
The Industrial Insider

FOR INDUSTRIAL BUILDING AND LAND OWNERS



StreetWise

Observations on the Greater Vancouver Commercial
Real Estate Investment Market by Sam Emam

Industrial is the Asset of Choice for Today's Investors

Global accounting firm Deloitte recently released its 2024 global outlook for real estate. The report identified the cost and availability of capital among the top concerns of investors, followed by vacancies. All are expected to worsen, according to respondents in the Americas, Europe and Asia.

But in response to these concerns, income-producing properties have come into the spotlight, with what Deloitte calls "the most attractive risk-adjusted opportunity for real estate owners and investors over the next 12 to 18 months." While digital infrastructure like cell towers and data centres as well as residential rental top the wish list, industrial real estate is close behind, rising in favour as cash flow becomes king.

The fundamentals shine especially brightly in Vancouver, thanks both to challenges facing the sector's expansion as well as basic economics.

Metro Vancouver requires 250 to 300 acres for new industrial development annually, according to a Sept. 13 report for the Greater Vancouver Board of Trade and commercial real estate association NAIOP. But a long-term shortfall in available space has resulted in an estimated 5.1 million square feet being developed and leased in Calgary rather than Metro Vancouver since 2018.

Calgary is not an option for everyone, however, and strong demand has kept Lower Mainland lease rates rising. This has been good news for landlords, who have seen lease rates rise above \$20 per square foot,

something unheard of just a few years ago. And there still seems to be room for growth. It is no wonder a recent survey of active real estate investors by CoStar Group identified industrial as their preferred asset class.

According to CoStar, transportation is the single biggest expense in the supply chain. Trucking is approximately half the cost of moving goods to market. By contrast, inventory and carrying costs account for just 22%, while space costs are a mere 4%. While there is a competitive advantage to keeping costs down throughout the supply chain, lease rates remain manageable and are nowhere near the expense of greatest concern.

This means landlords have some leeway to raise rents and generate cash flow. There is also no lack of candidates if tenants say rates are too high and move on. Simply put, there are few other places for them to go. Developing new space takes time, and entitled sites of three-plus acres aren't easy to find.

This means landlords with well-maintained, well-located industrial properties have desirable assets. They're not only generating cash flow, but are in demand by investors. Those with undeveloped yard area could see demand not just from tenants but developers, too.

Despite the headwinds facing the economy, industrial space remains in demand. It's largely free from government intervention, making it a safe haven with good long-term prospects. Whether you are looking to buy, or ready to sell an existing property, Block to Block Commercial can connect you with opportunities that will help you achieve your goals.

Featured Properties



FOR SALE

7016 Russell Avenue
Burnaby

8,151 SF of M4 Industrial
Land with Holding Income

FOR SALE

649 Derwent Way
Delt

40,200 SF building on 1.84
acres of land



SOLD

5788 Kingsway
Burnaby

Prime commercial opportunity
with frontage on Kingsway,
offering value-add potential



Client Success Story

6841 Palm Avenue
Burnaby, BC



CHALLENGE

After 40 years of owning this industrial building, our loyal client wanted to retire and do an off market sale for the highest price in the shortest amount of time. Due to some personal matters, the ownership was under pressure to sell his building within a certain period of time.

ACTION

- » A comprehensive database search for the most qualified buyer was done within two weeks.
- » A due diligence package was prepared within a week which included a clean phase 1 environmental report.
- » Interested groups were qualified on the phone, tours were arranged and offer submission date was set.

RESULT

Within a week, two offers were received. After a hard fought negotiation process, our client accepted an unconditional offer with quick closing, as per the owner's wishes, we secured a cash offer for the highest prices in the shortest amount of time. The price and terms exceeded our client's expectations.

TESTIMONIAL

"Sam Emam was a pleasure to work with during our recent sale transaction that took place in 6841 Palm Avenue, Burnaby. His knowledge of Burnaby's industrial market is second to none. He was very patient and diplomatic during the entire process which was not as smooth as we hoped. Sam was able to handle ongoing issues with the challenging buyer with extreme professionalism and courtesy and he kept us informed of every development right away. We highly recommend Sam Emam to sell your building as he always puts his client's needs first."

— Susanne Fleischer Kierszenblat
Former owner of
6841 Palm Avenue, Burnaby

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