Market Report

INDUSTRIAL 3Q/26

Vancouver Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

Leasing Strength Builds, Development Slows as Next Cycle Begins to Emerge

Sector beginning to turn a corner. Leasing momentum improved over the past year, with positive net absorption reaching its strongest annual total since 2022 and first-half leasing in 2026 already surpassing the previous two years' annual totals. Demand has been particularly encouraging for larger-bay properties. Near-term economic uncertainty will keep the recovery measured, however. That said, Vancouver's structural land constraints and expanding trade and distribution presence support tighter conditions in the coming years. The market is a gateway to Asia, which, along with energy investment, improves Vancouver's medium-term economic outlook.

Demand is broadening. Strata development remains an important response to the region's exceptionally high land costs, but demand is increasingly driven by owner-users rather than investors, slowing absorption. At the same time, weaker industrial strata sales have tempered enthusiasm for stacked industrial formats, with buyers preferring traditional facilities that offer greater functionality and operational flexibility. This shift could influence the next development cycle, favouring conventional industrial configurations despite Vancouver's increasingly constrained land base.

2026 FORECAST

EMPLOYMENT

20,000	1.2%
Jobs will be created	Increase Y-O-Y

CONSTRUCTION

2,700,000	12%
Sq. ft. will be added	More than last year

VACANCY

3.0%	30
Vacancy rate	BPS decrease Y-O-Y

RENT

$19.30	0.8%
Average asking rent by year-end	Decrease Y-O-Y

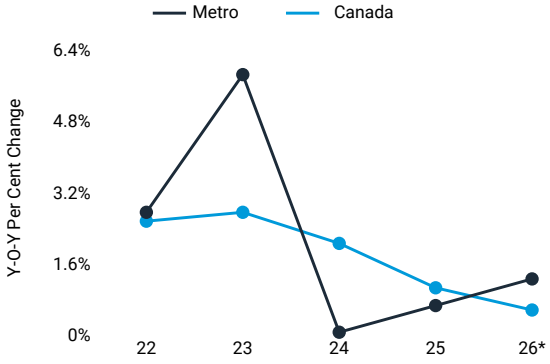
EMPLOYMENT

Vancouver added nearly 45,000 jobs between April and August, lifting annual employment growth to 2.3 per cent after contracting earlier in the year. Momentum is expected to moderate, with employment forecast to finish 2026 roughly 1.2 per cent higher. Notably for industrial demand, sectors such as retail, distribution, and transportation are expected to remain key contributors to economic growth through 2030, supported by Vancouver's position as Canada's largest port and gateway to Asia.

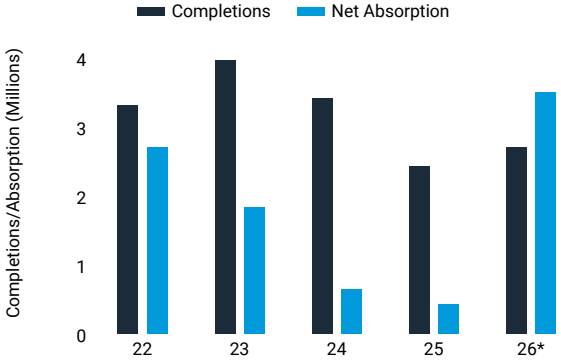
CONSTRUCTION

Deliveries are expected to edge up slightly in 2026 but remain roughly 10 per cent below the long-term average and nearly 65 per cent below the 2023 peak. The build pipeline has also contracted by just over 60 per cent from its high, reaching a nearly six-year low as of the second quarter. Pre-leasing is also improving, with commitments nearing 60 per cent. Performance varies by project type, however, with availability in non-condo developments at roughly 15 per cent, while condo projects are closer to 50 per cent.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



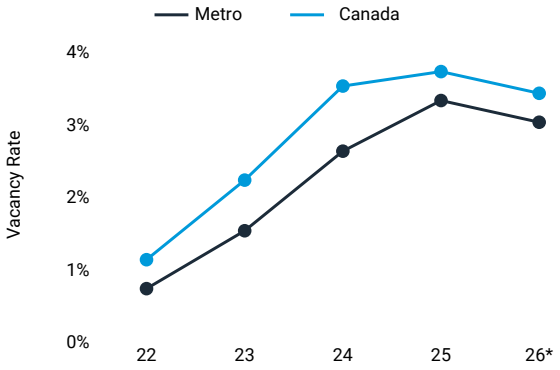
* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc., Oxford Economics; Statistics Canada

VACANCY

After increasing since late 2022, vacancy rates started to decline in the first half of 2026, following a peak of 3.3 per cent last year. This was driven by stronger leasing activity and tenants filling existing space. Large-bay demand has been robust, with positive absorption now aligning with a slowdown in new supply. Although softer economic conditions may temper the pace of improvement this year amid trade risks, limited development and improving demand should gradually reduce vacancy over the next 12 to 18 months.

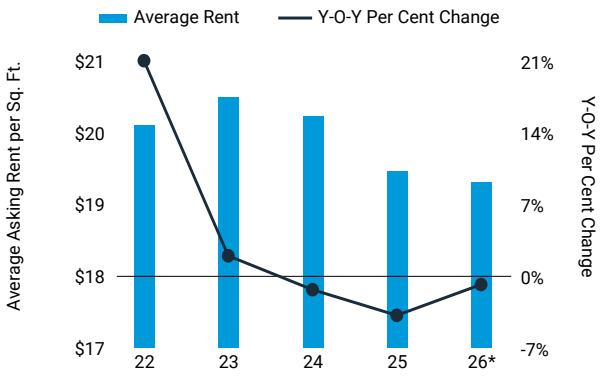
VACANCY TRENDS



RENT

The average asking rent is likely to inch lower for a third consecutive year, sitting nearly 10 per cent below its 2024 peak but still 33 per cent above 2019 levels. The pace of softening has moderated considerably, suggesting rents are approaching the floor. Improving leasing momentum, declining vacancy, and a sharply reduced development pipeline should limit further downside, with rent growth positioned to gradually strengthen later next year as available space is absorbed and trade conditions improve.

RENT TRENDS



* Forecast; ** Through 2Q

Sources: Altus Data Solutions; CoStar Group, Inc., Oxford Economics

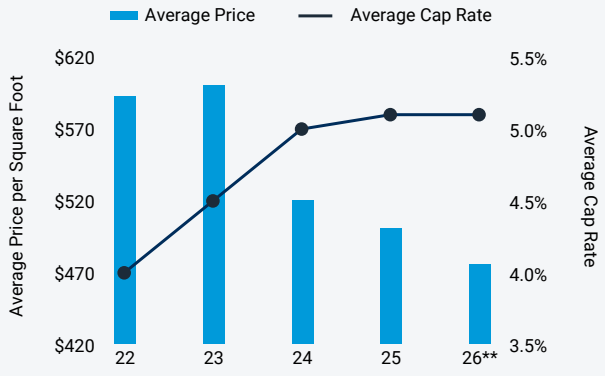
INVESTMENT HIGHLIGHTS

- Approximately $650 million traded in just over 150 transactions during the first half of 2026, putting annual volume on pace to finish modestly below the $1.4 billion recorded in 2025 and well below pandemic-era highs. The pullback appears more reflective of limited investment-grade product than of waning demand, with end users and local private investors continuing to drive activity. Notably, transactions below $10 million accounted for more than 90 per cent of first-half deal count, highlighting opportunities across strata and the depth of private capital supporting the market.

- Local private investors and end users accounted for nearly all transaction activity, while institutional participation has fallen to less than 1 per cent over the past year. Vancouver's constrained land base and limited availability of quality industrial properties continue to support owner-user demand. At the same time, the ability to reset older leases to current market rents remains attractive to private investors. This deep pool of local buyers should continue to support liquidity, even as institutional capital remains selective.

- Average pricing has eased to roughly $475 per square foot in 2026, down 21 per cent from the 2023 peak but more than double 2016 levels. Meanwhile, the average cap rate has held near 5.1 per cent after steadily decompressing from the lows reached in 2021. With yields stabilizing and market fundamentals beginning to improve, further downward pressure on valuations is likely to be increasingly limited. Yet cap rates are likely to remain range-bound in the near term.

SALES TRENDS



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