



Pure Industrial Real Estate Trust: Latest Data Says it's a Buy

Description

Investors living in Vancouver and Toronto are more than familiar with rising home prices in their respective residential real estate markets.

However, a new report from Chicago-based commercial real estate advisory Cushman & Wakefield suggests two of Canada's largest cities are also the hottest when it comes to industrial properties.

In May 2014, the price of a barrel of oil hit a high of \$108.56. Today, it's less than half that. As a result, most of this country's new leases for industrial real estate (80.3%) have come from businesses in Vancouver and Toronto.

The occupancy rate for industrial real estate in Vancouver increased 4.6% in the past two years — 170 and 200 basis points higher than Toronto and Calgary, respectively.

"Vancouver actually dominated over Toronto in terms of overall growth," Stuart Barron, Cushman & Wakefield's national director of research said. "I know the markets are different size ... but the reality is that Vancouver is the fastest-growing market in the country."

E-commerce stoking growth

Vancouver's hot market is great news for **Pure Industrial Real Estate Trust** (TSX:AAR.UN) shareholders because it owns 11 properties in the Vancouver area with a 12th in development; Ikea will lease all 330,000 square feet over an initial seven-year term for a third Canadian distribution centre, totaling 2.8 million square feet.

Vancouver is one of five markets Pure is focusing its efforts; Toronto, Dallas, Houston, Atlanta, and Charlotte are the others.

Much of the growth in Vancouver is a result of e-commerce companies needing warehouse space to fulfill customer orders. With demand outstripping supply, lease rates are moving much higher, boosting the valuations of industrial properties across the Vancouver region.

A Catch-22 — this means Pure’s Vancouver assets are rising in value, but any future investments or development projects will be more expensive.

A lack of supply

As I said earlier, the biggest problem in the Vancouver area is the lack of supply. Vancouver’s vacancy rate for industrial real estate is just 2.4%, one of the five lowest in the Americas.

Pure has 42.4 acres of development land, including 16 in the U.S., 13.9 in Alberta, and 10.3 in Ontario. Unfortunately, it doesn’t have any in B.C., where demand is greatest at the moment.

A company I’d love to invest in (but can’t) to benefit from Vancouver’s hot industrial market is Beedie Development Group, the largest private industrial land owner in Vancouver. It has more than 800 acres available for development with an in-house construction company to build-to-suit for industrial clients.

Also, Beedie has a residential development called Beedie Living and an investment company that provides equity and debt financing to middle-market businesses in Western Canada and the Pacific Northwest.

Were it ever to go public, it would join a long list of successful Canadian family-owned businesses publicly traded on the TSX.

Until it happens

The odds of Beedie going public are slim to none, although one should never say never.

In the meantime, your best option for owning industrial real estate in the lower mainland is Pure Industrial REIT. Barring that, one of Canada’s largest diversified REITs might be a decent alternative, but that’s for another time.

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