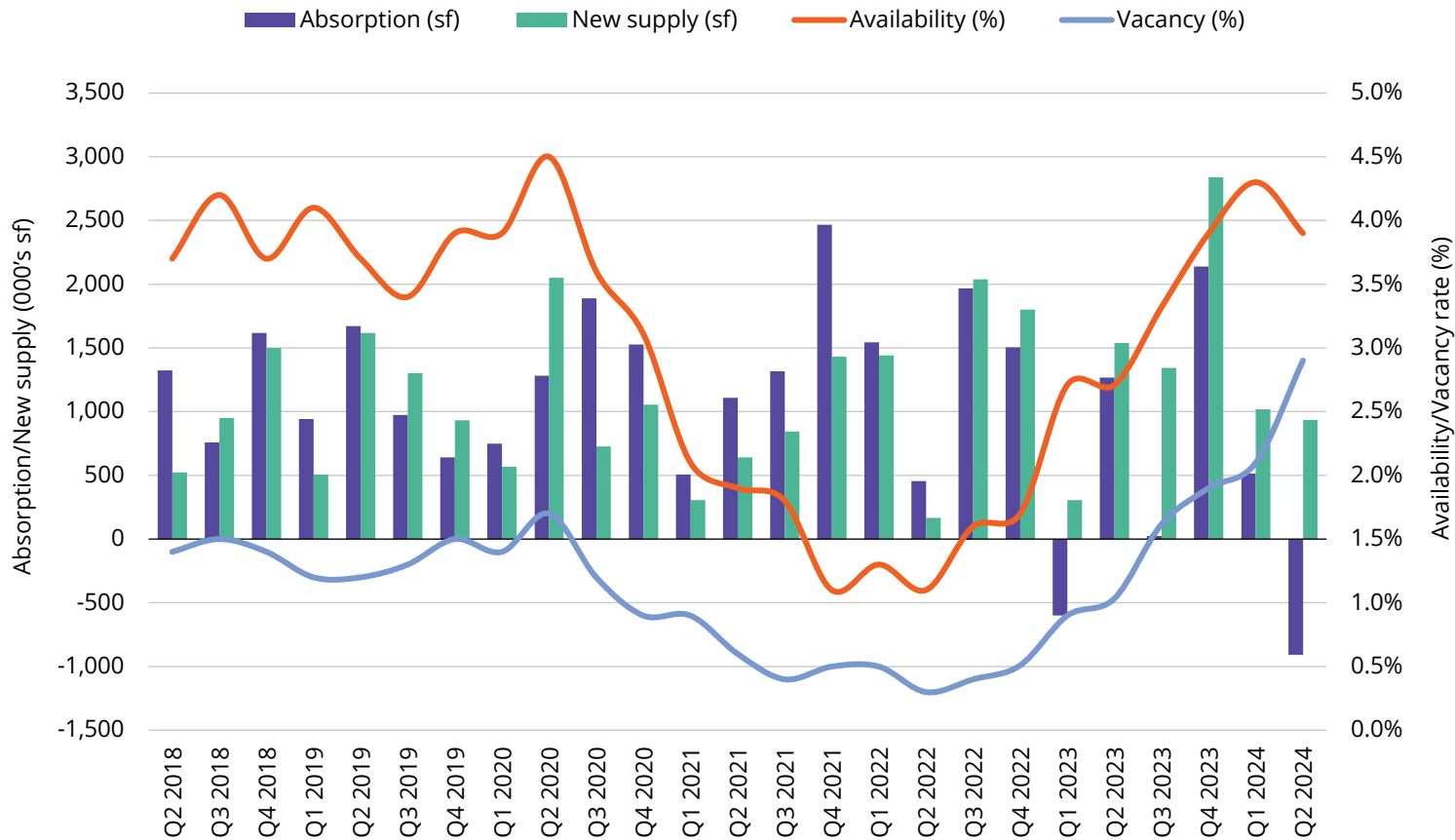
Vacancy by building size



There were 10 vacant space options greater than 100,000 sf in Q2 2024, compared to just three options one year ago.

Metro Vancouver industrial market indicators

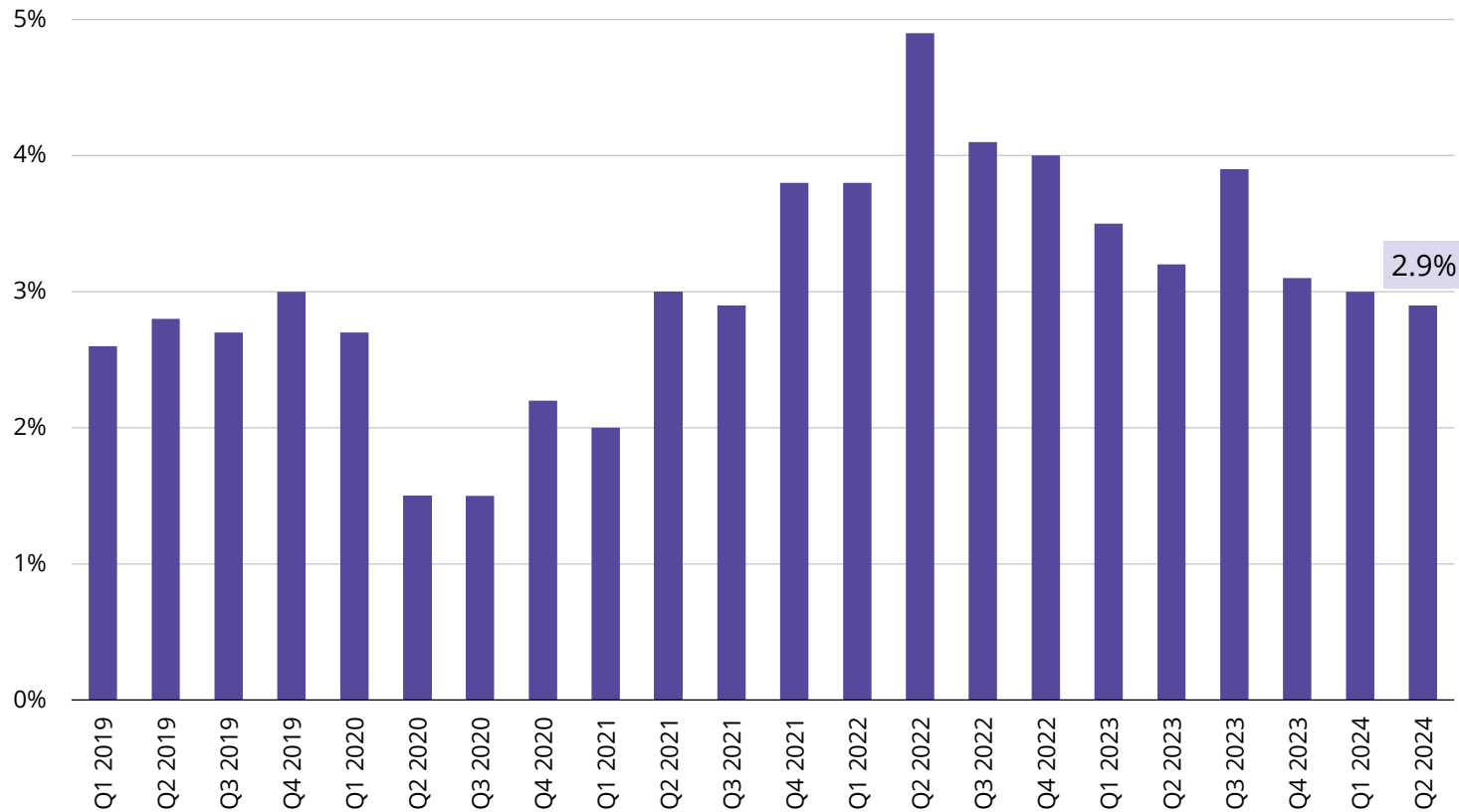
Historic industrial market trends



Vacancy continued to rise, with negative absorption of 906,674 sf.

Metro Vancouver industrial market indicators

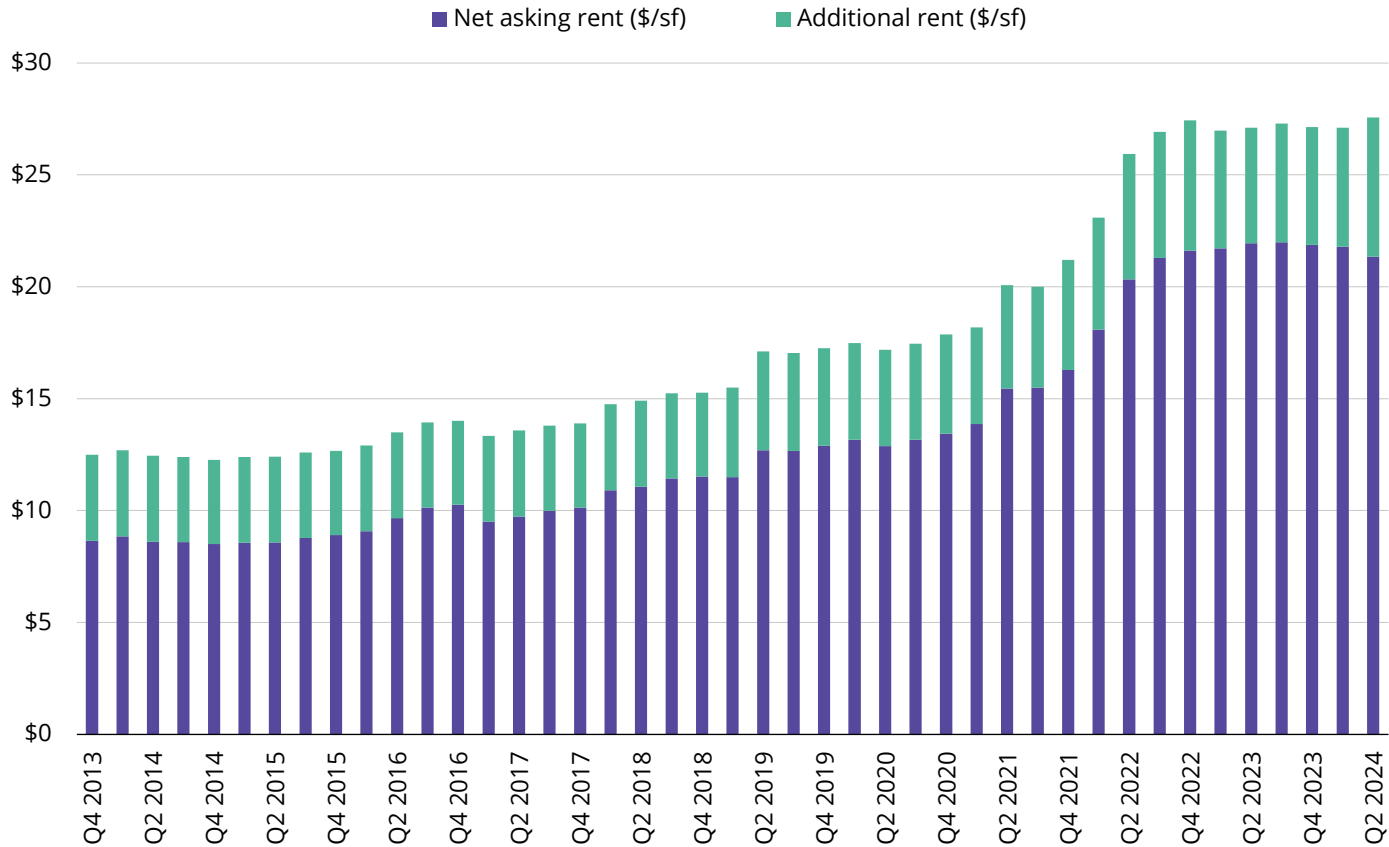
Space under construction as a percentage of existing inventory



Despite increasing construction costs and a rise in vacancy, projects in the pipeline remain steady.

Metro Vancouver industrial market indicators

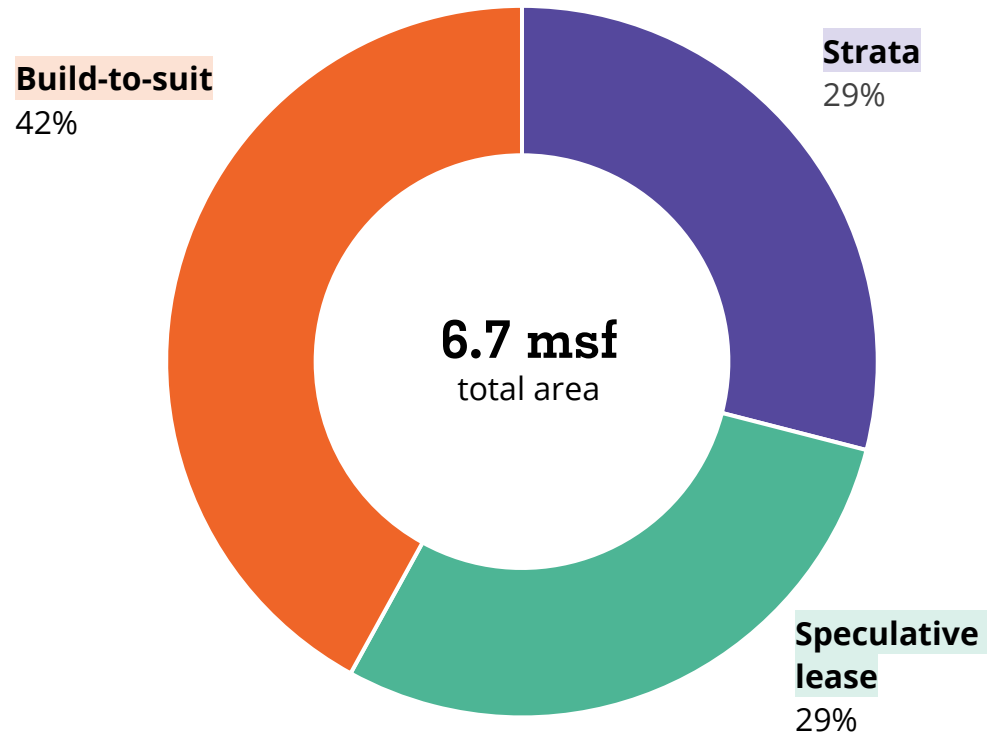
Quarterly weighted average asking rents



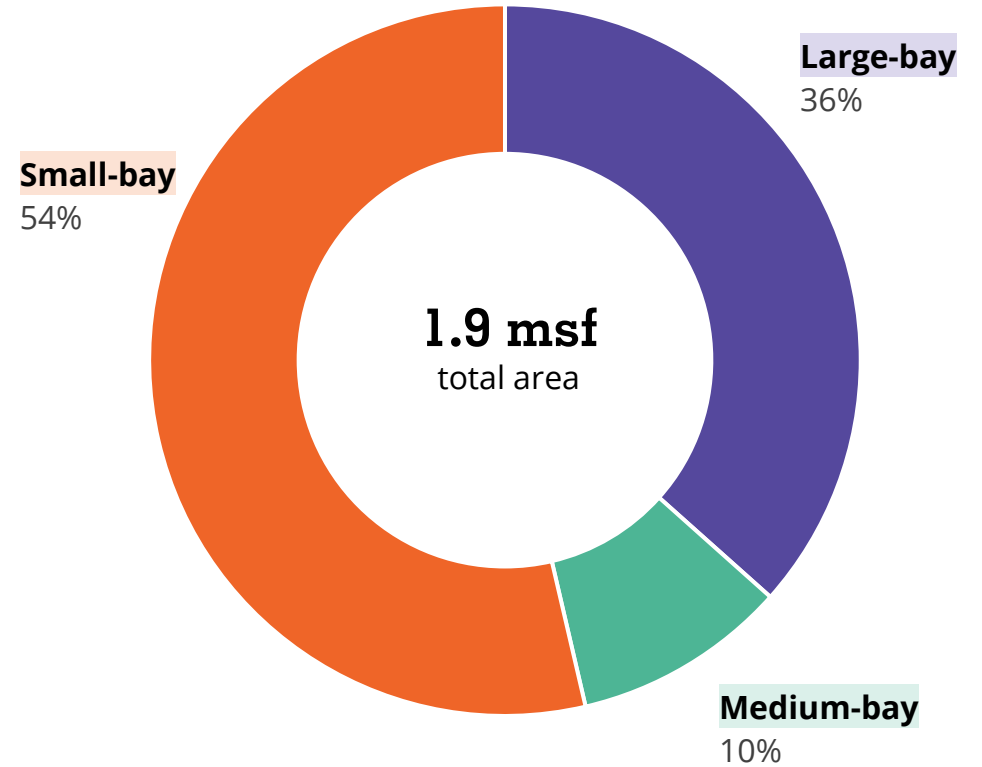
Although net rents have remained stable, total gross rents reached a high of \$27.57 psf.

Metro Vancouver industrial market indicators

Under construction by product type - total area (sf)



Strata under construction by bay size - total area (sf)

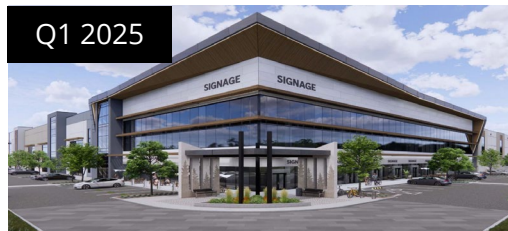


Metro Vancouver industrial development timeline

Lease projects 150,000+ sf



Address	Elevate 11 King Edward Street	Delco Industrial Lands 7590-7688 80th Street	Eagle Meadows Business Park, Building 1 19755 Wharf Street	Eagle Meadows Business Park, Building 2 19757 Wharf Street
Market	Coquitlam	Delta	Pitt Meadows	Pitt Meadows
Developer	Wesgroup	Beedie	Epta Development Corporation (EDC)	Epta Development Corporation (EDC)
Size (sf)	196,993	254,028	172,092	194,760
Status	Under construction	Under construction	Under construction	Under construction
% Pre-leased	0%	100%	0%	0%



Address	Latimer Lake Logistics Park, Building 1 28th Avenue & 192nd Street	Latimer Lake Logistics Park, Building 2 28th Avenue & 192nd Street	Nordel Point 8358 Nordel Way	4419 Salish Sea Way
Market	Surrey	Surrey	Delta	Delta (TFN Lands)
Developer	Heppell	Heppell	Conwest	Beedie
Size (sf)	243,730	461,650	202,646	485,675
Status	Under construction	Under construction	Under construction	Proposed
% Pre-leased	0%	0%	0%	0%

Metro Vancouver industrial market activity

Notable leasing transactions

Address	Tenant	Size (sf)	Lease type	Transaction type
5827 274th Street, Langley	Masonite International Corporation	259,590	Direct	Renewal
8151 Churchill Street, Delta	AFOD Ltd.	109,932	Direct	New Headlease
1005 Derwent Way, Delta	Olympia Transportation Ltd.	102,536	Sublet	Sublease
20146 100A Avenue, Langley	Kirmac Collision & Autoglass	77,029	Direct	New Headlease

Major industrial buildings transactions

Address	Buyer	Sale price	Sale price (psf)	Seller
15050 54A Avenue, Surrey	Bosa Properties	\$93,000,000	\$295	CanFirst Capital Management
3548 191 st Street, Surrey	1318347 BC Ltd.	\$26,500,000	\$565	Magnum Nutraceuticals Holding Ltd.
7978 82 nd Street, Delta	Korsmet Inc.	\$22,732,800	\$640	Beedie Group
9552 198 th Street, Langley	MKRSM Holdings Ltd.	\$21,600,000	\$541	Norco Management Inc.
6440 Beresford Street, Burnaby	1343769 BC Ltd.	\$18,850,000	\$311	Broadway Properties Ltd.

Major industrial land transactions

Location	Buyer	Site acres	Sale price	Price per acre	Seller
100 Forester Street, North Vancouver	HTEC Forester-Street Land Holding Corp.	21.37	\$145,000,000	\$6,785,213	Erco Ltd.
1085 Tanaka Court, New Westminster	Beedie Group	12.93	\$74,040,000	\$5,726,218	SP Copper Property Buyer Inc.
7280 River Road, Richmond	City of Richmond	5.00	\$68,000,000	\$13,600,000	Ebco Industries Ltd.

Metro Vancouver industrial 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)	Avg asking net rent (psf)	Avg additional rent (psf)
Surrey	41,175,320	1,091,037	264,059	1,355,096	3.3%	2,012,560	4.9%	-400,024	74,132	1,901,455	\$21.03	\$5.40
Richmond	40,518,438	644,425	13,029	657,454	1.6%	931,564	2.3%	100,491	437,850	435,868	\$20.71	\$5.70
Burnaby	31,526,996	711,007	100,261	811,268	2.6%	1,592,218	5.1%	-139,399	0	1,590,690	\$21.54	\$7.25
Delta	27,303,234	653,586	198,911	852,497	3.1%	1,324,540	4.9%	20,511	423,629	465,028	\$21.32	\$5.61
Vancouver	24,763,337	715,485	259,627	975,112	3.9%	999,658	4.0%	-208,893	0	868,069	\$22.01	\$9.19
Langley	18,541,618	526,311	99,230	625,541	3.4%	692,140	3.7%	-1,859	0	196,792	\$22.25	\$6.39
Abbotsford	10,103,454	664,157	6,146	670,303	6.6%	526,601	5.2%	-143,788	0	346,057	\$20.11	\$5.26
Port Coquitlam	9,469,446	132,772	19,626	152,398	1.6%	193,797	2.0%	-46,613	0	63,262	\$20.81	\$6.70
Coquitlam	8,210,738	82,327	95,515	177,842	2.2%	207,090	2.5%	-64,348	0	484,711	\$21.89	\$6.19
Maple Ridge / Pitt Meadows	6,031,935	266,747	23,566	290,313	4.8%	392,973	6.5%	-153,154	0	366,852	\$22.47	\$4.13
North Vancouver	5,385,305	48,796	0	48,796	0.9%	79,711	1.5%	10,402	0	0	\$22.47	\$10.55
New Westminster	4,405,187	2,335	0	2,335	0.1%	21,370	0.5%	120,000	0	0	\$20.00	\$6.63
Tsawwassen (TFN Lands)	1,348,540	0	0	0	0.0%	0	0.0%	0	0	0	N/A	N/A
Metro Vancouver	228,783,548	5,538,985	1,079,970	6,618,955	2.9%	8,974,222	3.9%	-906,674	935,611	6,718,784	\$21.34	\$6.23

For more market insights and
information visit **avisonyoung.ca**

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