

VANCOUVER CHAPTER

**NAIOP**

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

VANCOUVER  CHAPTER

22ND ANNUAL

Regional

# INDUSTRIAL

## Cost of Business Survey

Fall 2021

IRONWORKS  
by Conwest



IRONWORKS is Canada's first stacked, mixed-use commercial industrial project, built over a full city block in Vancouver's historic Port Town neighbourhood. Comprising 207,000 square feet of office and industrial space, the project was a finalist at the 2021 ULI Americas Awards for Excellence.

# Message from the President

On behalf of NAIOP Vancouver, I am pleased to present the 2021 edition of the NAIOP Cost of Business Survey (COBS). The purpose of this annual survey is to provide a scorecard to rank Metro Vancouver municipalities based on their respective entitlement approval timelines and development charges associated with constructing a hypothetical development project. This year, the focus is on industrial development.

The survey provides a framework to identify municipalities that have excelled in fostering entitlement and development cost regimes that support job creation and regional economic growth. The COBS awards recognize the municipalities that have outranked their peers in the following categories: Most Improved - Fees, Most Fiscally Responsible, and Most Business-friendly.

The survey also contains interviews with

a member of staff from the municipalities receiving an award, a market overview highlighting the latest statistics and trends in the industrial asset class in Metro Vancouver, and perspectives on the current industrial market from experts in the industry. Industrial real estate in Vancouver is currently outperforming all other asset classes in rental growth and investment appeal. The strong leasing demand within this asset class, however, has also added to supply constraints already evident in our industrial market – further driving important discussions around regional land availability, development approvals, and development costs.

With this in mind, we hope that you find the 2021 COBS report to be particularly valuable in this time of rapid change and evolving expectations in the industrial market.

I would like to thank all those who

helped in the preparation of this important contribution to transparency in the industry.

Sincerely,

Anthio Yuen

Director, Research Services & Strategy  
 GWL Realty Advisors  
 2021 President, NAIOP Vancouver

## Index

Message from the President . . . . .	2
2021 Highlights . . . . .	3
2021 Winners . . . . .	3-4
Industrial Building Prototype . . . . .	4-5
Survey Summary . . . . .	6
Municipal Fees . . . . .	7
Building Permit Data . . . . .	7
Mill Rates . . . . .	8
Timing . . . . .	9
Future of Industrial . . . . .	10
Market Update . . . . .	12-13
Economic Impact Study . . . . .	14

### ACKNOWLEDGMENT:

NAIOP Vancouver would like to acknowledge and thank all the municipalities that took part in this year's Cost of Business Survey. Participation is voluntary and the time expended to respond can be significant for planning, engineering, and building departments. Development in any jurisdiction is a partnership between businesses, government, and the community. NAIOP Vancouver is pleased to be in a position to work, on behalf of our members, with all of the Metro Vancouver jurisdictions that participated in the publication of this information for the business community. NAIOP would also like to acknowledge the contributions of CBRE Limited for the industrial market statistics. If you have any questions regarding this year's publication, please contact the Cost of Business Survey Committee at [cobs@naiopvcr.com](mailto:cobs@naiopvcr.com).



Since 1954, Beedie has built more than 35 million square feet of industrial space across British Columbia, Alberta, and Ontario. We are committed to continuing our legacy of building for good and delivering best-in-class industrial facilities to our clients throughout North America.

Thank you to the dedicated Municipal Employees for all your hard work and congratulations to all the 2021 NAIOP Awards for Municipal Excellence winners.

[www.beedie.ca](http://www.beedie.ca)



Delta Link Business Park  
 Completed 2020

## 2021 Highlights

The 2021 NAIOP Cost of Business Survey presents annual awards to municipalities that have implemented improvements in development costs and processing times. Our assessment of 18 Metro Vancouver municipalities provides our membership and the business community at large with an essential reference tool for considering development areas. The survey is also a tool for municipalities themselves as a gauge for their own development costs and approval processes as compared to their neighbors.

This year, the 2021 NAIOP Awards for Municipal Excellence will be acknowledging municipalities that have excelled in creating environments positive to business creation.

The three categories of awards are:

- Most Improved - Fees: The most improved compared to previous survey results
- Most Fiscally Responsible: Cost increases kept in line with overall inflation
- Most Business-friendly: Implementation of policies to support the creation of new job spaces

**The 2021 winners are:**

**1. Most Improved - Fees:  
City of Langley**

The City of Langley demonstrated the lowest increase to its total municipal fee from 2019 to 2021

relative to other municipalities. The City of Langley maintained the same municipal fee from 2019 to 2021.

**2. Most Fiscally Responsible:  
City of Langley**

The City of Langley exhibited the lowest annual average increase to municipal fees over the past 10 years. The majority of municipalities have increased their fees incrementally over the same time period.

**3. Most Business-friendly:  
City of Delta**

The City of Delta has consistently supported industrial development projects over the past decade. In addition to scoring high in multiple categories of the Cost of Business

Survey, Delta has become known for taking a pragmatic approach to development applications and keeping development cost inflation low. This has attracted industrial developers to find sites in Delta, creating a significant industrial development pipeline at a time when it is much needed for the region.

We interviewed the winners about the improvements they have made and the impact those changes have had on businesses and the real estate community.

## 2021 Winners Q & A

### City of Langley: Most Fiscally Responsible and Most Improved - Fees

Roy Beddow is the Deputy Director of Development Services for the City of Langley.



**Congratulations on winning the award for Most Fiscally Responsible and Most Improved Fees. The City of Langley has shown the lowest annual average increase to municipal fees over the past 10 years. How have you managed to do that?**

First of all, we have a very streamlined process for development applications here. So, by having a more efficient process, with fewer steps along the way than some other municipalities, we can function with a lean organization which reduces our costs. Secondly, our philosophy is to keep costs as low as possible - to

have fees that recover our costs while also staying competitive. And finally, because of our geography and history, all the development taking place here is redevelopment, so development is happening in areas that are already serviced. Because of that, costs are lower than in some municipalities and as a consequence, fees can be lower as well.

**What are some noteworthy current and/or upcoming real estate developments in Langley City?**

There are a number of applications in the pipeline and a lot of projects under construction. Right now, it's primarily multi-family residential development. That's our bread and butter. There are also some large mixed-use projects with ground floor commercial. We're also looking to intensify development in our industrial lands, which are being preserved in our new Official Community Plan. To that end, Orion Construction is developing a 60,000-square-foot,

### City of Delta: Most Business-friendly

Mayor George Harvie



**What changes have you implemented to attract more business to Delta and what have been some of the highlights in the last couple years?**

After I was elected, our council took immediate steps to remove red tape and work with the development community to reduce processing times, but due to COVID, we've slipped back, as have other cities, and we're now looking to reduce processing times back to where they should be. We've undertaken some major planning initiatives to open new development opportunities in our town centre and major corridors, including Ladner Village

and the Scott Road Corridor, where work on the rapid bus line is now underway. We want to attract good developments and new businesses, along with well-paying jobs for people who live here so they don't have to travel outside the community. We have a 163-acre industrial business park off Hwy 99 coming up, along with a 155-acre development adjacent to Hwy 91. These projects together will bring in 3,500 job opportunities. We are working hard with the provincial government on our economic recovery, and we are excited to get those sites under construction.

**What other noteworthy developments are coming up in Delta?**

We put together a Mayor's Housing Task Force for Scott Road to ensure certainty for the development community and the people who live there. We just finished that, and our staff are just now preparing OCP changes that will provide incentives for the development community to start investing there. We

## 2021 Winners Q & A

### CITY OF LANGLEY

CONTINUED FROM PAGE 3

multi-tenant light industrial project at the northwest corner of 200 Street and 56 Avenue. With rapid transit coming to the City, we have identified significant areas around the planned stations for high density residential, mixed-use, and mixed-employment development, creating great opportunities for investment.

#### What feedback have you received to date about your City's fiscal policies around development?

Check out our new Official Community Plan which we expect to adopt in November; it is preparing our city for Skytrain. Under that plan, there are a lot of great new opportunities for development that will open up. The plan lays the groundwork for Skytrain and brings a new vision for transit-oriented development to the City. Second, definitely talk to and meet with City staff early at the pre-application stage. We're very responsive and happy to provide information and feedback on different sites and opportunities. We do a lot of work with developers at the pre-application stage. By engaging at that early stage, we can work to refine proposals, which yields a smoother and more streamlined process for the formal application.

### CITY OF DELTA

CONTINUED FROM PAGE 3

also just gave third reading to a 29-storey high-rise. Over the next few years, we want to implement changes such as OCP and zoning amendments that would reduce development times to attract businesses and to redevelop the Scott Road area.

I also struck another task force on building permits and development applications, involving local developers. They are working to develop bylaws and process improvements, including looking at shortening the requirements to get to 3rd reading. Currently, the process takes too long and is too expensive. This would reduce the costs and time for projects not yet approved.

#### What feedback have you received to date from the real estate community about building business space in your city?

It's exciting times here. We have a lot of applications, but we need to reduce processing times, post-pandemic. With stresses on our staff, we are hoping to reduce that time to ensure our development community goes through the proper process but allows them to get to a final decision faster.

#### Any advice for the real estate community wanting to develop projects in Delta?

My office is always open. We believe the path to a successful project is honest, open communication. It's important to meet before an application comes in on any project to explore the hurdles. It's also important we expand our industrial base here in Delta, to expand our tax base, and to keep taxes low. We are still debt free in Delta, but we need to offer more jobs to Delta residents to work in Delta.

## Industrial Building Prototype

The proposed development is for a 100,000-square-foot (9,290-square-meter) concrete tilt-up distribution warehouse with a 15,000-square-foot (1,394-square-meter) office component in a single-story structure. The building is proposed for an unsubdivided, non-industrial-zoned, 6-acre lot which requires a number of municipal approvals.

#### Development context:

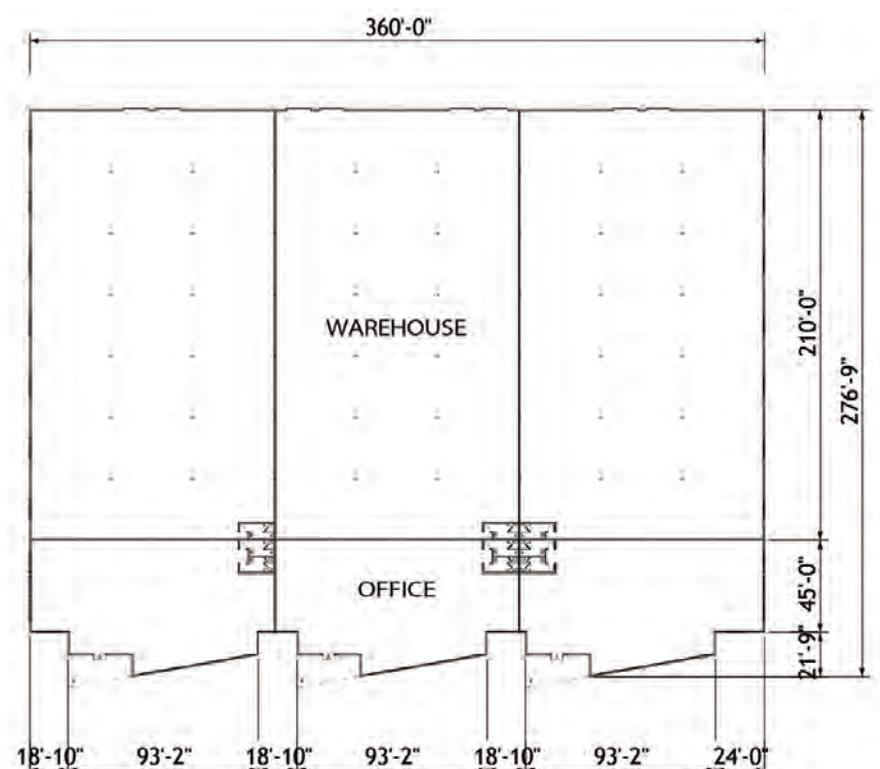
- Located within an area designated in the municipality's Official Plan and Metro Vancouver's Regional Growth Strategy as suitable for industrial use
- Located within a DP area
- Located within a DCC/DCL-applicable area
- 490 feet of lot frontage on a 15-year-old dedicated municipal roadway and interior parcel lines with adjacent lots after subdivision

#### PROPOSED INDUSTRIAL SITE DATA

NET SITE AREA: 5.5 ACRES (2.226 HECTARES)

#### PROPOSED BUILDING

WAREHOUSE AREA	85,000 SQ.FT.
OFFICE AREA	15,000 SQ.FT.
TOTAL BUILDING AREA	100,000 SQ.FT.
CONSTRUCTION COST OF BLDG. & ON-SITE IMPROVEMENTS	\$ 15,000,000.00
COST OF OFFSITE IMPROVEMENTS	\$ 750,000.00



2 FLOOR PLAN

# Industrial Building Prototype

**Building assumptions:**

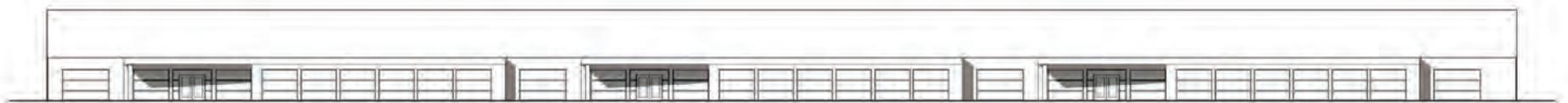
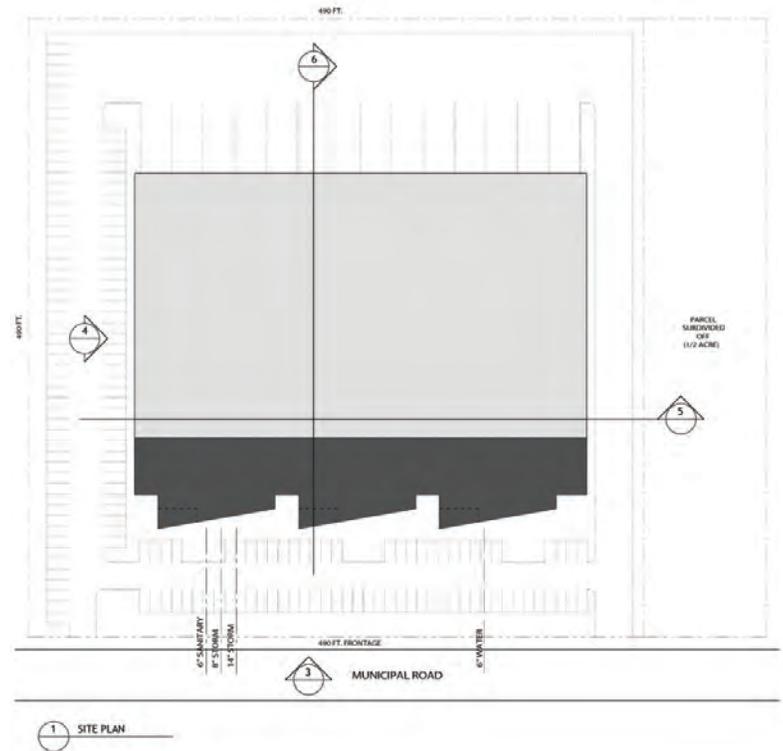
- Complies with zoning and design bylaw regulations in the governing jurisdiction
- The application and its contents have been prepared using the services of a registered architect, landscape architect, and professional engineer
- Office component to be improved as required by code for designated use and occupancy
- Fully sprinklered throughout the warehouse and office components

**Development requirements:**

- Rezoning to general industrial/office zoning
- Land subdivision to create one parcel of 5.5 net acres less road and other dedications
- All required permits and fees

**Construction costs:**

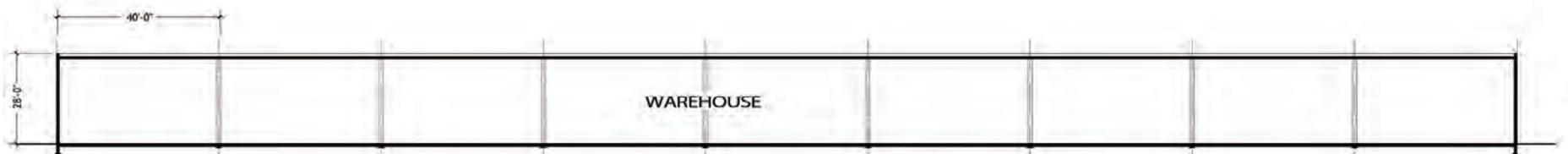
- \$15,000,000 (\$150 per square foot) for building and onsite improvements
- \$750,000 for offsite works (street and drainage improvements – not eligible for DCC rebates)



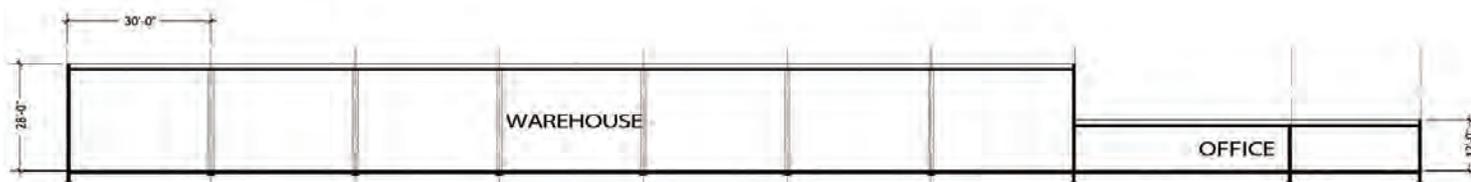
3 FRONT ELEVATION



4 SIDE ELEVATION



5 CROSS SECTION



6 CROSS SECTION

# Survey Summary

Total municipal fees from 2019 to 2021 for the NAIOP benchmark industrial development increased by an average of 17.0% across all participating municipalities. Notably, Development and Building Permit Fees are on the rise, with 14 of the 18 participating municipalities reporting an increase in this category.

Canada's average annual inflation rate from 2011 to 2021 was 1.7%. Three municipalities managed to keep their annual average cost inflation below this point – the City of Langley, City of Delta, and City of New Westminster. In contrast, six municipalities implemented annual average fee increases of over 5.0%.

While the average approval timeline increased 18.1% across all municipalities, 10 municipalities showed no increases from 2019. Three municipalities reported a timing increase of over 50% from 2019 to 2021. Please note that these times largely rely on development permit, subdivision, and building permits being processed concurrently with rezoning; any delays in one phase of the process can significantly affect the overall approval timing for a given municipality.

Municipality	2021 Total Fee	2021 Approval Timing (days)
City of Burnaby	\$266,663.90	360
City of New Westminster	\$302,243.27	300
City of Maple Ridge	\$349,588.45	240
City of Chilliwack	\$362,907.65	240
City of Delta	\$384,133.39	240
City of Port Coquitlam	\$397,307.00	360
City of Langley	\$474,928.30	360
City of Mission	\$476,671.50	420
City of Abbotsford	\$523,031.00	545
City of North Vancouver	\$567,684.66	480
City of Port Moody	\$605,564.30	360
City of Coquitlam	\$654,147.68	485
City of Pitt Meadows	\$654,731.71	480
Township of Langley	\$918,774.33	120
City of Vancouver	\$1,085,866.90	730
City of Surrey	\$1,177,161.91	605
District of North Vancouver	\$1,208,384.08	360
City of Richmond	\$1,368,559.50	120

**NOTES**

\*Total fee excludes Sewer & Water Connection Fees, Regional Sewer & Drainage Fees, and Taxes.

\*\*High end of process timing estimates used to calculate 2021 Approval Timing.

1. New Westminster - 2021 DCC fee component assumes a simple average of the Mainland (\$48,000.00) and Queensborough (\$108,000.00) DCC fees.
2. Port Coquitlam - 2021 DCC fee component assumes a simple average of the Area 1 DCC cost (\$96,521.00) and the Area 2 DCC cost (\$360,276.00).
3. Surrey - 2021 DCC component assumes the proposed development is in Campbell Heights.

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» 4/5 of the biggest commercial real estate brokerages in BC are NAIOP Sponsors

» 5/5 of the biggest commercial property managers in BC are NAIOP Sponsors

*According to Business in Vancouver (BIV) Lists, 2021*

# Municipal Fees

2019 Rank	2021 Rank	Municipality	Rezoning & Subdivision Application Fees	Development & Building Permit Fees	Administration, Processing & Sprinkler Inspection Fees	DCC/DCL Fee	2021 Total	2019 Total	% Change from 2019	Equivalent Annual Average Inflation Rate from 2011	Sewer Connection Fee	Water Connection Fee	Regional Sewer & Drainage Fees (Metro, GVSD, etc.)
1	1	City of Burnaby	\$19,588.20	\$215,038.70	\$32,037.00	\$0.00	\$266,663.90	\$237,414.60	12.3%	4.6%	\$47,290.00	\$15,000.00	\$267,000.00
2	2	City of New Westminster	\$9,068.74	\$182,823.78	\$32,350.75	\$78,000.00	\$302,243.27	\$260,767.80	15.9%	1.1%	N/A	N/A	\$267,000.00
5	3	City of Maple Ridge	\$8,012.00	\$98,624.75	\$30,861.00	\$212,090.70	\$349,588.45	\$348,243.45	0.4%	3.2%	\$27,000.00	\$12,500.00	\$267,000.00
4	4	City of Chilliwack	\$4,578.00	\$124,938.75	\$13,125.00	\$220,265.90	\$362,907.65	\$342,404.56	6.0%	2.8%	\$28,000.00	\$22,000.00	N/A
6	5	City of Delta	\$4,815.00	\$119,636.10	\$31,679.35	\$228,002.94	\$384,133.39	\$376,720.94	2.0%	-0.2%	\$31,000.00	\$51,000.00	\$267,000.00
10	6	City of Port Coquitlam	\$13,877.00	\$123,220.00	\$31,811.50	\$228,398.50	\$397,307.00	\$395,547.50	0.4%	4.4%	\$19,000.00	\$9,000.00	\$267,000.00
8	7	City of Langley	\$7,074.39	\$131,180.00	\$33,343.90	\$303,330.00	\$474,928.30	\$474,823.53	0.0%	-2.3%	\$45,000.00	\$15,000.00	\$267,000.00
7	8	City of Mission	\$6,495.00	\$110,251.50	\$38,955.50	\$320,969.50	\$476,671.50	\$464,000.09	2.7%	2.8%	\$15,174.00	\$17,593.00	\$41,990.80
9	9	City of Abbotsford	\$8,257.00	\$94,127.00	\$29,947.00	\$390,700.00	\$523,031.00	\$518,416.25	0.9%	4.0%	\$150.00	\$50.00	N/A
11	10	City of North Vancouver	\$10,198.16	\$125,505.75	\$45,508.75	\$386,472.00	\$567,684.66	\$538,065.00	5.5%	5.2%	\$30,000.00	\$25,000.00	\$120,000.00
3	11	City of Port Moody	\$30,532.90	\$163,376.90	\$32,158.00	\$379,496.50	\$605,564.30	\$338,463.90	78.9%	10.7%	N/A	N/A	\$267,000.00
14	12	City of Coquitlam	\$14,775.73	\$151,245.29	\$33,331.22	\$454,795.44	\$654,147.68	N/A	N/A	4.2%	N/A	N/A	\$267,000.00
N/A	13	City of Pitt Meadows	\$7,167.71	\$156,216.00	\$24,000.00	\$467,348.00	\$654,731.71	N/A	N/A	4.9%	N/A	N/A	\$267,000.00
12	14	Township of Langley	\$22,735.00	\$120,075.34	\$35,227.40	\$740,736.59	\$918,774.33	\$583,823.44	57.4%	5.1%	N/A	N/A	\$267,000.00
15	15	City of Vancouver	\$83,609.00	\$180,439.50	\$3,818.40	\$818,000.00	\$1,085,866.90	\$1,037,017.50	4.7%	6.3%	\$35,811.00	\$31,392.00	N/A
13	16	City of Surrey	\$10,886.40	\$151,680.90	\$10,080.61	\$1,004,514.00	\$1,177,161.91	\$648,434.35	81.5%	8.2%	\$12,006.00	\$40,476.19	\$267,000.00
16	17	District of North Vancouver	\$12,195.00	\$196,351.80	\$35,682.60	\$964,154.68	\$1,208,384.08	\$1,198,089.18	0.9%	13.6%	\$30,807.00	\$20,000.00	\$120,000.00
17	18	City of Richmond	\$3,319.00	\$143,240.50	\$30,000.00	\$1,192,000.00	\$1,368,559.50	\$1,330,732.00	2.8%	2.9%	\$13,500.00	\$13,000.00	\$105,000.00

## NOTES

\*2021 Total and 2019 Total fees exclude Sewer & Water Connection Fees, Regional Sewer & Drainage Fees, and Taxes.

\*\*Estimated at 686 sprinkler heads.

1. New Westminster - 2021 DCC fee amount shown assumes a simple average of the Mainland (\$48,000.00) and Queensborough (\$108,000.00) DCC fees. Corrected 2019 figure.

2. Port Coquitlam - 2021 DCC fee amount shown assumes a simple average of the Area 1 DCC cost (\$96,521.00) and the Area 2 DCC cost (\$360,276.00). The 2019 survey only reported Area 2 DCC costs. City DCC bylaws and associated costs have not changed.

3. City of Langley - corrected 2019 figure.

4. Coquitlam - redacted 2019 figure.

5. Vancouver - Regional Sewer & Drainage Fees collected through property taxes.

6. Surrey - 2021 DCC fee amount assumes the proposed development is in Campbell Heights; 2019 DCC fee amount was based on standard Surrey industrial DCC rate.

7. Richmond - Sprinkler Inspection fee is included in the Building Permit fee.

# Building Permit Data

Across the Metro Vancouver and Fraser Valley regions, industrial development activity continues to increase, with the total value of new industrial building permits rising from \$432.4 million in 2018 to \$626.6 million in 2020. The increase is largely attributed to the City of Vancouver and the City of Burnaby, who reported a total permit value increase of \$168.1 million and \$106.9 million, respectively. Only three municipalities reported no industrial development activity in 2020.

Municipality	2020 Total Building Permit Value (New Industrial Buildings)	2020 Total Number of Building Permits (New Industrial Buildings)
City of Vancouver	\$227,199,600.00	15
City of Surrey	\$189,356,830.00	19
City of Burnaby	\$142,154,035.00	6
City of Maple Ridge	\$65,952,200.00	2
City of Richmond	\$33,245,246.00	14
Township of Langley	\$30,876,593.00	8
City of Abbotsford	\$28,000,000.00	6
City of Delta	\$20,474,503.00	3
City of Chilliwack	\$15,300,000.00	2
City of Mission	\$6,133,560.00	3
City of New Westminster	\$4,104,984.00	1
District of North Vancouver	\$3,855,000.00	1
City of Pitt Meadows	\$3,000,000.00	1
City of Port Coquitlam	\$1,413,000.00	1
City of Langley	\$40,000.00	2
City of North Vancouver	-	0
City of Port Moody	-	0
City of Coquitlam	-	0

## NOTES

\*Sorted by Total Building Permit Value.

# Mill Rates

2021 Rank	Municipality	2021 Light Industrial Mill Rate (Class 5)	2021 Residential Mill Rate (Class 1)	Industrial-to-Residential Tax Ratio
1	City of Chilliwack	5.474	3.230	1.695
2	City of Surrey	3.665	1.868	1.961
3	City of Abbotsford	6.330	3.170	1.997
4	City of Delta	5.420	2.527	2.145
5	City of Langley	5.765	2.529	2.280
6	Township of Langley	4.953	2.133	2.322
7	City of Richmond	4.568	1.854	2.464
8	City of Mission	8.014	3.214	2.494
9	City of Maple Ridge	8.094	3.088	2.621
10	City of North Vancouver	5.221	1.765	2.958
11	City of Port Coquitlam	7.596	2.556	2.972
12	City of Burnaby	5.150	1.701	3.028
13	City of Vancouver	4.915	1.602	3.069
14	City of Coquitlam	6.739	2.175	3.099
15	City of Pitt Meadows	10.092	2.891	3.490
16	District of North Vancouver	6.408	1.825	3.511
17	City of New Westminster	11.034	2.829	3.900
18	City of Port Moody	11.136	2.683	4.151

The commercial real estate (CRE) sector plays an important role in the Metro Vancouver economy. The development, construction, and operation of CRE sector buildings both directly and indirectly create thousands of jobs and add tremendous value to regional GDP.

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**\$14.4B** IN LABOUR INCOME FOR WORKERS (2020)

**\$15.1B** IN NET CONTRIBUTION TO CANADIAN GDP (2020)

**\$1.5B** IN ANNUAL PROPERTY TAX REVENUES FROM THE COMMERCIAL PROPERTY SECTOR (32% OF ALL REGIONAL PROPERTY TAX REVENUES)

**\$5.04B** IN DEVELOPER CONTRIBUTIONS TO MUNICIPAL REVENUES BETWEEN 2015-2019

CITY HALL

# Timing

2021 Rank	Municipality	Rezoning Process (days)	Development Permit Process (days)	Subdivision Approval (days)	Building Permit (days)	2021 Approval Timing (days)	2019 Approval Timing (days)	% Change from 2019
1	Township of Langley	60-120	concurrent	concurrent	concurrent	120	120	0%
1	City of Richmond	60-120	concurrent	concurrent	concurrent	120	120	0%
3	City of Delta	120-180	concurrent	concurrent	<60	240	240	0%
3	City of Maple Ridge	180-240	concurrent	concurrent	concurrent	240	120	100%
3	City of Chilliwack	120-180	concurrent	<60	concurrent	240	180	33%
6	City of New Westminster	120-180	concurrent	concurrent	60-120	300	300	0%
7	District of North Vancouver	120-180	concurrent	concurrent	120-180	360	360	0%
7	City of Burnaby	60-120	concurrent	concurrent	180-240	360	420	-14%
7	City of Langley	60-120	concurrent	concurrent	180-240	360	180	100%
7	City of Port Moody	180-240	concurrent	concurrent	60-120	360	485	-26%
7	City of Port Coquitlam	180-240	concurrent	concurrent	60-120	360	360	0%
12	City of Mission	120-180	concurrent	concurrent	180-240	420	360	17%
13	City of Pitt Meadows	120-180	120-180	concurrent	60-120	480	N/A	N/A
13	City of North Vancouver	180-240	concurrent	120-180	<60	480	480	0%
15	City of Coquitlam	240-365	concurrent	concurrent	60-120	485	360	35%
16	City of Abbotsford	240-365	concurrent	concurrent	120-180	545	360	51%
17	City of Surrey	180-240	concurrent	concurrent	240-365	605	545	11%
18	City of Vancouver	240-365	240-365	concurrent	concurrent	730	730	0%

**NOTES**

\*High end of process timing estimates used to calculate 2021 Approval Timing.

1. Chilliwack - corrected 2019 figure.

2. New Westminster - corrected 2019 figure.

3. City of North Vancouver - corrected 2019 figure.

4. City of Vancouver - corrected 2019 figure.

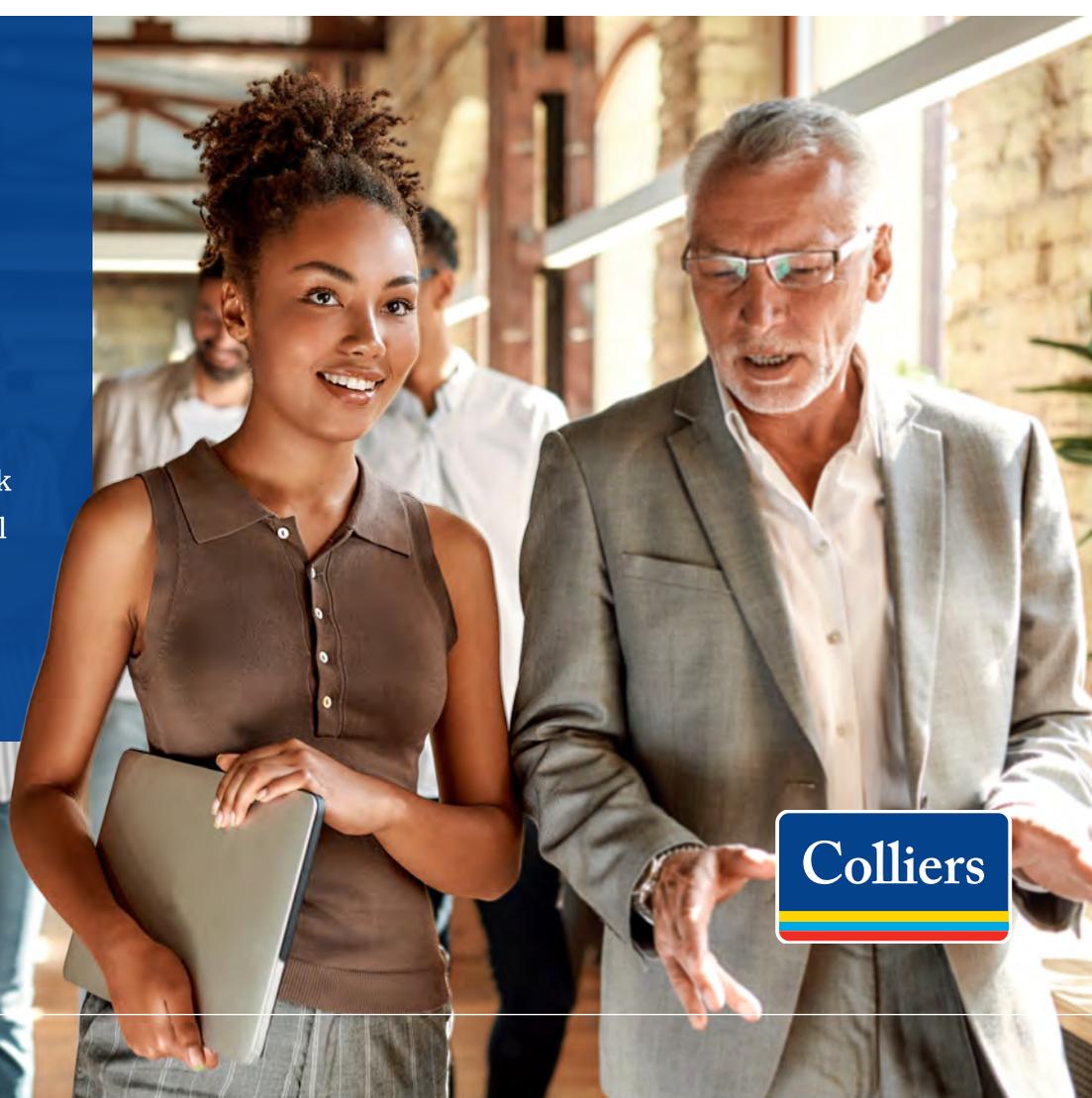
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Accelerating success.



# Future of Industrial Space

As many of you know, the industrial sector in Metro Vancouver has seen record historic low vacancy for the last few years, along with record increases in lease rates, with pandemic impacts only serving to increase demand. However, with land constraints and supply shortages, some experts are predicting challenges ahead for the sector. We canvassed three leaders in the industrial sector on the west coast for their thoughts on how things might play out in the coming months and years.

“With record low vacancy, tenants are getting far ahead of lease expiry and committing to space years out from delivery. Owner-users are committing to design-build options and/or strata projects with a similarly long-term view of operating in Metro Vancouver. This includes committing to far more space than needed in the short-term as occupants understand that supply will always be a concern in the Metro Vancouver industrial market. We will continue to see more stacked industrial in Metro

Vancouver and a push for higher ceiling heights in distribution centers. E-commerce continues to expand its footprint in Metro Vancouver, with film production becoming a huge player in the industrial market. The entire industrial market is currently thriving, and what’s in demand is space from 2,000 to 1,000,000 square feet. We are also seeing increased desire from institutional investors, as well as occupiers to own and/or lease properties that fit within organizational Environment,

Social, and Governance (ESG) criteria, which we believe will drive industrial development in a more sustainable direction into the future.”

*Ryan Kerr,  
Principal, Avison Young*



Boundary Bay Industrial Park, Building 1  
 8151 Churchill Street, Delta

“Throughout the Lower Mainland, we are experiencing historic low industrial vacancy coupled with demand. This is necessitating a high level of collaboration between landlords and tenants. Understanding the flow of a tenant’s business, seasonal needs, and daily demands allow us to be better positioned to react when needed. Core to this is enabling tenants to be able to utilize full cubic capacity through clear heights, mezzanines, and innovative racking and conveyor systems. This all helps to mitigate the rising costs of occupancy while creative multi-level warehousing is providing a template for productive densification. Meanwhile, the growth of e-commerce fulfillment centres in

the marketplace offers its own challenges in working to accommodate the unique site and building requirements of this rapidly changing, dynamic, and nimble component of the supply chain. Despite the market constraints, Vancouver and surrounding areas will remain a location of choice and will continue to offer an attractive environment for both landlords and tenants.”

*Paul Tilbury,  
COO, Dayhu Group*



“Now more than ever, it is imperative we bring on new industrial land and buildings to alleviate the lack of supply. The latest research data noting a 0.6% vacancy rate jeopardizes business growth and future employment opportunity for the region’s growing population base. We have seen excellent leadership taken by a number of municipalities working to proactively address the shortage of industrial land and older zoning bylaws restricting growth. The latest Metro Vancouver Industrial Land Inventory projects full absorption of the current land supply by 2030. Based on the demand we see from our tenants and purchasers,

it may be even earlier than 2030. We need to continue to work proactively with municipalities to identify where these future employment lands will be and design and construct the infrastructure necessary to service them to support business and employment growth.”

*Beth Berry,  
VP Industrial Development,  
Beedie*



Westpointe Business Centre  
 7799 Berg Road, Delta



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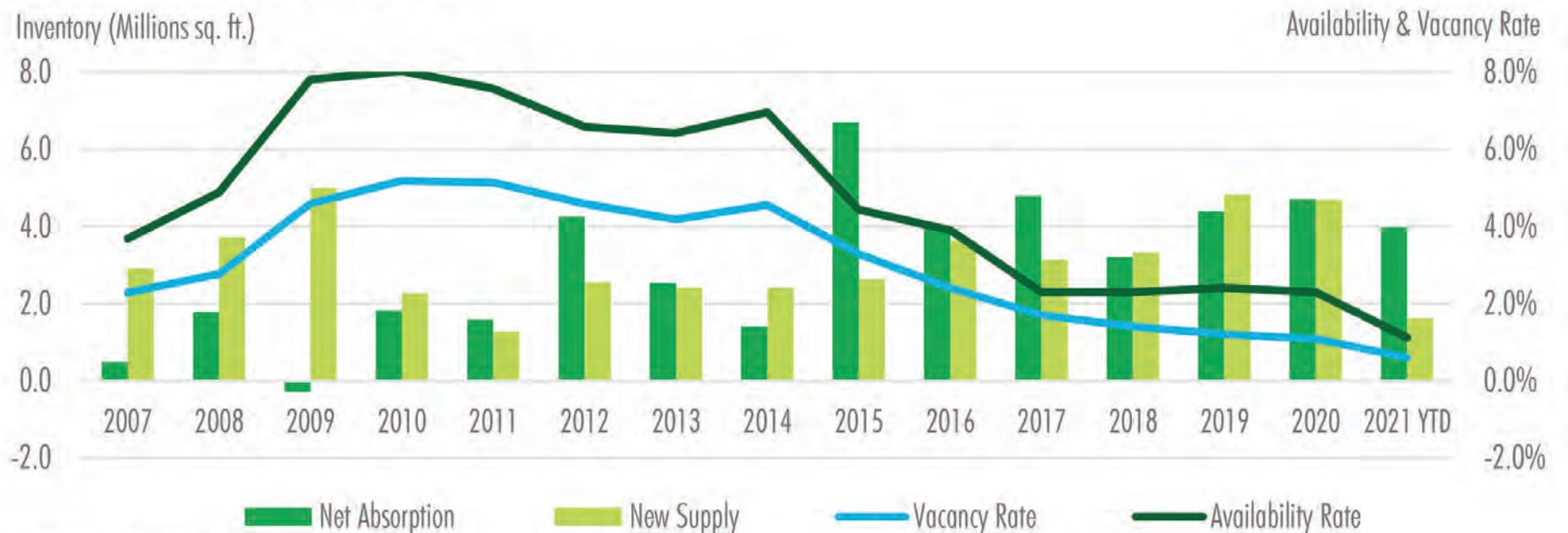
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MANAGEMENT

# Market Update

 <b>Availability</b> 1.1%	 <b>Vacancy</b> 0.6%	 <b>Absorption</b> 2.4 MSF	 <b>New Supply</b> 1.2 MSF	 <b>Average Lease Rate</b> \$15.01 PSF
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Figure 1: Metro Vancouver Supply & Demand



Source: CBRE Research, Q2 2021.

## Metro Vancouver

The Metro Vancouver industrial market continued to experience surges in demand through Q2 2021, surpassing Q1's record low vacancies of 1.0% to new lows. At the end of Q2, vacancy rates faced continual downward pressure, causing rates to fall 40 basis points (bps) to a new record low of 0.6% - the first drop below a 1.0% vacancy in Metro Vancouver history. Despite nearly 1.2 million sq. ft. of new supply entering the active inventory lineup in Q2 2021, 100% of this space was pre-committed to and offered no relief. Extreme supply shortages and increased demand translated into 2.4 million sq. ft. of positive net absorption for the quarter, bringing the year-to-date total to 4.0 million sq. ft. For the first time in history, there are zero opportunities available to fit the description of a Tier-1 use in Metro Vancouver's industrial market.

Average asking lease rates escalated 7.2% quarter-over-quarter, hitting a new record high of \$15.01 per sq. ft. This jump marks the second highest quarter-over-quarter increase in the last 5 years. While reflective of all industrial

availabilities, the average asking lease rates will vary per use; however, Tier 1 Logistics spaces continue to receive offers over \$14.00 per sq. ft., increasing nearly 50% in comparison to contracts negotiated in Q1 2018. While product develops at near record pace, large format occupiers operating in logistics and Ecommerce industries continue to spearhead much of the pre-leasing activity in this market.

## Vancouver

Considering the ongoing demand for space, Vancouver's availability and vacancy rates dropped 10 and 40 bps to 3.1% and 1.7%, respectively. While this submarket holds the highest total available square footage of any market through Metro Vancouver, two-thirds of this space comes from availabilities smaller than 25,000 sq. ft. As well, much of this inventory is not suited for distribution uses due to their lower clear heights and lack of suitable loading. Looking forward, 537,977 sq. ft. of industrial is currently under construction, with 85.0% of this total already spoken for. Much of what remains is stratified for smaller units, leaving existing inventory as the only

## Market Highlights

- In Q2 2021, Metro Vancouver's industrial vacancy rate reached new lows of 0.6%, availing no existing and available space options for occupiers larger than 100,000 sq. ft.
- While construction continues at an accelerated pace, the 1.2 million sq. ft. of new supply delivered in Q2 was nearly 100% pre-leased and did little to alleviate the pent-up demand that has accumulated in recent years. Of the 5.5 million sq. ft. currently under construction, 67.7% is either pre-leased, sold, or under contract.
- Average asking lease rates experienced a 7.2% lift quarter-over-quarter to reach \$15.01 per sq. ft., signifying a staggering 72.9% increase from the beginning of Q1 2017.
- A chief concern in recent years, the widening supply-demand imbalance in Metro Vancouver has become increasingly evident. As of Q2 2021, Metro Vancouver has experienced 31 consecutive quarters of positive net absorption, totaling 35.0 million sq. ft. Over this same period, only 26.9 million sq. ft. of new product was delivered, which has resulted in an 8.1 million sq. ft. inventory gap equivalent to 4.0% of current inventory.

viable option for occupiers who need to be situated in the urban core.

## Burnaby

With no new supply provided in Q2 2021, Burnaby experienced further declines to both availability and vacancy rates. At 0.8% and 0.4% respectively, these figures represent new all-time

lows for this region. As a result of this shortage of supply, average asking lease rates continue to experience significant increases, reaching \$14.64 per sq. ft.

## Richmond

Spanning multiple consecutive quarters, Richmond's availability and vacancy

rates experienced further declines and now sit at lows of 0.9% and 0.4%, respectively. Backed primarily by the lease of 16131 Blundell Road by a notable Ecommerce occupier, absorption activity totaled 306,424 sq. ft. Through the half year, absorption total is just over half of a million sq. ft., one can expect additional volume through pre-commitment activity amongst the 1.1 million sq. ft. of space currently under construction.

**Tri-Cities & New Westminster**

In Q2 2021, the Tri-Cities and New Westminster experienced minor decreases to availability and vacancy rates, falling to 1.4% and 1.0%, respectively. Average asking lease rates experienced a 2.0% lift quarter-over-quarter, reaching a record high \$14.86 per sq. ft. Elevated absorption activity of 474,905 sq. ft. is primarily backed by the completion of Saputo’s new 358,093 sq. ft. facility at 1889 Kingsway Avenue.

**Delta & TFN Lands**

Bolstered by 203,172 sq. ft. of new supply, entirely pre-leased by an international Ecommerce occupier, this market recorded 344,075 sq. ft. of absorption in Q2 2021. Steady demand has kept the vacancy rate below 1.0% for the 4th consecutive quarter and has brought the availability rate below that for the first time.



Photo Credit: Gettyimages

**Surrey**

Surrey continues to hold the lowest vacancy rate at 0.1%, even as one of Metro Vancouver’s largest submarkets. Available inventory continues to face shortages, achieving new lows of 0.2% overall. As a result of supply strains, average asking lease rates experienced a 3.5% decline. However, closed deals are netting starting rates above that figure.

**Langley**

Quarter-over-quarter, Langley

experienced a decline in both availability and vacancy rates, currently sitting at record lows of 1.1% and 0.6%, respectively. Nearly half of the 251,488 sq. ft. of positive net absorption comes from the pre-committed completion of 114,969 sq. ft. of new supply. However, further demand comes from IEM Ltd. leasing 50,332 sq. ft. at 27353 58th Crescent.

**Maple Ridge & Pitt Meadows**

Available inventory and vacancy

levels experienced 140-bp and 30-bp decreases quarter-over-quarter, reaching new record lows of 1.2% and 0.9%, respectively, in Q2 2021. Looking forward, the Third Phase of Onni’s Golden Ears Business Park presents the only near-term opportunity for occupiers through buildings 3100 and 3200; however, the commitment for the entirety of Phase 4 of their development leaves little land supply for future development within this submarket.

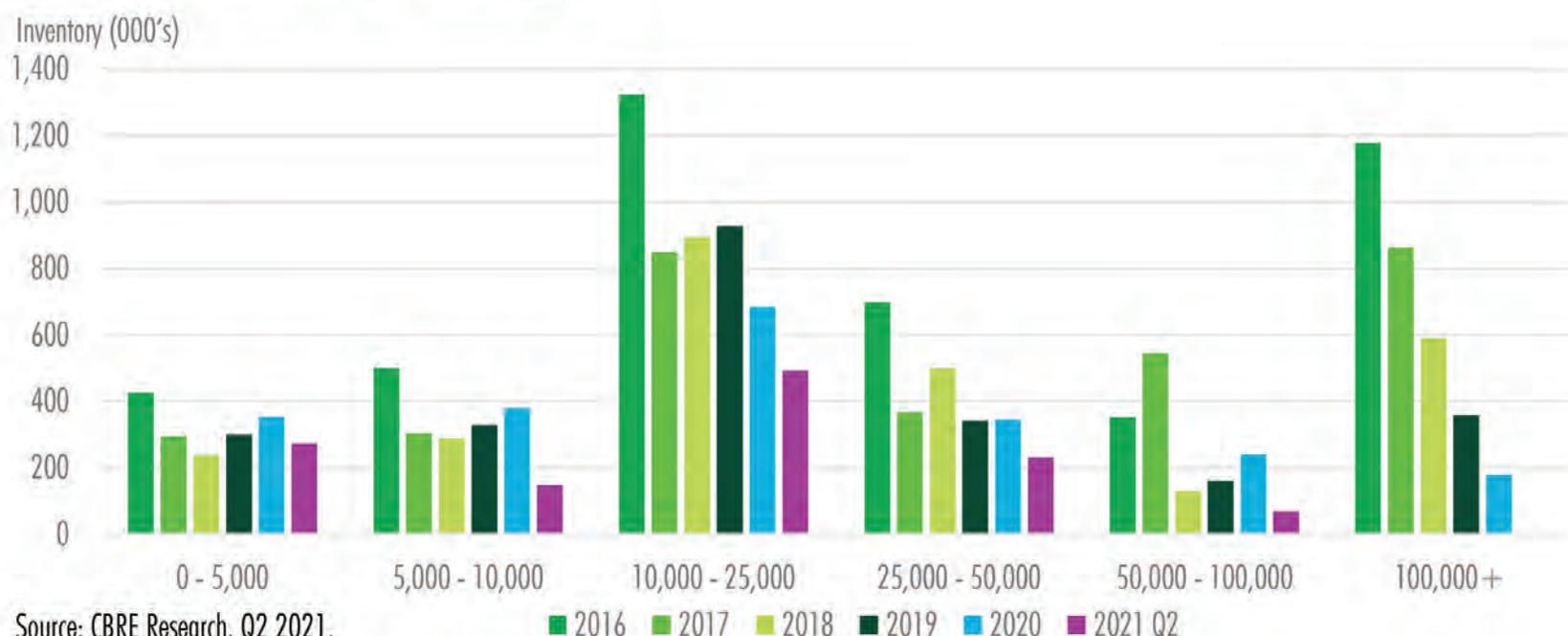
**Abbotsford**

Building on sustained low vacancy market fundamentals, the average asking lease rate experienced another quarter of growth, increasing 2.7% to reach \$11.73 per sq. ft. With no new supply delivered this quarter, all 70,452 sq. ft. of positive net absorption came from existing market inventory leading the availability rate to reach a new low of 0.5%.

**North Vancouver**

Historically, North Vancouver’s availability rates have been inflated through investment opportunities. However, the recent acquisition of 110,460 sq. ft. at 945-999 West 1st Street for \$44.0 million caused the availability rate to reach 3.7%, the lowest this figure has been since the beginning of COVID-19. Average asking lease rates continue to fluctuate, achieving \$17.38 per sq. ft.

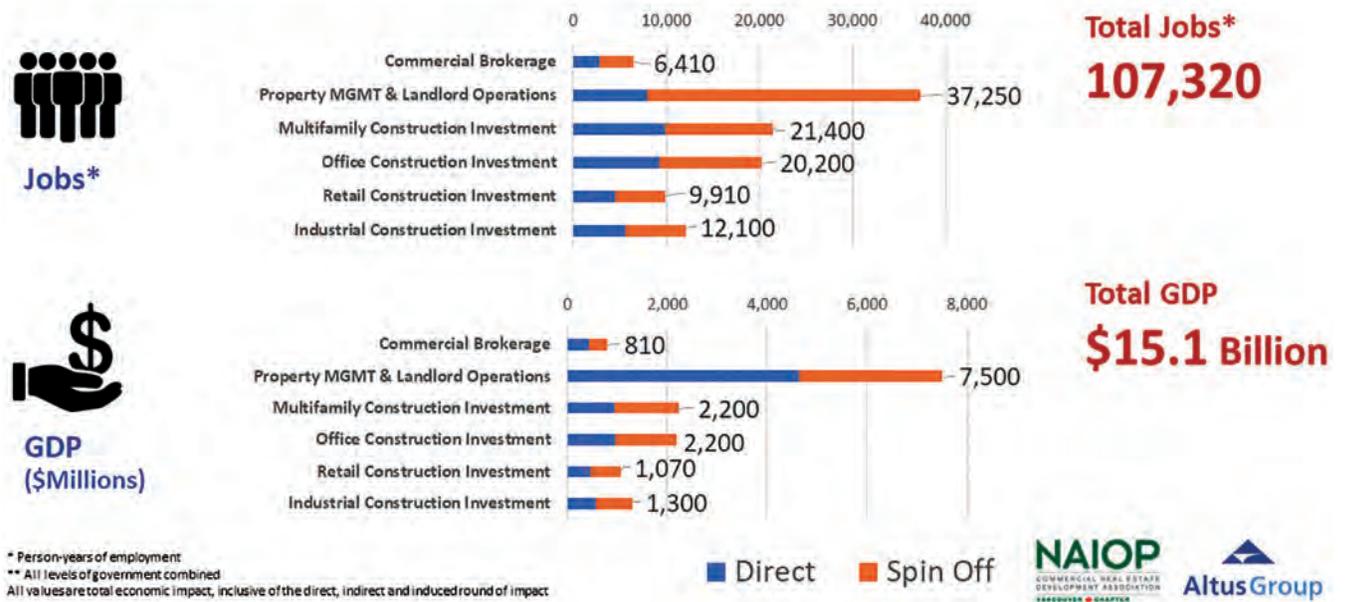
Figure 2: Metro Vancouver Vacant Sq. Ft. by Size Category



# Economic Impact Study

We are pleased to share highlights from an independent study recently commissioned that undertook a detailed review of the economic benefits of the commercial real estate sector in Metro Vancouver. The study, produced by Altus Group for NAIOP Vancouver, shows that the commercial real estate sector in Metro Vancouver created and supported over 100,000 jobs and \$14.4 billion in labour income last year. Despite pandemic impact, the total value of commercial real estate transactions increased from \$3.2 billion in 2019 to \$3.4 billion in 2020. Building construction spending and ongoing operations accounted for \$15.1 billion in net contribution to GDP in Canada in 2020. In summary, the Metro Vancouver commercial real estate market remains a robust segment of our local economy.

## Economic Impact Dashboard The Commercial Real Estate Sector in Vancouver



### Key results of the Economic Impact Study:

#### Economic Activity

- The commercial real estate sector's building construction spending and ongoing operations generated some \$27.4 billion of economic activity in 2020

#### Gross Domestic Product

- The commercial real estate sector's building construction spending and ongoing operations generated some \$15.1 billion in net contribution to GDP in 2020. As a point of comparison, this contribution to GDP in Metro Vancouver is larger than the content and media sector.

#### Jobs

- In 2020, Metro Vancouver's commercial real estate sector created and supported some 107,320 jobs, including 40,068 direct jobs in the BC Lower Mainland. Many of those jobs are high paying, high skilled jobs in a wide array of industries.

#### Wages & Other Earnings

- The CRE sector's building construction spending and ongoing operations generated \$14.4 billion in labour income for workers in 2020.



Photo Credit: gettyimages

#### Government Revenues – Developer Contributions

- Over the last five-year period (2015-2019) developers contributed approximately \$5.04 billion to municipalities, along with other contributions and donations.
- The average amount of revenues contributed to BC Lower Mainland municipalities totalled just over \$1 billion annually over the five-year

period.

- The cities of Surrey and Vancouver received a combined 48% of all developer contributions, totalling approximately \$2.4 billion out of the \$5.04 billion in revenues.
- The developer contribution revenues generated by new development in the municipalities makes up 83% of all developer contributions province-wide.

#### Government Revenues – Property Tax

- Based on 2020 assessment data for the municipalities studied, the total assessed value of industrial, office and retail properties in the Lower Mainland is \$208 billion.
- In total, the annual property taxes among the municipalities amounts to just under \$1.6 billion in annual property tax revenues, including taxes for municipal purposes, regional district, hospitals, schools and other tax levies included in overall tax rates.
- As a share of total property tax revenues generated for the year 2020, the \$1.6 billion in annual non-residential property tax revenues generated by the commercial real estate sector amounts to roughly 32% of all property tax revenues generated by the studied municipalities.

The full report is available on the NAIOP Vancouver website: <https://naiopvcr.com/page/EIS2021>.

NAIOP Vancouver encourages all its members to become involved in this important work. Not a member of the NAIOP Vancouver Chapter? Take this opportunity to get involved at the local level and be part of the change that you want to see: <https://naiopvcr.com/page/membership>.

## 2022 COMMERCIAL REAL ESTATE AWARDS OF EXCELLENCE

### JUNE 2022

NAIOP Vancouver, in partnership with Business in Vancouver, is delighted to present:

**The 2022 Commercial Real Estate Awards of Excellence.** This event will recognize excellence in commercial real estate within the Metro Vancouver area for the 2020 and 2021 calendar years. The awards recognize the full range of disciplines involved in creating successful real estate solutions, while highlighting the leadership role played by property owners, developers and professional advisers. The NAIOP and BIV Commercial Real Estate Awards of Excellence recognize quality and performance, innovation and creativity, teamwork and collaboration, as well as community and environmental awareness.

*Deadline for nominations: February 15, 2022*

*Finalists announced by end of April 2022*

*Gala dinner where winners are announced live in June 2022*

### AWARDS CATEGORIES

#### BEST INVESTMENT TRANSACTION

Award will be given to the team or individual responsible for negotiating the top investment transaction completed during the 2020 - 2021 calendar years. Selection will be based upon the complexity, innovation and creativity of the transaction to meet the objectives of all parties involved. Market impact of the transaction will also be considered.

#### BEST OFFICE DEVELOPMENT

Award will be given to the team or individual responsible for developing the top office project completed during the 2020 - 2021 calendar years. Selection will be based upon the quality, functionality, leasing, sustainability and financial performance of the project. Innovation will also be considered.

#### BEST OFFICE LEASE

Award will be given to the team or individual responsible for negotiating the top office lease completed during the 2020 - 2021 calendar years. Selection will be based upon the complexity, innovation and creativity of the transaction to meet the objectives of the landlord and tenant. Market impact of the transaction will also be considered.

#### BEST INDUSTRIAL DEVELOPMENT

Award will be given to the team or individual responsible for developing the top industrial development completed during the 2020 - 2021 calendar years. Selection will be based upon the quality, functionality, leasing, sustainability and financial performance of the project. Innovation will also be considered. This category shall include both multiple building projects and single building projects.

#### BEST INDUSTRIAL LEASE

Award will be given to the team or individual responsible for negotiating the top industrial lease completed during the

2020 - 2021 calendar years. Selection will be based upon the complexity, innovation and creativity of the transaction to meet the objectives of landlord and/or tenant. Market impact of the transaction will also be considered.

#### BEST MIXED-USE DEVELOPMENT

Award will be given to the team or individual responsible for developing the top mixed-use project completed during the 2020 - 2021 calendar years. Selection will be based upon the quality, functionality, leasing, sustainability and financial performance of the project. Innovation and scale will be considered.

#### BEST RETAIL DEVELOPMENT

Award will be given to the team or individual responsible for developing the top retail project completed during the 2020 - 2021 calendar years. Selection will be based upon the quality, functionality, leasing, sustainability and financial performance of the project. Innovation will also be considered.

#### BEST TENANT IMPROVEMENT

Award will be given to the team or individual responsible for the best tenant improvement completed during the calendar year 2020 - 2021. Selection will be based upon the quality, functionality, leasing, sustainability, and financial performance of the project, innovation will also be considered. This category shall include both building projects and single building projects.

#### BEST RETAIL LEASE

Award will be given to the team or individual responsible for negotiating the top retail lease completed during the 2020 - 2021 calendar years. Selection will be based upon the complexity, innovation and creativity of the transaction to meet the objectives of the landlord and tenant. Market impact of the transaction will also be considered.

# NAIOP

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

VANCOUVER ✦ CHAPTER

## WE ARE COMMERCIAL REAL ESTATE

NAIOP Vancouver represents commercial real estate developers, owners and investors of office, industrial, retail and mixed-use properties. It provides strong advocacy, education and business opportunities and connects its members through a powerful North American network.



## GET INVOLVED WITH NAIOP VANCOUVER



### THE NAIOP BOARD

First Row: Anthio Yuen, Paula (Wright) Benham-Parker, Jason Kiselbach, Tony Tse, Conrad Rego, Jarvis Rouillard, Ted Mildon, Paul Tilbury, Gord Robson, Brad McArthur

Second Row: Ryan Berlin, Darren Wong, Andrew Laurie, Devin Ringham, Beth Berry, Melissa Penner, Michael Hungerford, Pedro Tavares, Paul Kool

## WHAT NAIOP OFFERS YOU

### NETWORKING

- Always Great Networking Events
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- Fall and Spring Cocktail Events
- Biennial Awards Gala
- Annual Golf Tournament
- Project Tours, both in and out of town
- Developing Leader Activities

### EDUCATION

- Education Day and Industry Courses
- Developing Leader Events
- Industry Leading Speakers
- Volunteering Opportunities
- Professional Development Credits
- Research Reports and Insights

### ADVOCACY

- Supporting with Provincial and Municipal Policy Makers
- Development Issues Roundtables
- Economic Impact Studies
- Advocacy on tax, fees and approvals
- Cost of Business Survey

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FOR MORE INFORMATION ON NAIOP – VANCOUVER CHAPTER OR ANY OF ITS EVENTS, VISIT [WWW.NAIOPVCR.COM](http://WWW.NAIOPVCR.COM)