

Industrial Market Outlook - Year End 2019



Industrial Market News

2019 was an eventful year for the Industrial Sector in Kelowna. Major transactions totaled over \$40 million this past year.

Two of the largest transactions involved the former OK Builders site on McCurdy Road which was sold in February at a sale price of \$6.5M for 3.93 acres and 20,600 SF of commercial space, and the CAP News Building on Enterprise Way which sold in July at a sale price of \$5.0M for 1.15 acres and 20,667 SF of commercial space. Also, the former OK Builders property on Ellis Street in the Downtown North-End sold in April for \$5.29M. The price paid for this property was more characteristic of the prices being paid for mixed-use tower development properties.

There were also a number of major land transactions that saw a total of over 9.5 acres sell for a combined \$9.8 million. These industrial land transactions achieved an average selling price of \$1,026,046/acre or an average of \$23.54/SF.

Tight Industrial Market Continues - Vacancy Rates Slip Below 1%

As 2019 comes to a close, the Industrial Market in Kelowna continues to struggle with tightening supply, low vacancy rates and an ever-growing demand for industrial space. The vacancy rate for industrial properties in Kelowna has now dipped below 1% and there doesn't seem to be any relief in sight. Industrial land has become scarce, leasable space is rare and the cost of industrial strata units are

increasing to heights that haven't been seen in Kelowna.

All types of industrial space are still in high demand and in short supply. In the last year, demand continued to out-pace supply, as the industrial market absorbed over 325,000 SF. This relentless demand has led to increased lease rates and has seen a new industrial strata complex in the Downtown's North End ask for \$400/SF for its industrial units. This asking price includes mezzanine space at the same price per square foot as main floor space.

2019 Kelowna Industrial Market Statistics

Kelowna Industrial Inventory 10,687,664 SF	Vacant Industrial Space 100,895 SF	Industrial Vacancy Rate .94%
Industrial Strata Price Range \$230 - \$400/SF	Industrial Land Price Range \$850K - \$2.2M/Acre	Industrial Lease Rate Range \$11 - \$19/SF
Industrial Space Under Construction 655,546 SF	Industrial Space Proposed 624,581 SF	Total New Up-Coming Supply 1,280,127 SF
Kelowna Industrial Land Base (ILB) 1,200 Acres	Total Underutilized Industrial Land ±280 Acres or 23% of ILB	OCP Designated, Not Zoned Industrial ±450 Acres or 38% of ILB

North Kelowna Industrial Area Keeps Growing

The northern part of Kelowna, near the Lake Country boundary, continues to emerge as a dominant industrial area in Kelowna.

Great Opportunities

“The North Kelowna Industrial Area has many great opportunities and is leading growth in the Kelowna Industrial Market”, says Ken McLaughlin, a Senior Partner and commercial specialist with the MCL Real Estate Group - RE/MAX Kelowna. “We have seen significant changes in the area that was once the home of the Hiram Walker Distillery. The area is undergoing a transformation, you can still find a few large industrial parcels, large format industrial leasing opportunities and large build-to-suits.”

The North Kelowna Industrial Area is comprised of just over 302 acres of zoned industrial land and has room for growth and further expansion. There are still several large parcels of undeveloped land that can be infilled with industrial developments, and the area has a further capacity of approximately 187 acres of OCP designated industrial land that is currently zoned A1 – Agricultural. “The availability of industrial land in this area will allow growth well into the future” said McLaughlin.

More Inventory Coming

Of the new industrial projects that are currently under construction in Kelowna just over 50% or 312,409 SF is being constructed in the North Kelowna Industrial Area. With an additional 300,000 SF more in the proposal stage.

Large Lots Are Available

There are several lots in the area ranging from 1.1 to 2.1 acres that are actively being listed for around \$850,000/acre or almost \$20/SF. These lots are some of the largest industrial lots currently available in Kelowna.

Small Bay Industrial Units

One of Kelowna’s newest small bay industrial complexes, the Storehouse opened on Grigg Rd in 2018. The 28 bays of this complex sold quickly for about \$210/SF for units just over 1,000 SF. Current active listings in the complex are now in the \$18/SF range to lease or \$270/SF to purchase.

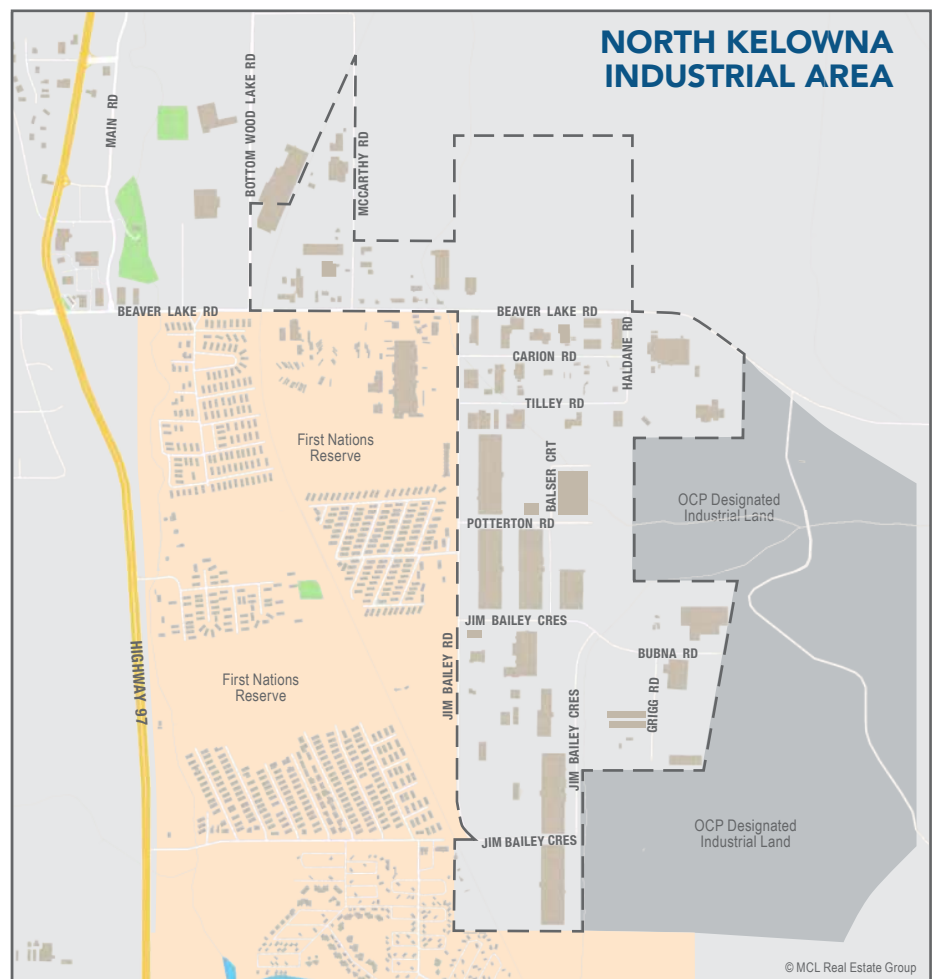
New Large Bay Industrial Units

A new industrial development on Beaver Lake Road is now underway. The first building will total 60,675 SF with the possibility to demise into 10,000 SF units.

Cannabis Concentration

Major cannabis companies have concentrated in the area, including Flowr, the Valens Company and GTEC, drawn by the larger lots and large buildings.

“The North Kelowna Industrial Area is continuing to grow in importance as an industrial area of Kelowna and we see this trend continuing into the future” added McLaughlin.





The Tolko Effect on the Kelowna Industrial Market

Mill Closes After Almost 90 Years of Operation in Kelowna

The recent closing of the Tolko Mill in the Downtown Kelowna's North End, while unfortunate, is set to have an immense effect on the industrial market in Kelowna. The mill which officially closed on Jan. 8, 2020 had been in operation since the 1930s and had been owned by Tolko Industries since 2004 when it was acquired as part of the purchase of Riverside Forest Products.

The land currently owned and by Tolko is huge, totaling 39.68 acres of prime industrial land. All of the land is currently zoned I4 – Central Industrial and makes up a large component of the industrial land in Downtown Kelowna's North End.

"Once this land becomes available and hits the market there should be a ripple effect throughout the industrial market. Unfortunately, the realization of the Tolko Lands becoming available is more of a longer-term proposition" says Ken McLaughlin a Senior Partner and commercial specialist with the MCL Real Estate Group - RE/MAX Kelowna.

No Plans Announced to Date

Tolko, itself has given no indication as to what they are planning to do with the properties they own. "The current mill will need to be decommissioned and some of the land will require extensive remediation. But once complete this large piece of industrial land will see its value rise" added McLaughlin.

Value of Tolko Lands

The Tolko lands cover 39.68 acres in Downtown Kelowna's North End. BC Assessment values the Tolko Lands at \$19,100,000, although that value is set by the legislated *Major Industrial Properties Manual* and *BC Regulation 53/2016*. "Based on average price per acre for other I4 zoned lands in Downtown Kelowna's North End, a more realistic value for the land is closer to \$48,000,000" stated McLaughlin.

Various Tolko Buildings

BC Assessment also valued the buildings and structures on the land at \$7,224,900. These buildings include various buildings on the main mill site totaling $\pm 300,267$ SF, the $\pm 14,211$ SF Tolko offices located at 820 Guy Street and a $\pm 7,500$ SF show-home used by various downtown developments that is located at the corner of Guy St and Manhattan Dr.

When the 39.69 acres or just over 3% of the current industrial land base of Kelowna hits the market, it will add significantly to the available industrial land for redevelopment. That is if the land retains its industrial zoning. There will be pressure for more non-industrial uses in this area of Kelowna. But it is hoped the City will not reduce the amount of industrial land given today's shortages.

"Time will tell what the eventual redevelopment of the Tolko lands looks like, but when it happens it will be an interesting time in Kelowna's Industrial Market" suggested McLaughlin.

Industrial Market - Year End 2019

KELOWNA INDUSTRIAL MARKET - 2019 MAJOR TRANSACTIONS

KELOWNA INDUSTRIAL TRANSACTIONS - BUILDINGS						
Address	Acres	Building	Zoning	Sale Price	Land Value	Building Value
925-929 McCurdy Road	3.93	20,600 SF	A1 (LU)	\$6,500,000	\$1,065,802/Acre	\$112.20/SF
1095 Ellis Street	.88	23,600 SF	I4	\$5,290,000	\$5,172,778/Acre	\$31.27/SF
2363-2495 Enterprise Way	1.15	20,667 SF	C4	\$5,000,000	\$2,160,870/Acre	\$121.69/SF
230 Carion Road	1.94	23,004 SF	I3	\$4,400,000	\$809,918/Acre	\$122.97/SF
1418-1420 Hunter Court	1.0	23,352 SF	A1 (LU)	\$4,250,000	\$1,615,850/Acre	\$112.80/SF
180 Carion Road	1.68	19,380 SF	I3	\$4,000,000	\$1,210,238/Acre	\$101.49/SF
3150 Sexsmith Road	3.534	915 SF	A1	\$3,060,000	\$632,808/Acre	\$691.59/SF
3953 Highway 97	2.05	10,256 SF	I2	\$3,000,000	\$1,209,366/Acre	\$50.78/SF
2890 Highway 97	.67	6,211 SF	C10	\$2,325,000	\$3,201,213/Acre	\$29.01/SF
3130 Sexsmith Road	1.76	2,174 SF	A1	\$2,150,000	\$1,137,545/Acre	\$68.04/SF
530 Beaver Lake Road	.22	1,800 SF	I3	\$710,000	\$3,207,909/Acre	\$2.37/SF
Total	18.8	151,959 SF		\$40,685,000		

Based on information derived from data obtained from the Okanagan Mainline Real Estate Board and the City of Kelowna.

KELOWNA INDUSTRIAL TRANSACTIONS - LAND						
Address	Acres	Square Feet	Zoning	Sale Price	Land Value	
1915 Pier Mac Way	1.61	70,132 SF	CD15	\$1,887,050	\$1,172,081/Acre	\$26.91/SF
2065 Pier Mac Way	1.186	51,662 SF	CD15	\$1,601,248	\$1,350,125/Acre	\$30.99/SF
9340 Balsler Court	2.108	91,824 SF	I2	\$1,448,500	\$687,144/Acre	\$15.77/SF
3520 Kel Mac Court	1.19	51,836 SF	CD15	\$1,402,950	\$1,178,950/Acre	\$27.07/SF
2900 Acland Road	1.68	73,181 SF	I2	\$1,300,000	\$773,810/Acre	\$17.76/SF
3510 Kel Mac Court	1.06	46,174 SF	CD15	\$1,245,500	\$1,175,000/Acre	\$26.97/SF
245 Loughheed Road	.73	31,799 SF	I2	\$800,000	\$1,095,890/Acre	\$25.16/SF
Total	9.56	416,608 SF		\$9,809,000		

Based on information derived from data obtained from the Okanagan Mainline Real Estate Board and the City of Kelowna.

KELOWNA INDUSTRIAL MARKET - 2019 MAJOR TRANSACTIONS & LISTINGS

KELOWNA INDUSTRIAL TRANSACTIONS - SAMPLE LEASES & LISTINGS			
Address	Size	Cost	Status
2821 Fenwick Road	28,339 SF	\$15.88/SF	LEASED
925 McCurdy Road	19,315 SF	\$13.00/SF	Active
#D1 375 Potterton Road	16,500 SF	\$8.95/SF	LEASED
876 McCurdy Place	14,618 SF	\$14.00/SF	Active
#105 & #106 184 Adams Road	7,198 SF	\$13.50/SF	LEASED
#22 364 Lougheed Road	7,165 SF	\$11.50/SF	LEASED
#3 876 Leathead Road	7,133 SF	\$11.50/SF	LEASED
#102 1965 Pier Mac Way	5,615 SF	\$15.00/SF	LEASED
3485 Velocity Avenue	5,111 SF	\$13.00/SF	LEASED
1693 Cary Road	4,780 SF	\$13.00/SF	LEASED
#5 860 Leathead Road	4,200 SF	\$13.00/SF	LEASED
#13 830 McCurdy Place	4,032 SF	\$12.00/SF	LEASED
#2 3304 Appaloosa Road	2,685 SF	\$14.00/SF	LEASED
#1 3190 Sexsmith Road	2,090 SF	\$16.00/SF	LEASED
#1 3314 Appaloosa Road	1,470 SF	\$11.50/SF	LEASED

Based on information derived from data obtained from the Okanagan Mainline Real Estate Board and the City of Kelowna.

KELOWNA INDUSTRIAL TRANSACTIONS - SAMPLE STRATA SALES & LISTINGS				
Address	Size	Sale/List Price	Price Per SF	Status
#3 3312 Appaloosa Road	2,987 SF	\$660,000	\$221/SF	SOLD
#211 1655 Dilworth Drive	2,734 SF	\$820,200	\$300/SF	Active
#209 1655 Dilworth Drive	2,734 SF	\$792,860	\$290/SF	Active
#108 810 Clement Avenue	2,392 SF	\$956,800	\$400/SF	Active
#3 1595 Innovation Drive	2,174 SF	\$519,000	\$239/SF	SOLD
#104 810 Clement Avenue	2,062 SF	\$824,800	\$400/SF	Active
#9 1945 Pier Mac Way	1,958 SF	\$555,093	\$284/SF	Active
#202 815 Vaughan Avenue	1,900 SF	\$712,500	\$375/SF	Active
#17 737 Stremel Road	1,662 SF	\$390,000	\$235/SF	SOLD
#103 8930 Grigg Road	1,000 SF	\$270,000	\$270/SF	SOLD

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KELOWNA INDUSTRIAL MARKET - UPCOMING SUPPLY

KELOWNA INDUSTRIAL PROJECTS - UNDER CONSTRUCTION				
Project Name	Address	Size	Use	Status
Ecolock Storage	437 Bay Street	110,545 SF	Self Storage	Under Construction
Balsler Court Building	9380 Balsler Court	93,900 SF	Boat Storage Building	Under Construction
IntraUrban Enterprise	1655 Dilworth Drive	65,780 SF	Business Park - 23 Bays	Almost Complete
Callahan - Beaver Lake	250 Beaver Lake Road	60,675 SF	Industrial Complex - 6 Large Bays	Under Construction
GTEC Building	8975 Jim Bailey Cres	60,000 SF	Owner Occupier	Under Construction
Flowr - R&D Building	9580 McCarthy Road	56,834 SF	Owner Occupier	Under Construction
Kelowna Ford	1625 Dilworth Drive	45,972 SF	Owner Occupier	Under Construction
Goode Properties	710 Stremel Road	33,150 SF	Industrial Complex - 6 Units	Almost Complete
Powerhouse - Building 1	810 Clement Avenue	27,286 SF	Mixed-Use Complex - 26 Units	Under Construction
Valens Company	180 Carion Road	26,000 SF	Owner Occupier	Under Construction
The Vaults	2100 Matrix Court	19,000 SF	Storage Facility - 19 Units	Almost Complete
Lougheed Road	205 Lougheed Road	15,000 SF	Owner Occupier	Almost Complete
Jim Bailey Building	8747 Jim Bailey Cres	15,000 SF	Industrial Complex - 6 Units	Under Construction
Powerhouse - Building 2	815 Vaughan Avenue	13,854 SF	Industrial Complex - 7 Units	Under Construction
McCurdy Place	872 McCurdy Place	12,550 SF	Tenant Occupied	Under Construction
Total Industrial Projects Under Construction		655,546 SF		

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KELOWNA INDUSTRIAL PROJECTS - PROPOSED				
Project Name	Address	Size	Use	Status
Flowr Facilities	9640 McCarthy Road	315,363 SF	Owner Occupier	Proposed
Adams Court Complex	716 Adams Court	62,335 SF	Industrial Complex - 28 Units	Proposed
Clement Business Park	889 Vaughan Avenue	47,983 SF	Industrial Complex - 22 Units	Proposed
Optic Court Complex	2175-2185 Optic Court	41,463 SF	Industrial Complex - 17 Units	Proposed
Pier Mac Way	1985-2025 Pier Mac Way	32,536 SF	Industrial Complex - 8 Units	Proposed
Audi Dealership	820 Finns Road	30,230 SF	Car Dealership	Proposed
August Motors	2800 Highway 97	26,308 SF	Car Dealership	Proposed
Kelowna Business Park	2070 Pier Mac Way	19,200 SF	Industrial Complex - 7 Units	Proposed
Freight Terminal	2170 Matrix Crescent	16,940 SF	Owner Occupier - Trucking	Proposed
Kelowna Flightcraft	6220 LaPointe Drive	16,750 SF	Owner Occupier	Proposed
Pier Mac Way	2085 Pier Mac Way	15,473 SF	Industrial Complex - 7 Units	Proposed
Total Industrial Projects Proposed		624,581 SF		

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MCL Real Estate Group

The McLaughlin name has been synonymous with commercial real estate in Kelowna and the Okanagan Valley for decades. The **MCL Real Estate Group** is a dedicated and trustworthy team built on our awareness of current market conditions and opportunities. Our highly skilled brokerage team has successfully completed hundreds of new leases & lease renewals and we have sold over \$300,000,000 in commercial property. We utilize our passion, experience, creativity and insight to maximize the goals of our clients throughout the Okanagan.

The specialists at the **MCL Real Estate Group** understand that every client, property and real estate transaction is unique, and we tailor our services to meet your business or your personal goals and objectives. When you choose the **MCL Real Estate Group** you get a real estate team, dedicated to providing exceptional customer service throughout your real estate transaction. The **MCL Real Estate Group** is a full service real estate team, operating as part of the RE/MAX network and RE/MAX Kelowna. We provide commercial and residential real estate services including acquisition, disposition, landlord advisory, tenant advisory, property marketing and valuation services in Kelowna and throughout the Okanagan.

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