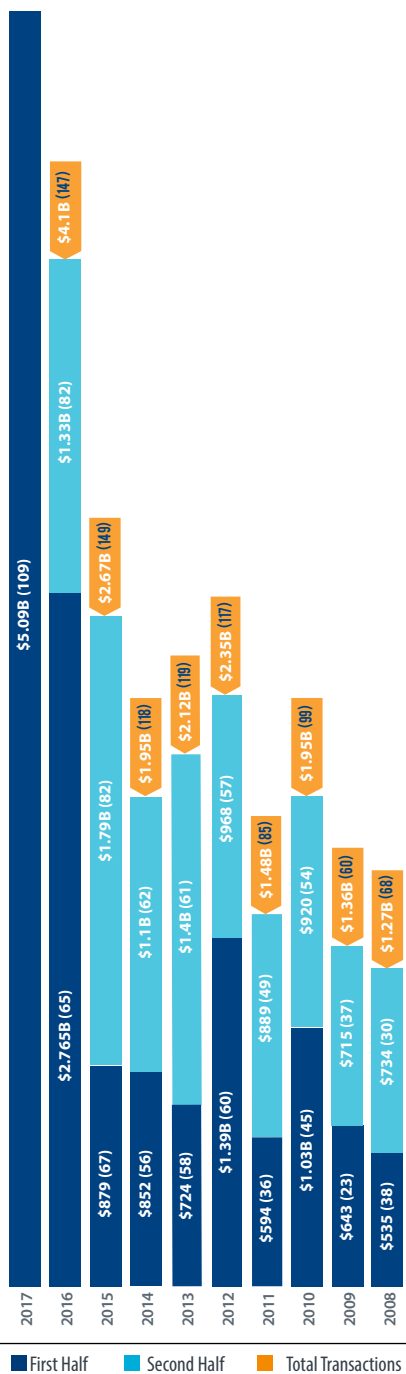


# British Columbia

**FIRST HALF 2017: BC INVESTMENT SALES  
BY DOLLAR VOLUME & NUMBER OF SALES  
DEALS GREATER THAN \$5M**



## Fundamental shift coming in BC investment market as record first-half likely marks end of an era

Unprecedented levels of investment in the first half of 2017, which involved 109 transactions valued at \$5.09B, will likely mark the culmination of the latest and most robust cycle of capital expenditures on BC commercial real estate yet recorded in the province. This ‘cycle of impatience’, which has its roots in 2012 and accelerated in 2015 before peaking in 2017, may be on the decline. Interest-rate increases in the U.S. and Canada, rising bond yields, a change in government at the federal and provincial levels, municipal red tape, new taxation regulation as well as increased enforcement limiting capital outflows from China may start to slow investment activity in BC’s commercial real estate market. The recent resurgence of the Canadian dollar has pushed up the cost of capital for foreign investors, which has made Canadian assets less attractive from a price perspective compared with the past three years. A low Canadian dollar meant that foreign investors could pay more, contributing to further price increases. However, after years of rapid price escalation and cap rate compression, the re-emergence of longer periods of due diligence and more measured financial analysis may lessen the exuberance, haste and impatience that characterized much of the transactional volume since 2015.

Demand for commercial real estate assets in BC remains as strong as ever as the province is the fastest growing in Canada with the second lowest unemployment rate (5.1%) as of August 2017. A lack of demand is not what will impact investment activity in BC commercial real estate. Supply remains the challenge. Increases in the Canadian interest rate environment and the cost of capital as well as changes to federal and provincial taxation policy, combined with greater enforcement of limitations on foreign capital, particularly from China, are what will

ultimately lead to a pause in BC. Vendors with elevated pricing expectations seeking shortened conditional periods may experience a new reality posed by the shifts in the macro economic factors that undergird how investors traditionally behave and make investment decisions. A refusal by a purchaser to meet these expectations could result in vendors deciding that they no longer wish to sell, thus tightening supply, which could also slow deal velocity in 2018 and beyond. With the rising cost of capital, purchasers will no longer obtain the same leverage ratio when using debt financing to acquire properties; hence, purchasers will be required to contribute more equity to a transaction than in years past.

The largest commercial real estate deal in BC history closed in the first half of 2017 with **Cadillac Fairview** selling a 50% non-managing interest in both the **Pacific Centre** shopping mall in Downtown Vancouver along with a portfolio of 12 downtown office towers for \$1.9B. The **Ontario Pension Board** and the **Workplace Safety & Insurance Board** each acquired a 25% stake. The largest retail deal in provincial history also closed in the first half of 2017 with the \$961M-sale of **Oakridge Centre**, a regional shopping centre in Vancouver, to **QuadReal Property Group**, the real estate arm of Victoria-based **bclMC**. The sale of **Metrotower I & II** in Burnaby to a private investor for \$274M in the first half of 2017 also marked the largest deal for a suburban office asset in BC history. The previous record had been the sale of the newly built **Metrotower III** for \$205M in 2015. These sales followed the first billion-dollar commercial real estate transaction in BC history: the sale of the **Bentall Centre** office/retail complex in Downtown Vancouver to **Anbang Insurance Group Co.** for \$1.055B in the first half of 2016.

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## Buyer purchases by asset & land deals

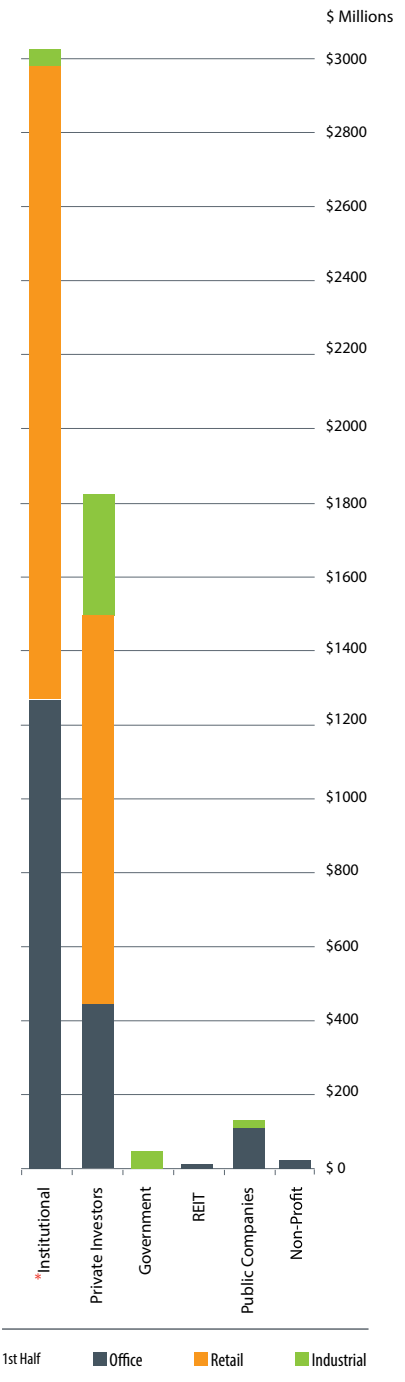
COMMERCIAL ICI LAND SALES					
(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2017					
PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
246 & 248 East 1st Avenue	Vancouver	\$7,000,000	0.22	Commercial industrial*	May 2017
306 Terminal Avenue	Vancouver	\$15,500,000	0.67	Commercial	May 2017
1331-1371 McKeen Avenue; 5-99 Senator Road	North Vancouver	\$115,021,310	27.53	Commercial	May 2017
922-938 West Broadway	Vancouver	\$11,000,000	0.14	Commercial	Apr 2017
5744 Byrne Road	Burnaby	\$12,000,000	3.81	Commercial	Mar 2017
303 Vernon Drive & 318 Glen Drive	Vancouver	\$45,000,000	1.74	Commercial	Mar 2017
1223 East Pender Street	Vancouver	\$6,100,000	0.48	Commercial industrial*	Mar 2017
101 West 6th Avenue	Vancouver	\$5,000,000	0.13	Commercial industrial*	Mar 2017
1994 Springfield Road	Kelowna	\$5,000,000	1.92	Commercial	Feb 2017
32290, 32336 & 32352 Lougheed Highway	Mission	\$6,100,000	9.03	Commercial	Feb 2017
15180 32nd Avenue	Surrey	\$5,102,000	2.03	Commercial	Feb 2017
494 Railway Street	Vancouver	\$13,800,000	0.33	Commercial industrial*	Feb 2017
17395 56 Avenue	Surrey	\$6,375,000	3.76	Commercial	Feb 2017
641 Lougheed Highway	Coquitlam	\$11,400,000	1.85	Commercial	Jan 2017
450 Railway Street	Vancouver	\$6,100,000	0.15	Commercial industrial*	Jan 2017
460 Railway Street	Vancouver	\$8,550,000	0.22	Commercial industrial*	Jan 2017
1055 Vernon Drive; 1010 George Street	Vancouver	\$16,500,000	0.80	Commercial	Jan 2017
711 Alexander Street	Vancouver	\$5,100,000	0.26	Commercial industrial*	Jan 2017

\*modified industrial zoning also permits higher density and additional office/showroom/flex use

INDUSTRIAL ICI LAND SALES					
(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2017					
PROPERTY	LOCATION	PRICE	SITE AREA (ACRES)	LAND USE	DATE
26090 30A Avenue	Langley	\$8,650,000	10.00	Industrial	Jun 2017
32915 Mission Way	Mission	\$5,300,000	6.69	Industrial	May 2017
13577 115th Avenue	Surrey	\$6,550,000	3.62	Industrial	Apr 2017
8729 Aisne Street	Vancouver	\$5,000,000	1.00	Industrial	Mar 2017
88 Golden Drive	Coquitlam	\$7,000,000	6.82	Industrial	Feb 2017
19715 96th Avenue	Langley	\$5,869,825	2.99	Industrial	Jan 2017
2919, 2967 188th Street	Surrey	\$10,000,000	20.00	Industrial	Jan 2017
1655 Dilworth Drive	Kelowna	\$10,600,000	8.00	Industrial	Jan 2017
10900, 11111, Lot A & Lot B Twigg Place	Richmond	\$20,281,250	13.88	Industrial	Jan 2017

TOP FIVE RESIDENTIAL LAND SALES (METRO VANCOUVER)					
(By Price) January 1 to June 30, 2017					
PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
4125-4175 West 8th Avenue (Jericho lands)	Vancouver	\$240,000,000	19.66	856,390	Feb 2017
2223 Alpha Avenue; 4500-4530 & 4554-4584 Dawson Street; 2350, 2410 & 2430 Willingdon Avenue; 2375 Alpha Avenue	Burnaby	\$155,065,000	8.12	354,056	Jun 2017
503-609 East 2nd Street, 502-631 East 1st Street, 519-651 East 1st Street	North Vancouver	\$138,500,000	10.00	435,600	Mar 2017
2125 Eddington Drive (Arbutus Manor site)	Vancouver	\$115,000,000	3.93	171,191	Mar 2017
1698 West Georgia Street (Chevron site)	Vancouver	\$72,000,000	0.37	16,379	Mar 2017

## FIRST HALF 2017: BUYER PURCHASES BY ASSET TYPE



\* Institutional investors include pension funds, offshore interests and life insurance companies

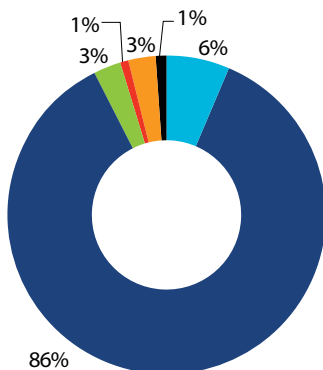
**Note: Foreign buyers have also been active investors. Rather than identifying them separately as foreign, Avison Young is categorizing them as institutional or private as the case may be.**

## BUYER PROFILE

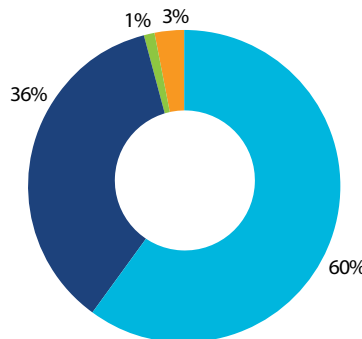
Private purchasers remained the most dominant buyer group in the first half of 2017 in terms of the number of deals completed, but for the first time since 2012 did not represent the majority of dollar volume. Private buyers accounted for 86% of all transactions but only 36% of total dollar volume due to the significant value of institutional transactions that closed in the first half. The last time private buyers were responsible for less than 50% of overall dollar volume was 2012 when they accounted for 72% of total purchases, but just 38% of the \$2.35B invested that year. However, private capital still accounted for a number of significant deals in the first half, including Metrotower I & II, Sevenoaks Shopping Centre and Columbia Square. Private capital in terms of dollar volume percentage peaked at mid-year 2015 when it was responsible for 78% of all proceeds (and 93% of all transactions).

Institutional investors, who had largely remained on the sidelines in BC since 2011 when they captured 24% of total dollar volume, grew more active in 2016 when they captured 33% of dollar volume in large part due to foreign institutional investment in the office market. However, an influx of Canadian institutional capital in the first half of 2017 captured 60% of total dollar volume of \$5.09B (a new record in itself), but were represented in just 6% of deals. The scale of institutional investment in BC commercial real estate in the first half of 2017 is unprecedented in the province's history.

### FIRST HALF 2017: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



### FIRST HALF 2017: VALUE OF SALES BY TYPE OF BUYER



Institutional investors spent \$1.7B on retail assets, \$1.27B to acquire office product and \$58M on industrial properties for a total of \$3B in the first half of 2017 alone. Private capital expended \$1.05B on retail properties, \$452M on office buildings and \$329M on industrial assets for a total of \$1.83B. Public companies (\$132M), Government (\$48M), Non-Profits (\$22.5M) and REITs (\$13.5m) made up the remaining \$216M of purchases outstanding in the first half of 2017. To provide some perspective on the scale of CRE investment that occurred in the first half of 2017 (\$5.09B), total investment dollar volume in all CRE asset classes in BC from 2007 to 2010 was \$5.5B.

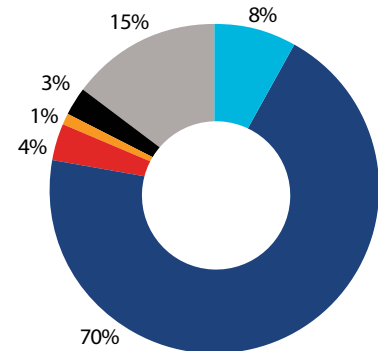
## VENDOR PROFILE

Private vendors accounted for just 22% of total proceeds in the first half of 2017 – a significant decline from 44% in 2016 and a far cry from 67% in 2015 and 65% in 2014 – despite being involved in 70% of the deals completed due to the significant value of the institutional transactions that closed in the first half. The percentage of private sellers' sale proceeds recorded at mid-year 2017 is its lowest point since Avison Young started tracking the BC investment market in 2006. The previous low was 23%, which occurred at year-end 2008.

Institutional sellers captured a record 69% of sale proceeds at mid-year 2017 despite only being involved in 8% of transactions. The previous record for institutional vendors was 61% of sale proceeds at mid-year 2010, but in that case they were involved in 29% of transactions.

Interestingly, the disposition of a number of

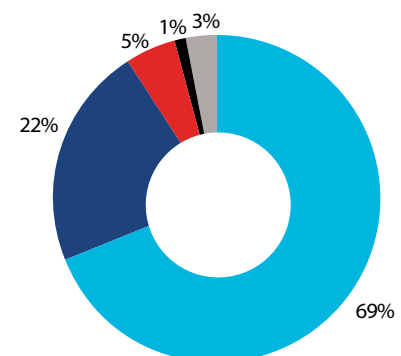
### FIRST HALF 2017: NUMBER OF TRANSACTIONS BY TYPE OF VENDOR



Canadian bank branches primarily located in Vancouver by various financial institutions represented 15% of total sales in the first half of 2017, but captured just 3% of overall dollar volume. The presence and influence of REITs in the BC market continued to diminish and fade with four sales representing 4% of overall transaction volume, which generated 5% of total dollar volume. REITs have largely departed the BC market due to the high cost of entry and typically low yields.

Institutional sellers received \$1.65B for office assets and \$1.87B for retail properties for a total of \$3.52B. Private vendors earned \$1.11B, including \$192M for office assets, \$520M for retail properties and \$406M for industrial sales. REITs sold off \$201M worth of retail assets, \$27.5M of industrial holdings and \$19.25M in office product. Financial institutions earned \$126M primarily selling off bank branches in Vancouver.

### FIRST HALF 2017: VALUE OF SALES BY TYPE OF VENDOR



## Office

Office investment sales activity in BC generated near-record dollar volume in the first half of 2017 with 17 transactions valued at \$1.86B, including the sale of a 50% interest in a portfolio of 12 downtown Vancouver office buildings for \$1.25B. While capturing just 16% of the total number of investment deals that occurred in the province, sale proceeds from office assets represented 37% of overall record dollar volume of \$5.09B in the first half of 2017.

Only the first half of 2016, which featured 15 office sales for a record \$1.9B (including the **Bentall Centre, Royal Centre, UK Building** (409 Granville Street) and the former **Revenue Canada Building** (1166 West Pender Street), surpasses the first half of 2017 in terms of dollar volume achieved. The disposition of a 50% interest in **Cadillac Fairview's** downtown Vancouver office building portfolio for \$1.25B represented the single largest office transaction in the province's history. The **Ontario Pension Board** and **Workplace Safety & Insurance Board** each obtained a 25% share on a non-managing basis.

The \$274M-sale of **Metrotower I & II** in Burnaby in the first half of 2017 represented the highest price obtained in an office transaction outside the downtown core since the sale of neighbouring **Metrotower III** for \$205M in 2015. The \$274M price tag also represented the high-water mark in terms of pricing obtained for suburban office assets in a single deal. Both buildings had been previously owned by **Ivanhoé Cambridge**. Two other

Burnaby office assets (4190 Still Creek Drive as well as 4260/4280 Still Creek Drive), all of which were previously owned by **HOOPP Realty**, were sold to **Fortinet Technologies** for a combined \$110.7M.

**GWL Realty Advisors'** disposition of 800 Carleton Court for \$12.5M to a private buyer marked the fifth office transaction in the first half of 2017 involving an institutional vendor selling a suburban office property. On the other hand, institutional investor **QuadReal Property Group** did acquire an office property at 611 Agnes Street in New Westminster for \$16M, while **Dream REIT** sold the neighbouring **Queens Court** to a private buyer for \$19.25M. Developers, including **Wesgroup, Rendition Developments** and **Reliance Properties**, also acquired office assets in the first half of 2017.

Office assets remain in strong demand from investors, particularly in the downtown core, where vacancy continues to tighten and



**Metrotower I & II** in Burnaby sold for \$274.4M in 2017.

rental rates remain strong. Strong pricing also pushed some sellers to cull their portfolios to realize the gains available in the current market environment.

*An additional \$94.9M (in sales from office assets valued at less than \$5M) was raised in 107 transactions in the Lower Mainland in the first half of 2017, pushing dollar volume to more than \$1.95B in total investment.*

### OFFICE TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
800 Carleton Court	Delta	\$12,500,000	Institutional	Private	June 2017
727 Fisgard Street	Victoria	\$13,519,000	Private	REIT	June 2017
<b>Queens Court</b> 615-625 Agnes Street	New Westminster	\$19,250,000	REIT	Private	May 2017
10207, 10221 & 10233 153rd Street	Surrey	\$15,000,000	Private	Private	May 2017
6651 Fraserwood Place	Richmond	\$14,000,000	Private	Private	April 2017
4260 & 4280 Still Creek Drive	Burnaby	\$51,676,168	Institutional	Public Co.	April 2017
4190 Still Creek Drive	Burnaby	\$59,000,000	Institutional	Public Co.	April 2017
<b>Metrotower I &amp; II</b> 4710 & 4720 Kingsway	Burnaby	\$274,420,388	Institutional	Private	April 2017
2601-2609 Granville Street	Vancouver	\$35,200,000	Private	Private	March 2017
<b>Sterling Place</b> 120 & 122 West 8th Avenue	Vancouver	\$7,000,000	Private	Private	March 2017
611 Agnes Street	New Westminster	\$16,000,000	Private	Institutional	Feb 2017
224 West 8th Avenue	Vancouver	\$9,500,000	Private	Private	Feb 2017
<b>Cadillac Fairview office portfolio (50% interest)</b>					
<b>Waterfront Centre</b> 200 Burrard Street					
<b>Granville Square</b> 200 Granville Street					
<b>PricewaterhouseCoopers Place</b> 250 Howe Street					
<b>Canaccord Genuity Place</b> 609 Granville Street					
<b>TD Tower</b> 700 West Georgia Street					
<b>HSBC Building</b> 885 West Georgia Street					
<b>The Station</b> 601 Cordova Street					
725 Granville Street					
700 West Pender Street					
750 West Pender Street					
777 Dunsmuir Street					
701 West Georgia Street					
<b>Law Society Building</b> 1148 Hornby Street	Vancouver	\$20,800,000	Private	Private	Jan 2017
9180 King George Boulevard	Surrey	\$5,300,000	Non-profit	Private	Jan 2017
4664 Lougheed Highway (50% interest)	Burnaby	\$39,000,000	Private	Private	Jan 2017
6200 Willingdon Avenue	Burnaby	\$22,518,064	Private	Non-Profit	Jan 2017
<b>Total Deals/Investment</b>	<b>17</b>	<b>\$1,864,683,620</b>			

Office investment activity generated near record dollar volume in first half

## Retail

The sale of BC retail assets achieved record heights when 55 retail transactions valued at \$2.77B were completed in the first half of 2017. The record-setting dollar volume was primarily attributed to the sale of **Oakridge Centre** for \$961.3M and a 50% interest in **Pacific Centre** valued at \$650M for a total of \$1.61B. Retail deals captured 54% of overall BC dollar volume of \$5.09B while also making up 50% of the total number of deals completed in the first half.

Retail assets, particularly those with a land component, remain in extraordinarily high demand in core and suburban markets alike with strong pricing finally coaxing formerly reluctant vendors to execute a disposition. Besides regional malls such as Oakridge Centre and a 50% interest in Pacific Centre, a number of other shopping centres and retail outlets changed hands, including **Sevenoaks Shopping Centre** in Abbotsford, **Columbia Square** in New Westminster and **Driftwood Mall** in Courtenay. All three sold for a combined total of \$359.8M. Two power centres, **Westbank Hub** in Kelowna and the **Bakerview Centre** in Abbotsford, also sold for a combined total of \$141.8M.

Financial institutions also sought to cash in on the demand for retail assets (and the land on which they sit) with **National Trust Company**, **CIBC**, **Blueshore Financial** and **Scotiabank** combining to sell 15 branch locations in the first half of 2017 for a total value of \$126M. Almost all the branches were located in Vancouver. Most of these transactions were between \$5M and \$10M and do not appear on the sales chart due to space limitations. While not classified as retail transactions in this report, the well-documented sale of properties with gas stations located on the Downtown peninsula and throughout Vancouver for redevelopment purposes is another manifestation of the same trend that has resulted in the redevelopment of sites with bank branches. Oil companies and financial institutions have been able to boost profitability by selling off real estate assets in Vancouver thanks to record pricing and overwhelming demand for sites.

The sale prices of many retail assets (not just bank branches and gas stations) sold

in the first half of 2017 is being driven upwards by the value of land and potential redevelopment to a higher and better use, which is typically mixed-use or residential development. **RioCan REIT's** disposition of its four-storey retail facility on Cambie Street (home to **Best Buy** and **Canadian Tire**) is one example. Increasingly, retail property deals become land deals when tenants vacate the properties, particularly in Vancouver and core markets. The retail components of well-located, mixed-use condo developments are also increasingly popular with three sales totalling \$49M in the first half.

*Almost \$325M (in sales from retail assets valued at less than \$5M) was raised in 232 transactions in the Lower Mainland in the first half of 2017, pushing total dollar volume to almost \$3.1B.*

## Retail dollar volumes hit record first-half high of \$2.77 billion



**Oakridge Centre** sold for \$961.3M in February 2017.

SELECT RETAIL TRANSACTIONS (MORE THAN \$10M)					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
2200-2290 Cambie Street	Vancouver	\$94,200,000	REIT	Private	June 2017
<b>Columbia Square</b> 78 10th Street	New Westminster	\$97,700,000	Private	Private	June 2017
1025 Marine Drive	North Vancouver	\$24,000,000	Private	Private	June 2017
6103-6109 West Boulevard	Vancouver	\$13,998,000	Private	Private	June 2017
350-398 Robson Street and #200, #201, #B10 & #B12 806 Homer Street and 810-820 Homer Street	Vancouver	\$16,200,000	Private	Private	June 2017
1513-1527 Johnston Road and 15165-15185 Russell Avenue	White Rock	\$17,430,000	Private	Private	May 2017
560 and 568-570 Seymour Street	Vancouver	\$29,000,000	Private	Private	May 2017
<b>Mandarin Residences</b> (retail component) 6300 No. 3 Road	Richmond	\$22,320,000	Financial	Private	Apr 2017
8-18 East Broadway and 2520 Ontario Street	Vancouver	\$13,250,000	Non-Profit	Private	Apr 2017
<b>The Colonnade</b> (retail component) 1467, 1471, 1479 & 1487 Robson Street	Vancouver	\$14,000,000	Private	Private	Apr 2017
<b>Driftwood Mall</b> 2701-2751 Cliff Avenue	Courtenay	\$48,100,000	Institutional	Private	Apr 2017
1619-1627 West Broadway	Vancouver	\$13,000,000	Private	Private	Apr 2017
1705 Marine Drive	West Vancouver	\$16,000,000	Non-Profit	Private	Mar 2017
<b>Cielo</b> (retail component) 305 Bute Street	Vancouver	\$12,744,000	Private	Private	Mar 2017
<b>Westbank Hub (North &amp; Centre)</b> 2130 Louie Drive & 3550 Carrington Road	Kelowna	\$106,800,000	REIT	Institutional	Mar 2017
4575 Main Street	Vancouver	\$18,800,000	Private	Private	Mar 2017
<b>Oakridge Centre</b> 650 West 41st Street	Vancouver	\$961,300,000	Institutional	Institutional	Feb 2017
<b>Sevenoaks Shopping Centre</b> 32900 South Fraser Way	Abbotsford	\$214,000,000	Institutional	Private	Feb 2017
2527 Pine Street, 1702-1780 West Broadway	Vancouver	\$83,460,000	Private	Private	Feb 2017
<b>Bakerview Centre</b> 1379 Sumas Way	Abbotsford	\$35,000,000	Private	Private	Feb 2017
<b>CF Pacific Centre</b> (50% interest) 701 West Georgia Street	Vancouver	\$650,000,000	Institutional	Institutional	Feb 2017
1222-1224 Hamilton Street	Vancouver	\$14,825,000	Private	Private	Jan 2017
2904 Granville Street & 1466 West 13th Avenue	Vancouver	\$14,700,000	Financial	Private	Jan 2017
1601 Lonsdale Avenue	North Vancouver	\$13,300,000	Financial	Private	Jan 2017
2288 West 41st Avenue	Vancouver	\$12,000,000	Financial	Private	Jan 2017

## Industrial

Strong demand for industrial assets continued unabated in the first half of 2017 with 37 transactions valued at \$456.4M. This followed the record second half of 2016, which included 36 industrial transactions valued at \$566.9M. While the industrial share of overall dollar volume was just 9% due to extraordinary spending on institutional-grade retail and office assets in the first half of 2017, industrial sales did represent 34% of the total number of deals completed. Industrial sales activity has been rising steadily since 2015 and is trending toward another record year.

In 2016, there were a record 61 deals valued at \$819M, which followed up the 51 deals valued at \$642M that closed in 2015. The previous record, which had been set in 2013, was 38 deals valued at \$663M. What distinguishes the performance of the first half of 2017 from previous years is an absence of trophy industrial assets changing hands. Only five sales exceeded \$25M. Of those, just two exceeded \$30M with none greater than \$33M. As an example, the second half of 2016 had four deals in excess of \$30M, including two transactions valued at \$60M and \$150M, respectively. While deal flow has remained comparable with previous years, pricing has continued to rise in 2017 for industrial properties of all stripes.

Despite a shortage of industrial assets available for sale, deal velocity has remained consistent year-over-year as strong pricing continues to turn existing owners into vendors in light of the gains being achieved. For many private investors and REITs, a disposition strategy has been driven by a decision to reallocate capital gained from a sale to be deployed in other markets with higher yields. A recent culling of portfolios has added to transactional activity as a result. Elevated pricing for industrial assets has also been supported by the dominant actor in BC industrial real estate, the owner/occupier. Until very recently, record-low interest rates have allowed many owner/occupiers to meet vendor price expectations that would not be acceptable to many private investors or REITs.

Private real estate developers such as the **Beedie Group**, **Hungerford Properties**, **Wesgroup** and **Conwest** have also remained active and acquired industrial assets for investment and potential redevelopment

purposes. Institutional purchasers were represented in the two largest industrial transactions of the first half of 2017 as they continue to work to acquire industrial assets in a tight and highly competitive market.

With industrial vacancy in Metro Vancouver at less than 2% and rental rates rising in virtually every market, demand for industrial properties remains extraordinarily strong. With rental rates and strata pricing rising enough to justify current acquisition and land costs, those industrial properties with

any redevelopment potential to a higher, better industrial use through stratification, renovation or multi-storey configuration will be strongly contested by both owner/occupiers and developers. REITs and more traditional investors are finding it increasingly difficult to compete.

*Almost \$238M (in sales from industrial assets valued at less than \$5M) was raised in 205 transactions in the Lower Mainland in the first half of 2017, pushing total dollar volume to more than \$694M.*

### INDUSTRIAL TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
7550 132nd Street	Surrey	\$8,085,035	Private	Private	Jun 2017
1580 Brigantine Drive	Coquitlam	\$9,250,000	Private	Private	Jun 2017
2751 Production Way	Burnaby	\$15,400,000	Private	Private	Jun 2017
10077 Grace Road	Surrey	\$30,900,000	Private	Institutional	Jun 2017
43903 Industrial Way	Chilliwack	\$10,104,540	Private	Private	Jun 2017
1659 Foster's Way	Delta	\$6,100,000	Private	Private	Jun 2017
20785-20795 Langley Bypass	Langley	\$8,000,000	Private	Private	May 2017
63 Fawcett Road	Coquitlam	\$7,650,000	Private	Private	May 2017
9255 194th Street	Surrey	\$27,525,000	REIT	Institutional	May 2017
6010 Trapp Avenue	Burnaby	\$8,300,000	Private	Private	May 2017
14577 66th Avenue	Surrey	\$11,662,000	Private	Government	May 2017
9920 River Drive	Richmond	\$27,200,000	Private	Private	May 2017
1020 Derwent Way	Delta	\$32,955,000	Private	Private	May 2017
1700 East Kent Avenue South	Vancouver	\$11,000,000	Private	Government	May 2017
3737 2nd Avenue	Burnaby	\$5,475,000	Private	Private	May 2017
217 & 219 East 1st Street	North Vancouver	\$5,454,988	Private	Private	May 2017
3454 Bridgeway	Vancouver	\$8,450,000	Private	Private	Apr 2017
445 Crown Isle	Courtenay	\$6,454,000	Private	Private	Apr 2017
8175 Dallas Drive	Kamloops	\$6,786,150	Private	Private	Apr 2017
5731 Minoru Boulevard	Richmond	\$9,860,000	Private	Private	Apr 2017
2076 Enterprise Way	Kelowna	\$21,000,000	Private	Public Co.	Apr 2017
16268 River Road	Richmond	\$8,600,000	Private	Private	Mar 2017
1140-1150 Raymur Avenue	Vancouver	\$19,000,000	Private	Private	Feb 2017
11450 201A Street	Maple Ridge	\$7,037,500	Private	Private	Feb 2017
34336-34378 Manufacturers Way	Abbotsford	\$7,500,000	Private	Private	Feb 2017
8400 & 8480 124th Street	Surrey	\$9,000,000	Private	Private	Feb 2017
2288 Clark Drive	Vancouver	\$9,000,000	Private	Private	Feb 2017
2441 United Boulevard	Coquitlam	\$7,300,000	Private	Private	Feb 2017
8041 132 Street and 13139 -13145 80th Avenue	Surrey	\$15,500,000	Private	Private	Feb 2017
1329 Cliveden Avenue	Delta	\$5,100,000	Private	Private	Feb 2017
10095 179 Street	Surrey	\$6,908,020	Private	Private	Jan 2017
12580-12586 Vickers Way	Richmond	\$6,800,000	Private	Private	Jan 2017
1488 Coast Meridian Road	Coquitlam	\$22,450,000	Public Co.	Private	Jan 2017
12331-12351 Bridgeport Road	Richmond	\$13,608,000	Private	Private	Jan 2017
810 Derwent Way	Delta	\$6,900,000	Private	Private	Jan 2017
1467 Mustang Place	Coquitlam	\$8,600,000	Private	Private	Jan 2017
1700 No. 6 Road	Richmond	\$25,500,000	Private	Government	Jan 2017
<b>Total Deals/Investment</b>	<b>37</b>	<b>\$456,415,233</b>			



**Port Metro Vancouver** acquired 1700 No. 6 Road for \$25.5M in January 2017.

## Multi-Family

Sales of BC multi-family assets roared back with 46 transactions valued at \$652M in the first half of 2017. The second half of 2016 had recorded just 30 transactions valued at \$262M after the first half of 2016 registered 43 transactions valued at \$472M. Multi-family investment activity in 2017 is on pace to surpass the 73 transactions valued at \$734M set in 2016. The record was set in 2015 when 80 multi-family properties valued at \$1.41B traded hands. (Avison Young only tracks multi-family investments trading at more than \$5M.)

This recent surge in sales activity is attributed in large part to long-term owners of multi-family assets finally cashing out due to highly compressed cap rates and pricing that even 12 months ago was not considered achievable. Further boosting sales volume were the single dispositions of assets that were part of larger portfolios. Properties were individually marketed in order to obtain top dollar and widen the field of prospective buyers when compared with the number of purchasers who would acquire an entire portfolio.

Elevated pricing for multi-family assets is being supported by any latent underlying redevelopment potential that the property may have. In most cases, the lift in value that would come from redevelopment is already being priced in (particularly for buildings in Vancouver and specific areas in Burnaby such as Metrotown) without the necessary zoning and/or permits actually having been acquired. This has pushed investors who are not developers by trade or in nature to consider multi-family assets from New Westminster out to the Fraser Valley and on Vancouver Island.

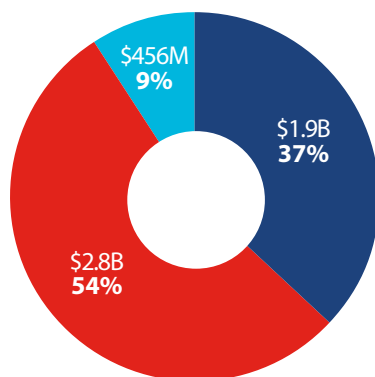
The extreme cap rate compression that has characterized the BC multi-family market (particularly in Downtown Vancouver and residential neighbourhoods in or near the core) since at least 2014 is coming to an end in light of the shifting interest rate environment in Canada. Vendor pricing expectations will likely need to be reconsidered as the cost of capital slowly starts to rise.

*Almost \$134M (in sales from multi-family assets valued at less than \$5M) was raised in 48 transactions in the first half of 2017, pushing total dollar volume to \$786M.*

MULTI-FAMILY TRANSACTIONS (OVER \$5 MILLION)						
PROPERTY	LOCATION	PRICE	VENDOR TYPE	PURCHASER TYPE	\$/UNIT	DATE
<b>Santa Monica Apartments</b> 1546 West 12th Avenue	Vancouver	\$7,500,000	Private	Private	\$625,000	June 2017
1609 & 1619 Cypress Street	Vancouver	\$9,580,000	Private	Private	\$598,750	June 2017
2121 Franklin Street	Vancouver	\$12,400,000	Private	Private	\$248,000	June 2017
<b>Brookside Gardens</b> 20834 Dewdney Trunk	Maple Ridge	\$10,831,000	Private	REIT	\$246,159	June 2017
<b>Buena Vista Apartments &amp; Belaire Apartments</b> 10181 149th Street & 14831 101A Avenue	Surrey	\$27,100,000	Private	Private	\$193,571	May 2017
<b>Regency Square</b> 105 Avenue	Surrey	\$13,800,000	Private	Private	\$166,265	May 2017
<b>Regency Court</b> 10520 132nd Street	Surrey	\$12,300,000	Private	Private	\$153,750	May 2017
<b>Regency Manor</b> 105A Avenue	Surrey	\$12,300,000	Private	Private	\$153,750	May 2017
11926 222nd Street	Maple Ridge	\$6,050,000	Private	Private	\$140,698	May 2017
<b>Berkeley Manor</b> 2150 Pandora Street	Vancouver	\$26,300,000	Private	Private	\$260,396	May 2017
2225 West 8th Avenue	Vancouver	\$18,500,000	Private	Private	\$393,617	May 2017
<b>Balsam Gardens</b> 5410 Balsam Street	Vancouver	\$15,500,000	Private	Private	\$469,697	May 2017
<b>Westview Manor</b> 549 Dansey Avenue	Coquitlam	\$18,000,000	Private	Private	\$253,521	May 2017
325 Casey Street	Coquitlam	\$5,900,000	Private	Private	\$178,788	May 2017
2314 Oak Bay Avenue	Oak Bay	\$6,000,000	Private	Private	\$230,769	May 2017
322 Seventh Street	New Westminster	\$10,800,000	Private	Private	\$200,000	May 2017
1040 Howie Avenue	Coquitlam	\$10,128,400	Private	Private	\$187,563	May 2017
1000 Brunette Avenue, 985 Adair Avenue and 995 Adair Avenue	Coquitlam	\$21,500,000	Private	Institutional	\$170,635	May 2017
<b>Barafield Apartments</b> 1260 Harwood Street	Vancouver	\$42,000,000	Private	Private	\$385,321	April 2017
1144 Rockland Avenue	Victoria	\$9,200,000	Private	Private	\$204,444	April 2017
45 Boyd Street	Victoria	\$13,611,800	Private	Private	\$191,715	April 2017
<b>Roberts Manor</b> 2433 Malaview Avenue	Sidney	\$12,920,000	Private	Private	\$215,333	April 2017
<b>The Crest Apartments</b> 1285 Martin Street	White Rock	\$6,450,000	Private	Private	\$222,414	April 2017
1270 Nicola Street	Vancouver	\$13,250,000	Private	Private	\$358,108	March 2017
275 Nicol Street	Nanaimo	\$5,674,000	Private	Non-Profit	\$126,089	March 2017
<b>Belgove Apartments</b> 1505 Belcher Avenue	Victoria	\$5,864,400	Private	Private	\$177,709	March 2017
<b>Wedgewood Terrace</b> 1655 Chambers Street	Victoria	\$10,638,000	Private	Private	\$177,300	March 2017
<b>Royal Arms</b> 1300 Yates Street	Victoria	\$13,184,000	Private	Private	\$173,474	March 2017
<b>Debaren Apartments</b> 2550 Departure Bay Road	Nanaimo	\$6,855,000	Private	Private	\$118,190	March 2017
275 1st Avenue	Campbell River	\$5,817,500	REIT	Private	\$89,500	March 2017
1140 Hugh Allan Drive	Kamloops	\$9,000,000	Private	Private	\$169,811	March 2017
<b>Southview Gardens</b> 3240 - 3280 East 58th Avenue	Vancouver	\$72,185,397	Private	Private	\$515,610	March 2017
<b>Edmond's Kourt</b> 735 Royal Avenue	New Westminster	\$8,430,000	Private	Private	\$227,838	March 2017
1468 Government Street	Penticton	\$5,325,000	Private	Private	\$102,404	March 2017
1350 - 1352 Kingsway	Vancouver	\$6,820,000	Private	Private	\$401,176	March 2017
<b>Park Towers</b> 5815 Yew Street	Vancouver	\$40,000,000	Private	Private	\$481,928	Feb 2017
<b>The Westwind</b> 1550 West 11th Avenue	Vancouver	\$12,500,000	Private	Private	\$462,963	Feb 2017
<b>Ralf's Garden</b> 7040 Arcola St	Burnaby	\$13,250,000	Private	Private	\$276,042	Feb 2017
<b>Anthea Manor</b> 15369 Thrift Avenue	White Rock	\$5,235,635	Private	Private	\$193,912	Feb 2017
1075 Burnaby Street	Vancouver	\$26,300,000	Private	Private	\$496,226	Feb 2017
<b>Twin Manor Apartments</b> 127 & 129 East 12th Street	North Vancouver	\$7,900,000	Private	Private	\$316,000	Feb 2017
148 East 6th Avenue	Vancouver	\$5,300,000	Private	Private	\$294,444	Feb 2017
75 Abbott Street	Penticton	\$6,850,000	Private	Private	\$139,796	Jan 2017
<b>Brookside Gardens</b> 2310 34th Street	Vernon	\$6,300,000	Private	Private	\$157,500	Jan 2017
<b>Winston Churchill Apartments</b> 2145 Bellevue Avenue	West Vancouver	\$28,300,000	Private	Private	\$764,865	Jan 2017
<b>The Duchess Apartments</b> 5850 Vine Street	Vancouver	\$8,230,000	Private	Private	\$374,091	Jan 2017
<b>Total Deals/Investment</b>	<b>46</b>	<b>\$651,880,132</b>				

## FIRST HALF 2017 SALES BY PROPERTY TYPE & DOLLAR VOLUME

■ Office ■ Industrial ■ Retail



continued from front page

Other significant retail deals in the first half of 2017 included: **Sevenoaks Shopping Centre** in Abbotsford (\$214M), **Westbank Hub (North & Centre)** in Kelowna (\$106.8M), **Columbia Square** in New Westminster (\$97.7M) and the **Canadian Tire/Best Buy** urban retail centre at 2200-2290 Cambie Street in Vancouver (\$94.2M). In terms of office transactions, **Fortinet Technologies** acquired two adjacent properties in Burnaby from **HOOPP Realty** for \$110.7M. No significant industrial assets changed hands in the first half of 2017.

All these deals – a record 109 in total – contributed to commercial real estate investment in BC that totalled \$5.09B in the first half of 2017. Retail investment of \$2.77B in 55 transactions represented 54% of dollar volume and 50% of the deals completed in the half. Office sales of \$1.86B involved 17 transactions and represented 37% of dollar volume, but just 16% of deals. Industrial investment made up just 9% of dollar volume (\$456M), but still represented 34% of deal volume as demand for industrial assets remained high.

The investment thesis behind the acquisition of commercial real estate assets in Metro Vancouver – particularly since 2012 – has increasingly placed a larger emphasis on the underlying development (or redevelopment) potential of the property. Rising land costs and a shortage of development sites throughout the region has rendered nearly every commercial real estate transaction in the past five years as a potential land deal. Those assets that typically had a large land component such as shopping centres were quickly acquired with an eye to redeveloping the property into a highly densified, mixed-use project. Virtually all regional malls and smaller local shopping centres in Metro Vancouver (with notable exceptions including **Metropolis at Metrotown** and **Park Royal Shopping Centre**) as well as in most secondary BC markets were purchased with this in mind and are undergoing redevelopment or will be in the short term. This strategy of viewing almost all retail assets as potential redevelopment sites has trickled down to strip malls, plazas and even corner stores. Determining whether an acquisition is a true retail sale, part of a land assembly or a planned redevelopment play has become increasingly complex. More recently, the same approach is being taken with office assets, particularly class B and C properties, where the land upon which the building sits is more valuable than the structure itself and the rental income it generates. This perspective on redevelopment potential has led many property owners to cull portfolios of assets that have little or no redevelopment potential and/or target neighbouring properties for acquisition. The competition to obtain quality commercial real estate assets in BC (which were already in short supply) by foreign and local purchasers resulted in escalating prices, cap rate compression and the shortening of the transaction timeline. Due diligence periods shortened considerably as competing purchasers vied to be the successful bidder (and also eager to place capital) and accepted terms that included shortened conditional periods in order to secure the deal.

A pause in investment activity in BC in the second half of 2017 is highly likely if vendor expectations do not start factoring in the changing cost of capital, political and tax considerations, controls on foreign capital outflows and the timing and cost of bringing that capital to market. If vendors acknowledge the new realities facing purchasers, different expectations as to how deal timelines are structured will emerge. It will be this shift in the mindset of vendors that will ultimately reflect the end of an era that attracted significant and record levels of local and international investment attention to Metro Vancouver and BC. The level of demand for product in Metro Vancouver is expected to remain strong and despite the changing investment landscape, it will remain largely a vendor's market. ■

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