

An aerial photograph of a city skyline, likely Vancouver, British Columbia. The foreground is dominated by several modern high-rise buildings with glass facades and concrete structures. In the middle ground, a large body of water, possibly the Burrard Inlet, is visible with several ships and a marina. The background shows a dense urban area extending to the mountains in the distance under a clear blue sky.

British Columbia investment review

H1 2023

AVISON
YOUNG

BC market fundamentals

\$1.1B

total commercial real estate investment volume during H1 2023
down 59% from H1 2022

\$280M

total multi-family sales volume during H1 2023
down 82% from H1 2022

\$1.1B

total land sales volume during H1 2023
down 87% from H1 2022

98%

of all commercial real estate investment transactions completed by **private vendors** in H1 2023 across BC

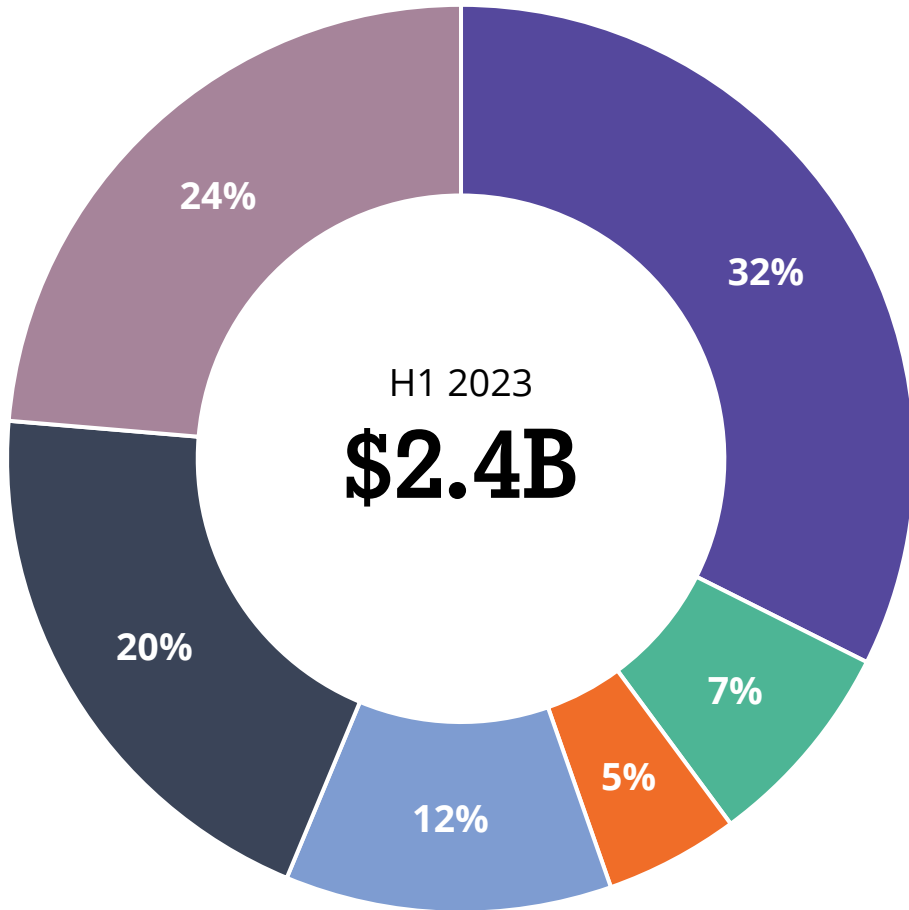
3.7%

average capitalization rate for multi-family assets across BC

53

number of H1 2023 industrial asset sales
72% of total transactions

BC investment activity



	H1 2023	H2 2022	H1 2022
Office	\$114.8M	\$68.7M	\$544.1M
Retail	\$180.0M	\$414.7M	\$921.9M
Industrial	\$779.3M	\$586.6M	\$1.4B
Multi-family	\$279.7M	\$410.6M	\$1.5B
ICI land	\$482.6M	\$724.8M	\$1.4B
Residential land	\$569.3M	\$1.8B	\$2.9B

Source: Avison Young, Altus Data Studio, Commercial Edge

Investment market trends



Majority of deals from private buyers and sellers

Private capital has been the primary source of investment in the last six months. Across all asset classes*, private buyers accounted for 85% of all purchasers. Similarly, private vendors represented 98% of all sellers across all asset classes.

Our take on this trend...

Institutional investors have largely been preserving cash and rebalancing their portfolios. It is expected that institutional investors and other non-private actors will resume market activity once there is greater certainty surrounding interest-rate movements.



Construction and debt costs slowed rate of development

Stricter financing terms and rises in construction-related costs (such as higher premiums and new building-code laws) have put a damper on development across British Columbia.

Our take on this trend...

Heightened interest rates and cost pressures have reduced development appetite. Many developers have seen their yields fall, with financing costs impacting future cash flows. Coupled with rising development costs, confidence to deploy capital in H1 2023 was low, and is expected to continue until interest-rates stabilize.



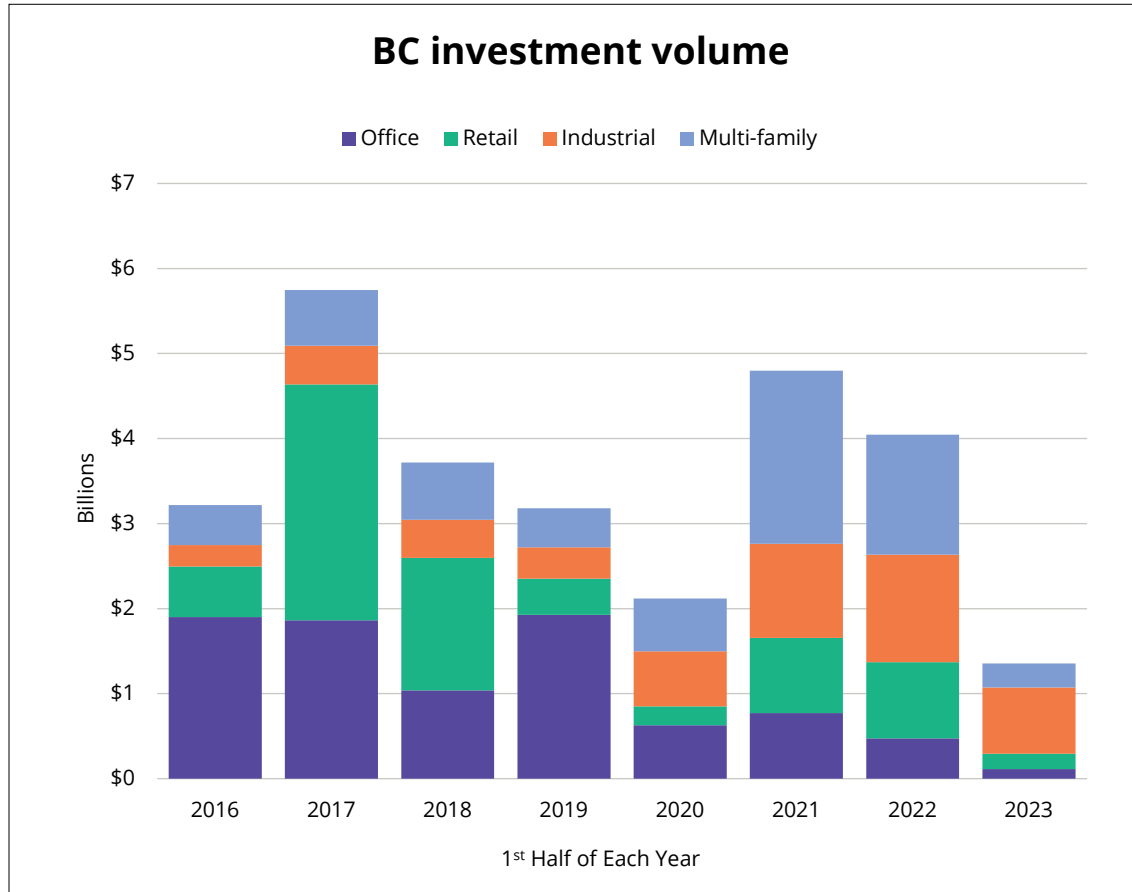
Industrial market remained active

Industrial investment recorded the lowest rate of slowdown relative to H1 2022 across all asset classes. Furthermore, industrial represented 72% of all investment deals in H1 2023.

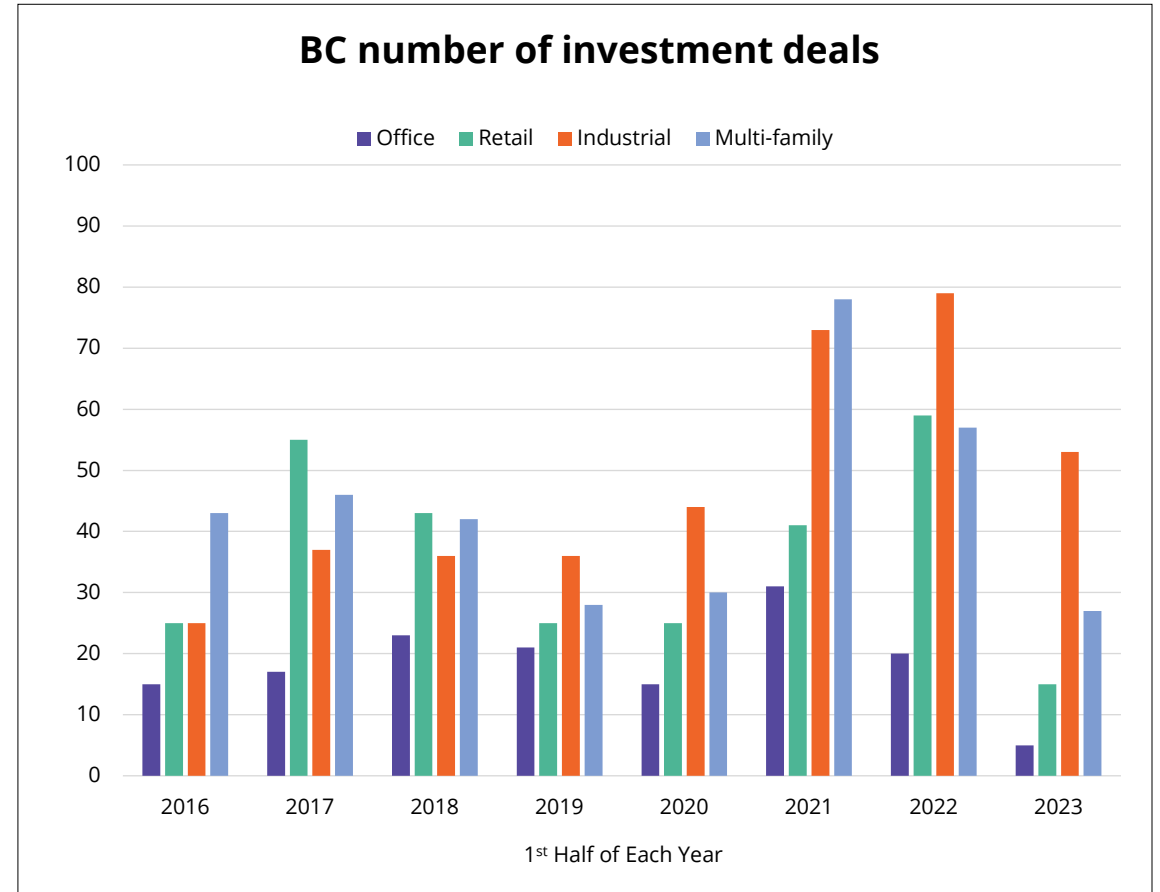
Our take on this trend...

The industrial market has shown resilience against rising debt costs, with the number of deals exceeding the first halves of 2016 to 2020. Industrial strata has also been very active, with high rental-rate renewals demanded by landlords leading end-users to purchase their own industrial spaces. While private buyers and sellers have been the primary actors during the last 6 months, institutional investors are starting to redeploy capital as of the mid-year turning point.

BC investment market indicators



Source: Avison Young, Altus Data Studio, Commercial Edge



Source: Avison Young, Altus Data Studio, Commercial Edge

Office

Appetite for office products wanes as cost of debt rises

Office investment volume fell by 76% relative to H1 2022 as confidence in office products remained low.

There were several factors that led to this decrease. As the labour market remained strong, there was little expectation that return-to-office mandates would encourage greater office usage. Furthermore, higher costs of debt have encouraged office users to cut their operating costs by reducing their footprints. As a result, vacancy – particularly in Downtown Vancouver – was heightened at the end of June,

hitting 12.3%. With reduced cash flow from tenants, office investment remained slow.

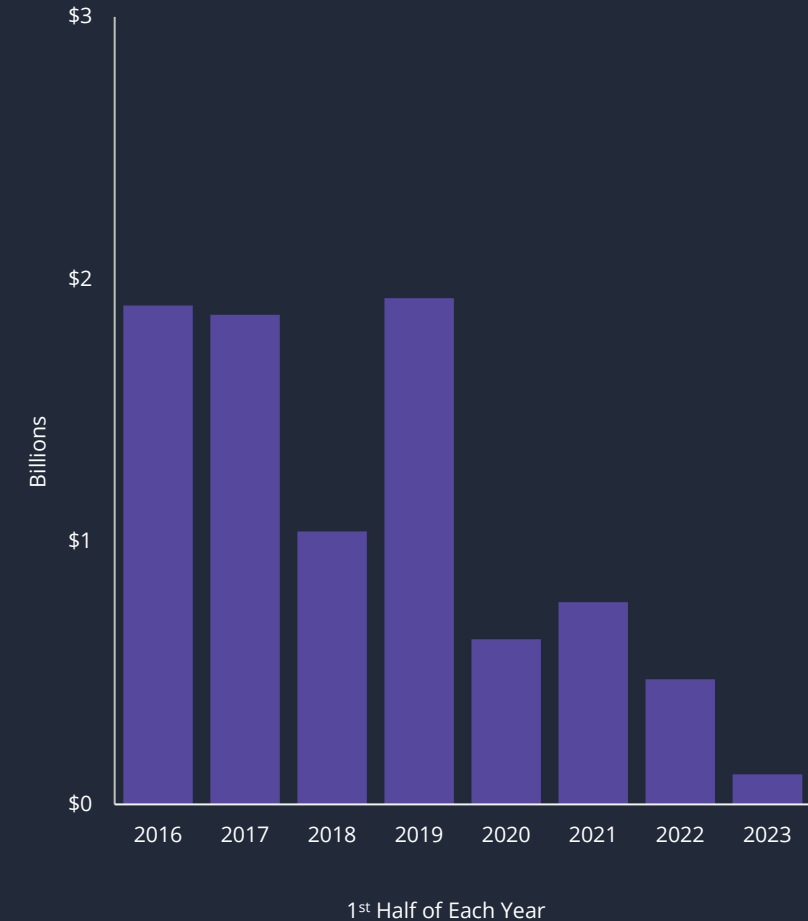
Strata office saw some activity, with smaller submarkets such as Langley seeing renewed interest in strata projects. For example, Langley Business Centre (8063 199 Street) switched its initial for-lease offering to a strata project in Q1 2023.

One notable AY transaction included Evolution Block, which was developed for life-science use and tenanted by Precision NanoSystems.

Significant sale transactions

	Address	Submarket	Sale price	Buyer	Seller
AVISON YOUNG	Evolution Block 1055 Vernon Drive	Vancouver	\$57,500,000	Harrison Street Real Estate Capital LLC	Nicola Wealth, PC Urban
	Kelowna Business Centre 1634 Harvey Avenue	Kelowna	\$19,500,000	PMC (KBC) Holdings Corp	Melcor REIT
AVISON YOUNG	Platform 353 353 Railway Street	Vancouver	\$18,800,000	1133088 B.C. Ltd.	Rendition Developments Inc.
	41 West Pender Street	Downtown Vancouver	\$9,500,000	City of Vancouver	Living Balance Investment Group
	548 & 554 Beatty Street	Vancouver	\$9,450,000	BC Indigenous Housing Society	1137292 B.C. Ltd.

Office investment volume



Retail

Well-situated retail assets remained in demand

Despite retail investment volume decreasing by 80% relative to H1 2022, well-situated products remained in demand. Most of the capital derived from large and small private entities, with institutional investors and REITs sitting on the sidelines.

Debt terms remained the primary stumbling block for retail sales, with one notable deal collapsing after running into lending issues. Furthermore, increases in construction prices put a damper on value-add investments, with some asset owners selling their

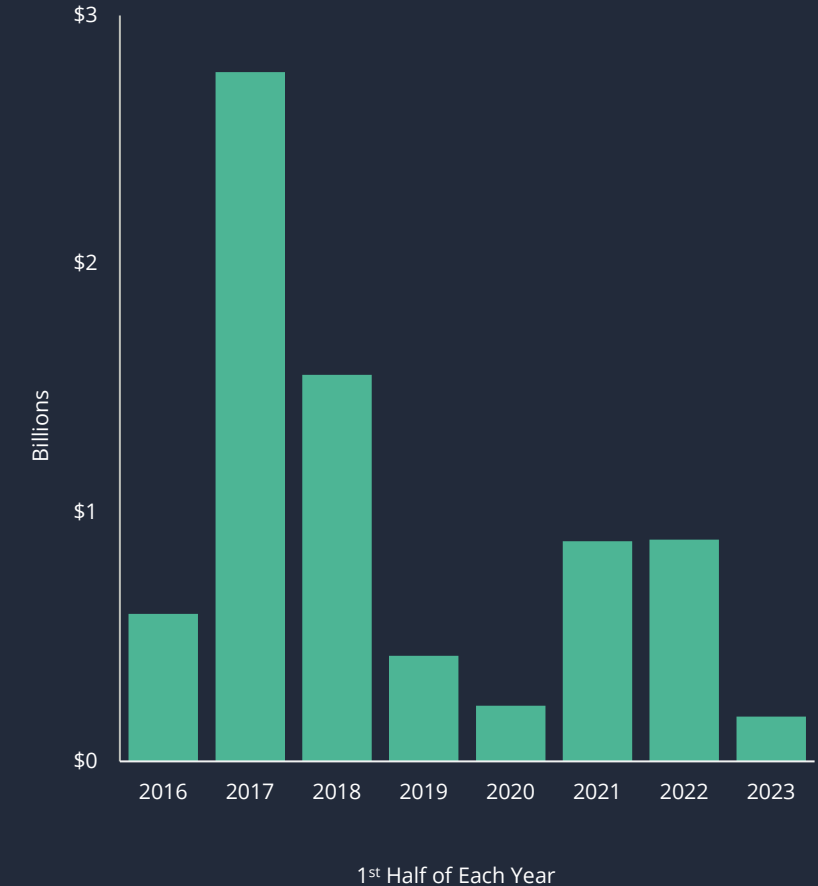
redevelopment sites as a result of cap rate and cost adjustments demanding more initial cash outlay. However, interest rate hikes had less of an impact on retail relative to other asset types as cap rates were already high prior to base rate changes.

Accordingly, well-located retail investment remained in a good position, with buyers ready to acquire the right asset at the right price.

Significant sale transactions

Address	Submarket	Sale price	Buyer	Seller
1085 Tanaka Place	New Westminster	\$28,600,000	Sycamore Partners	Lowe's Companies Canada, ULC
20467 Langley Bypass	Langley	\$24,000,000	Traveland Leisure Vehicles (2023) Ltd.	Rockcliffe Estates Ltd.
5491 Parkwood Way	Richmond	\$24,000,000	Mike Priestner Real Estate Inc.	Autovision Investments Ltd.
2242, 2254 & 2262 West 4th Avenue	Vancouver	\$18,850,000	Low Tide Properties	BP Real Estate Inc.
Rosemary Centre - 15350 34th Avenue & 3388 Rosemary Heights Crescent	Surrey	\$16,125,000	1411776 B.C. Ltd.	Ocean Park Developments

Retail investment volume



Industrial

Strong strata sales underpinned strength of market

Industrial investment volume decreased 38% relative to H1 2022. Despite this, confidence from institutional investors rose as future-rate-hike concerns subsided (temporarily, it would seem). Industrial rents showed signs of levelling, and this is expected to lead to a higher number of dispositions in the coming months.

Strata industrial has seen a strong six months, with high rental rate renewals demanded by landlords leading end-users to consider purchasing their own

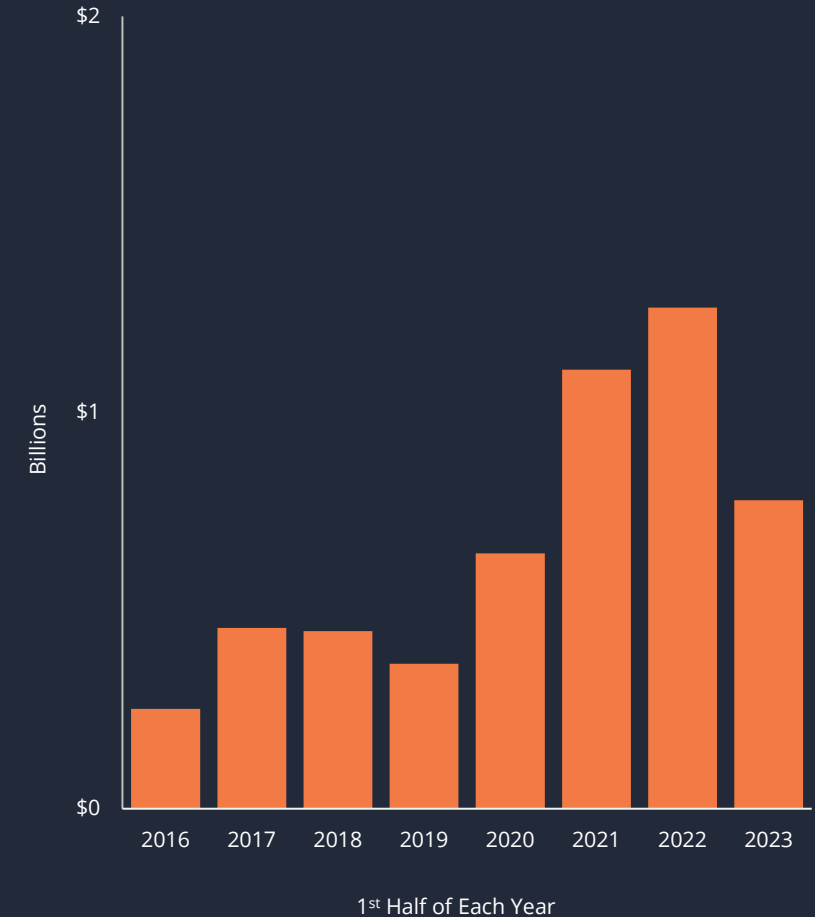
industrial spaces. Demand and price expectations for strata remained elevated despite the easing of rental rate growth.

The last 60 days have seen the return of the investor, with greater certainty about the downward direction of inflation aiding investment appetite. Several quietly marketed investment opportunities have come to market in the previous 90 days, which suggests there will be strong investment activity for the rest of 2023.

Significant sale transactions

	Address	Submarket	Sale price	Buyer	Seller
AVISON YOUNG	Coastal Heights Distribution Centre, 2325 190 Street	Surrey	Confidential	Crestpoint, AIMco	Cedar Coast & Pure Industrial
	590-598 Ebury Place	Delta	\$62,750,000	Beedie Group	Hallmark Holdings Ltd.
	1615 Franklin Street	Vancouver	\$43,750,000	SmartStop Self Storage	Key Self Storage
	Lot B - NE Quadrant Lands 5838 274th Street	Langley	\$33,784,300	Vulcan Way Investments Ltd.	Beedie Group
	3388 190th Street	Surrey	\$25,000,000	Bosa Properties	Precision Pulley & Idler Inc.

Industrial investment volume



Multi-family

Vendor expectations remained sticky amid a slowdown in deals

Multi-family investment volume fell 80% compared to H1 2022. This was primarily due to the heightened interest rate, which pushed the number of transactions to a 10-year low, and high price expectations from vendors. This lack of activity exacerbated existing supply issues, with a significant number of purpose-built rental projects stalling.

A notable portion (56%) of multi-family deals were completed outside of Vancouver, with investors chasing higher yields in the suburbs to justify values.

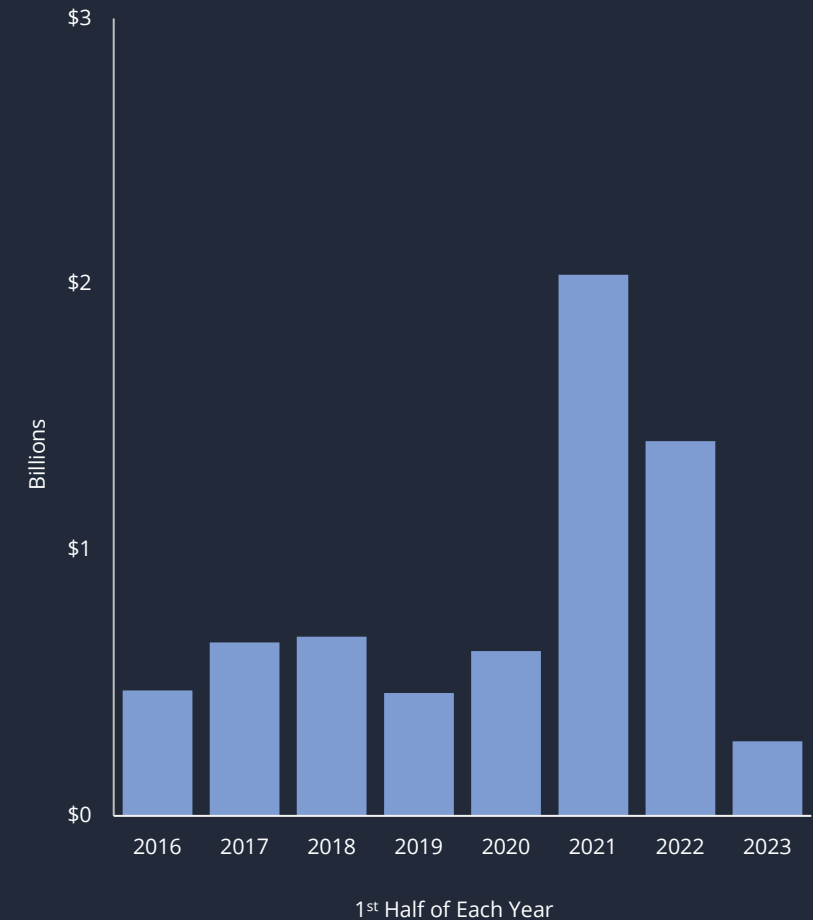
Problems remained with high construction costs, as a change in building code is expected to add greater costs for Vancouver Island developments at the end of the year. Furthermore, CMHC premiums increased on June 19, with projects now struggling to get off the ground. These headwinds challenged the feasibility of development projects, with many of those in the pipeline no longer financially viable.

For market activity to pick up during the rest of the year, price expectations from both buyers and sellers need to adjust, which is expected to occur as interest-rates stabilize.

Significant sale transactions

	Address	Submarket	Sale price	Buyer	Seller
	Parque on Park 20449 Park Ave	Langley	\$53,700,000	CAPREIT	Quarry Rock Developments
	119 East Cordova	Vancouver	\$42,000,000	Provincial Housing Corp.	Salvation Army in Canada
	Red Lion Apartments 130 West 12th Street	North Vancouver	\$16,750,000	FDG Property Management Ltd.	0193914 B.C. Ltd.
AVISON YOUNG	Kumaken Apartments 2151 151A Street	Surrey	\$14,900,000	Synvest Capital Corporation	Dawson Lakewood 2 Developments Ltd.
	2121 Wall Street	Vancouver	\$11,243,000	GLR Properties Ltd.	Private Individuals

Multi-family investment volume



ICI land

Pricing starting to come off with less active buyers

Investment volume for ICI land decreased 76% relative to H1 2022 as buyers became more selective and deal velocity slowed. With office development sites struggling to find bidders, industrial and mixed-use opportunities led the way for investment during H1 2023.

In addition, only deals with sharp pricing and favourable deal terms were able to gain traction in

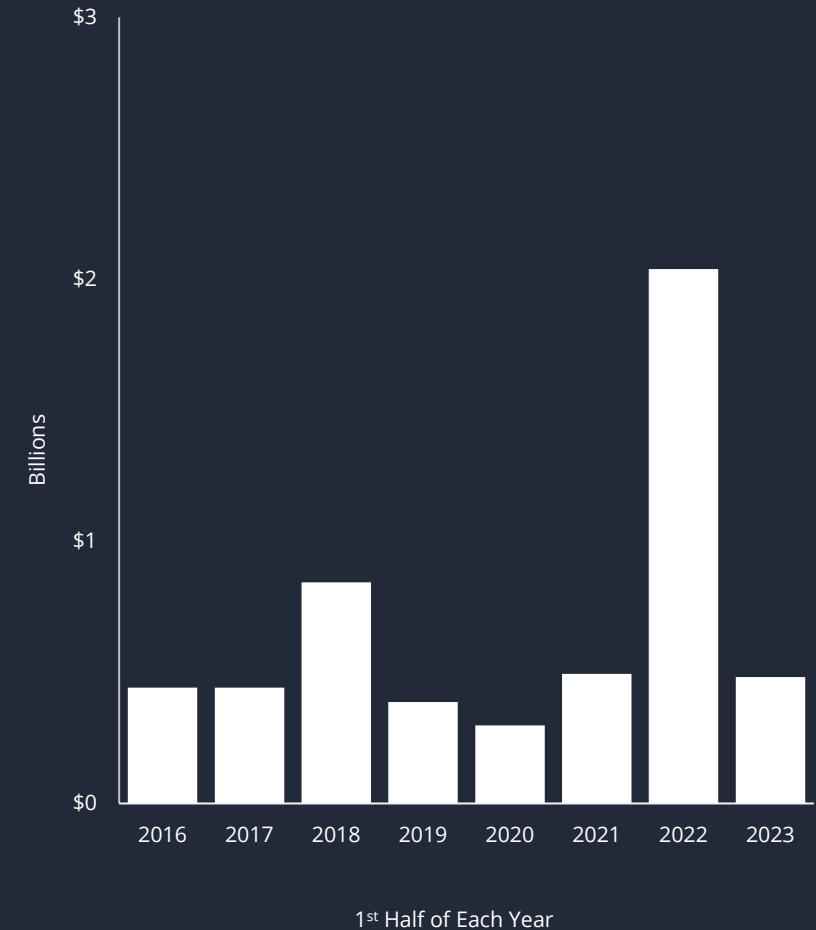
the last six months, with investors now focusing on premier sites.

Unlike other asset classes, there was some involvement by institutional investors such as GWL Realty Advisors (1525 Robson Street), which signals more positive signs for the next six months.

Significant sale transactions

Address	Submarket	Sale price	Type	Buyer	Seller
1525 Robson Street	Downtown Vancouver	\$62,800,000	Commercial Residential	GWL Realty Advisors	Logan Faith Ltd.
807 Seymour Street	Downtown Vancouver	\$45,000,000	Commercial	Boutique Development Inc.	Bonnis Properties
19044 32nd Avenue	Surrey	\$32,500,000	Industrial	Quarry Rock Developments & Overland Capital Canada Inc.	Punjab Milk Foods Inc.
10663 Scott Road	Surrey	\$26,000,000	Industrial	Conwest Group	Al's Auto Wrecking Ltd.
22652 Fraser Highway	Surrey	\$25,500,000	Industrial	Wesmont Group	Jada Investments Inc.

ICI land investment volume



Residential land

Financing and time now key to sales

Investment volume for residential land fell by 80% compared to H1 2022. With a marked slowdown in deals completed, transactions are only completing if the buyer is given time and able to obtain financing, with attractive pricing necessary.

Many of the deals completed (86%) were located outside of Vancouver, with a substantial number of investors chasing premier opportunities in the suburban markets.

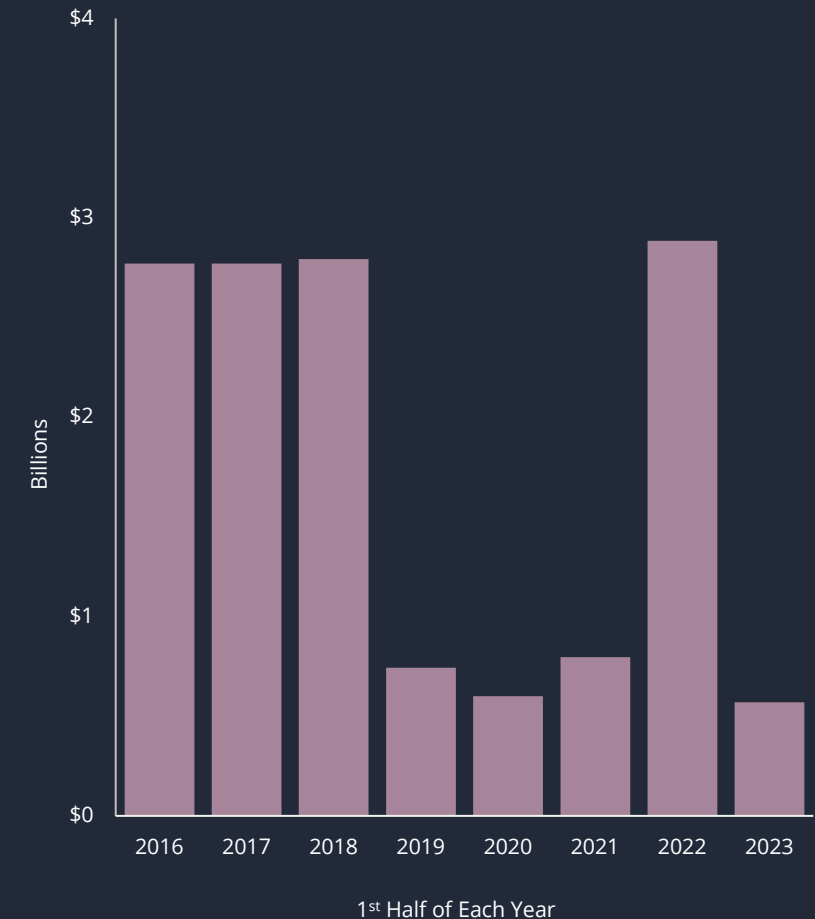
Some proposed residential developments prior to the interest-rate hikes were no longer deemed financially viable, prompting developers to now consider creative solutions for maintaining ownership. This has prompted well-capitalized developers to take advantage of the current lending environment.

However, with few profitable development opportunities, prospective buyers have been preserving cash and are more selective on when and where to deploy capital.

Significant sale transactions

	Address	Submarket	Sale price	Buyer	Seller
	5502 Lougheed Highway	Burnaby	\$94,000,000	Keltic Canada Development	Brentwood Lanes Canada Ltd.
	5350-5430 Heather Street	Vancouver	\$47,300,000	Rize Alliance Properties Ltd. & Minto Group JV	Private Individuals
AVISON YOUNG	18165 24 Avenue	Surrey	\$25,500,000	RDG Redwood Management Ltd.	1367656 B.C. Ltd.
	21668-21698 Lougheed Highway	Maple Ridge	\$24,400,000	1388088 BC Ltd.	Ladha Enterprises Ltd.
AVISON YOUNG	11944 92nd Avenue	Delta	\$23,683,090	Sandhill Development Ltd.	Private Individuals

Residential land investment volume



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