

CANADIAN INDUSTRIAL REAL ESTATE OVERVIEW

MAY 4, 2021

Prepared for:



CPTA Ontario Chapter Presents:

VIRTUAL SYMPOSIUM

AGENDA

1 | MACRO TRENDS

2 | INVESTMENT ACTIVITY

3 | CURRENT FUNDAMENTALS

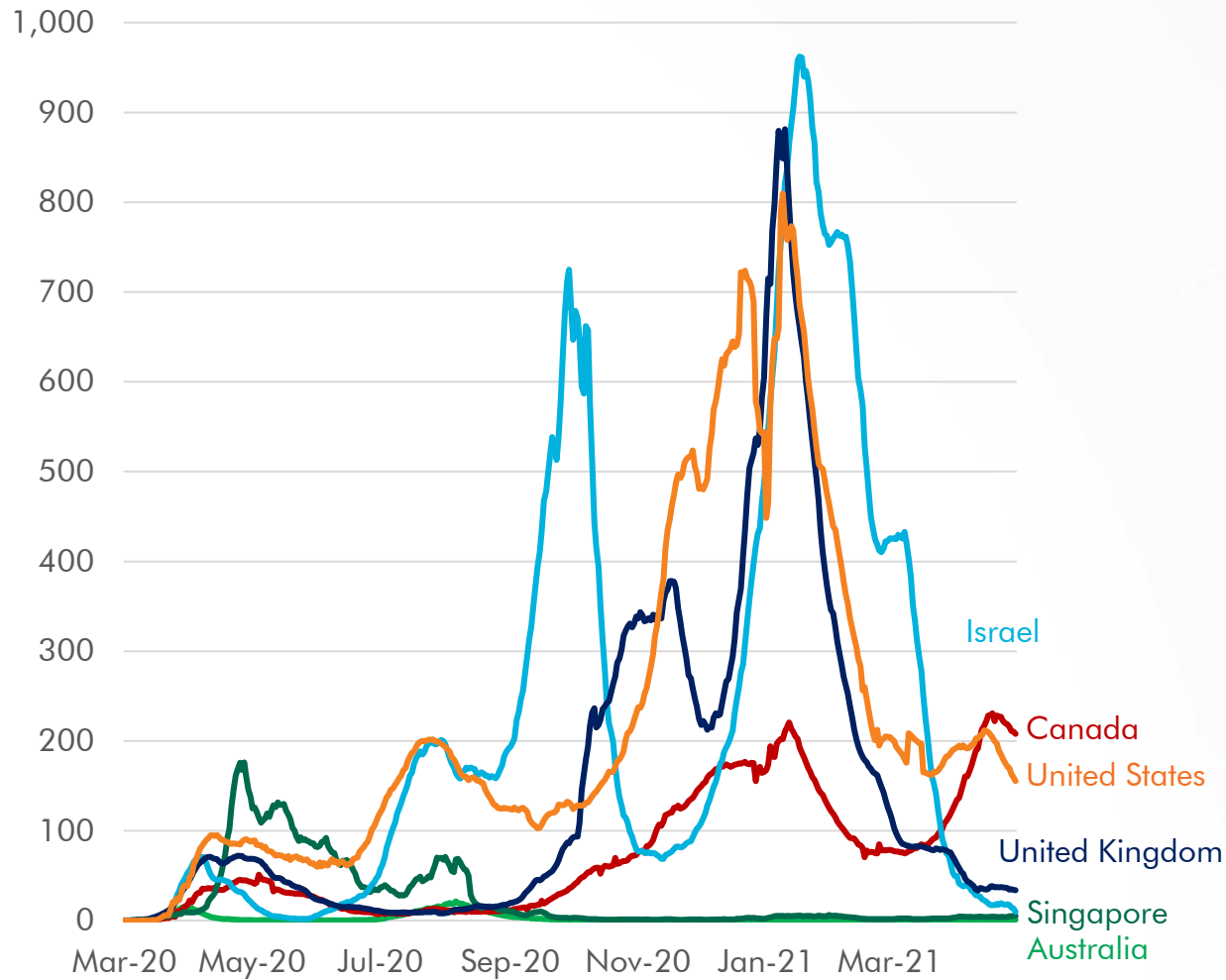
4 | SECTOR OUTLOOK

1 | **MACRO TRENDS**

CANADA 2 MONTHS BEHIND UK & SEEING 3RD WAVE

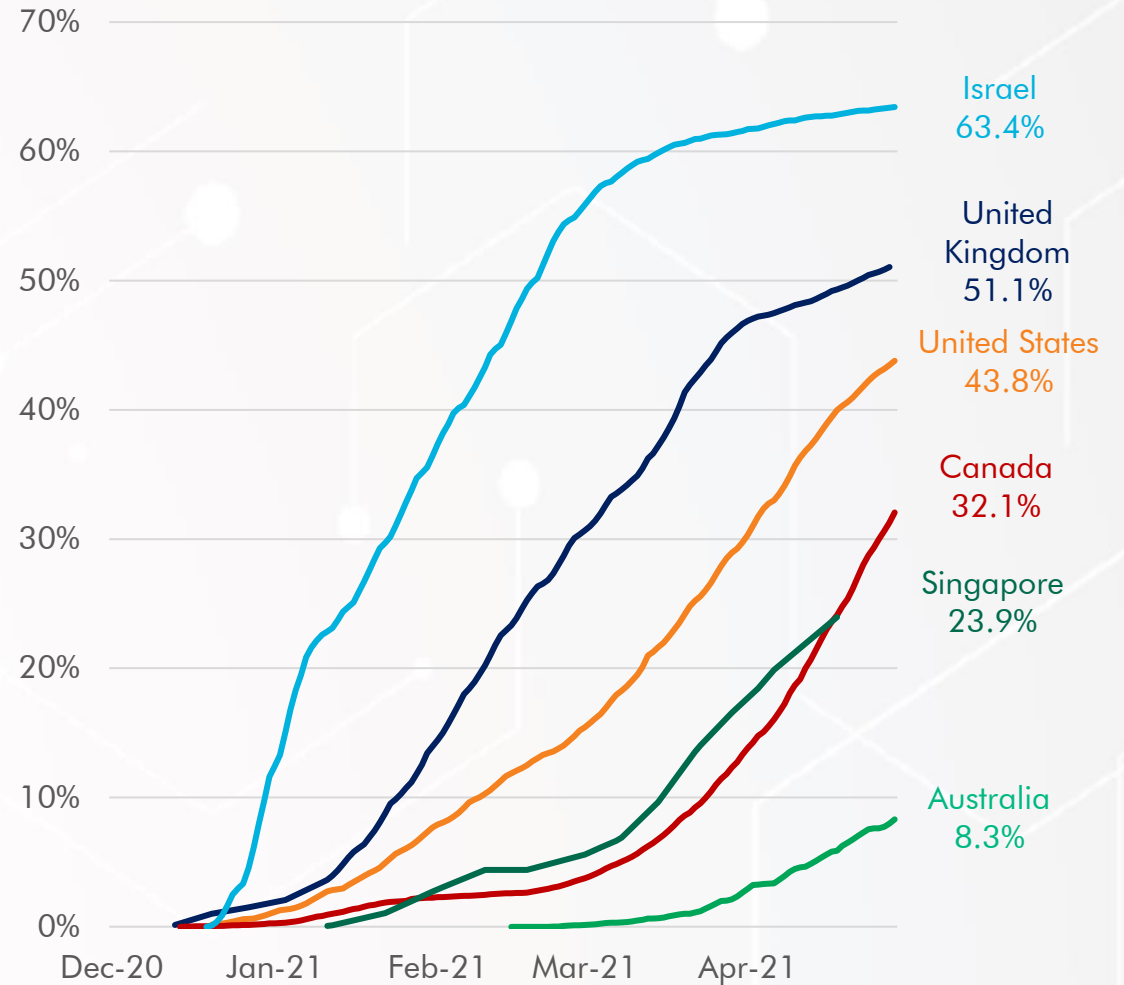
GLOBAL COVID-19 DASHBOARD

New COVID-19 Cases per million capita



7-Day Rolling Average Daily New COVID-19 Cases per Million Capita
 Source: CBRE Research, World Health Organization, Oxford Economics, April 30th, 2021.

Global Vaccination Progress (At Least 1 Dose)
 Percentage of Population (%)



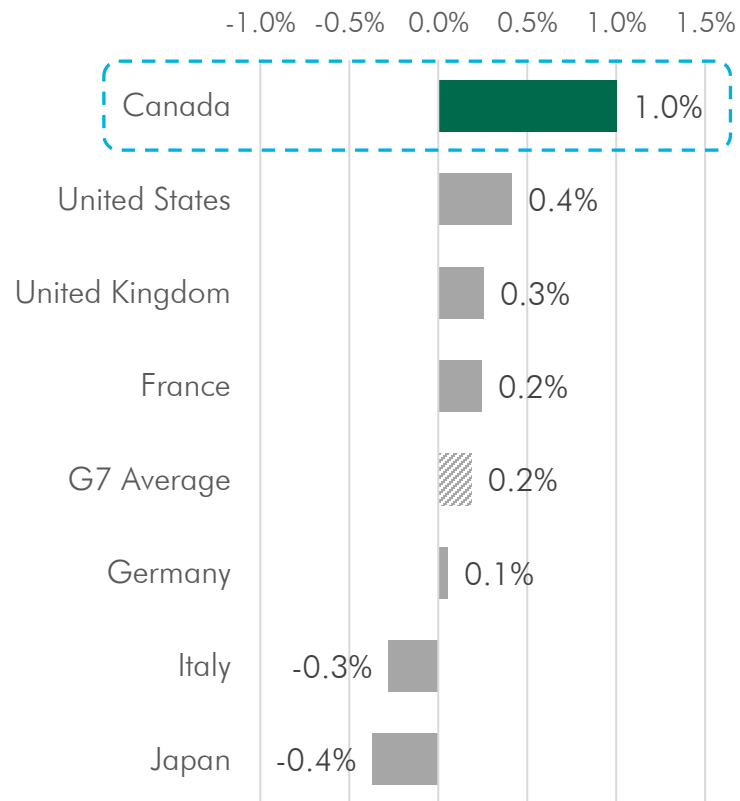
Data as of April 29th, 2021.
 Source: Google, Oxford Economics, CBRE Research, 2021.

CANADA REMAINS ATTRACTIVE ON THE GLOBAL STAGE

KEY ECONOMIC INDICATORS

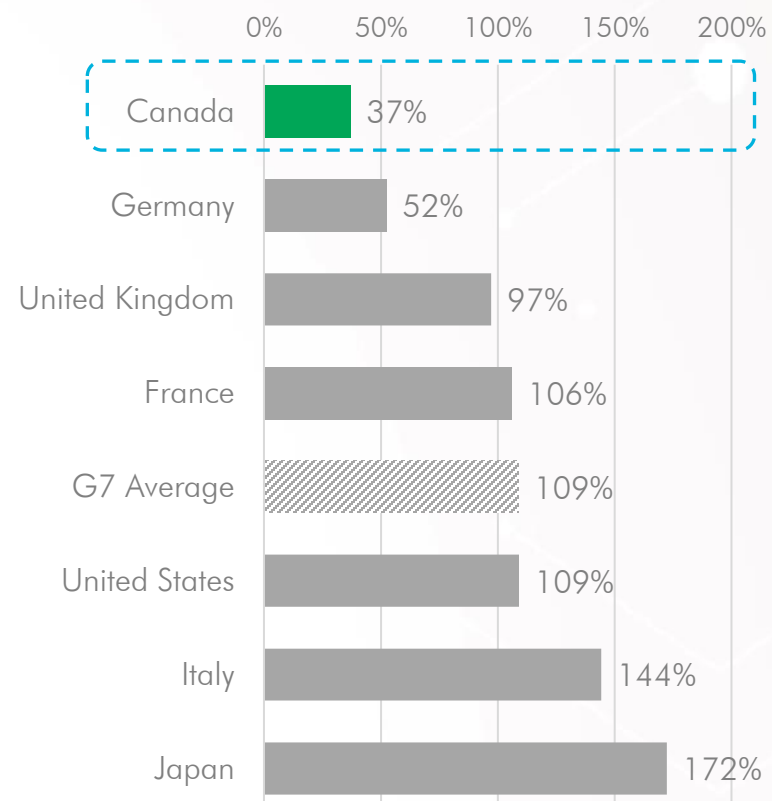
POPULATION GROWTH

POPULATION GROWTH 2019-2025
(CAGR)



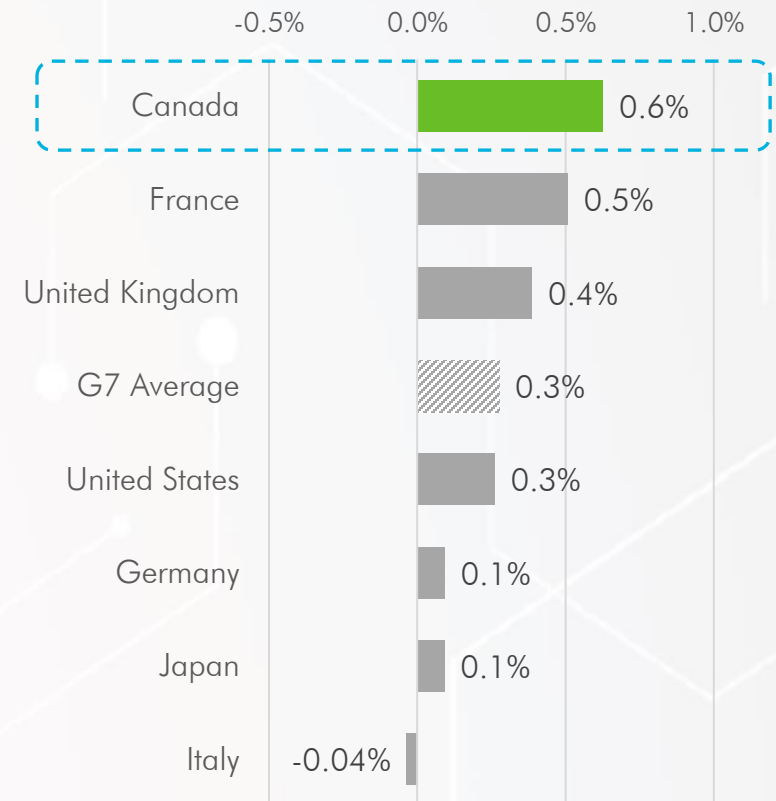
GOV'T INDEBTEDNESS

NET DEBT AS PERCENT OF GDP, 2021



EMPLOYMENT GROWTH

EMPLOYMENT GROWTH 2019-2025
(CAGR)

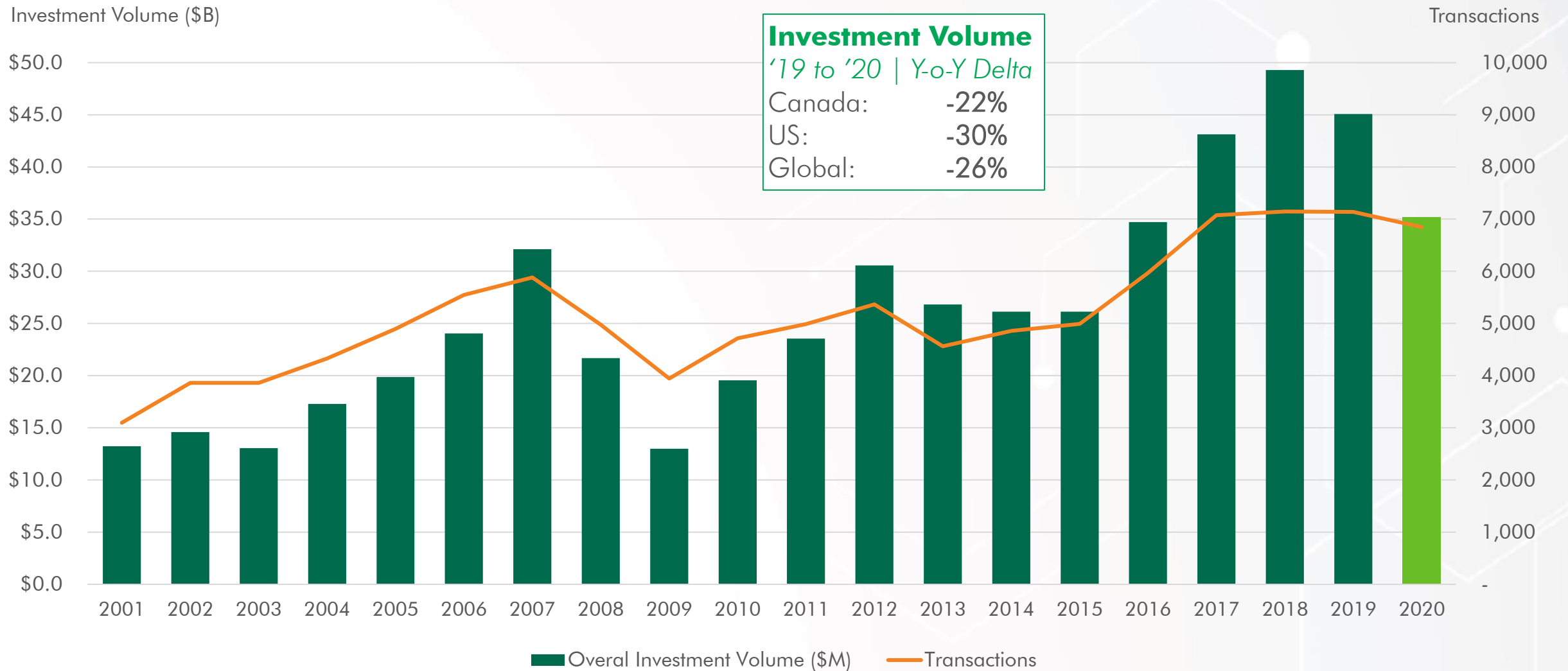


Source: Oxford Economics, International Monetary Fund, CBRE Research, 2021.

2 | INVESTMENT ACTIVITY

CANADA SEES ELEVATED ACTIVITY RELATIVE TO OTHER REGIONS

CANADA INVESTMENT ACTIVITY

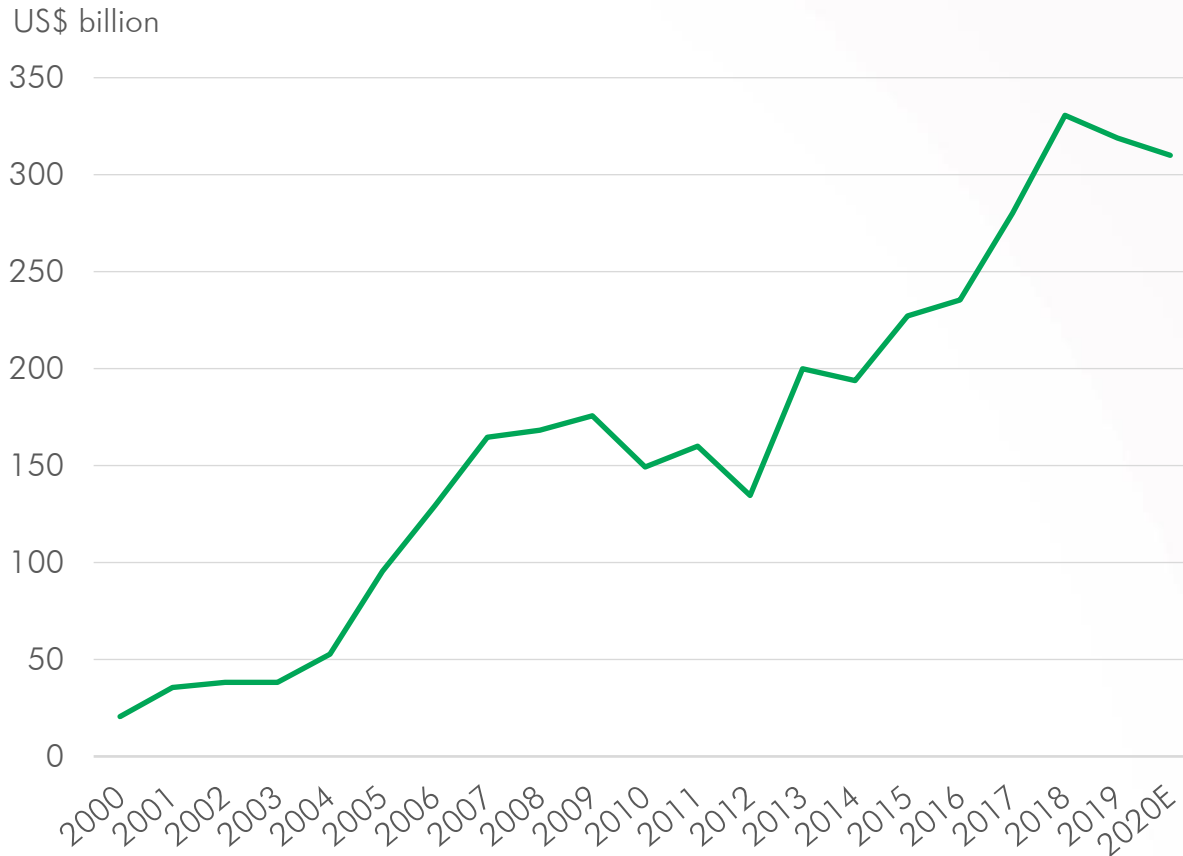


Source: CBRE Research, Realnet Canada, RealTrack Limited, Collette Plante, JLR Land Title Solutions, Real Capital Analytics, Q4 2020.

RECORD LEVELS OF DRY-POWDER CHASING SHRINKING YIELDS

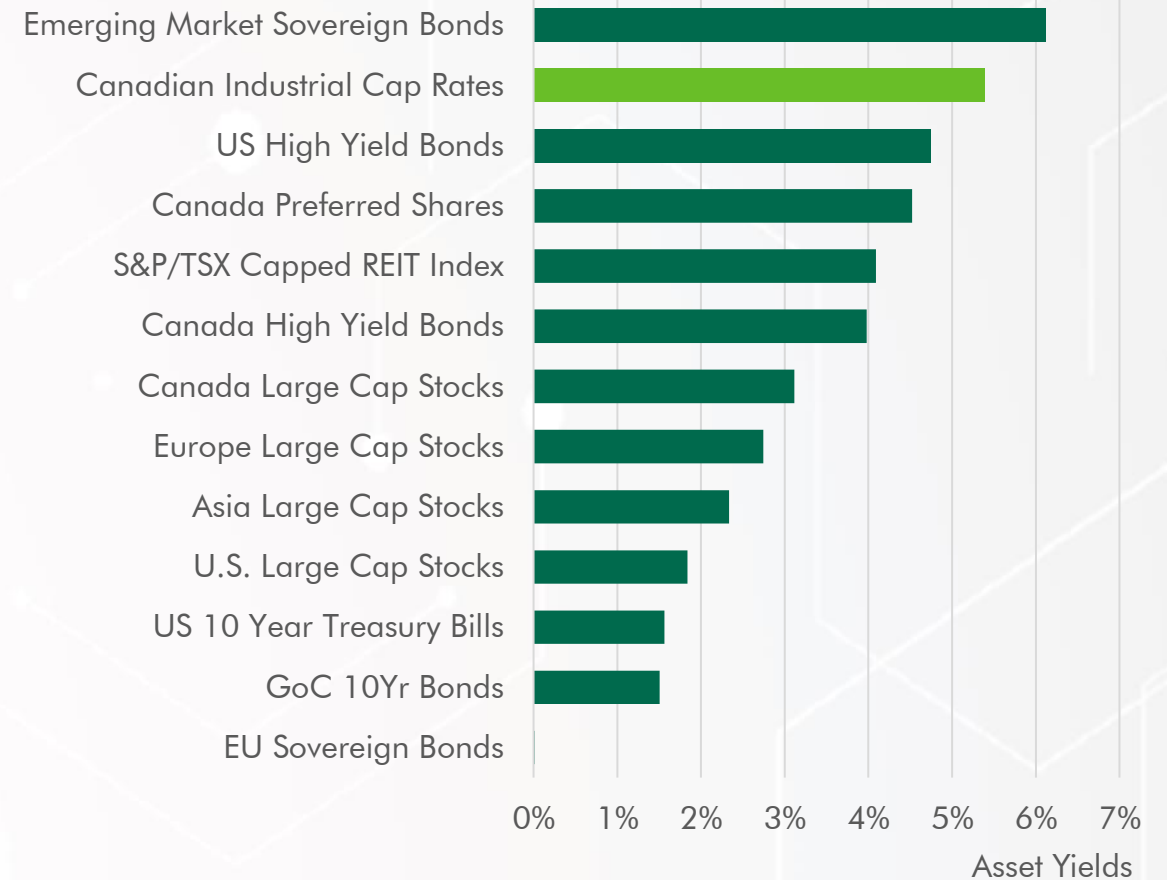
DRY POWDER AND YIELD COMPARISONS

Global Dry Powder For Real Estate Investment



Source: Preqin, CBRE Research, 2020.

Asset Yield Comparison



Yields as of April 20, 2021.

Source: Refinitiv Eikon, CBRE Research, March 2021.

INDUSTRIAL TOPS INVESTMENT TARGET

INVESTMENT ACTIVITY EXPECTATIONS

2021

Primary Target Breakdown



36%
Industrial &
Logistics



29%
Multifamily



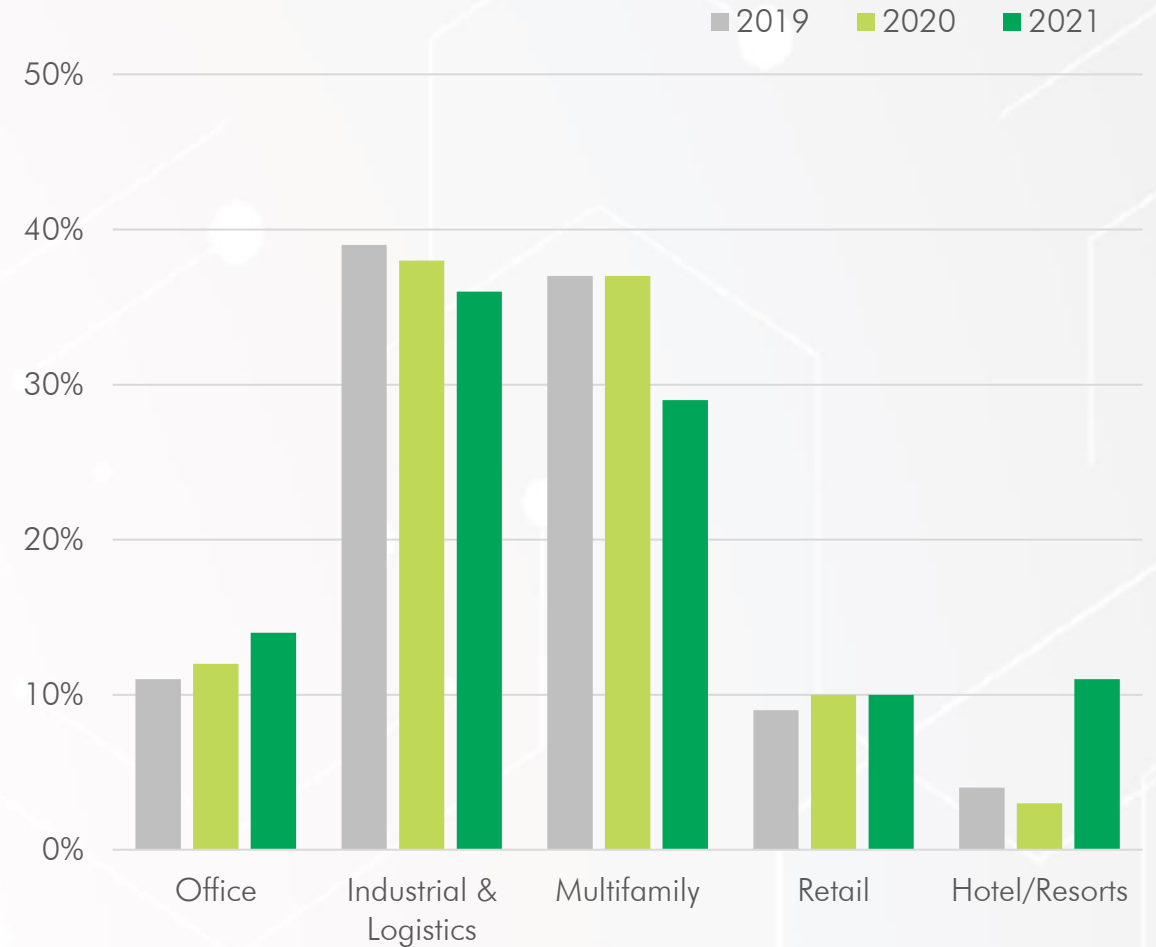
14%
Office



11%
Hotel



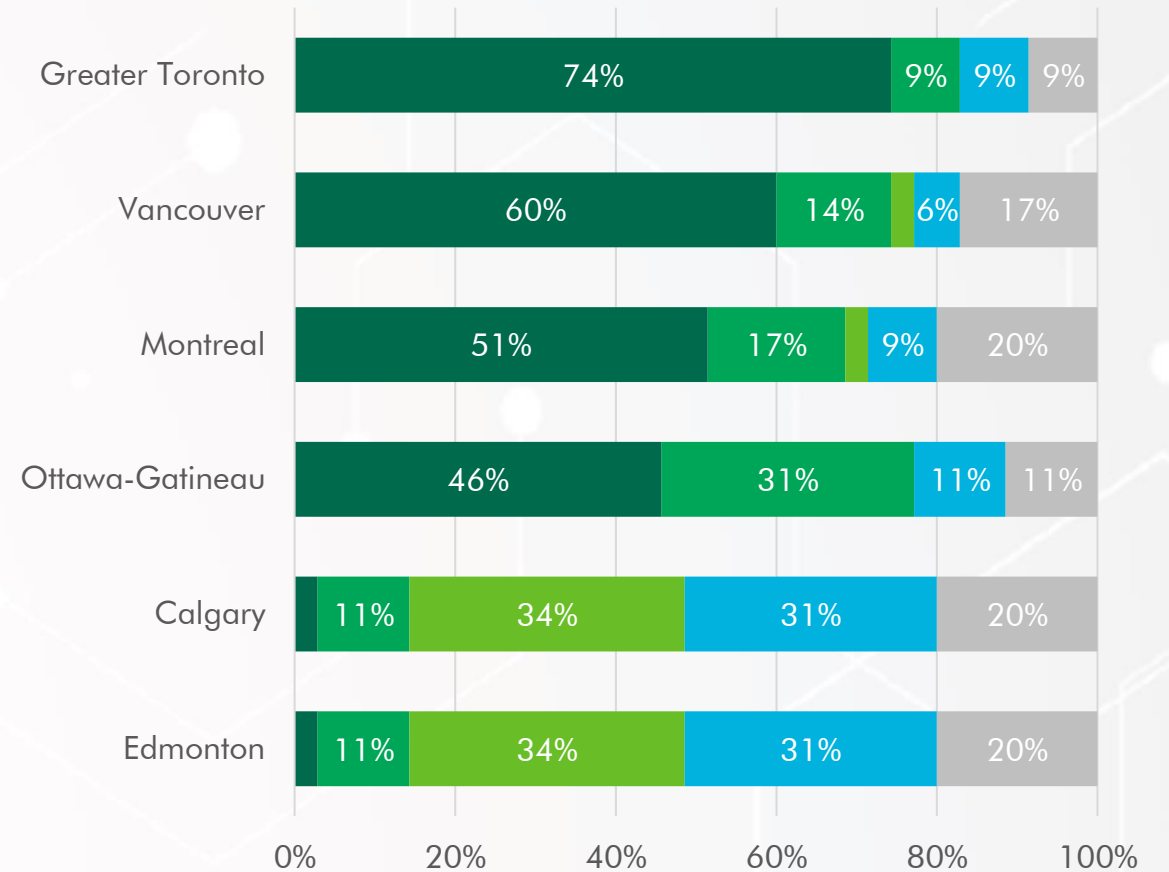
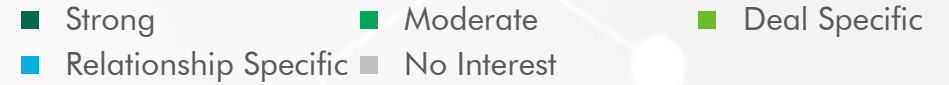
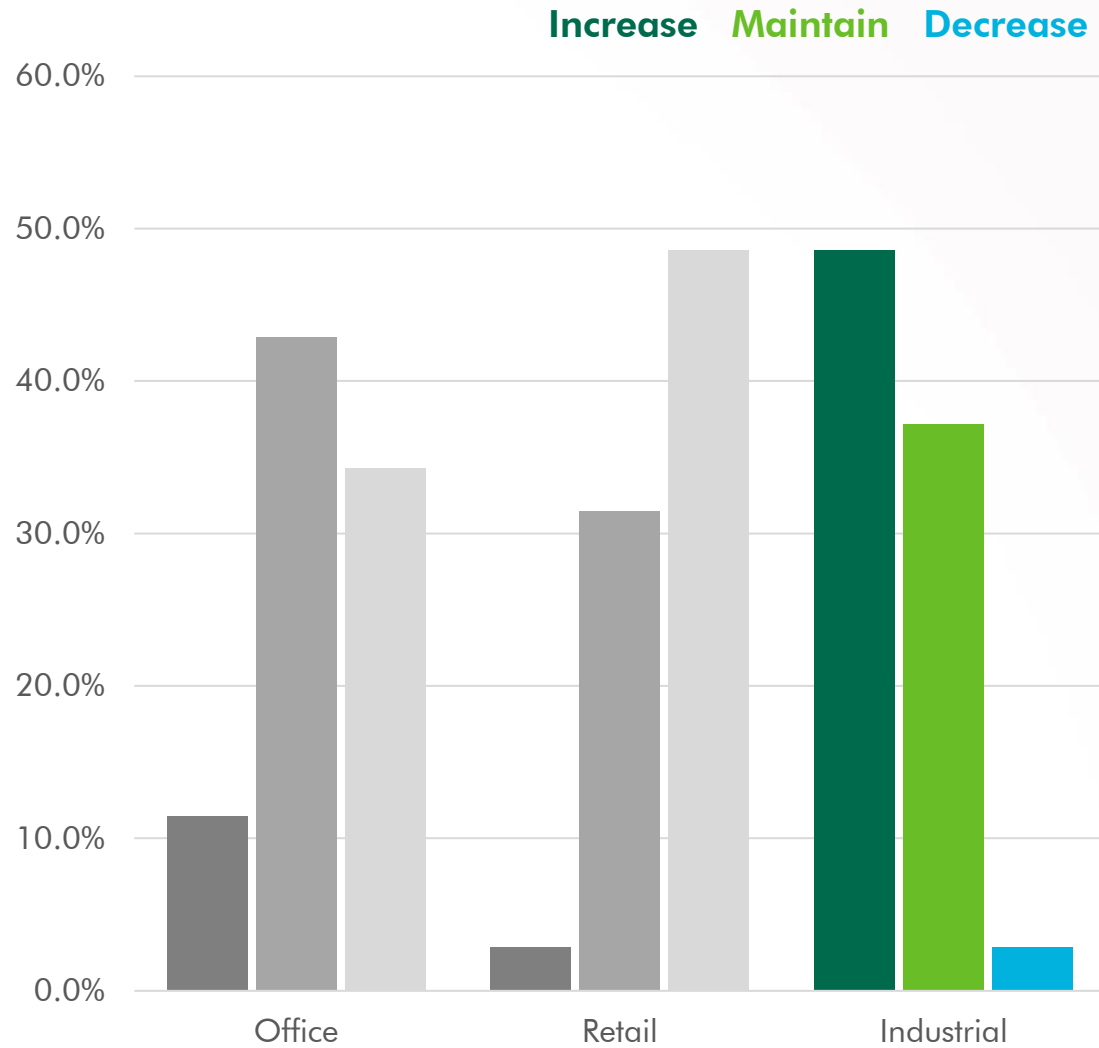
10%
Retail



Source: CBRE Americas Investors Intentions Survey 2021.

CANADIAN LENDERS GROWING THEIR INDUSTRIAL BOOK

LENDER INTENTIONS BY ASSET CLASS & GEOGRAPHY

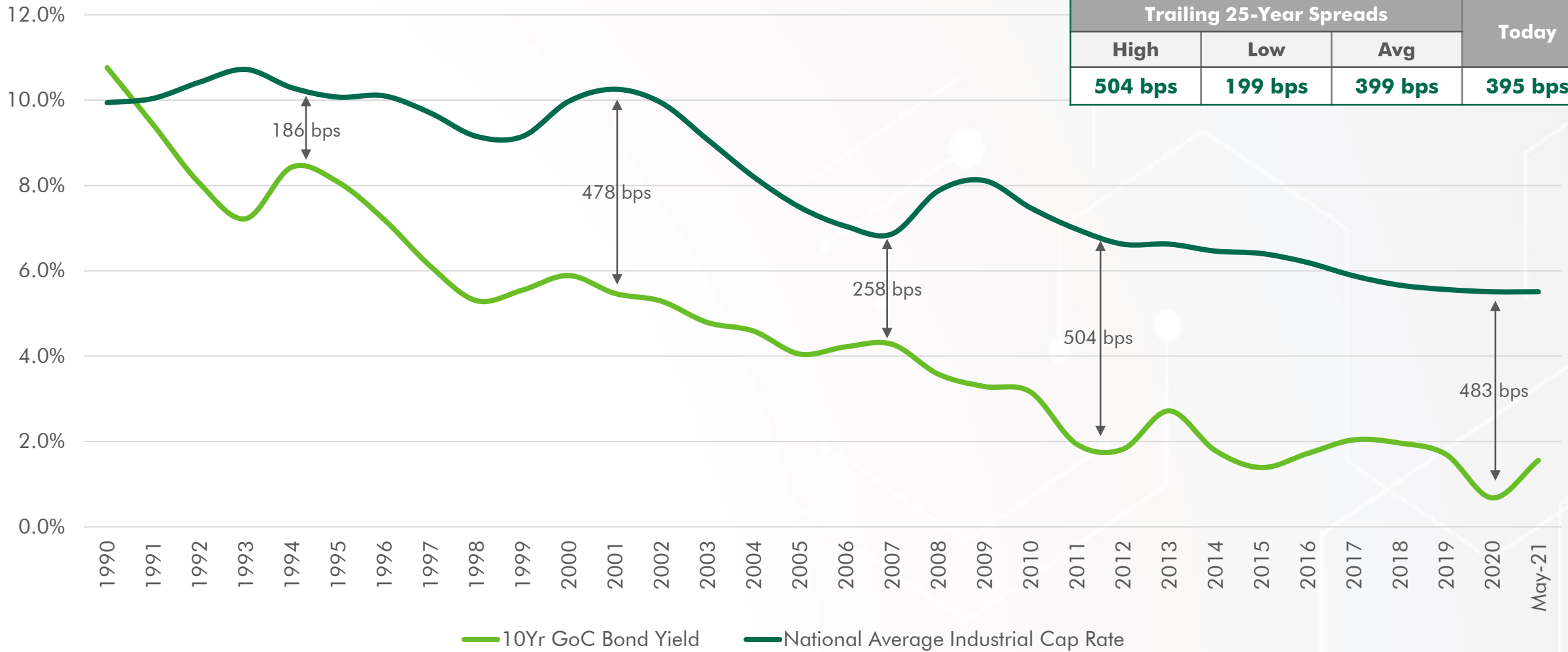


Source: CBRE Research, 2020.

INDUSTRIAL CAP RATE SPREADS REACHED 5 YEAR HIGH IN 2020

CANADA CAP RATES VS GOC BOND YIELDS

Cap Rate



Source: CBRE Research, Refinitiv Eikon, May 1, 2021.

EARLY BET ON THE CANADIAN INDUSTRIAL MARKET

PURE INDUSTRIAL REIT ACQUISITION | JAN 2018



Blackstone



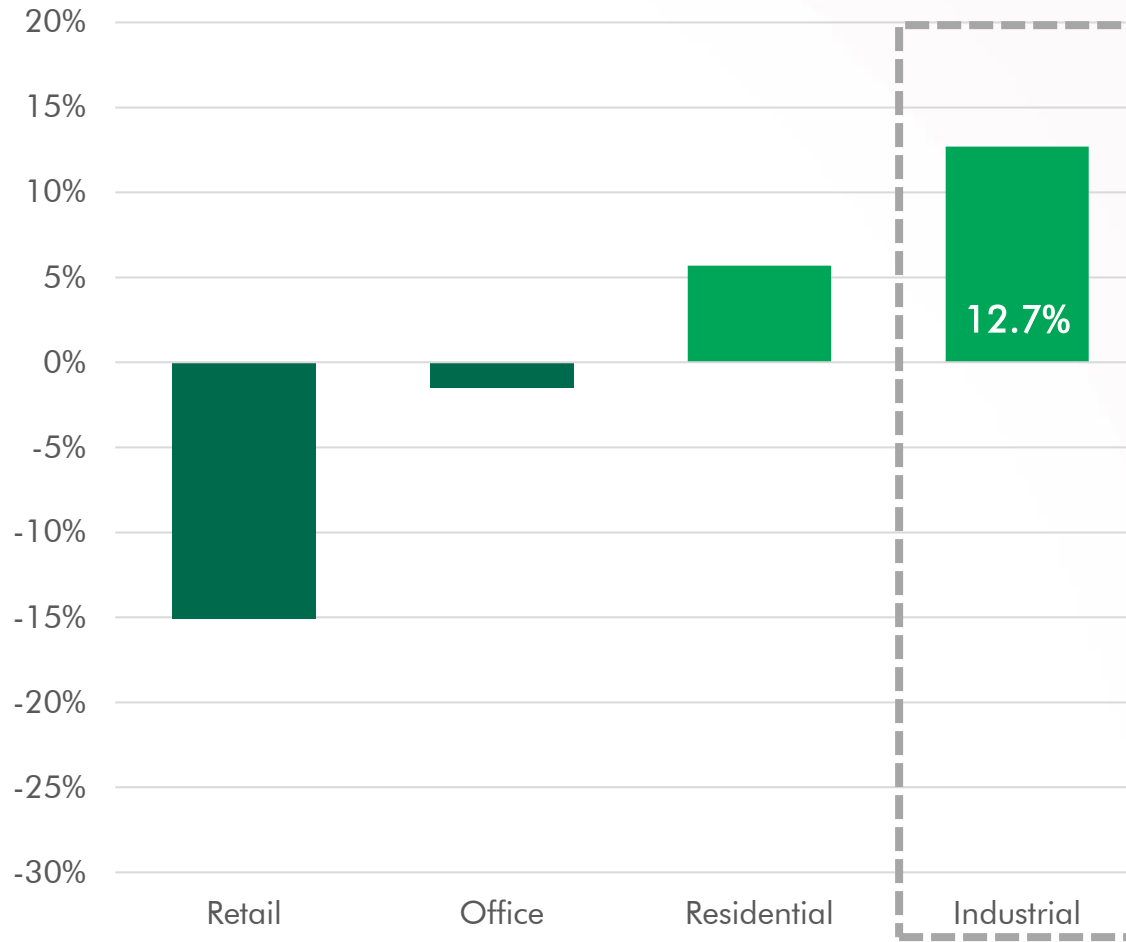
Metric	Value
Price	\$3.8 B
Size	22.7 MSF
Implied Cap Rate	4.8%
Premium to Closing Price	20.5%
Premium to NAV	26.6%

3 | CURRENT FUNDAMENTALS

STELLAR PERFORMANCE LEADS SEES DOUBLE-DIGIT RETURNS

2020 TOTAL RETURNS

PRIVATE MARKETS



PUBLIC MARKETS

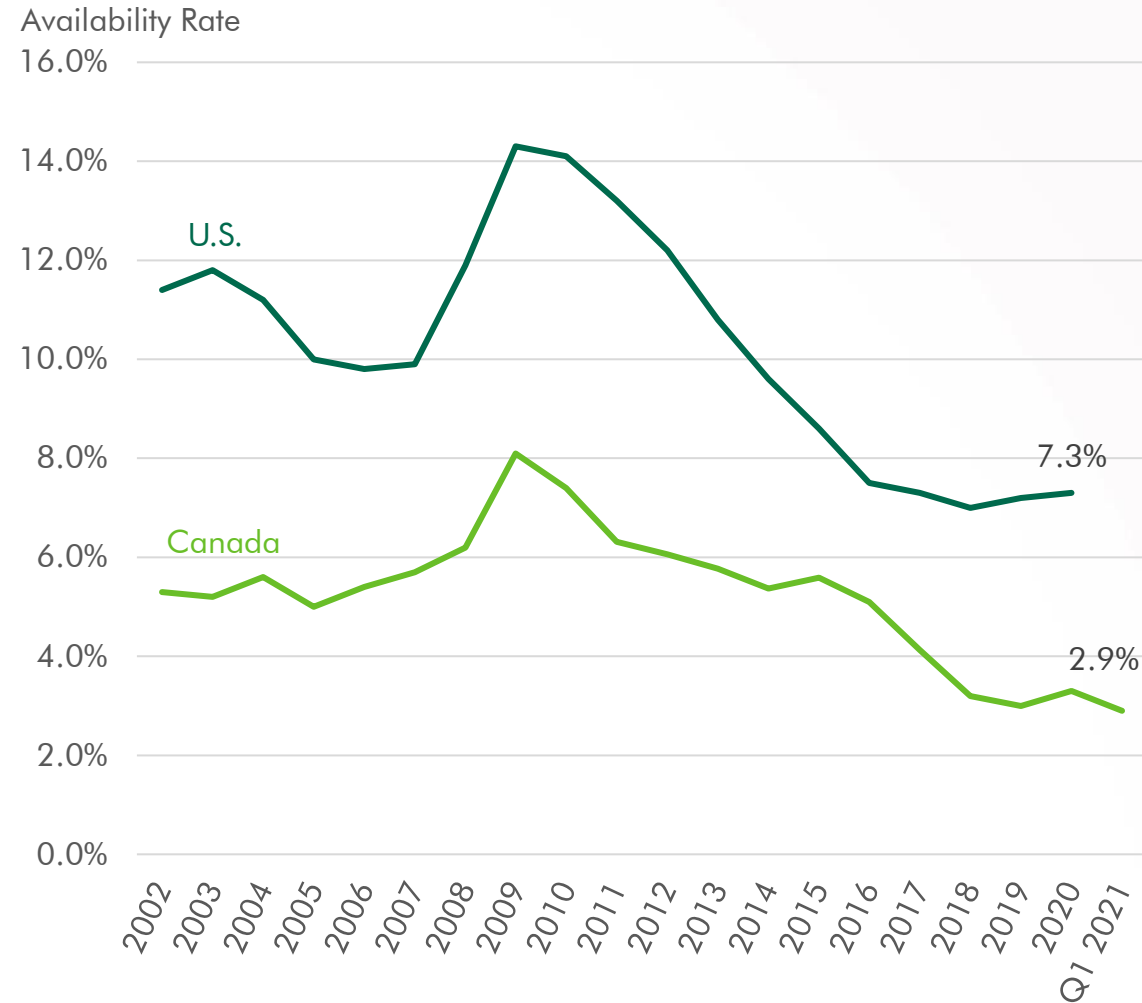


Source: MSCI, RBC Capital Markets, February 2021.

CANADA CLAIMS THREE TIGHTEST MARKETS IN N.A.

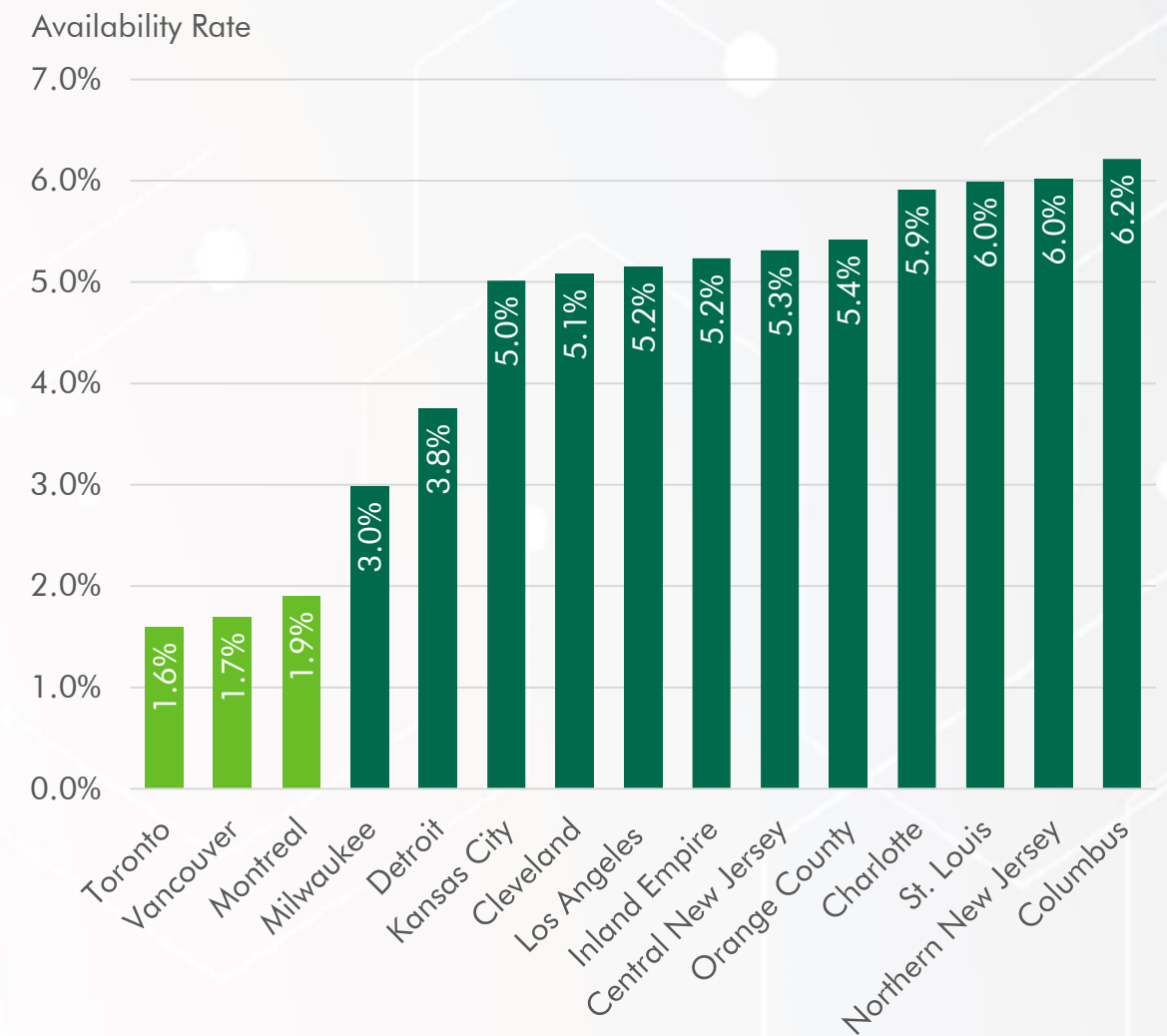
NORTH AMERICAN INDUSTRIAL MARKET COMPARISON

Canada v U.S. – Availability Rate



Source: CBRE Research, Canada Q1 2021, U.S Q4 2020.

North American Industrial Availability Rates



For markets with total inventory > 150 MSF.
Source: CBRE Research, Canada Q1 2021, U.S Q4 2020.

ALL BUT TWO MARKETS AT OR NEAR RECORD LOWS

AVAILABILITY RATE BY MARKET

Availability Rate

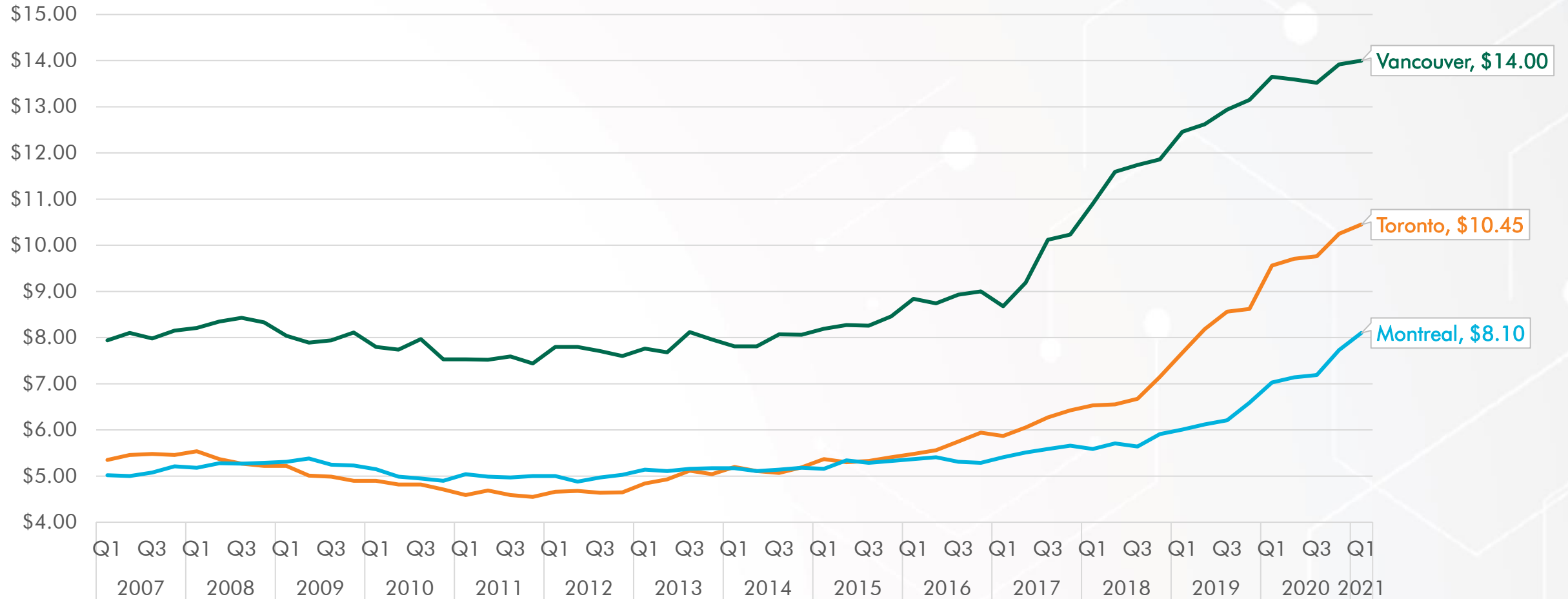


Source: CBRE Research, Q1 2021.

RENTS CLIMB TO RECORD HIGHS THROUGH THE PANDEMIC

RENTAL RATES IN CANADIAN GATEWAY MARKETS

Net Asking Rent (per sq. ft.)

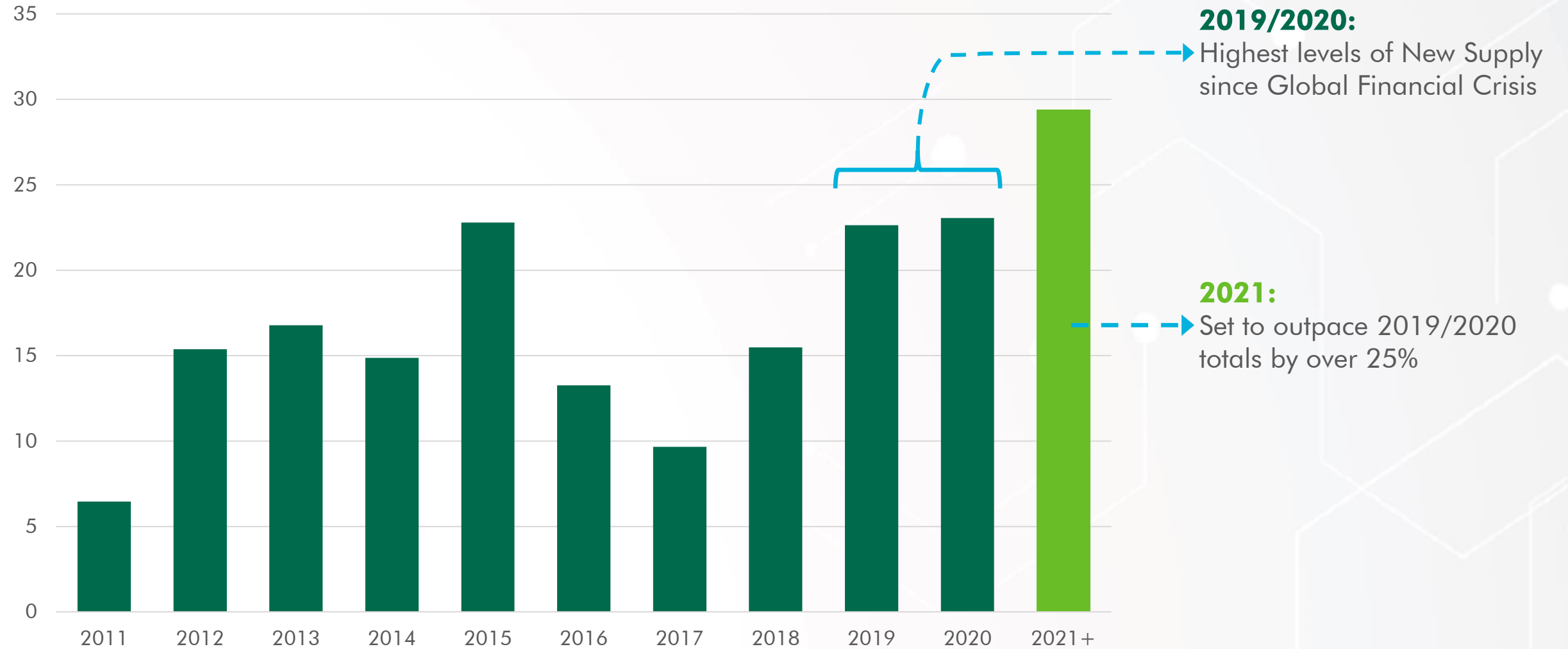


Source: CBRE Research, Q1 2021.

DEMAND LEADING TO RECORD CONSTRUCTION LEVELS

NATIONAL NEW SUPPLY DELIVERIES

New Supply (MSF)

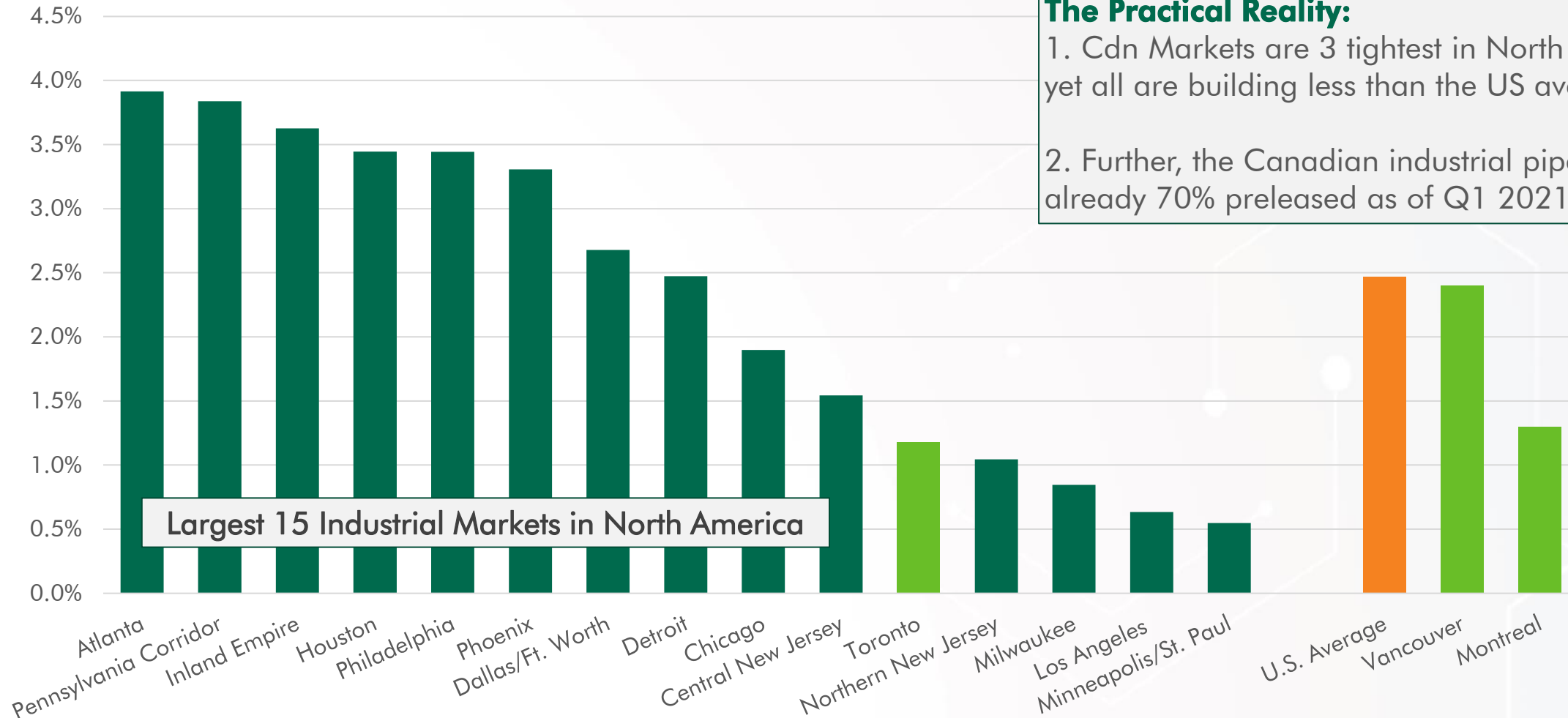


Source: CBRE Research, Q1 2021.

HOWEVER, 'RECORD' CDN LEVELS ARE LOW ON RELATIVE BASIS

CONSTRUCTION AS PERCENT OF EXISTING INVENTORY

Construction as % of Existing Inventory



The Practical Reality:

1. Cdn Markets are 3 tightest in North America, yet all are building less than the US average.
2. Further, the Canadian industrial pipeline is already 70% preleased as of Q1 2021.

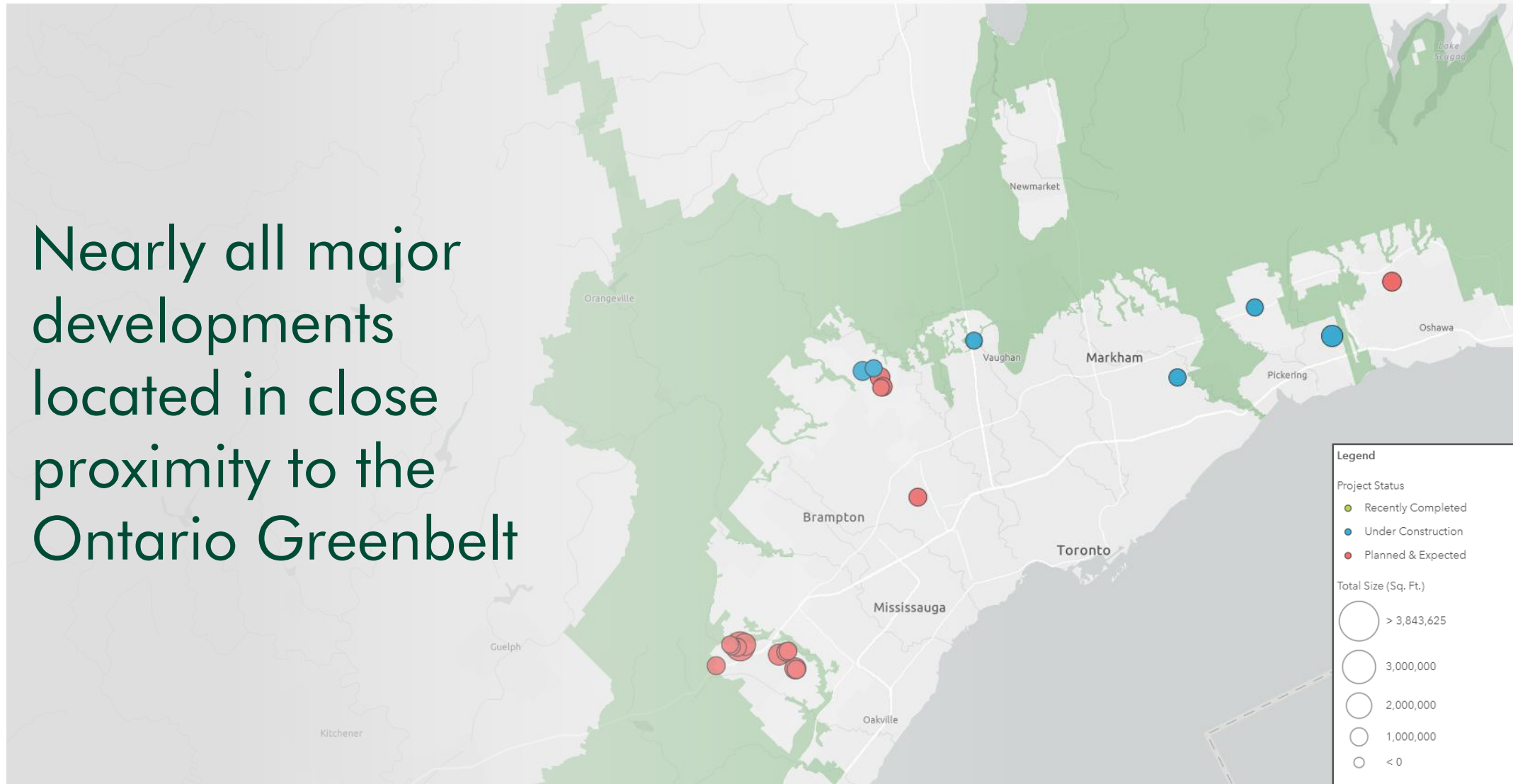
Largest 15 Industrial Markets in North America

Source: CBRE Research, Q1 2021.

A SUPPLY-CONSTRAINED MARKET

THE ONTARIO GREENBELT

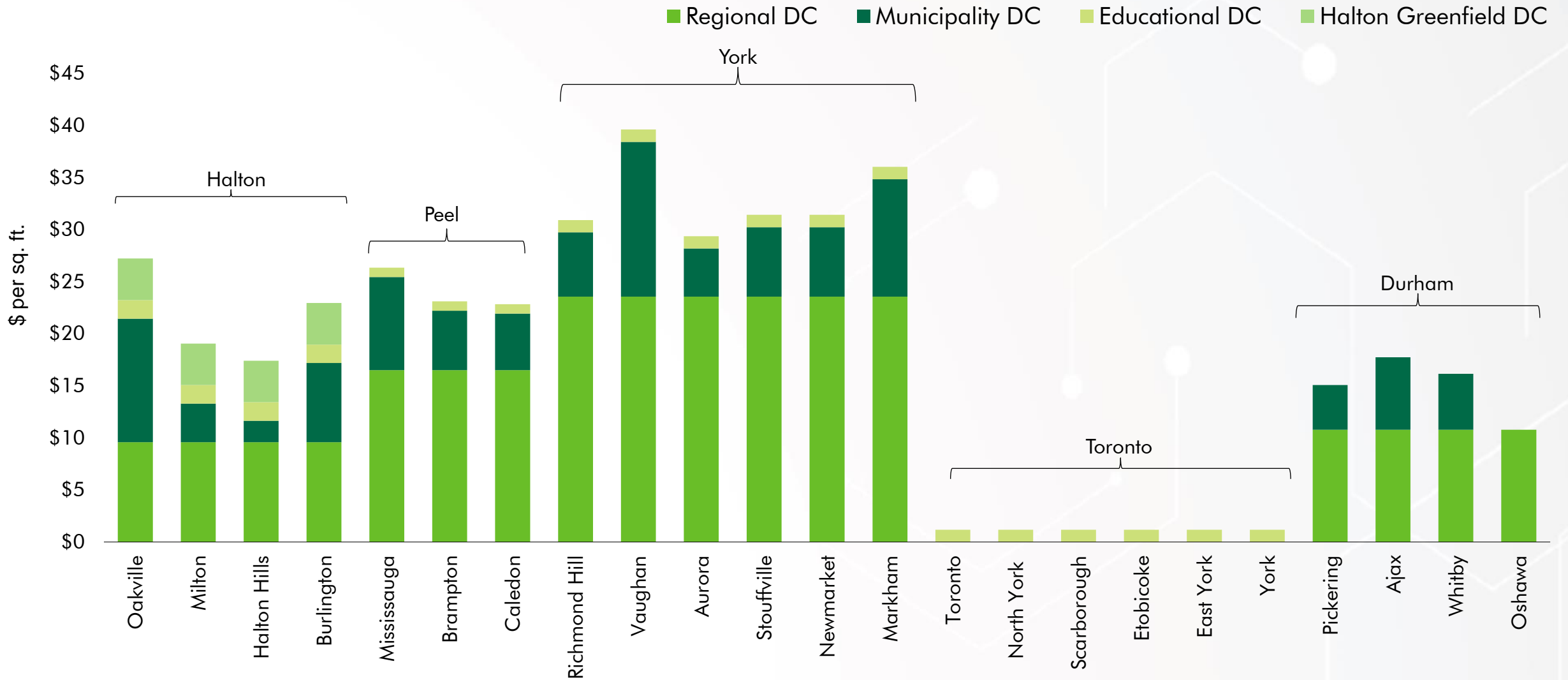
Nearly all major developments located in close proximity to the Ontario Greenbelt



For all GTA industrial development projects 500,000 sq. ft. or larger expected to be completed over the next three years.
Source: CBRE Research, 2020.

INDUSTRIAL DEVELOPMENT CHARGES

GTA INDUSTRIAL DEVELOPMENT TRENDS

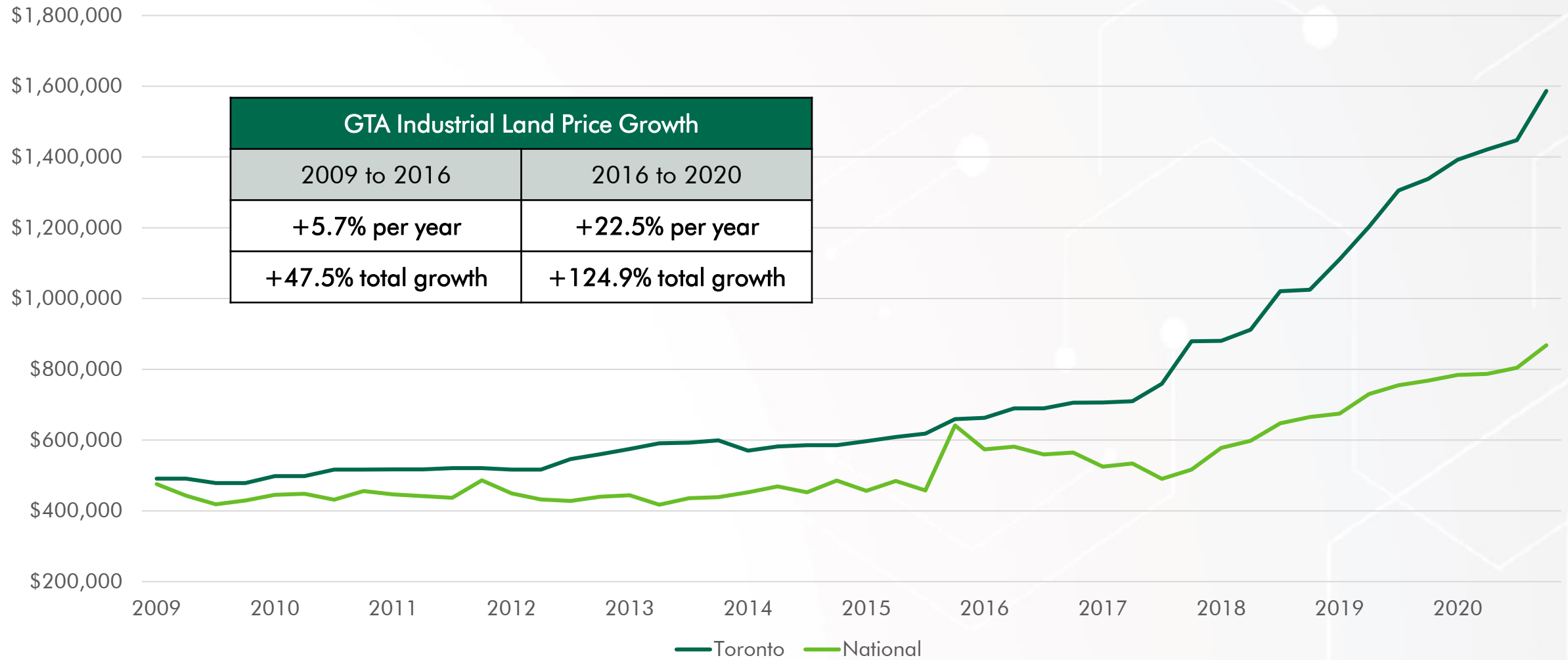


Construction Materials includes fabricated metal products and construction materials.
Source: Statistics Canada, CBRE Research, 2021.

SUPPLY-DEMAND GAP PUSHES LAND VALUES TO NEW HEIGHTS

TORONTO VS. NATIONAL INDUSTRIAL LAND VALUES

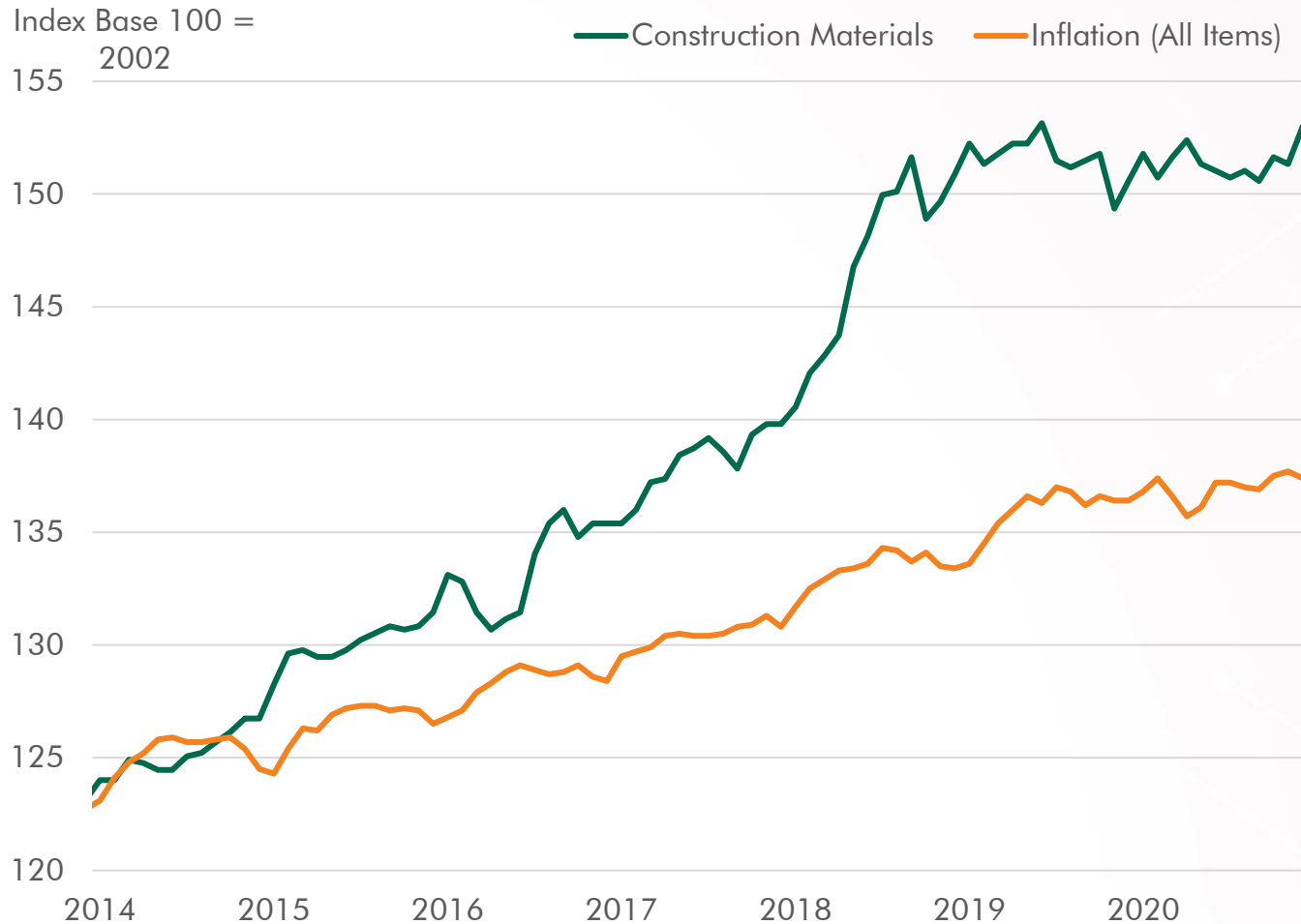
Industrial Land Values (\$/acre)



Source: CBRE Research, Q4 2020.

BUILDING CONSTRUCTION COSTS ON THE RISE

INDUSTRIAL PRODUCT PRICE INDEX



CBC | MENU ▾

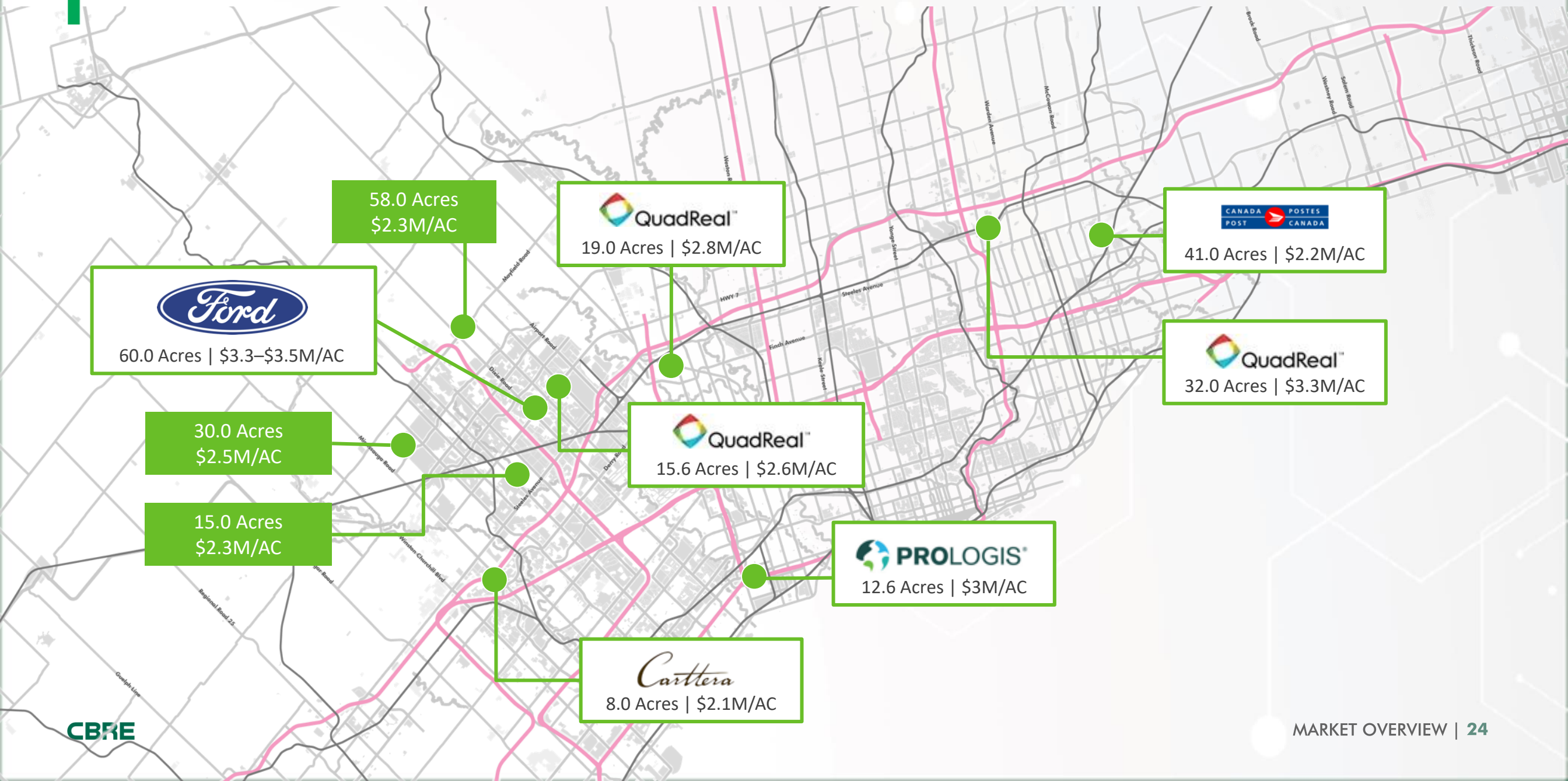
NEWS Top Stories Local The National

Soaring steel prices eat into company profits, drive up building costs – and possibly what consumers pay

“Cost of steel has doubled in 6 months”

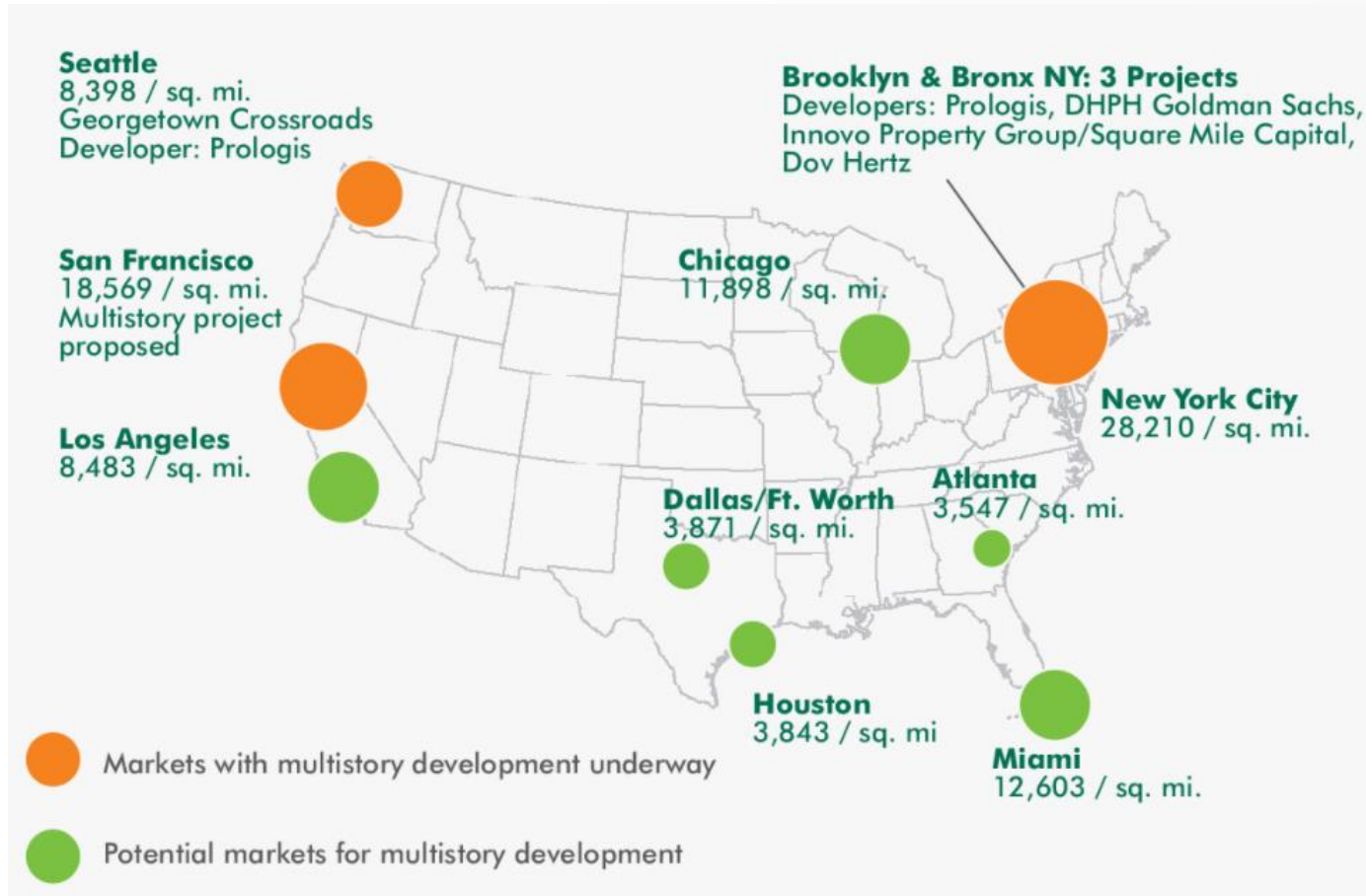
Construction Materials includes fabricated metal products and construction materials.
Source: Statistics Canada, CBRE Research, 2021.

2020 LAND PRICING AFFECT ON ACHIEVABLE RENTS GTA



MULTISTORY DEVELOPMENTS 'ON THE RISE'

MULTISTORY DEVELOPMENT MAP



No Longer Just a US Trend: Vancouver, BC



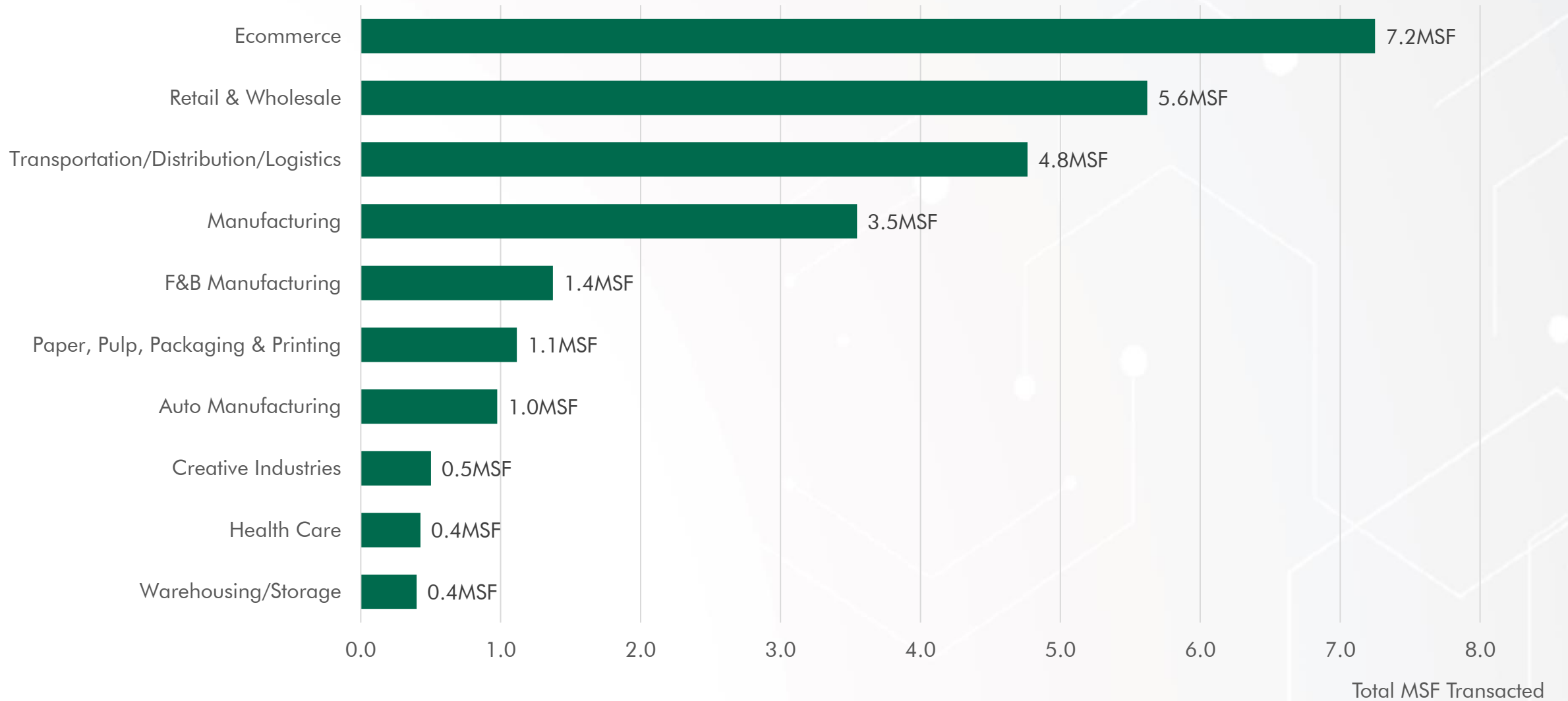
Riverbend Business Park, Oxford Properties

Source: CBRE Research, 2021.

4 | SECTOR OUTLOOK

ECOMMERCE: THE LEADING DRIVER OF NEW LEASES

TOP NEW LEASE DEALS IN CANADA | 2020

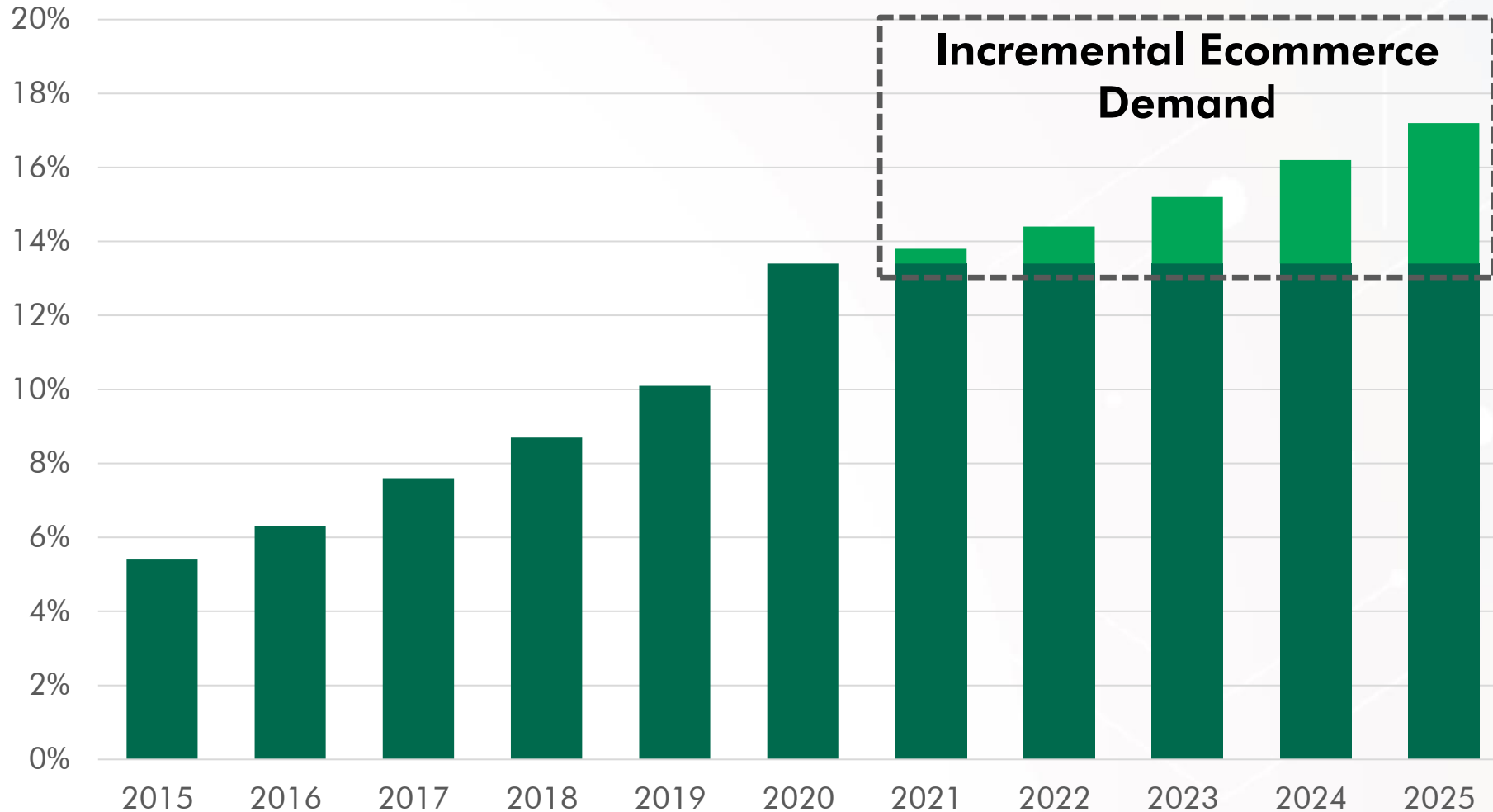


New lease deals include expansions and extensions for identified tenant industries.
Source: CBRE Research, Q4 2020.

ECOMMERCE DEMAND STILL IN EARLY STAGES

CANADIAN ECOMMERCE PENETRATION

Ecommerce Penetration



= 42.4 MSF

of incremental industrial demand that exceeds all space currently available and under construction in Vancouver, Toronto and Montreal combined.

Source: Euromonitor, CBRE Research, 2021.

REAL ESTATE COSTS ONLY SMALL PART OF THE EQUATION

SUPPLY CHAIN COSTS

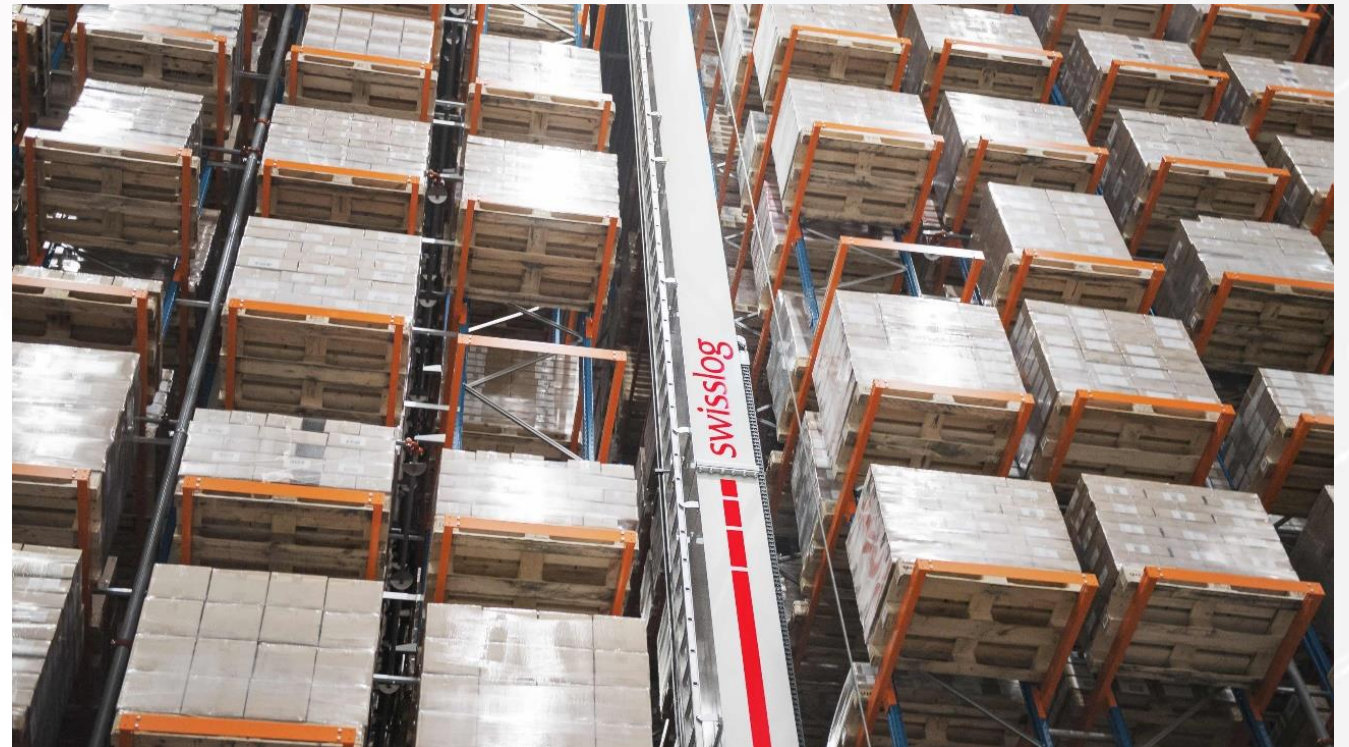


Source: CBRE Research, 2020.



THROUGH-PUT NEEDS SEEING CLEAR HEIGHTS INCREASE

SUPPLY CHAIN INNOVATIONS



Source: CBRE Research, Q1 2021.

JUST-IN-CASE TO INCREASE ON-HAND INVENTORY LEVELS

INVENTORY MANAGEMENT MODELS



A **5% increase in on-hand inventory / occupied space** would be challenging to accommodate given the national availability rate is only 2.9%.



Company



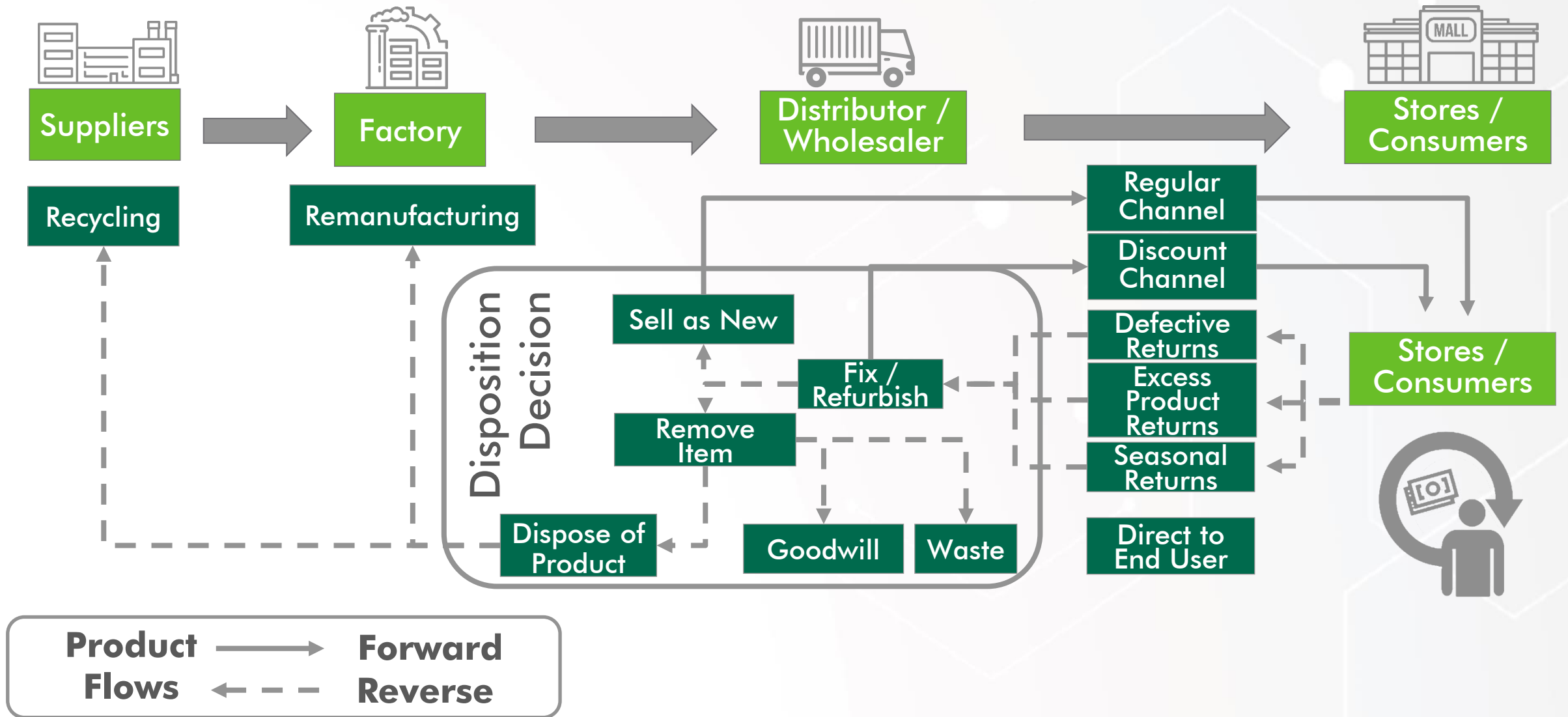
Company Resources



Problems and Bottlenecks

REVERSE LOGISTICS = EVEN MORE SPACE

TRADITIONAL VS. REVERSE LOGISTICS MODEL

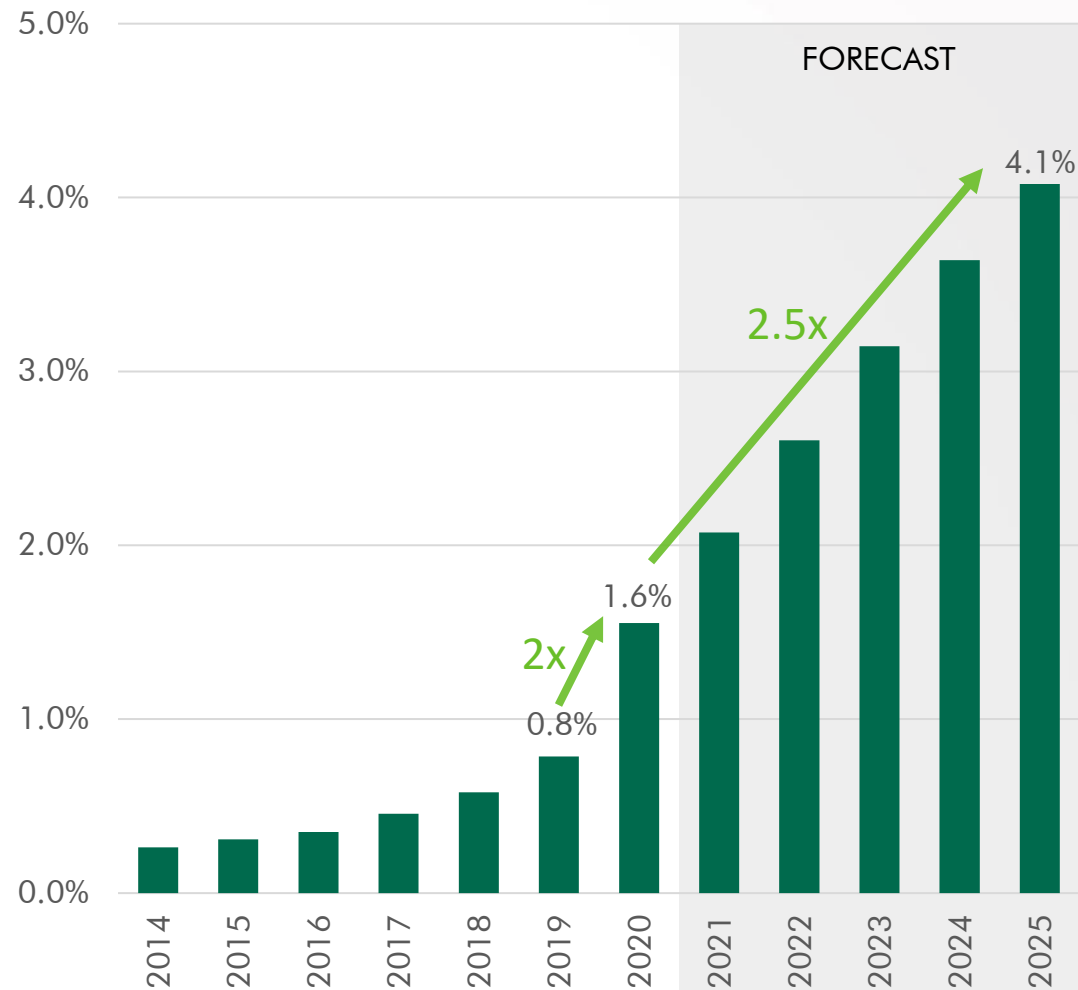


Source: "Retail Supply Chain Management" by James B. Ayers, 2007.

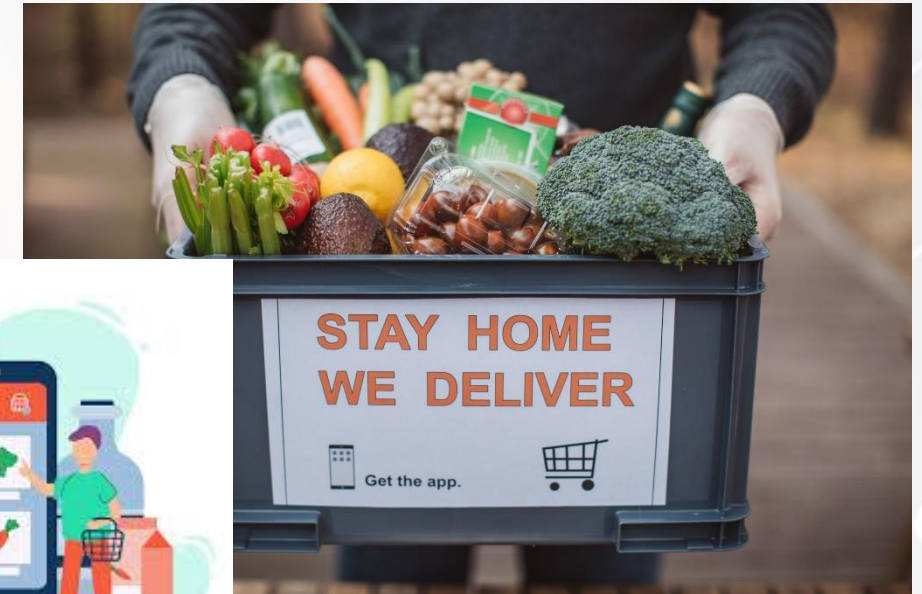
GROCERS STILL VERY EARLY IN THE SHIFT TO E-GROCERY

FOOD & BEVERAGE ONLINE SALES GROWTH

Grocery Spend Online as % of Total Food & Beverage Sales



Source: Euromonitor and CBRE Research, 2021.



Grocers that made significant investment into supporting online shopping habits in 2020:

- **Sobeys – Voilà** – +\$2.1B into distribution centres in ON, BC, QC and AB powered by **Ocado**
- **Loblaws** – partnership with **Gatik** to deploy driverless technology
- **Metro** – \$800M into logistics network in ON & QC

THANK YOU

Research Disclaimer:

Information contained herein, including projections, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to confirm independently its accuracy and completeness. This information is presented exclusively for use by CBRE Limited clients and professionals and all rights to the material are reserved and cannot be reproduced without prior written permission of CBRE Limited.