

PORT KELLS MARKET ACTIVITY

A FRONTLINE REAL ESTATE SERVICES INDUSTRIAL MARKET UPDATE

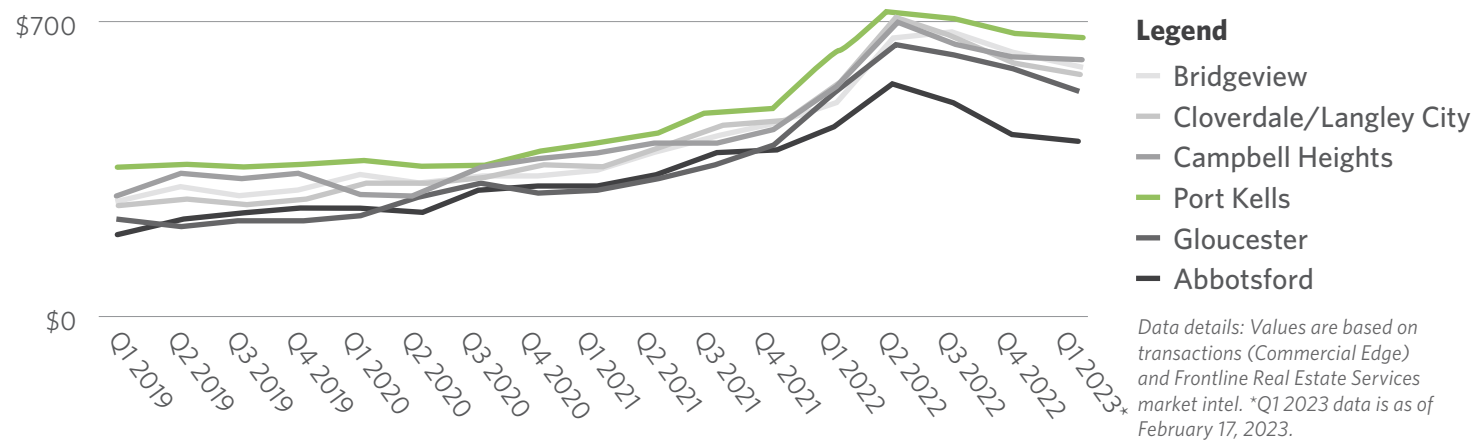


PORT KELLS - THE CROWN JEWEL OF THE FRASER VALLEY!

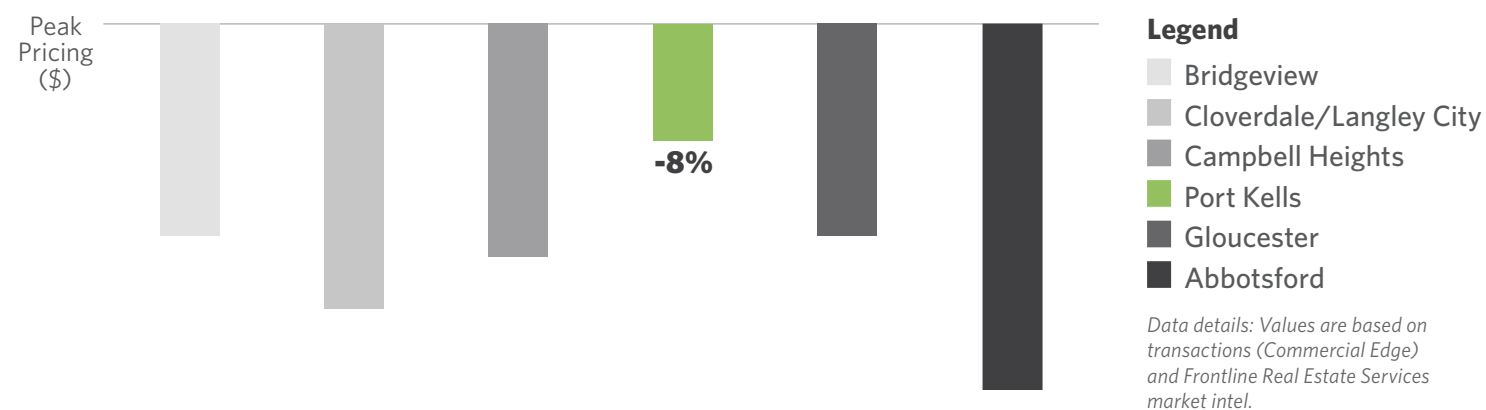
Port Kells' industrial property values are holding best relative to values in its Fraser Valley counterparts, in spite of global economic uncertainty, inflation, and rising interest rates. From Q1 2021 to Q3 2022, industrial assets across all submarkets in the Fraser Valley saw an unprecedented rise in value. Over the past 6 months however, it has become clear that this momentum is tapering off, evidenced by stagnant listings, declining sale prices, and a general reduction in market activity. Despite this "slack" in the market, our data indicates that industrial properties in Port Kells are holding their values better than the rest. **Here's why:**

- **Industrial Land:** Generally, we are finding industrial land is the most inelastic industrial sub-asset in this declining market environment (i.e. prices are least volatile/changing the least). This is driven by scarcity and the well-known underpinning land supply problem. With centralized access to arterial routes in every direction, Port Kells remains steadfast as the submarket with the deepest buyer pool. While most industrial submarkets have seen a sharp reduction of up to 20% from peak land pricing, Port Kells is currently fairing much better.
- **Industrial Strata:** When market momentum is disrupted, we typically see industrial strata values impacted first; we are seeing that again in this current market cycle. Referencing the graph below, most industrial submarkets have seen a sharp reduction of up to 25% from peak strata pricing, Port Kells is currently trading only ~8% below peak pricing. Similar to the case for land, due to its preferred location in the Valley and its proximity to adjacent municipalities, strata prices remain the most competitive here - even during economic hard times.

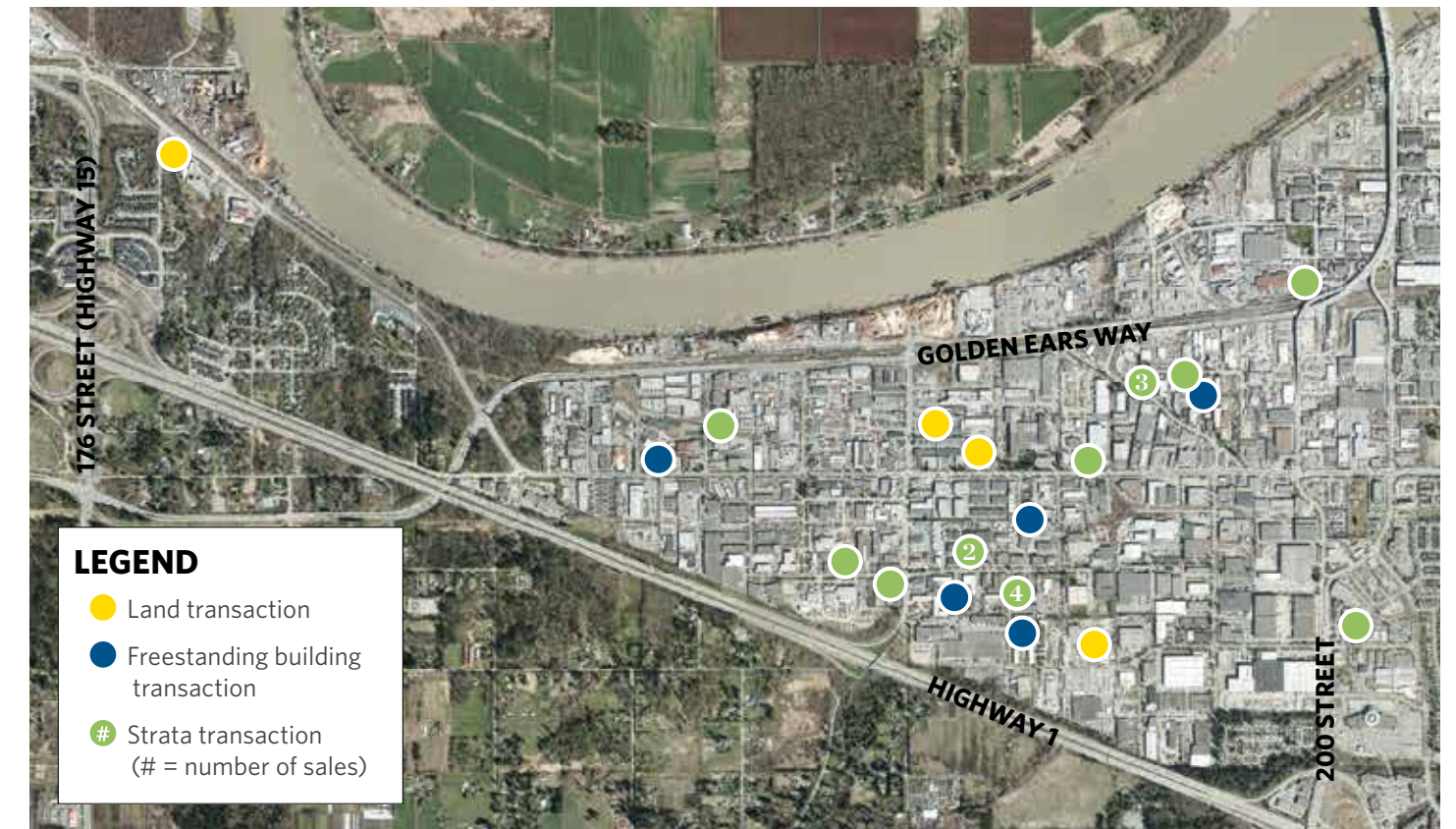
Fraser Valley Industrial Strata Values 2019-Present



Fraser Valley Industrial Strata Values Drop from Peak Pricing



2022 INDUSTRIAL REAL ESTATE TRANSACTION SUMMARY



Q1 2023 PRICING

These prices are Frontline Real Estate Services' opinion of current values for properties available with vacant possession. **For tenanted properties, different prices are likely.** Call us to discuss the current market for income-producing opportunities.

Land (zoned & serviced)	Freestanding Building	Strata Warehouse	Lease Rate
\$6.5 - \$7.5 M per acre	\$580 - \$620 psf	\$650 - \$700 psf	\$22 - \$24 psf

SO WHAT?

- Industrial real estate demand in the Fraser Valley is still highest for properties in Port Kells.
- Port Kells is the best place for long-term investment value.
- If you want or need to sell in the current market, Port Kells is the best place to be doing it.
- A declining market is the best time to trade up and Port Kells is the best market to trade up from since your relative dollars are the strongest in other markets.
- High lease rates and property values, in comparison to other markets, mean opportunity costs to own and operate in Port Kells are very high. Our most sophisticated clients have found efficiencies by retaining ownership and becoming landlords, then relocating their business and leasing in an adjacent market.

HOW DOES THIS IMPACT MY PROPERTY'S VALUE?

Curious how these trends have impacted your property's value? Use the QR code to request a free property valuation or contact us at industrial@FLRE.ca or the contact details listed on the back page.



THE VALUE OF EXCESS LAND

YOUR PROPERTY MAY BE WORTH MORE THAN YOU THINK...

If you were to survey all industrial properties with freestanding buildings across the Fraser Valley, you would find that site coverage area ratio % (building footprint) falls within a narrow range. Undeveloped areas will account for various setbacks, drive aisles, landscape buffers, parking, etc. As a result, it's common practice to use a prescribed site coverage ratio to determine the total land area that is required for an efficiently designed freestanding industrial building. If the total footprint of your building is below this ratio, congratulations, you have a low-site coverage building and own excess industrial land! Here are some opportunities:

- **Value the Land Independently:** Don't rely on comparable building sales to estimate the market value of your property. Contact us today for a detailed price analysis of your building and excess land.
- **Demise and Lease:** Are your operations so efficient you don't use your entire property? Users desperate for extra space will pay up to \$5.00/sf for yard space. Demise your property, have it professionally measured, and contact us to find a tenant and create a new income stream.
- **Subdivide and Sell:** Want to pull equity out of your property but don't want to move operations? Many of our clients have found great success in completing a subdivision and selling some of their excess land as a vacant site.



WHY SHOULD I CARE?

Your property may be worth significantly more than you think!

In our extensive experience valuing and negotiating the sale of low-site coverage freestanding buildings, when positioned and marketed correctly, **excess industrial land can be just as lucrative as a normal vacant parcel.**

RECENT EXCESS LAND SALE IN PORT KELLS



2.29 Acre Industrial Site in Port Kells

10202 177A Street, Surrey

- 2.29 acre industrial site
- Subdivided lot
- Sold by Frontline Real Estate Services
- Sale date: October 2022
- Sale price: \$15,340,000 (\$6.7M/acre)



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