

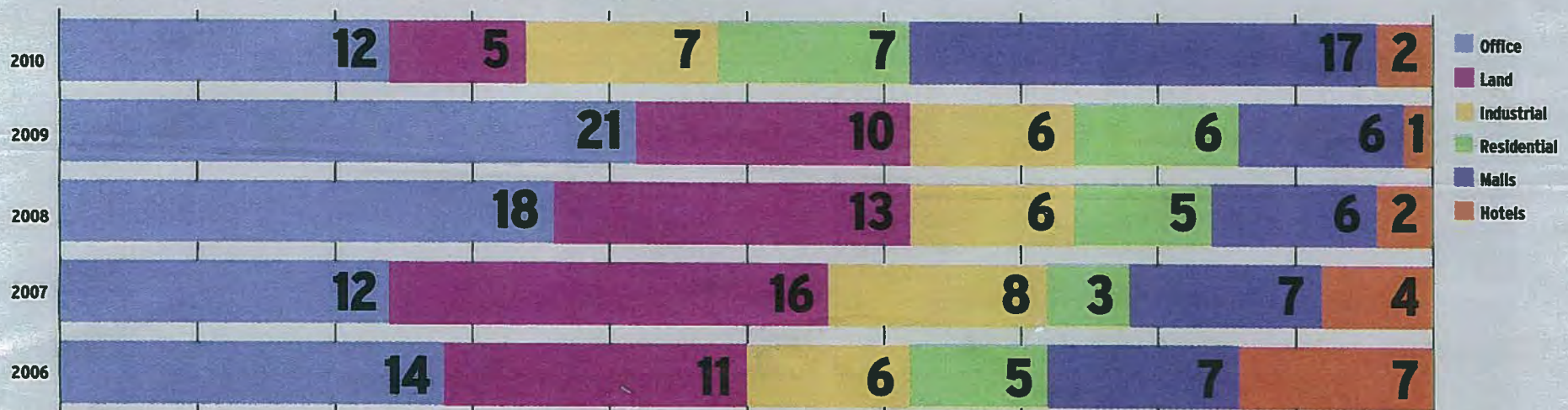
Annual News Report
 March 29-April 4, 2011; issue 1118

Deals of the decade

Rare sales of shopping centres in B.C. boost commercial real estate market in 2010



B.C.'s top 50 real estate deals categorized by type



Of the top 50 real estate deals over the past five years, land and office properties were the key assets from 2006 to 2009, with office deals peaking two years ago. Last year, malls were the hottest commodity, as more than 15 changed hands

By Richard Chu

BC's commercial real estate market surged last year from strong fundamentals and a rare abundance of retail property that went on sale last year

The total value of the 50 largest deals topped \$2.4 billion in 2010, a 20% increase from \$2 billion in 2009. Nearly half of the total value was from the sale of 16 shopping malls throughout the province with the bulk of retail centre sales occurring in Metro Vancouver.

Among the key sellers were the Ontario Pension Board, which sold nearly \$350 million worth of prime commercial real estate by selling Lougheed Town Centre, Brentwood Mall and Hillside Centre in Victoria. (See story, page 18.)

Some of the key purchasers included Artis Real Estate Income Trust (TSX:AXUN), which acquired nearly \$100 million in retail assets including Poco Place in Port Coquitlam, Tamarack Centre in Cranbrook and Westbank Hub Centre in West Kelowna.

Mark Renzoni, executive vice-president at CB Richard Ellis said, "For retail, it was a moment in time when you had strong fundamentals, some big players taking some money off the table and some other big

players coming in. You likely won't see that level of trading for another decade."

Avtar Bains, executive vice-president at Colliers International noted, "People were selling because they wanted to diversify their portfolio, either in asset class or geographic base, and that's why we saw an unusual amount of retail on the market in Western Canada."

One of the strengths of the retail property market has been B.C.'s relatively strong economic performance, especially relative to the U.S.

Michael Gill, principal at Avison Young in Vancouver, noted investors have not lost sight of the fact that major U.S. retailers like Target are keen to expand in Canada, with its deal for Zellers' locations across the country.

"They look at how Canadians have fared financially with more disposable income readily available. That translates into shopping, which is a comforting thing to investors of a shopping centre."

With land increasingly becoming a scarce commodity in Metro Vancouver, brokers noted some investors bought older properties, eyeing the development opportunities they represent.

Renzoni noted properties along SkyTrain lines, such as Brentwood

Mall and Lougheed Town Centre, are ripe for redevelopment. Large, comprehensive developments are also being developed around Braid Station, New Westminster Station and Marine Station on the Canada Line.

"It was a window of opportunity for buyers and the marketplace took strong advantage of it"

- Avtar Bains, executive vice-president, Colliers International

Office properties throughout the region have also been benefiting from its close proximity to rapid transit.

"The SkyTrain system has realigned where suburban office should be and the importance of public transit for corporations and their employees," said Renzoni. "In Richmond, they've offset some of that with some owners starting shuttle services to get people closer to a public transit access point."

While retail property sales were strong last year, office properties were also hot commodities, with a dozen properties rounding out the top 50 sales last year.

Among the largest included the \$64 million sale of Production Court

in Burnaby and the \$45.3 million sale of 815 West Hastings in downtown Vancouver.

Office properties remain an attractive asset class so far in 2011. Among the largest sales to date include Lululemon Athletica's \$65 million purchase of 1818 Cornwall Street, and the sale of 1050 and 1090 West Pender Street.

Gill noted, overall, the market remains fairly healthy with over \$250 million in commercial real estate deals closing within the first 75 days of the year.

Renzoni suggested there may be a growing interest in industrial properties again, as the impact of the economic downturn fades deeper into history.

A shortage of properties available for sale, however, will be a key challenge for the market in 2011.

Bains noted, "If you see fewer sales or transactional volume in 2011 over 2010, it's not because the market doesn't want to buy. It's because there is going to be a lack of supply."

He noted most property owners would rather hold onto their property assets than liquidate into cash. Demand, however, will remain strong in the B.C. market, which has a lower availability of commercial real estate per capita than markets like Toronto. That should bode well for vendors

when they decide to put their properties on the market. "While we are a very small real estate market, the good news is, we're a more liquid market than most commercial markets in North America."

With a strengthening economy, Bains noted property development will be a key growth area this year.

"For some groups with the appropriate skill set, the opportunity is going to be in development. With other groups, the opportunity is going to be in joint venturing. We're in a phase in the marketplace that creativity combined with realism may win the day." ■

rchu@biv.com

INSIDE

Shopping spree - 18

Retail malls were among the most sought after properties in 2010

Golf resorts in the hole - 23

Starry-eyed developers licking wounds over Bear Mountain, Wyndansea and the Rise

Real Estate Roundup - 27

Lululemon snags space in Kits, and AAA office space occupancy up in downtown Vancouver

BIV B.C.'s biggest real estate deals - 15, 17, 24, 26