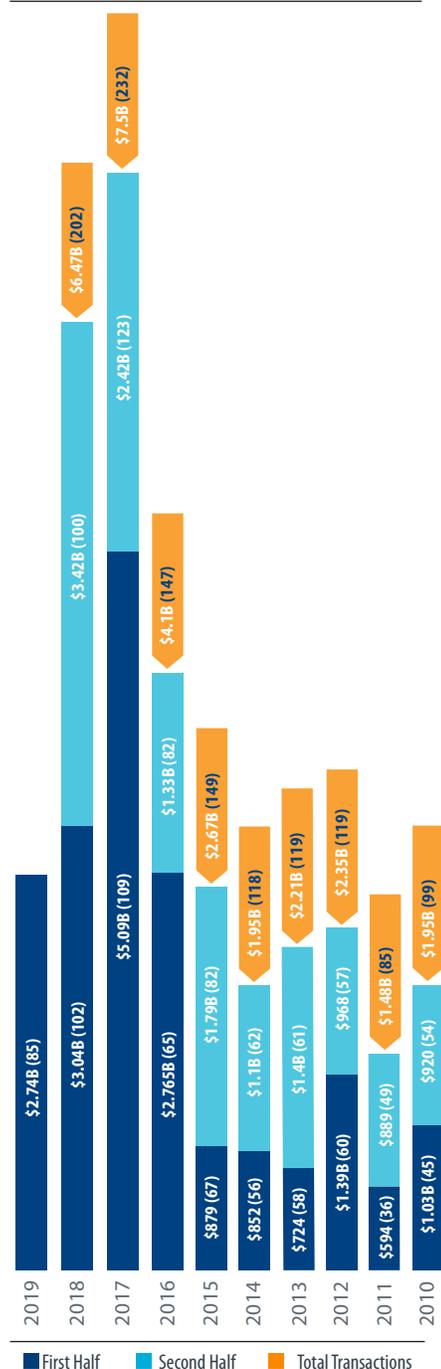


FIRST HALF 2019: BC INVESTMENT SALES BY DOLLAR VOLUME & NUMBER OF SALES

OFFICE, INDUSTRIAL & RETAIL DEALS >\$5M



Demand for BC commercial real estate remains robust in first half of 2019 despite market turbulence

Investment in British Columbia's commercial real estate remained historically elevated in the first half of 2019, despite market turbulence and shifting investor sentiment. Eighty-five office, industrial and retail sales valued at more than \$2.74B closed in the first half of this year. While first-half 2019 dollar volume was the lowest recorded since 2015, the number of deals completed (85) was the third most on record, trailing only the record-setting years of 2017 (109) and 2018 (102). Investment levels in BC commercial real estate in first-half 2019 marked the fourth year in a row that proceeds exceeded \$2.7B in the first six months of a year, representing the continuation of a bull market that has run since the second half of 2015. The \$2.7B figure does not include ICI or residential land sales activity, which Avison Young tracks separately, and which did slow in terms of the number of sales in the first half of 2019. (Avison Young tracked retail, office, and industrial deals valued at more than \$5M for this report.)

Office investment dominated the first half of 2019 in regard to dollar volume, capturing 70% of the total with more than \$1.9B invested in 21 sales, including the sale of the **Bentall Centre** for an estimated \$1.05B. Other notable sales included 1075 West Georgia (\$275M) in Downtown Vancouver and Richmond's **Airport Executive Park** (\$208M). Industrial sales topped the first half of 2019 with 39 sales, representing 40% of the total number of sales completed, valued at more than \$391M. Retail sales, which accounted for 25 transactions worth almost \$425M, remained historically strong, but overall retail deal and dollar volume in the first half of 2019 were down substantially from retail investment totals recorded in 2016, 2017 and 2018. The sales of **Tillicum Centre** (\$110M) in Victoria and **Cottonwood Mall** (\$73M) in Chilliwack marked the only two

retail transactions of note. No substantial retail trades were registered in Metro Vancouver in the first half of 2019.

BC investment deal and dollar volume in the first half of 2019 is only being restricted by supply in Metro Vancouver specifically, with demand for office and industrial assets remaining extraordinarily strong while investors have grown less bullish on retail properties, particularly those with a residential redevelopment component driving pricing. As demand (and pricing) for residential land cooled early in the first half of 2019 due to government intervention in the market, investors returned to a more traditional income-based/value-add view of retail assets, which led to slightly higher yields.

While strata ownership of commercial assets, particularly industrial units, has expanded rapidly in recent years in Metro Vancouver and, to a lesser extent, BC, the vast majority of those properties transacted for less than \$5M and, therefore, were not captured in Avison Young's investment reports. A lack of new supply, rapidly rising land costs and low-cost financing have all contributed to an increase in the cost (and size) of strata units being offered to the market. While an occasional retail strata property had exceeded \$5M in recent years, strata office and industrial properties made their debut in Avison Young's *Mid-Year 2019 BC Investment Review*.

Six of 21 (almost 29%) of office sales in the first half of 2019 were strata units. Four sales in Chard Development's strata office building, **34|W7**, in Mount Pleasant totalled almost \$35.5M, while the strata office component of **The Rolston** at 1330 Granville Street sold for \$6.52M. Strata office sales were not limited to Vancouver with the \$8.82M sale of strata office [continued on back page](#)

Land sales & acquisitions by asset type

COMMERCIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2019

PROPERTY	LOCATION	PRICE	TYPE	SITE SIZE (ACRES)	DATE
1905 Main Street	Vancouver	\$14,500,000	Commercial	0.27	Jun 2019
27214 Fraser Highway, 2992 272nd Street & Parcel A 30th Avenue	Langley	\$5,400,000	Commercial	0.93	Jun 2019
2660 Croydon Avenue	Surrey	\$24,350,000	Commercial	9.42	Jun 2019
2337 King George Boulevard	Surrey	\$6,500,000	Commercial	1.49	May 2019
323 - 369 Alexander Street	Vancouver	\$20,000,000	Commercial Industrial*	0.87	Apr 2019
1045 Yates Street	Victoria	\$28,750,000	Commercial Residential	1.56	Apr 2019
1650 East 12th Avenue	Vancouver	\$9,200,000	Commercial Residential	0.41	Mar 2019
21340 83rd Avenue	Langley	\$5,480,000	Commercial	2.50	Jan 2019
14888 56th Avenue	Surrey	\$9,078,400	Commercial	5.91	Jan 2019
19933 88th Avenue	Langley	\$13,900,000	Commercial	3.96	Jan 2019
21488 83rd Avenue	Langley	\$5,100,000	Commercial	2.50	Jan 2019
19881 86th Avenue	Langley	\$7,868,000	Commercial	4.81	Jan 2019
Lot 43, 19800 Block 88th Avenue	Langley	\$6,132,000	Commercial	3.78	Jan 2019
19840 88th Avenue	Langley	\$6,132,000	Commercial	3.78	Jan 2019
7251, 7271 & 7291 188th Street	Surrey	\$8,925,000	Commercial	0.89	Jan 2019
2366 Leckie Road	Kelowna	\$5,250,000	Commercial	2.00	Jan 2019

*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, 2019

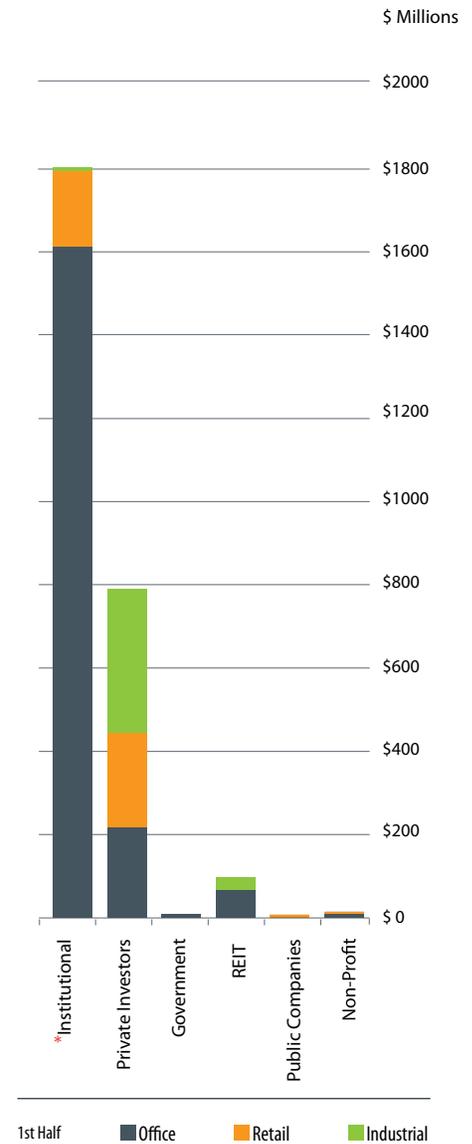
PROPERTY	LOCATION	PRICE	TYPE	SITE SIZE (ACRES)	DATE
15600 & 15611 River Road	Richmond	\$11,000,000	Industrial	5.67	Jun 2019
1156 Kingsway Avenue	Port Coquitlam	\$20,650,000	Industrial	10.35	Jun 2019
12818-12884 112B Avenue & 12827-12885 King George Boulevard	Surrey	\$5,150,000	Industrial	3.38	Jun 2019
26141 28th Avenue	Langley	\$8,515,000	Industrial	5.00	Jun 2019
10156 & 10170 Grace Road	Surrey	\$5,960,000	Industrial	2.81	Jun 2019
8660, 8711, 8720, 8780, & 8800 Odlin Road and 4331 Garden City Road	Richmond	\$26,300,000	Industrial	3.97	Jun 2019
14613 - 14655 64th Avenue	Surrey	\$5,400,000	Industrial	2.71	Jun 2019
309 Kennard Avenue	North Vancouver	\$12,000,000	Industrial	1.02	Jun 2019
9760 190th Street	Surrey	\$14,500,000	Industrial	4.88	May 2019
19283 28th Avenue	Surrey	\$9,839,400	Industrial	4.33	May 2019
2825 194th Street	Surrey	\$5,735,000	Industrial	2.50	May 2019
8300 92nd Street	Delta	\$6,200,000	Industrial	1.91	May 2019
19582 36th Avenue	Surrey	\$7,290,000	Industrial	4.56	Apr 2019
8130 Ontario Street	Vancouver	\$6,800,000	Industrial	0.57	Apr 2019
950 Ellis Street	Kelowna	\$5,000,000	Industrial	2.07	Mar 2019
768-772 Southwest Marine Drive	Vancouver	\$8,500,000	Industrial	0.21	Mar 2019
3133 Sumner Avenue	Burnaby	\$14,000,000	Industrial	2.00	Mar 2019
18998 32nd Avenue	Surrey	\$5,158,000	Industrial	2.07	Jan 2019

TOP FIVE RESIDENTIAL LAND SALES (METRO VANCOUVER)

(By Price) January 1 to June 30, 2019

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
4275 Grange Street	Burnaby	\$37,600,000	1.05	45,694	Jan 2019
10294-10302 City Parkway	Surrey	\$35,899,837	0.96	41,600	Feb 2019
1350 Mitchell Street & 3549 Princeton Street	Coquitlam	\$34,969,000	9.00	391,822	May 2019
471 East Broadway & 482 East 8th Avenue	Vancouver	\$33,000,000	0.87	37,740	Apr 2019
3006, 3010 & 3060 Spring Street	Port Moody	\$32,800,000	2.31	100,493	Jun 2019

FIRST HALF OF 2019: BUYER PURCHASES BY ASSET TYPE



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

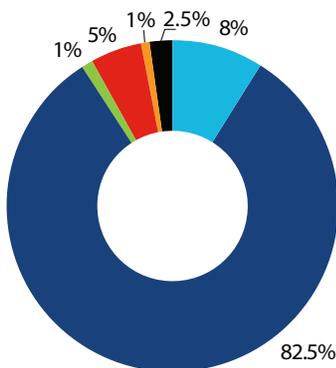
Note: Foreign buyers have also been active investors. Rather than identifying them separately as foreign, Avison Young is categorizing them as institutional or private as the case may be.

BUYER PROFILE

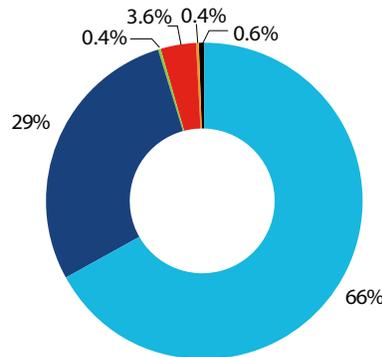
Private purchasers remained the most dominant buyer group in the first half of 2019 in terms of the number of deals completed (82.5%), but their share of overall dollar volume slipped significantly to just 29% at mid-year 2019 – a substantial decline from the 60.6% of dollar volume expended in 2018 and the lowest percentage on record. The previous cyclical low was 36% of total dollar volume, which was recorded at mid-year 2017. Prior to 2017, the last time private buyers were responsible for less than 50% of overall dollar volume was in 2012 when they accounted for 72% of total purchases, but just 38% of the \$2.35B invested that year. Private purchasers captured the most dollar volume in 2014, when they allocated an astonishing 75% of total expenditures; however, that share has steadily declined each year as institutions re-engaged with the market.

Institutional investors continued to have an outsized impact on the BC market by being involved in just 8% of completed deals in the first half of 2019, but capturing 66% of the total spend – the most by institutions on record. While this disparity is almost entirely attributable to the billion-dollar acquisition of the **Bentall Centre**, a number of other substantial acquisitions, including 1075 West Georgia, **Airport Executive Park**, **Metrotown Place I & III**, **Tillicum Mall** and **Cottonwood Mall**, contributed to the total institutional disbursement of more than \$1.8B. Of the seven institutional

FIRST HALF 2019: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



FIRST HALF 2019: VALUE OF SALES BY TYPE OF BUYER



acquisitions in the first half of 2019, four involved significant downtown and suburban office assets and two were regional shopping centres in secondary markets.

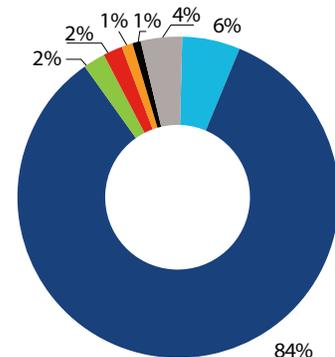
Private investors spent almost \$796M in the first half of 2019, almost 44% of which went toward acquiring industrial assets (\$348.5M), the largest being the \$38M acquisition of a flex industrial building at 2323 Quebec Street. Private investment in retail properties accounted for only 29% (\$229.7M) of total private dollar volume, with the \$22M sale of **The Cambie** marking the largest private retail acquisition. The remaining 27% of private investment was directed toward BC office assets (\$217.6M), with more than a third of that total related to the \$73.5M sale of the **Renfrew Business Centre**.

REITs had a limited impact in the first half of 2019, acquiring four properties – two office and two industrial properties – valued at \$98.4M.

VENDOR PROFILE

Institutional vendors accounted for 59% of total proceeds in the first half of 2019, the second highest dollar volume on record for institutional sellers. The record, achieved at mid-year 2017, remains 69%. Despite being involved in just 6% of sales, institutional sellers were able to capitalize on strong demand, particularly for office assets. Four of five sales – Bentall Centre, 1075 West Georgia, Airport Executive Park and **International House** in Victoria – involved institutional investors divesting themselves

FIRST HALF 2019: NUMBER OF TRANSACTIONS BY TYPE OF VENDOR

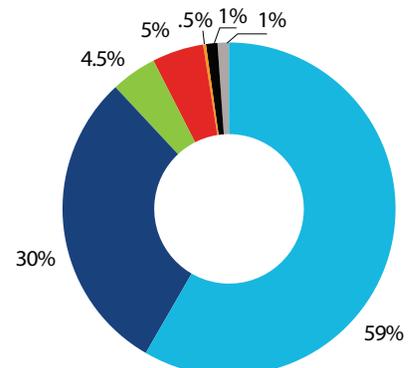


of BC office assets. Cottonwood Mall in Chilliwack was the only retail sale by an institutional owner in the first half of 2019.

Private vendors accounted for just 30% of total proceeds in the first half of 2019 (despite being involved in 84% of the deals completed), marking a new record low. The previous low (since at least 2006) had been 35% of total proceeds set in 2017. While the number of overall private sales (71) remained consistent with previous years, more than a quarter of dollar volume was from just six deals: Renfrew Business Centre (\$73.5M), 1050 Homer Street (\$40.8M), 2323 Quebec Street (\$38M), 2992 Pinegrove Street (\$25.5M), 8171 Cook Road (\$25M) and 2233 Columbia Street (\$25M).

A single government office sale (\$95M) and two retail dispositions by REITs (\$147M) rounded out the sellers in the first half of 2019.

FIRST HALF 2019: VALUE OF SALES BY TYPE OF VENDOR



■ Private Investors ■ Institutional ■ REIT ■ Public Co. ■ Financial Institution ■ Government ■ Non-Profit

Office

Office investment sales activity in BC achieved a new dollar volume record in the first half of 2019 with 21 transactions valued at almost \$1.93B. The sale of the **Bentall Centre** to U.S.-based **Blackstone Group** and **Hudson Pacific Properties** for an estimated \$1.05B was the primary contributor to the overall investment dollar volume achieved by BC office properties. The previous six-month dollar volume record of \$1.9B was set in the first half of 2016 when the Bentall Centre was acquired by **Anbang Insurance Group Co.** More than \$1B has been spent on office assets in BC in the first six months of the year annually since 2016. Demand has been and remains strong for office assets, particularly in Downtown Vancouver, with only a lack of available properties to acquire restricting deal and dollar volumes.

Despite strong demand, the sale of 1075 West Georgia in Vancouver for \$275M was the only other notable Downtown office transaction in the first half of 2019. The sale of 1050 Homer Street (\$40.8M) was one of just two other deals to complete downtown in the first six months of the year. Downtown assets remain closely held even with many having already transacted in recent years. The sale of **Renfrew Business Centre** (\$73.5M) in East Vancouver (which included a land component) marked the largest Vancouver office sale outside the core in first-half 2019. The rising profile of strata office space in Metro Vancouver was captured in the first half of 2019 with four office sales totalling almost \$35.3M in **34|W7** – a new four-storey office building located in the up-and-coming office node of Mount Pleasant, a former industrial area south of the downtown core. The increasing size and rising cost of strata office units throughout Metro Vancouver has resulted

in several strata sale transactions greater than \$5M being identified in our statistics in 2019. This trend is expected to accelerate as larger and higher-value strata office buildings are completed, including downtown office towers such as **The Offices at Burrard Place** and the **Bosa Waterfront Centre**.

The largest suburban office deal in Metro Vancouver was the \$208M sale of **Airport Executive Park** in Richmond, followed by the disposition of **Metrotown Place I & III** (\$95M) in Burnaby, the former head office of **Metro Vancouver** that is scheduled to be renovated and offered to the market as strata office space. Only three deals outside of Metro Vancouver were registered in the first half of 2019, including the \$23.6M sale of **International House** in Victoria and the \$5.75M sale of **Mission Place** in Kelowna.

Investor appetite for office properties in Metro Vancouver, particularly in the core,



The Bentall Centre sale helped achieve new record

will remain robust through 2019 with quality assets attracting multiple bids and achieving premium pricing.

An additional \$135.1M (in sales from office assets valued at less than \$5M) was raised in 118 transactions in the Lower Mainland in the first half of 2019, pushing dollar volume to more than \$2.06B in total investment.

BC OFFICE TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
Bentall Centre 505, 555, 595 Burrard Street & 1055 Dunsmuir Street	Vancouver	\$1,050,000,000*	Institutional	Institutional	Jun 2019
1050 Homer Street	Vancouver	\$40,800,000	Private	REIT	May 2019
8171 Cook Road	Richmond	\$25,000,000	Private	Private	May 2019
30 East 6th Avenue	Vancouver	\$13,700,000	Private	Private	May 2019
650 View Street	Victoria	\$6,300,000	Private	Private	Apr 2019
2233 Columbia Street	Vancouver	\$25,000,000	Private	REIT	Apr 2019
Renfrew Business Centre 2710 Kaslo Street & 2665 Renfrew Street	Vancouver	\$73,500,000	Private	Private	Apr 2019
Mission Place 3140 Lakeshore Road	Kelowna	\$5,750,000	Private	Private	Mar 2019
3885 Henning Drive	Burnaby	\$12,375,000	Private	Private	Mar 2019
1075 West Georgia Street	Vancouver	\$275,000,000	Institutional	Institutional	Mar 2019
Evergreen @ Westwood Village #301 & #306 - 3007 Glen Drive	Coquitlam	\$8,820,000	Private	Government	Mar 2019
1963 Lougheed Highway	Coquitlam	\$8,650,000	Private	Non-Profit	Mar 2019
Metrotown Place I & III 4330 Kingsway & 5945 Kathleen Avenue	Burnaby	\$95,000,000	Government	Institutional	Mar 2019
4200 North Fraser Way	Burnaby	\$15,400,000	Non-Profit	Private	Feb 2019
International House 850 Douglas Street	Victoria	\$23,600,000	Institutional	Private	Feb 2019
Airport Executive Park 10100 - 10991 Shellbridge Way, 3751 & 3851 Shell Road and 10711 Cambie Road	Richmond	\$208,000,000	Institutional	Institutional	Jan 2019
34 W7 #1 & #2 - 34 West 7th Avenue	Vancouver	\$8,650,000	Private	Private	Jan 2019
34 W7 #3 - 34 West 7th Avenue	Vancouver	\$9,815,000	Private	Private	Jan 2019
34 W7 #6, #7, #8 & #9 - 34 West 7th Avenue	Vancouver	\$7,300,000	Private	Private	Jan 2019
34 W7 #10 - 34 West 7th Avenue	Vancouver	\$9,710,000	Private	Private	Jan 2019
The Rolston 1330 Granville Street	Vancouver	\$6,520,000	Private	Private	Jan 2019
Total Deals/Investment	21	\$1,928,890,000			

*estimated

Office investment activity generated almost \$2 billion in sales in first-half 2019

Retail

Sales of BC retail assets started to return to more historic levels in the first half of 2019 with 25 sales valued at \$424.7M – a significant decline from the 43 sales valued at \$1.55B in the first half of 2018 and the 36 transactions valued at \$1.35B in the second half of 2018. The first-half-2019 figures also marked a substantial decline from the first and second halves of 2017 (55 deals/\$2.77B and 41 deals/\$856M, respectively). Retail deal and dollar volume in the first half of 2019 marked the lowest point since the second half of 2016 when 22 retail deals valued at \$244M were recorded.

The sale of two significant malls in secondary markets – **Cottonwood Mall** (\$73M) in Chilliwack and **Tillicum Centre** (\$110M) in Victoria – represented approximately 43% of overall first-half retail sale dollar volume. The \$37M sale of a collection of retail outlets in Nanaimo was the third largest retail sale in the province, but only the second largest on Vancouver Island (after Tillicum Centre). The majority of retail dollar volume in the first half of 2019 transacted in suburban and secondary BC markets.

The largest retail sales in Downtown Vancouver were the dispositions of the **Cambie Bar and Hostel** (\$22M) and **Malone's Bar & Grill** (\$18M), both assets formerly owned by the **Cambie Malone's Group**. The sale of the **Abrams Block** (\$10.85M) in Gastown as well as 1294 Granville Street (\$8M) and a strip of retail units at 1051-1055 Davie Street (\$8M) marked the only other downtown retail sales in the first half of 2019.

There were a number of smaller retail deals scattered throughout Vancouver, including 2993 Granville (\$14M) in South Granville, 1662 & 1666 West Broadway (\$10.4M) on the Westside and retail space in the **McKinnon** (\$12M) – a mixed-use development in Kerrisdale. A retail unit in the recently completed mixed-use **Ironworks** project in East Vancouver, which has ground-level showroom retail/flex industrial units as well as office space, sold for approximately \$7.3M. Another mixed-use retail/residential property at 1319 SE Marine Drive (\$5.3M) sold in South Vancouver.

Suburban retail sales remained limited with Richmond properties – 4591 Garden City Road (\$12.5M), a retail unit in the **Cadence** mixed-use project (\$7M) and **Parker Place** (\$5.15M) – dominating dollar volumes followed by two deals in Langley: **Fraser 206** (\$14.6M) and **St. Andrews Plaza** (\$8.65M). A handful of small retail deals were also completed in Mission, Courtney, Kelowna and Surrey.

Strata retail units are becoming increasingly common in Avison Young's retail investment statistics as unit size and prices rise and the developers of mixed-use projects more frequently offer retailers the opportunity to own their space. While some of these units may be owned by an actual retailer, many are investors who acquire the unit and then subsequently lease the space to a retailer.

While retail deal and dollar volume are expected to remain stable and likely rise in the second half of 2019, institutional investment

First-half retail dollar volume of \$425M lowest since late 2016

in retail properties in Metro Vancouver has slowed dramatically in 2019 after more than three years of record sales activity. Reasons include a lack of available quality assets, an evolving investment outlook for traditional retail among some institutional investors, and a return to more traditional retail acquisitions as opposed to residential redevelopment plays.

Almost \$202M (in sales from retail assets valued at less than \$5M) was raised in 158 transactions in the Lower Mainland in the first half of 2019, pushing total dollar volume to more than \$626.5M.

BC RETAIL TRANSACTIONS						
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE	
Abrams Block 210 Carrall Street	Vancouver	\$10,850,000	Private	Private	Jun 2019	
6461, 6470, 6475, 6550, & 6560 Metral Drive and 6551 Aulds Road	Nanaimo	\$37,000,000	REIT	Private	Jun 2019	
2993 Granville Street	Vancouver	\$14,000,000	Private	Private	Jun 2019	
Fraser 206 20631 Fraser Highway	Langley	\$14,615,000	Private	Private	Jun 2019	
1662 & 1666 West 8th Avenue	Vancouver	\$10,400,000	Private	Private	Jun 2019	
Malone's 608 West Pender St. & 515 West Pender St.	Vancouver	\$18,000,000	Private	Private	Jun 2019	
St. Andrews Plaza 20620 56th Avenue	Langley	\$8,650,000	Private	Private	Jun 2019	
The Cambie 160 West Cordova Street & 300 Cambie Street	Vancouver	\$22,000,000	Private	Private	May 2019	
McKinnon 6333 West Boulevard	Vancouver	\$12,000,000	Private	Private	May 2019	
Mission Place Mall 7336 James Street & 33103 1st Avenue	Mission	\$5,600,000	Private	Private	May 2019	
Ironworks #100 - 220 Victoria Drive	Vancouver	\$7,293,287	Private	Private	Apr 2019	
3607 West Broadway	Vancouver	\$5,800,000	Private	Private	Apr 2019	
1015 Ryan Road	Courtenay	\$5,690,000	Private	Private	Apr 2019	
2340 Highway 97 North	Kelowna	\$6,200,000	Private	Private	Apr 2019	
1051-1055 Davie Street	Vancouver	\$8,000,000	Public Co.	Private	Feb 2019	
4591 Garden City Road	Richmond	\$12,500,000	Private	Private	Feb 2019	
1294 Granville Street	Vancouver	\$8,000,000	Private	Private	Feb 2019	
Parker Place #1010 - 4380 No. 3 Road	Richmond	\$5,150,000	Private	Private	Feb 2019	
Cottonwood Mall 45585 Luckakuck Way	Chilliwack	\$73,000,000	Institutional	Institutional	Feb 2019	
728 Columbia Street	New Westminster	\$5,300,000	Financial	Private	Jan 2019	
Cadence #305 - 7468 Lansdowne Road	Richmond	\$7,000,000	Private	Private	Jan 2019	
1319 Southeast Marine Drive	Vancouver	\$5,329,125	Private	Non-profit	Jan 2019	
1626 Martin Drive	Surrey	\$6,750,000	Financial	Public Co.	Jan 2019	
Tillicum Centre 3170 Tillicum Road	Victoria	\$110,000,000	REIT	Institutional	Jan 2019	
4502 West 10th Avenue	Vancouver	\$5,600,000	Financial	Private	Jan 2019	
Total Deals/Investment	25	\$424,727,412				

Industrial

Deal and dollar volumes associated with the sale of BC industrial assets remain constrained only by new supply limits with 39 transactions valued at more than \$391.6M closing in the first half of 2019. Despite falling short in terms of dollar volume when compared with the first halves of 2018 and 2017 (36 sales/\$448.9M and 37 sales/\$456.4M, respectively), demand remained extraordinarily strong among users, investors and institutions alike.

The main reason for the decline in dollar volume in the first half of 2019 was a lack of large institutional-grade industrial assets changing hands. The largest industrial sale in BC in the first half of 2019 was the \$38M sale of 2323 Quebec Street, a flex industrial building in Mount Pleasant. Only three other industrial sales in the first half were greater than \$20M: 11511 No. 5 Road in Richmond (\$21.9M), 3625 Brighton Avenue in Burnaby (\$20M) and 2992 Pinegrove Street in Abbotsford (\$25.5M).

While strata industrial space has played an increasingly large role in BC's industrial market for at least the past seven years, particularly in Metro Vancouver, the rising cost of industrial land and the resultant impact on strata pricing has pushed many transactions above the \$5M threshold, including sales in recently completed projects such **Ironworks** and **IntraUrban Rivershore**. While historically very few strata industrial sale transactions exceeded \$5M, that threshold has been surpassed much more frequently to date in 2019 and will continue to figure more prominently in future industrial sales.

Owner-users are typically the most successful when it comes to acquiring strata space due to their ability to use their operating business to finance the acquisition, while investors, who may also acquire single units, are able to acquire strata industrial assets by either acquiring all the units in a single strata building direct from the developer as a presale or acquiring a similarly held building from an existing owner. The \$10.76M sale of **Seabourne Industrial Centre** in Port Coquitlam involved three stratified buildings containing 30 strata units, while the \$5.18M sale of 12 strata units at **Sullivan Business Park** was to a single user expanding within the recently completed stratified two-building industrial business park.

Significant rental rate appreciation since 2014/15, which has been driven in part by record low vacancy rates, has made industrial assets more appealing to investors, while also providing an impetus for business owners to

consider acquiring strata space as opposed to leasing.

Industrial deal and dollar volume in the second half of 2019 will likely surpass the results of the first half as a number of sales are expected to close by year's end.

More than \$348M (in sales from industrial assets valued at less than \$5M) was raised in 243 transactions in the Lower Mainland in the first half of 2019, pushing total dollar volume to more than \$740M.

BC INDUSTRIAL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
808 Viewfield Road	Esquimalt	\$11,250,000	Government	Private	Jun 2019
1280 Odium Drive	Vancouver	\$11,688,200	Private	Private	Jun 2019
1675 Maple Street	Okanagan Falls	\$5,600,000	Private	Private	Jun 2019
12155 Riverside Way	Richmond	\$8,120,000	Private	Private	Jun 2019
Seabourne Industrial Centre 580 Seabourne Avenue	Port Coquitlam	\$10,757,200	Private	Private	Jun 2019
5499 192nd Street	Surrey	\$5,800,000	Private	Private	May 2019
16160 River Road	Richmond	\$13,000,000	Private	Private	May 2019
660 Riverside Rd & 34315 Manufacturers Way	Abbotsford	\$9,075,000	Private	Private	May 2019
1250 East Pender Street	Vancouver	\$11,400,000	Private	Private	May 2019
Units B & C - 20445 62nd Avenue	Langley	\$6,200,000	Private	Private	May 2019
1789 Foy Street	Abbotsford	\$5,000,000	Private	Private	Apr 2019
Ironworks 1901 & 1911 Franklin Street	Vancouver	\$7,522,075	Private	Private	Apr 2019
Ironworks 1951 & 1971 Franklin Street	Vancouver	\$7,116,678	Private	Private	Apr 2019
19063 96th Avenue	Surrey	\$5,400,000	Private	Private	Apr 2019
11511 No. 5 Road	Richmond	\$21,900,000	Private	REIT	Apr 2019
5363 273A Street	Langley	\$8,470,000	Private	Private	Apr 2019
10128 Nordel Court	Delta	\$5,200,000	Private	Private	Apr 2019
27450 55th Avenue	Langley	\$10,500,000	Private	Institutional	Apr 2019
IntraUrban Rivershore #1049 & #1051 - 11111 Twigg Place	Richmond	\$5,656,920	Private	Private	Apr 2019
IntraUrban Rivershore #1055, #1057 & #1059 - 11111 Twigg Place	Richmond	\$9,347,400	Private	Private	Apr 2019
IntraUrban Rivershore #1005 & #1007 - 11111 Twigg Place	Richmond	\$5,339,655	Private	Private	Apr 2019
9929 Swanson Street	Fort St. John	\$10,713,463	Private	REIT	Apr 2019
7435 Lowland Drive	Burnaby	\$6,050,000	Private	Private	Apr 2019
18 Fawcett Road	Coquitlam	\$6,000,000	Private	Private	Mar 2019
1650 Kingsway Avenue	Port Coquitlam	\$6,500,000	Private	Private	Mar 2019
3625 Brighton Avenue	Burnaby	\$20,000,000	Private	Private	Mar 2019
Sullivan Business Park #102-#107 & #109-#114 - 15358 67th Avenue	Surrey	\$5,183,865	Private	Private	Feb 2019
1142 West 3rd Street	North Vancouver	\$6,555,000	Private	Private	Feb 2019
1477 Derwent Way	Delta	\$14,525,000	Private	Private	Feb 2019
19056 27th Avenue	Surrey	\$7,322,000	Private	Private	Feb 2019
9452 193A Street	Surrey	\$6,050,000	Private	Private	Feb 2019
1464 Spitfire Place	Port Coquitlam	\$6,225,000	Private	Private	Feb 2019
Westmorland Business Centre 18812 96th Ave	Surrey	\$11,225,000	Private	Private	Feb 2019
2323 Quebec Street and 68 & 88 East 7th Ave.	Vancouver	\$38,000,000	Private	Private	Jan 2019
1305 Odium Drive	Vancouver	\$8,280,000	Private	Private	Jan 2019
2992 Pinegrove Street	Abbotsford	\$25,500,000	Private	Private	Jan 2019
8137 Swenson Way	Delta	\$6,500,000	Private	Private	Jan 2019
2772 Natal Street	Vancouver	\$15,750,000	Private	Private	Jan 2019
5140 North Fraser Way	Burnaby	\$6,915,600	Private	Private	Jan 2019
Total Deals/Investment	39	\$391,638,056			



The \$38M sale of 2323 Quebec Street in Mount Pleasant was the largest in the first half of 2019

Multi-Family

Sales velocity of BC multi-family assets slowed substantially in the first half of 2019 with 30 sales valued at almost \$504M. While dollar volume remained historically strong, the number of deals completed was down substantially from the first halves of 2018 (42 transactions/\$674M) and 2017 (46 transactions/\$652M). The first-half 2019 figures also marked a steep decline from the second half of 2018 when 42 sales worth almost \$798M closed. While sales activity is expected to rise in the second half of 2019, deal and dollar volume is not expected to maintain the record-setting pace that has defined BC's multi-family market since 2015. Annual dollar volume exceeded \$1.25B in 2015, 2017 and 2018, while the average number of deals completed annually since 2015 was 82. (Avison Young only tracks multi-family investments trading at more than \$5M.)

The largest multi-family sale in the first half of 2019 was the \$78M acquisition of the recently constructed 280-unit **Mission Flats** in Kelowna. Virtually all substantial multi-family sales were concluded outside Metro Vancouver's core markets, including two apartment sales in Langley totalling \$108.6M, which included the forward sale of an upcoming purpose-built rental building and the acquisition of a recently constructed purpose-built rental building.

Six multi-family sales were completed in Victoria in the first half of 2019, including the \$33M acquisition of a 50% interest in **V1488**, a new 134-unit purpose-built rental building, after sales of multi-family buildings had slowed substantially in the capital city through much of 2018. Multi-family sales on Vancouver Island, which made up more than 43% of the total number of sales in BC in the first half of 2019, included a \$40.3M three-building portfolio sale in Langford and single sales in Saanich, Esquimalt and Nanaimo.

Of the eight sales recorded in Vancouver, only one, the \$18.25M sale of **Fairview Court**, exceeded \$10M. Single sales in West Vancouver (\$17.2M) and North Vancouver (\$15.925M) and two sales in New Westminster (totalling \$14.67M) rounded out multi-family sales activity in Metro Vancouver.

A flight to higher yield characterized purchaser sentiment in the first half of 2019 as private and institutional investors along with REITs secured multi-family assets in primarily secondary markets throughout the province. Much of the investment was focused on securing recently constructed purpose-built rental buildings. Value-add investors looking at acquiring existing buildings have largely departed the Metro Vancouver market in search of not only higher yields, but also municipalities that have weaker regulations related to the renovation/demolition of older multi-family buildings.

In terms of dollar volume, REITs (38%) outweighed institutions (29%) and private (33%) buyers in the capital invested in the first half of 2019, marking the first time since Avison Young started tracking the multi-family market in 2008 that REITs outspent private and institutional investors in a given half. On the other side of the ledger, all multi-family vendors in the first half of 2019 were private.

Slightly more than \$45.6M (in sales from multi-family assets valued at less than \$5M) was raised in 13 transactions in the first half of 2019, pushing total dollar volume to \$549M.

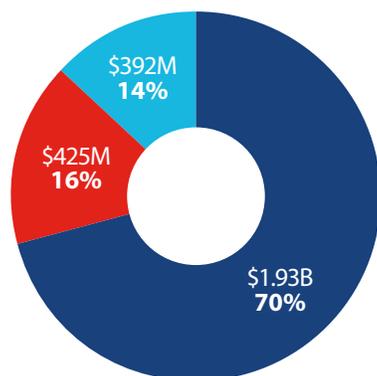
BC MULTI-FAMILY TRANSACTIONS (GREATER THAN \$5 MILLION)

PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
Roberts Landing 772 Hockley Avenue	Langford	\$6,495,000	Private	\$324,750	REIT	Jun 2019
Village Walk West portfolio 778, 784 & 790 Hockley Avenue	Langford	\$24,548,692	Private	\$285,450	REIT	Jun 2019
Roberts Place 777 Hockley Avenue	Langford	\$9,223,000	Private	\$307,433	REIT	Jun 2019
Summerhill Apartments 260 Michigan Street	Victoria	\$6,525,000	Private	\$271,875	Institutional	Jun 2019
The Point Apartments 5393 201st Street	Langley	\$39,000,000	Private	\$397,959	REIT	Jun 2019
Walnut Court 8770 Selkirk Street	Vancouver	\$8,400,000	Private	\$164,706	Private	Jun 2019
Royal Reef Apartments 11 Paddon Avenue	Victoria	\$9,325,000	Private	\$291,406	Institutional	Jun 2019
Fairview Court 55 East 12th Avenue	Vancouver	\$18,250,000	Private	\$357,843	Private	Jun 2019
Brentwood Villa 7088 Wallace Drive	Saanich	\$6,700,000	Private	\$197,059	Private	Jun 2019
V1488 1488 Cook Street (50% interest)	Victoria	\$33,000,000	Private	\$492,537 ²	REIT	May 2019
Confidential Victoria sale	Victoria	\$8,000,000	Private	\$235,294	Private	May 2019
Albion Court and Rockmeare Manor 1144 Rockland Avenue & 45 Boyd Street	Victoria	\$30,000,000 ¹	Private	\$258,621	Institutional	May 2019
Tiffany Centre 901 Esquimalt Road	Esquimalt	\$7,000,000	Private	\$388,889	Private	May 2019
Berwyn Court 510 Ninth Street	New Westminster	\$6,925,000	Private	\$192,361	Private	May 2019
Dunsmuir House 831 Dunsmuir Road	Esquimalt	\$19,100,000	Private	\$224,706	Private	May 2019
Sir Francis Drake 335-337 St. James Street	Victoria	\$22,700,000	Private	\$238,947	Institutional	May 2019
2266 Trinity Street	Vancouver	\$6,500,000	Private	\$325,000	Private	Apr 2019
Willoughby Walk 20839 78B Avenue	Langley	\$69,600,000	Private	\$364,398	REIT	Apr 2019
Edward Manor 9219 Edward Street	Chilliwack	\$5,625,000	Private	\$156,250	Private	Apr 2019
Noraleen Apartments 1676 West 10th Avenue	Vancouver	\$5,066,000	Private	\$460,545	Private	Mar 2019
Georgian Manor 8687 Selkirk Street	Vancouver	\$5,250,000	Private	\$477,273	Private	Mar 2019
Triumph Apartments 2115 Triumph Street	Vancouver	\$5,200,000	Private	\$288,889	Private	Feb 2019
Kitsilano Court 2464 West 2nd Avenue	Vancouver	\$6,600,000	Private	\$660,000	Private	Jan 2019
Cedar Terrace 1575 Esquimalt Avenue	West Vancouver	\$17,200,000	Private	\$554,839	Private	Jan 2019
The McTavish 1727 William Street	Vancouver	\$5,900,000	Private	\$590,000	Private	Jan 2019
Mission Flats 1459 & 1469 KLO Road	Kelowna	\$78,000,000	Private	\$278,571	Institutional	Jan 2019
Belmont Place 250 East 2nd Street	North Vancouver	\$15,925,000	Private	\$353,889	Private	Jan 2019
Confidential Nanaimo sale	Nanaimo	\$8,000,000	Private	\$126,984	Private	Jan 2019
2902 South Main Street	Penticton	\$12,000,000	Private	\$155,844	REIT	Jan 2019
Burton Manor 520 Ninth Street	New Westminster	\$7,750,000	Private	\$234,848	Private	Jan 2019
Total Deals/Investment	30	\$503,807,692				

¹estimated ²based on 100% interest

FIRST HALF 2019 SALES BY PROPERTY TYPE & DOLLAR VOLUME

■ Office ■ Industrial ■ Retail



continued from front page

space in **Bosa Properties' Evergreen@ Westwood Village** development in Coquitlam to the **City of Coquitlam**. The largest strata office sale in the first half of 2019 was a single unit in 34|W7 for \$9.815M. Strata office sales are expected to continue to increase in value, size and frequency, particularly with the upcoming completions of the 99,000-sf strata portion of **Reliance Properties' Offices at Burrard Place** development in 2019 and **Bosa Developments' 374,790-sf, 30-storey Bosa Waterfront Centre** at 320 Granville Street – 55% of which has been sold as strata space and is set for delivery in 2021. Additional strata office projects in Mount Pleasant, including **Houss, The Beltline Off Broadway** and **The Yukon**, will also likely result in additional strata office sales in excess of \$5M being captured in a future *BC Investment Review*.

While industrial strata sales are not a new phenomenon in BC, the number of such sales exceeding \$5M represents a new stage in the strata industrial market resulting from numerous factors, including elevated industrial land pricing and long-standing record-low industrial vacancy, which are reshaping Metro Vancouver's industrial real estate market. Seven of 39 (18%) industrial sales in the first half of 2019 were strata units. Typically, industrial sales have been freestanding buildings. Units in two developments, **Conwest's Ironworks** in East Vancouver and **PC Urban's IntraUrban Rivershore** in Richmond, represented five of those strata sales. The largest strata industrial sale in the first half of 2019 was the single purchase of three units in IntraUrban Rivershore for \$9.35M. A single purchaser securing the majority, if not all, of the units in a strata building is also an emerging trend, particularly in the strata industrial market. A single user purchased 12 of 14 strata units at 15358 67th Avenue in Surrey's **Sullivan Business Park** for \$5.18M in the first half of 2019. Another first for the *BC Investment Review* was the appearance of retail and industrial strata sales occurring in the same building, which served to highlight the shifting nature of mixed-use development and the incorporation of industrial space into strata projects that may also include retail and office components.

While many of the strata unit sales captured by the *Mid-Year 2019 BC investment Review* appear to be owner-occupiers and are included in this review, investors seeking to acquire strata commercial space as a way to diversify portfolios that may have been more heavily weighted toward traditional residential/commercial real estate investments will undoubtedly emerge. The motivations and factors driving owner-occupiers and investors to acquire strata space will warrant further examination and likely the development of criteria to identify whether such future sales be categorized independent of existing asset classes.

While deal and dollar volume remained historically strong in the first half of 2019, BC's investment climate has begun shifting away from the frenzied acquisition of value-add and redevelopment opportunities that characterized the banner years of 2017/18, which were in part powered by an extraordinarily low cost of capital. A renewed focus on stabilized assets – accompanied by a corresponding reduction in yield – has supported ongoing strong demand and is being fuelled by diminishing bond yields and a flood of capital from lenders eager to deploy the equity accumulating on their balance sheets. This trend will likely lead to more notable partnerships and co-investment opportunities in order for a greater number of institutional and private investors to deploy burgeoning capital reserves to acquire additional stabilized commercial property assets (compressing cap rates) while working to reduce their exposure to the risk factors that are defining global money and stock markets in an era of expanding trade wars, greater economic uncertainty and heightened political volatility. ■

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