

Market Report

Overview – After reaching a record low of 1.7% at midyear, it's small comfort for the Lower Mainland's 10,000+ businesses that the availability rate improved slightly to 2.0% at year end. Just over 3,500,000 ft.² was brought to the market in 2019, while warehouse users consumed 3,200,000 ft.². By comparison occupiers absorbed 3,800,000 ft.² in 2018, while new construction totaled 3,200,000 ft.². The narrative is now fairly well established. A growing population base, an active port, a robust film and television industry combined with the ongoing expansion of online retail, is pushing demand for all forms of warehouse space to unprecedented levels. Land constraints along with a prolonged and expensive entitlement process, however, are moving in the opposite direction. This untenable situation is putting severe strains on industrial markets throughout the region. Unfortunately no remedy is on offer. The end result - higher rents.



Rental and Availability Rates

Direct Asking Rent* (\$/SF)	Total Availability Rates (12/31/19)	YoY Change
\$13.28	Vancouver 3.0%	▲ 1.6%
\$14.17	Richmond 2.6%	▲ 0.5%
\$13.68	Burnaby 2.4%	▼ 0.8%
\$10.78	Surrey 1.8%	▲ 0.8%
\$10.85	Coquitlam 1.6%	▼ 2.4%
\$12.50	Port Coquitlam 1.6%	▼ 0.9%
\$17.68	Delta 1.2%	▼ 1.1%
\$11.21	Langley/Township 1.2%	▼ 2.2%
\$18.14	North Shore 0.6%	▲ 0.0%

*Net rent CAD

Recent Transactions

Occupier	Size	Submarket	Industry	Address
1 Sunco Foods	55,575 SF	Burnaby	Food	8211 Fraser Reach Court
2 William F. White	36,271 SF	Burnaby	Film	3819-3841 Still Creek Avenue
3 BCAA Holdings	23,349 SF	Burnaby	Auto Services	3000-3290 Beta Avenue
4 Airfast Distributors	20,395 SF	Surrey	Distribution	3557 190th Street
5 Wartsila Canada	17,299 SF	Surrey	Industrial/Mechanical	19074 22 Avenue

Occupier's Perspective



There's no doubt metro Vancouver businesses are being fatigued by never ending cost pressures, not least of which is real estate. The region is now home to some of the most expensive warehouse space in North America.



Small bay, mid bay, and large bay are all characterized by a dearth of space available to lease. And going further up the Fraser Valley no longer offers refuge.



During the year, warehouse rents increased 8.6%, while ops and taxes increased 14.2%. Over the past 5-yr (avg. term) gross occupancy costs have increased 60%.

Market Trends



After seeing construction stay above 4.0 million square feet for a number of quarters, year-end data shows just 3.2 million square feet was under construction, of which 66% was preleased.

Of note, port related cargo volumes [laden imports/TEU's] slipped in 2019, falling 2% after multiyear record-breaking activity, which may provide just a modicum of relief after an extended period of "hyper" demand.

The buy vs. lease dilemma continues, but with the recent drop in interest/mortgage rates [5-yr rates down to 2.95%] and some lenders going as high as 80% on LTV (loan to value), mid-teen rents mean buying is a viable option.