



## Industrial Overview

Metro Vancouver, BC  
Fall 2019

Multiple economic factors powering Metro Vancouver's industrial market to record heights

### REGIONAL OVERVIEW

Metro Vancouver's industrial market remains one of the strongest in North America thanks to ongoing strong demand among users and both private and institutional investors, which is driving rapid rental rate growth, supporting premium pricing for industrial assets as well as record low vacancy and elevated levels of new construction activity in 2019.

Industrial vacancy in Metro Vancouver's 206.8-million-square-foot (msf) market in the third quarter of 2019 was 1.3%, the second lowest in Canada after Toronto, which posted a vacancy rate of 0.7%. Industrial vacancy in Ottawa was the third lowest in Canada at 1.8%. Average asking net rental rates for industrial space is the highest in Vancouver at \$12.67 psf, compared with \$10.75 psf in

Edmonton, \$10.73 psf in Ottawa and \$10.49 psf in Regina. Toronto's average asking net rental rate of \$8.95 psf is among the lowest in Canada.

The city of Vancouver's average industrial asking net rental rate (\$18.14 psf) in the third quarter of 2019 was the highest in Metro Vancouver, followed by North Vancouver (\$15.93 psf) and Coquitlam (\$13.88 psf). For the first time in Metro Vancouver's history, the average asking net rental rate for industrial space surpassed \$10 psf in all municipalities throughout the region.

Metro Vancouver's regional industrial market is being powered by four key engines of demand and growth (along with other factors outside the region).

[continued on back page](#)



Metro Vancouver's industrial vacancy second-lowest in Canada at 1.3%



Strata projects are becoming the dominant form of new industrial development in Metro Vancouver due to the high prices achievable



All municipalities recorded an average asking net rental rate for industrial space in excess of \$10 psf for the first time in Metro Vancouver history



Delivery of significant new supply not impacting vacancy as most is released in 2019/20

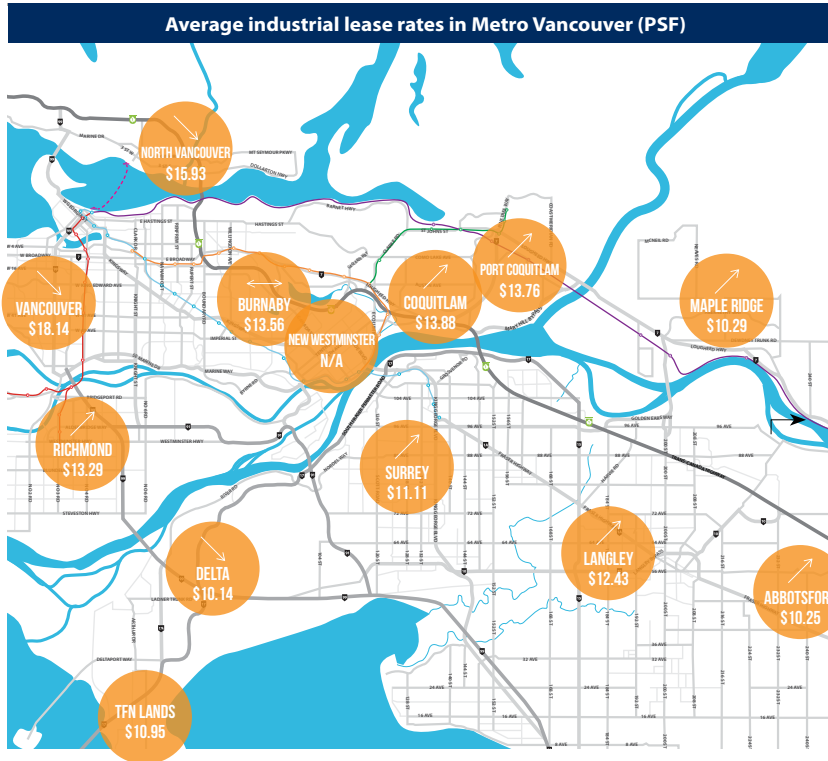


Lease rates at record highs as Metro Vancouver average surpasses \$12.65 psf



Stacked industrial development increasingly being considered by major developers in Metro Vancouver due to high land costs and a limited industrial land supply

## Metro Vancouver Industrial Market Update (Q3 2019)



*Approximately 1.8 million sf of new inventory will be delivered in the next six months, but 58% of that space is already preleased/presold.*

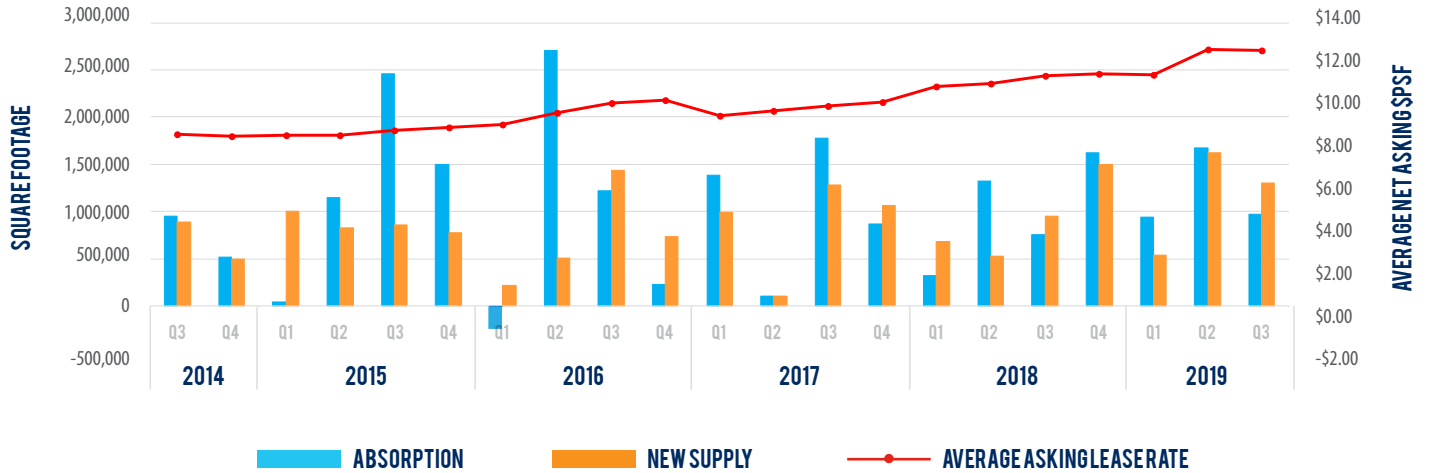
MUNICIPALITY	INVENTORY	Q3 VACANCY
Richmond	38,148,282	1.5%
Surrey	33,192,961	1.3%
Burnaby	29,068,868	1.2%
Vancouver	24,179,934	3.3%
Delta	25,307,214	1.0%
Langley	17,386,319	0.8%
Coquitlam	8,210,738	1.0%
Port Coquitlam	7,944,572	0.4%
Abbotsford	8,331,740	0.7%
North Vancouver	5,340,305	0.6%
New Westminster	4,405,187	0.0%
Maple Ridge/Pitt Meadows	4,427,299	0.3%
Tsawwassen (TFN Land)	863,620	0.0%
<b>Metro Vancouver</b>	<b>206,807,039</b>	<b>1.3%</b>

### RECENT NOTABLE INDUSTRIAL LEASE TRANSACTIONS IN METRO VANCOUVER SINCE SPRING 2019

MUNICIPALITY	ADDRESS	SQUARE FEET	TENANT	TYPE
Delta	1425 Derwent Way	282,526	Veritiv Corp.	Renewal
Delta	4300 80th Street	234,629	MTU Aero Engines	New
Vancouver	3200 East Broadway	215,928	CV Logistics Inc.	New
Abbotsford	3084 Peardonville Road & 2285 Queen Street	179,057	FlexiForce Canada Inc.	Renewal
Richmond	16131 Blundell Road	178,787	Euro Asia Transload	Sublease
Langley	27475 58 Crescent	162,000	General Motors	Renewal
Richmond	1700 No. 6 Road	125,294	Daiso Canada Ltd.	New
Richmond	12211 Horseshoe Way	106,380	Whites Studios	New
Surrey	9255 194th Street, Units 11-15	98,307	Metrie Canada Inc.	Renewal
Delta	7560 Beedie Way	82,740	GoodFood Market Corp.	New
Port Coquitlam	1610 Industrial Avenue	80,414	CIMS LP	Renewal
Surrey	19060 33rd Avenue	75,000	Richards Packaging Inc.	New
Richmond	13201 River Road	72,986	FPS Food Processing Solutions Corp.	New
Burnaby	7588 Winston Street	66,431	SIM Video International Inc.	Renewal
Surrey	19060 33rd Avenue	65,000	Access Information Management of Canada ULC	New
Delta	701 Audley Boulevard	61,800	GPS Logistics & Warehouse Ltd.	Renewal
Maple Ridge	23282 River Road	61,500	Vista Railing Systems Inc.	Renewal
Vancouver	901 Great Northern Way	61,000	Tesla Inc.	New
Vancouver	455 East Kent Avenue North	60,357	Lush Handmade Cosmetics Ltd.	Renewal

Sources: Avison Young Research & RealNet

## Metro Vancouver Five-Year Industrial Trends



### NOTABLE INDUSTRIAL INVESTMENT SALES BY PRICE IN METRO VANCOUVER SINCE SPRING 2019

ADDRESS	VENDOR	PURCHASER	PURCHASE PRICE	PPSF	BUILDING (SF)/ SITE AREA (ACRE)
15050 54A Avenue, Surrey	Hydro Quebec	CanFirst Capital Management	\$66,150,000	\$210	315,128 / 16.03
18920 36th Avenue, Surrey	Garaventa Ltd.	PFN Holdings Ltd.	\$29,000,000	\$260	111,374 / 5.15
11511 No. 5 Road, Richmond	South Street Developments	PIRET / Blackstone Group	\$21,900,000	\$231	95,000 / 3.12
365 Railway Street, Vancouver	Danet Interiors Ltd.	Allied REIT	\$18,000,000	\$514	35,000 / 0.27
27222 Lougheed Highway, Maple Ridge	642385 B.C. Ltd.	Whitewater Concrete	\$15,000,000	\$166	90,435 / 9.32
16160 River Road, Richmond	H. Brum Enterprises Ltd.	Soka Holdings Ltd.	\$13,000,000	\$359	36,200 / 4.40
10095 & 10097 179th Street, Surrey	PD Properties & Rentals Inc.	Hall Constructors Corporation	\$12,550,000	\$212	59,265 / 5.73
30722 Marshall Road, #100-124, Abbotsford	Teck Construction LLP	Global Bolting Systems Ltd.	\$12,534,830	\$246	51,030 / strata
788 Caldew Street, Delta	Gilbertson & Page (Canada) Inc.	788 Caldew Holdings Ltd.	\$12,000,000	\$212	56,523 / 2.67
1280 Odium Drive, Vancouver	Robco Construction Ltd.	1111680 B.C. Ltd.	\$11,688,200	\$849	13,772 / 0.44

### NOTABLE INDUSTRIAL LAND SALES BY PRICE IN METRO VANCOUVER SINCE SPRING 2019

ADDRESS	VENDOR	PURCHASER	SALE PRICE	SITE AREA (ACRES)	PRICE/ACRE
18930 & 18970 24th Avenue, Surrey	0711634 B.C. Ltd.	PIRET (80%) & 24 Ave GP Ltd. (20%)	\$44,215,000	19.69	\$2,245,328
1168 & 1170 Derwent Way, Delta	Supreme Group	Beedie	\$38,150,000	14.82	\$2,574,224
6856 152nd Street & 15331 68th Avenue, Surrey	Private Individual	Conwest Group of Companies	\$30,000,000	13.22	\$2,268,603
10566 Scott Road, Surrey	Private Individual	Vancouver Fraser Port Authority	\$26,750,000	13.89	\$1,925,846
1491 & 1515 Kingsway Avenue, Port Coquitlam	Vansea Holdings Ltd.	Conwest Group of Companies	\$22,000,000	9.68	\$2,272,727
1154-1156 Kingsway Avenue, Port Coquitlam	North Alouette Holdings Ltd.	1134754 B.C. Ltd.	\$20,650,000	10.35	\$1,994,398
9760 190th Street, Surrey	Perfect Properties Inc.	Beedie	\$14,500,000	4.88	\$2,970,094
309 Kennard Avenue, North Vancouver	North Van Plywood Supply Ltd.	AAA Self Storage Depot Inc.	\$12,000,000	1.02	\$11,718,750
15600 & 15611 River Road, Richmond	Private Individual	Canadian National Railway Company	\$11,000,000	5.67	\$1,940,035
19363 32nd Avenue, Surrey	QRD (CH193 Holdings) Inc.	Sherwood Investments Ltd.	\$10,618,000	4.94	\$2,148,523

Sources: Avison Young Research & RealNet

## E-COMMERCE

The ongoing transformation of the retail supply chain continues unabated as e-commerce reshapes consumer shopping habits. This is also having several impacts on Metro Vancouver's industrial market including demand for more traditional large fulfilment centres, a market segment that is challenged due to a lack (and the high cost) of suitably sized land parcels that can accommodate these large warehouses. The need for smaller last-mile delivery logistics hubs are also in strong demand in Metro Vancouver, particularly within the inner Metro core of Vancouver, Burnaby and Richmond. Recent substantial leases by e-commerce and logistics/distribution users have included the likes of **Sobeys** (530,000 sf), **Amazon** (453,000 sf), **Walmart** (300,000 sf), **The Brick/Leon's Furniture** (430,000 sf), **IKEA** (330, 540 sf), **BMW Canada** (280,000 sf) and **Canadian Alliance Terminals** (242,460 sf).

A scarcity of industrial sites of scale and the extraordinarily high industrial land costs in these core markets has forced developers to get creative, including development of multi-storey or stacked industrial buildings that can take full advantage of the higher floor space ratios (FSRs) that many sites are now being priced to in order to capture the full value of the property zoning. E-commerce will remain challenged in Metro Vancouver until new forms of industrial development are able to help overcome the challenges that come with a highly constrained industrial land supply. While industrial land costs seem cost prohibitive in a local, regional and national context, international e-commerce operators understand that Metro Vancouver's industrial land costs in a global context remain substantially less than many other large cities in Europe, Asia and the United States.

## FILM/TV PRODUCTION

Metro Vancouver or "Hollywood North" has long hosted a vibrant film and television production industry and is typically ranked as the third largest film production centre in North America. While historically that industry had been serviced by a number of large studios located largely in Burnaby, Vancouver and the North Shore, elevated production volumes due in part to the proliferation of streaming services such as **Netflix**, **Hulu** and **Amazon Prime Video** have exceeded the capacity of local studios. As a result, production companies frequently began leasing (and re-leasing) warehouse space to use for their projects and were willing to pay higher rents for shorter terms.

New studios have opened to meet demand such as the 177,000-sf **Ironwood Studios** in South Vancouver in 2015 (which was subsequently acquired and renamed **Whites Studios Ironwood**), the 75,000-sf **Skydance Studios** in Surrey in 2016 as well as **Martini Film Studios'** initial 150,000-sf facility in Langley in 2017. Despite this new dedicated supply, production companies continue to lease and occupy industrial space, particularly in Burnaby and other core industrial markets. In September 2019, Martini Film Studios proposed a new 600,000-sf facility on 25 acres in Langley, which would make it the largest film and television production studio in Canada when completed. Whites Studios also leased 106,380 sf in early 2019 and is now named **Whites Studios Copperwood** in South Richmond.

## MANUFACTURING

While traditional manufacturing in Metro Vancouver continues to be displaced further out from the core, it remains an integral part of the provincial economy whether drawing on natural resources to create forestry, mining and agri-food products to non-resource-based manufacturing such as shipbuilding and aerospace, as well as clean-tech and life sciences companies. According to the provincial government, BC had the fourth fastest-growing manufacturing sector in Canada in terms of percentage of GDP between 2013 and 2018. **MTU Aero Engines** recently leased more than 234,000 sf in Delta, while **FlexiForce Canada**, the world's largest manufacturer of overhead door hardware and accessories, renewed its 178,790-sf lease in Abbotsford. **Metrie Canada**, a manufacturer and distributor of interior mouldings and doors, renewed in 98,300 sf in Surrey in 2019, while **Vista Railing Systems** renewed in 61,500 sf in Maple Ridge. Manufacturing remains a key component of Metro Vancouver's industrial market despite reports to the contrary.

## PORT OPERATIONS

The Port of Vancouver is Canada's largest port and the most diversified in North America and home to 27 major marine cargo terminals. The port operates across five business sectors: automobiles, breakbulk, bulk, container and cruise. In 2018, 147 million tonnes of cargo moved through the port, valued at \$240 billion. Port operations are a defining characteristic of Metro Vancouver's industrial market with logistics and warehousing playing an outsized role in the construction, leasing and sale of industrial properties throughout the region. Investment in transportation infrastructure supporting port operations also remains a key driver of industrial activity in the region. Between January 1 and June 30, 2019, overall cargo through the port increased 0.5% to a record 72.5 million metric tonnes over the same time last year, with new mid-year records in containers, potash, grain and cruise passengers.

## Vancouver Industrial Team

**Lucy Barton**  
604.646.8384  
lucy.barton@avisonyoung.com

**Kyle Blyth\***  
604.647.5088  
kyle.blyth@avisonyoung.com

**Russ Bougie\***  
604.757.5115  
russ.bougie@avisonyoung.com

**Bryn Cartwright**  
604.647.5093  
bryn.cartwright@avisonyoung.com

**Ben Cummings**  
604.647.1349  
ben.cummings@avisonyoung.com

**Jennifer Devlin**  
604.757.4950  
jennifer.devlin@avisonyoung.com

**John Eakin**  
604.646.8399  
john.eakin@avisonyoung.com

**Michael Farrell**  
604.646.8388  
michael.farrell@avisonyoung.com

**Mackenzie Forge**  
604.647.1354  
mackenzie.forge@avisonyoung.com

**Rob Gritten**  
604.647.5063  
robert.gritten@avisonyoung.com

**Megan Hymanyk**  
604.757.5255  
megan.hymanyk@avisonyoung.com

**Kevin Kassautzki**  
604.646.8393  
kevin.kassautzki@avisonyoung.com

**Ryan Kerr\***  
604.647.5094  
ryan.kerr@avisonyoung.com

**John Lecky**  
604.647.5061  
john.lecky@avisonyoung.com

**Joe Lehman**  
604.757.4958  
joe.lehman@avisonyoung.com

**Ben Lutes**  
604.646.8382  
ben.lutes@avisonyoung.com

**Gord Robson**  
604.647.1331  
gord.robson@avisonyoung.com

**Githa Selamet**  
604.647.1345  
githa.selamet@avisonyoung.com

**Mathew Sunderland\***  
604.647.1346  
mathew.sunderland@avisonyoung.com

**Angus Thiele**  
604.646.8386  
angus.thiele@avisonyoung.com

**Terry Thies\***  
604.646.8398  
terry.thies@avisonyoung.com

**Matt Thomas**  
604.646.8383  
matt.thomas@avisonyoung.com

**Ian Whitcho\***  
604.647.5095  
ian.whitcho@avisonyoung.com

**Garth White\***  
604.757.4960  
garth.white@avisonyoung.com

**Jennifer Williams**  
604.757.4955  
jennifer.williams@avisonyoung.com

**Cally Zering**  
604.757.5116  
cally.zering@avisonyoung.com

\* Personal Real Estate Corporation

For more information please contact:

**Michael Keenan, Principal & Managing Director**  
Direct Line: 604.647.5081  
michael.keenan@avisonyoung.com

**Andrew Petrozzi, Principal & Practice Leader, Research (BC)**  
Direct Line: 604.646.8392  
andrew.petrozzi@avisonyoung.com

Avison Young  
#2900-1055 W. Georgia Street  
Box 11109 Royal Centre  
Vancouver, BC V6E 3P3, Canada

**AVISON  
YOUNG**

**BEST  
MANAGED  
COMPANIES**  
Platinum member

avisonyoung.com

© 2019 Avison Young. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources that we deem reliable and, while thought to be correct, is not guaranteed by Avison Young Commercial Real Estate (B.C.) Inc.; DBA, Avison Young.