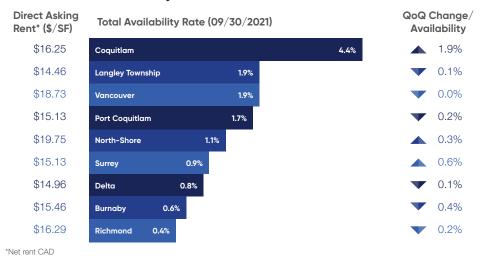
Market Report



The misery for warehouse users continued in the third quarter with the region-wide vacancy falling to a distressing 0.6%, the lowest on record, and lowest of any major industrial market in North America. Warehouse rents jumped by over a \$1.00 during the quarter to register \$16.63 per square foot (psf), and \$2.00 psf from year-ago levels. (Note: a decade ago rents rarely went up by more than \$0.25 – per year). For industrial tenants coming off a 5-year lease, renewal rates will be on average up 86%, or more 17% per year. \$20.00 psf rents at lease expiry (2026) are now increasingly common. New supply is nowhere near meeting demand, with only four million square feet underway. Even double that number would still be well short of what is required. For warehouse users, across the region, the inability to find space is starting to be a serious deterrent to growth.



Rental and Availability Rates



Recent Transactions (Lease)

Occupier		Size	Submarket	Industry	Address
1	Precision NanoSystems	75,000 SF	Vancouver	Biotech	1055 Vernon Drive
2	Embark Health	39,143 SF	Delta	Cannabis	1629 Fosters Way
3	4PX Express	37,471 SF	Richmond	Logistics	3351 Sweden Way
4	PacBrake Manufacturing	36,039 SF	Langley	Truck Parts	26688 56th Avenue
5	Day & Ross	34,555 SF	Burnaby	Transportation	8246 Willard Street

Occupier's Perspective



The warehouse market has taken on residential feel, with bidding wars on almost all space brought to market.



For large, well established companies, a degree of comfort can be taken as landlords focus more on covenant. The opposite applies to startups.



Warehouse users are being forced to get creative and be willing to compromise just to get space. "Nice to haves" are now often off the table.

Market Trends



Demand destruction cannot be ruled out. Real estate costs as a percentage of revenues is quickly approaching levels where business owners will opt to cease operations.

As supply chain disruptions only get worse, many businesses are being forced to increase inventory levels, with the knock-on effect of increasing their warehouse needs.

Exceptionally low vacancy rates are set to be a feature of the Vancouver industrial market for the foreseeable future, with the accompanying pain for warehouse users a very real concern for the region as a whole.

Thinking beyond space