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B.C.'s Wild West show reined in



Commercial real estate activity dips in first half of 2009 as many investors sit on the sidelines

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British Columbia commercial real estate investment activity shifted downward in the first half of 2009 as the province continued to feel aftershocks from the global financial meltdown, Avison Young reports.

"Due to excessive demand, the B.C. market became a Wild West show in recent years as vendors auctioned off properties to the highest bidder without setting list prices," Avison Young investment broker Michael Keenan says. "Those days are over."

Avison Young's semi-annual report released recently tracked office, industrial and retail investment sales in B.C. greater than \$5-million.

The 23 transactions completed in the first half of 2009 represent the lowest first-half number of deals witnessed in the province in seven years.

Total dollar volume in the first half of 2009 fell 12 per cent to \$643-million from \$734-million in the second half of 2008. (The majority of those second-half 2008 deals were negotiated in the early part of 2008, before the fall 2008 equity market crash.) However, year-end 2009 sales volume is on track to meet last year's level of \$1.27-billion as investor confidence continues to improve as global economic restraints ease, the report predicts.

"The drop in both dollar volume and number of transactions over the second half of 2008 is mainly due to buyers' expectations that pricing should follow national and U.S. trends," Avison Young principal Bob Levine says. "However, most sellers have been reluctant to dispose of assets at those price levels."

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Current market trends reflect the continuing influence of the subprime mortgage crisis, which reached an acute stage in September, 2008, Mr. Levine says. "The lower transaction total reflects the difficulties of putting together deals in turbulent economic times."

Industrial deals (11) outnumbered office (8) and retail (4) transactions. But office deals accounted for 79 per cent, or \$506-million, of the \$643-million in total dollar volume, while industrial amounted to 15 per cent and retail reflected a modest 6 per cent. The average sale price in the first half of 2009 increased to \$29.2-million from \$24.5-million in the second half of 2008 and \$14.5-million in the first half of 2008.

Continuing a trend that prevailed through 2008, private investors were the most active players on both the buying and selling sides in the first half of 2009. However, institutional investors dominated higher-priced office transactions.

The sale of the Grosvenor building (1040 West Georgia) in downtown Vancouver for \$84-million, which closed on June 30, 2009, helped to push the total sales volume for the first half of 2009 above the first-half 2008 volume.

German investor Deka Immobilien Investment GmbH's unsolicited \$297-million purchase in May of Bentall V in downtown Vancouver, the largest deal in Canada this year, accounted for nearly half of the total amount invested in the first half of 2009.

With a report from Avison Young

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