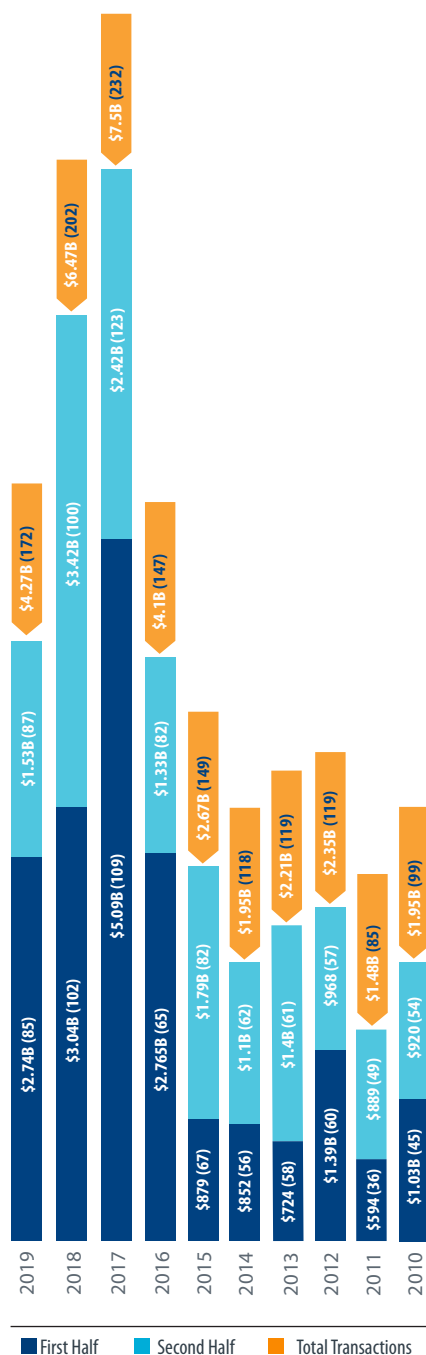


YEAR-END 2019: BC INVESTMENT SALES BY DOLLAR VOLUME & NUMBER OF SALES OFFICE, INDUSTRIAL & RETAIL DEALS >\$5M



Downshift in sentiment results in deceleration in BC investment market despite enduring demand

Editor's Note: This publication was produced to review and examine investment activity in BC's commercial real estate market in 2019. The impacts of COVID-19 are not addressed in this report and forward guidance as to the potential fallout that the ongoing global pandemic will have on investment activity in BC will not be reviewed in this publication. The importance of benchmarking market conditions prior to the onset of COVID-19 will be essential for future analysis and research to understand how material events such as a pandemic impact investor behaviour and decision-making. The spread of COVID-19 and the containment policies being introduced are changing rapidly, and some of the views expressed herein may not reflect the latest opinion of Avison Young.

BC commercial real estate investment levels continued to slowly settle back to more historic levels in 2019 after a five-year run that ended in a two-year period of record activity in terms of deal and dollar volume that will likely remain unmatched for years to come. Market turbulence and shifting investor sentiment, triggered in no small part by government intervention and political headwinds in late 2018 and through 2019, resulted in a return to a more rational market in BC. The embrace of a back-to-basics approach to acquiring commercial real estate assets simply allowed greater due diligence and more informed decision-making in a market where the decline in investment activity in 2019 was not associated with a corresponding drop in demand.

With 172 industrial, retail and office deals valued at almost \$4.3B closing in 2019 – the third most on record in terms of both deal and dollar volume – investors clearly continued to see value in acquiring and owning commercial real estate in Metro Vancouver and BC. This figure does not include ICI or residential land sales activity, which Avison Young has historically tracked

separately. (Avison Young tracks retail, office and industrial deals valued at more than \$5M for this report.)

While deal velocity remained stable throughout 2019 with 85 deals completed in the first half of the year followed by 87 in the back half of 2019, dollar volume slipped from \$2.74B to \$1.53B. The sale of the **Bentall Centre** for approximately \$1.05B in the first half of 2019 was largely responsible for the substantial difference between the dollar volumes recorded in the first and second halves of 2019. The one constant throughout 2019 was an enduring demand for commercial real estate assets. One of the primary results of this ongoing demand in 2019 was a quest for yield by both private and institutional investors, which often resulted in the purchases of multi-family, retail and office properties in tertiary markets throughout the province.

While demand remained strong through 2019, there was a striking difference in what types of investors were involved in transactions in the first and second halves of the year. Institutional investors were notably more active in the first half of 2019, which led to the majority of the largest deals of the year closing in that period. Negotiations involving many of these sales had been initiated in 2018 prior to the rise of economic and political headwinds that manifested in the latter half of the year. However, by mid-year 2019, market momentum had started to shift as the confidence of private investors improved and they began to re-engage with all asset classes in a more impactful manner.

Demand for office product remained strong through 2019 with ongoing upside on rents, constrained new supply and record low vacancy attracting investors of all stripes but also pushing valuations higher in both

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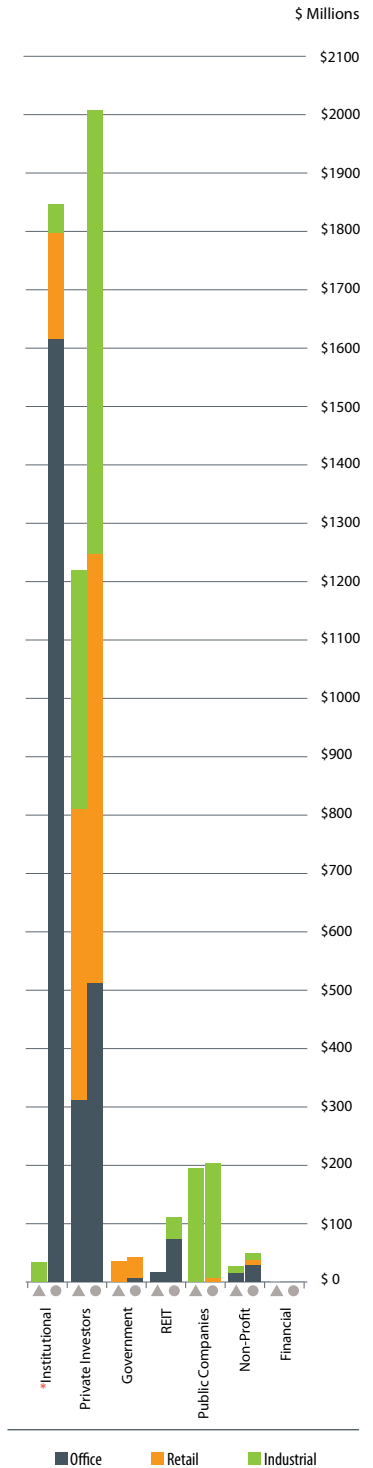
Land sales & buyer purchases by asset type

COMMERCIAL ICI LAND SALES (Greater than \$5 million and excluding parks and agricultural/agricultural business lands) July 1 to December 31, 2019					
PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
2122 Quebec Street	Vancouver	\$14,000,000	Commercial Industrial	0.14	Dec 2019
114 West 8th Ave	Vancouver	\$5,725,000	Commercial Industrial	0.12	Dec 2019
1755 & 1761 West 4th Avenue	Vancouver	\$7,695,000	Commercial	0.13	Dec 2019
7913 200 Street	Langley	\$5,500,000	Commercial	1.97	Nov 2019
1290 Clark Drive & 1330 William Street	Vancouver	\$18,688,000	Commercial Industrial	0.89	Nov 2019
858 Georgia Avenue	Nanaimo	\$8,100,000	Commercial	0.80	Oct 2019
1900 & 1920 Main Street	Vancouver	\$24,000,000	Commercial Industrial	0.39	Oct 2019
62 West 4th Avenue	Vancouver	\$22,200,000	Commercial Industrial	0.44	Aug 2019
2070 Keating Cross Road	Saanich	\$8,575,000	Commercial	9.87	Aug 2019
611 Alberni Highway	Parksville	\$5,800,000	Commercial	15.51	July 2019
17412 96th Avenue	Surrey	\$5,000,000	Commercial	4.91	July 2019

INDUSTRIAL ICI LAND SALES (Greater than \$5 million and excluding parks and agricultural/agricultural business lands) July 1 to December 31, 2019					
PROPERTY	LOCATION	PRICE	SITE AREA (ACRES)	LAND USE	DATE
34450 Vye Road & 720 Riverside Road	Abbotsford	\$17,700,000	Industrial	7.44	Dec 2019
19708 86th Avenue	Langley	\$8,600,000	Industrial	5.98	Dec 2019
3231 No. 6 Road	Richmond	\$42,000,000	Industrial	9.51	Nov 2019
1221 East 2nd Avenue	Vancouver	\$30,500,000	Industrial	1.51	Nov 2019
19070 39th Avenue	Surrey	\$5,950,000	Industrial	2.38	Nov 2019
8120 Dallas Drive	Kamloops	\$10,000,000	Industrial	10.38	Oct 2019
31786 Marshall Road	Abbotsford	\$10,800,000	Industrial	9.89	Oct 2019
18745 24th Avenue	Surrey	\$9,224,500	Industrial	3.30	Oct 2019
2874 194th Street	Surrey	\$10,000,000	Industrial	5.00	Oct 2019
19082 32nd Avenue	Surrey	\$5,300,000	Industrial	2.25	Oct 2019
10566 Scott Road	Surrey	\$26,750,000	Industrial	14.21	Sept 2019
19590 32nd Avenue	Surrey	\$7,900,000	Industrial	4.84	Sept 2019
2059 & 2089 Mason Street	Abbotsford	\$6,140,000	Industrial	3.07	Sept 2019
6856 152nd Street & 15331 68th Avenue	Surrey	\$30,000,000	Industrial	13.22	Sept 2019
1168 & 1170 Derwent Way	Delta	\$38,150,000	Industrial	14.82	Sept 2019
19468 32nd Avenue	Surrey	\$6,500,000	Industrial	2.89	Aug 2019
18930 & 18970 24th Avenue	Surrey	\$44,215,000	Industrial	19.69	Aug 2019
19363 32 Avenue	Surrey	\$10,618,000	Industrial	4.94	July 2019
1437, 1491 & 1515 Kingsway Avenue	Port Coquitlam	\$39,200,000	Industrial	14.00	July 2019
3093 194th Street	Surrey	\$9,900,000	Industrial	5.00	July 2019
31380 Lougheed Highway	Mission	\$9,400,000	Industrial	26.75	July 2019
9788 Glenlyon Parkway	Burnaby	\$12,880,000	Industrial	6.45	July 2019
2505 Trans Canada Highway	Kamloops	\$10,625,000	Industrial	19.64	July 2019
9697-9765 190th Street	Surrey	\$17,100,000	Industrial	5.73	Jan 2019

TOP FIVE RESIDENTIAL LAND SALES (METRO VANCOUVER) (By Price) July 1 to December 31, 2019					
PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
2040-2150 Alpha Ave. & 4612 Lougheed Hwy.	Burnaby	\$166,072,949	4.77	207,851	Oct 2019
331 Riverside Dr, 340 Seymour River Place & 2171 Munster Avenue	North Vancouver	\$55,000,000	3.63	158,254	July 2019
15621-15729 16 Ave., 1634-1662 157 St., 1624-1646 156 St. & 1625-1671 156A St.	Surrey	\$49,100,801	6.06	264,103	Oct 2019
955 West 57th Avenue & 7255 Laurel Street	Vancouver	\$44,000,000	1.31	165,528	Dec 2019
4638, 4646, 4654, 4662 & 4670 Hazel Street	Burnaby	\$30,500,000	0.78	33,759	Nov 2019

SECOND HALF & TOTAL OF 2019: BUYER PURCHASES BY ASSET TYPE



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

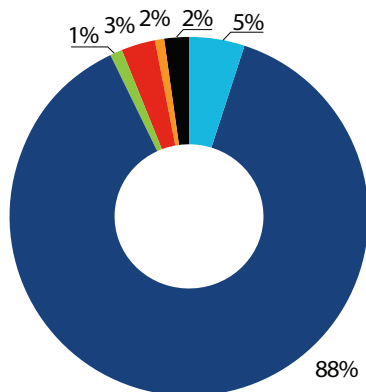
Note: Foreign buyers have also been active investors. Rather than identifying them separately as foreign, Avison Young is categorizing them as institutional or private as the case may be.

Buyer Profile

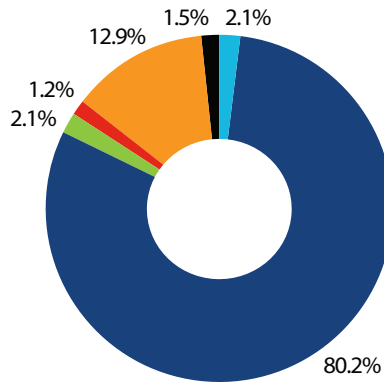
Private purchasers remained the most dominant buyer group in 2019 in terms of the number of deals completed (88%). However, their share of overall dollar volume slid to 47.3% from the 60.6% in 2018, and was only slightly better than in 2017 when private buyers accounted for 46% (which was the lowest share since 2012 when private investors disbursed just 38% of total dollar volume). Private purchasers captured the most dollar volume in 2014 when they allocated an astonishing 75% of total expenditures; however, that share had been steadily declining each year until 2018 as institutions re-engaged with the markets. While private buyers have dominated the BC market in terms of the number of deals completed in recent years, that was not always the case. In comparison, private buyers were represented in just 66% of deals (and only 40% of total dollar volume) in 2008.

Institutions continued to have an outsized impact on the BC market by being involved in just 5% of completed deals in 2019 – but capturing 43.4% of total spend. This share of total spend increased from 2018 (31.7%), but was less than 2017 (47%), which had marked the first time since 2008 that institutions outspent private investors. Institutional acquisition of office properties totalled \$1.63B in 2019 and included the **Bentall Centre**, 1075 West Georgia and **Airport Executive Park**. Institutions also acquired two retail assets, **Cottonwood**

2019: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



2019: VALUE OF SALES BY TYPE OF BUYER



Mall and Tillicum Centre – the two largest retail sales in the province in 2019, for \$183M in total.

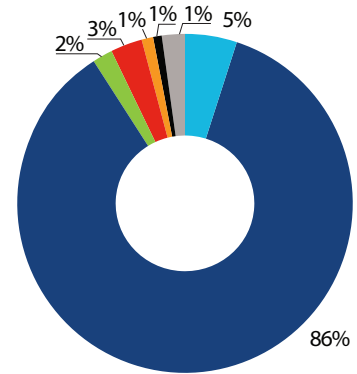
Private buyers were focused on acquiring industrial assets in 2019, spending more than \$762M on industrial properties followed by the acquisition of retail assets, which totalled \$729M. Office sales totalled \$531M. The largest private acquisition in 2019 was the \$73.5M purchase of **Renfrew Business Centre**, a Vancouver office building (which included a land component) in the first half of the year.

Seller Profile

Private vendors accounted for 45% of total proceeds in 2019, down significantly from 56.3% in 2018, but up from 35% in 2017 (the lowest on record since at least 2006), despite being involved in 86% of sales. Typically, institutional vendors command a significant amount of the proceeds despite being involved in a small number of deals, which remained the case in 2019 with institutions accounting for 41% of the proceeds from 5% of the total sales. Sale proceeds derived by public companies (4.8%), REITs (4.2%) and government (4%) were minimal in 2019.

Institutional proceeds were largely driven by \$1.63B in office sales related to the disposition of the **Bentall Centre** and 1075 West Georgia Street in Vancouver, and **Airport Executive Park** in Richmond as well as the \$73M sale of **Cottonwood Mall** in Chilliwack and \$40M sale of **Lansdowne Village**

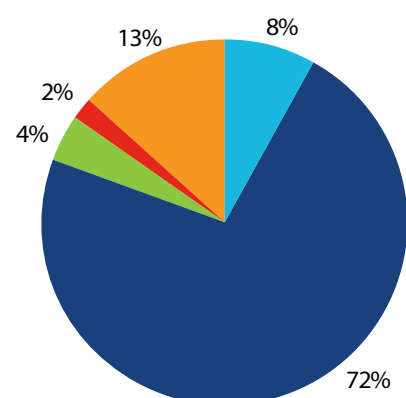
2019: NUMBER OF TRANSACTIONS BY TYPE OF SELLER



Shopping Centre in Kamloops. Private vendors capitalized on the demand for industrial assets with almost \$761M in sale proceeds in 2019, followed by \$637M from retail sales and \$529M in office dispositions.

A single transaction between two publicly listed energy companies involving the sale of an oil refinery in Prince George was responsible for the sale proceeds attributed to public companies. Interestingly, REITs only sold off retail properties in BC in 2019, including **Tillicum Mall** (\$110M) in Victoria and a collection of retail outlets (\$37M) in Nanaimo. Government sales in the province in 2019 included the disposition of **Metro Vancouver's** former head office in Burnaby for \$95M and **Hydro Quebec's** \$66.15M sale of **FAMA Business Park** in Surrey.

2019: VALUE OF SALES BY TYPE OF SELLER



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

Office

Office investment sales activity in 2019 totalled 43 transactions valued at \$2.27B, representing 53% of the overall annual dollar volume of \$4.27B while capturing 25% of the total sales. Although 2019 dollar volume marked a slight decrease from 2018 (\$2.4B/42 deals), 2019 remained one of the strongest years in terms of deal and dollar volume in the city's history. This was primarily due to the sale of the **Bentall Centre** to U.S.-based **Blackstone Group** and **Hudson Pacific Properties** for an estimated \$1.05B in the first half of 2019. The overwhelming majority of dollar volume generated by office sales activity occurred in the first half of the year versus the second half, which marked the lowest amount of dollar volume originating from office sales in the first or second half of a year since the back half of 2013 (12 deals/\$294M).

Six deals in excess of \$30M were completed in the first half of 2019, including the billion-dollar sale of the Bentall Centre and two other dispositions in excess of \$200M each (1075 West Georgia Street (\$275M) and **Airport Executive Park** (\$208M), for total proceeds of \$1.93B. In the second half of 2019, only two deals exceeded \$30M (but neither surpassed \$40M), for total proceeds of just \$347M – a decline in dollar volume of more than 80% from the first half. While demand has been and remains strong for office assets, particularly in downtown Vancouver, a lack of available properties to acquire severely curtailed deal and dollar volumes.

The largest deals in the second half of 2019 were the sales of 3480 & 3605 Gilmore Way in Burnaby (\$38.2M) and the \$35.45M sale of 2261 Keating Cross Road in suburban Victoria on Vancouver Island. Of the four office sales registered in Vancouver in the second half of 2019, only one (1148 Burrard

Street) was located downtown while another was located east of the downtown core. The other two sales were in Fairview Slopes, close to the Broadway corridor.

Strata office sales in Metro Vancouver came to prominence in 2019 as average unit sizes increased and the strong pricing achieved on a per-square-foot basis pushed many such transactions above the \$5M threshold that Avison Young uses when tracking investment sales. Office strata sales have been primarily located in suburban markets such as Burnaby, Richmond, Coquitlam and Surrey to date, but are also now starting to close in Vancouver's Mount Pleasant neighbourhood. Downtown office strata sales have also occurred, but with virtually all new downtown strata projects not completing until 2021, project pricing achieved during



2261 Keating Cross Road sold for \$35.45M

presales has been largely withheld from the market.

An additional \$280.7M (in sales from office assets valued at less than \$5M) was raised in 252 transactions in the Lower Mainland in 2019, pushing dollar volume to more than \$2.55B in total investment.

BC OFFICE TRANSACTIONS (2ND HALF)

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
625 Fifth Avenue & 513 Seventh Street	New Westminster	\$16,000,000	Private	Private	Dec 2019
1060 West 8th Avenue	Vancouver	\$19,736,000	Private	Private	Dec 2019
Kings Crossing (strata) #1-#12 - 7310 Edmonds Street	Burnaby	\$17,050,000	Private	Private	Dec 2019
Kings Crossing (strata) #13-#17 - 7310 Edmonds Street	Burnaby	\$13,725,000	Private	Private	Dec 2019
Kings Crossing (strata) #23-#32 - 7310 Edmonds Street	Burnaby	\$6,000,000	Private	Private	Dec 2019
238 Government Street	Duncan	\$6,400,000	Private	Private	Dec 2019
Royal Avenue Centre 620 Royal Avenue	New Westminster	\$15,500,000	Private	Non-Profit	Dec 2019
3480 & 3605 Gilmore Way	Burnaby	\$38,200,000	Institutional	Private	Dec 2019
5660 192nd Street	Surrey	\$9,536,000	Private	Private	Nov 2019
1545 West 3rd Avenue	Vancouver	\$12,800,000	Private	Private	Nov 2019
435 Trunk Road	Duncan	\$8,500,000	Private	Private	Oct 2019
365 Railway Street	Vancouver	\$18,000,000	Private	REIT	Sept 2019
#100 & #200 - 5890 No. 3 Road and #100 & #300 - 5900 No. 3 Road (strata)	Richmond	\$28,500,000	Private	Private	Sept 2019
780 Blanshard Street	Victoria	\$14,660,000	Private	Private	Sept 2019
Gateway Park 2261 Keating Cross Road	Victoria	\$35,450,000	Institutional	Private	Aug 2019
Boucher Centre 435 Columbia Street	New Westminster	\$15,050,000	Private	Private	Aug 2019
7 West 7th Avenue	Vancouver	\$6,500,000	Non-Profit	Private	Aug 2019
CityCentre II (strata) #303-#308 - 13737 96th Avenue	Surrey	\$5,900,000	Private	Private	July 2019
Burrard Medical Building (strata) #1140 & #1144 - 1148 Burrard Street	Vancouver	\$17,375,000	Private	Private	July 2019
2121 152nd Street	Surrey	\$8,800,000	Private	Private	July 2019
101 Smithe Street	Vancouver	\$27,375,000	Private	Private	July 2019
#300-8411 Bridgeport Road (strata)	Richmond	\$6,039,670	Private	Private	July 2019
Total Deals/Investment	22	\$347,096,670			

Office investment activity generated near-record dollar volume in 2019

Retail

Sales of BC retail assets returned to more historic levels in 2019 with 55 sales valued at \$956M – a significant decline from the blockbuster years of 2018 (79 deals/\$2.9B) and the record-setting 2017 (96 deals/\$3.6B). Retail investment sales captured 22% of overall BC dollar volume of \$4.27B in 2019 while representing 32% of the total number of sales. While retail deal and dollar volume rose in the second half of 2019 compared with the first half of the year, investors' focus on acquiring retail assets in tertiary markets defined much of the retail investment activity in 2019.

The seven largest retail deals in BC in 2019 occurred in tertiary markets, including **Tillicum Centre** (\$110M) in Victoria, **Cottonwood Mall** (\$73M) in Chilliwack, **Port Place Shopping Centre** (\$57M) in Nanaimo, **Langford Centre** (\$50.3M) in Langford, **Beverly Corners Marketplace** (\$49.9M) in Duncan, **Lansdowne Village Shopping Centre** (\$40M) in Kamloops and a collection of retail outlets (\$37M) in Nanaimo. These seven transactions represented 44% of BC's total retail dollar volume in 2019.

Other notable retail sales in tertiary markets in 2019 included **Gibsons Park Plaza** on the Sunshine Coast, **Ladner Harbour Centre**, Abbotsford's **ML Plaza** and the **Rainbow Mall** and **Fraser 206**, both in Langley. Interestingly, the largest retail sale in Vancouver was **The Cambie**, a bar and youth hostel, located in Gastown, which sold twice in 2019. Retail strata units in Burnaby's **Crystal Mall**, Richmond's **International Trade Centre** and **Cadence** mixed-use developments and Coquitlam's **Burquitlam Capital** condo development also contributed to retail sales activity in 2019.

Investor interest in more traditional retail assets in tertiary markets in 2019 generally represented a flight to yield, but was also a recognition of the potential redevelopment opportunities that these properties may hold – particularly the incorporation of residential uses on the site.

Sales of retail assets in Vancouver remained limited in the second half of 2019 (the resale of the Cambie notwithstanding)

with only the sale of a strip of retail units on West 4th Avenue between Alma and Dunbar and the disposition of a mixed-use retail/office building near Granville Island surpassing \$10M.

Almost \$401M (in sales from retail assets valued at less than \$5M) was raised in 284 transactions in the Lower Mainland in 2019, pushing total dollar volume to \$1.36B.

Sales of BC retail assets slipped to lowest deal & dollar volume since 2016

BC RETAIL TRANSACTIONS (2ND HALF)					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
Beverly Corners Marketplace 2755 & 2763 Beverly Street	Duncan	\$49,900,000	Private	Private	Dec 2019
3651, 3661, 3667, 3669, 3671 & 3673 West 4th Avenue	Vancouver	\$10,500,000	Private	Private	Dec 2019
7289 Knight Street	Vancouver	\$5,745,000	Private	Private	Dec 2019
Gibsons Park Plaza 1100 Sunshine Coast Highway	Gibsons	\$26,000,000	Private	Private	Dec 2019
22380 & 22390 119th Avenue	Maple Ridge	\$6,600,000	Private	Private	Dec 2019
Ladner Harbour Centre 4857 Elliott Street	Ladner	\$24,000,000	Private	Private	Dec 2019
1395 - 1455 United Boulevard	Coquitlam	\$24,925,000	Private	Private	Dec 2019
The Cambie 160 West Cordova Street & 300 Cambie Street	Vancouver	\$28,000,000	Private	Private	Dec 2019
12111 Bridgeport Road	Richmond	\$13,860,000	Private	Private	Nov 2019
Rainbow Mall 20450 - 20500 Logan Avenue	Langley	\$19,950,000	Private	Private	Nov 2019
2707 43rd Avenue	Vernon	\$7,500,000	Private	Private	Nov 2019
171 Hollywood Road South	Kelowna	\$10,650,000	Private	Private	Nov 2019
9-19 East Broadway	Vancouver	\$5,200,000	Private	Private	Nov 2019
4502 West 10th Avenue	Vancouver	\$8,500,000	Private	Private	Oct 2019
Broadway Medical Building (parking lot) 943 West Broadway	Vancouver	\$5,333,000	Private	Private	Oct 2019
Port Place Shopping Centre 650 Terminal Avenue	Nanaimo	\$57,000,000	Private	Private	Oct 2019
4126 Macdonald Street	Vancouver	\$5,588,000	Private	Private	Oct 2019
45858 Yale Road	Chilliwack	\$12,747,663	REIT	Private	Oct 2019
945 Columbia Street	Kamloops	\$13,469,909	REIT	Private	Oct 2019
4524 Feeney Avenue	Terrace	\$6,839,693	REIT	Private	Oct 2019
228 Abbott Street	Vancouver	\$6,900,000	Private	Private	Oct 2019
ML Plaza 22228, 33310, 33324 & 33344 South Fraser Way	Abbotsford	\$15,000,000	Private	Private	Sept 2019
1502-1508 West 2nd Avenue	Vancouver	\$12,750,000	Private	Private	Aug 2019
The Crystal Mall (strata) #2829 - 4500 Kingsway	Burnaby	\$9,350,000	Private	Private	Aug 2019
2179 West 41st Avenue	Vancouver	\$5,200,000	Private	Private	Aug 2019
Lansdowne Village Shopping Centre 450 Lansdowne Street	Kamloops	\$40,000,000	Institutional	Private	Aug 2019
Burquitlam Capital #101-#111-511 Clarke Road	Coquitlam	\$6,480,000	Private	Private	Aug 2019
International Trade Centre (strata) #110, #115 & #605 - 8400 West Road	Richmond	\$11,000,000	Private	Private	Aug 2019
Langford Centre 701-777 Goldstream Avenue, 2800 Bryn Maur Road & 2780 Veterans Memorial Parkway	Langford	\$50,260,000	Private	Private	Aug 2019
Richmond Ice Centre 14140 Triangle Road	Richmond	\$32,000,000	Private	Government	June 2019
Total Deals/Investment	30	\$531,248,265			

Industrial

BC industrial assets remained highly sought after in 2019 with 74 deals valued at \$1.04B, capturing 24% of total 2019 investment proceeds of \$4.27B, but claiming 43% of the total number of deals. This marked the third year in a row that annual industrial investment in BC has surpassed the \$1B mark. In 2018, there were 81 deals valued at almost \$1.2B and, in 2017, a record 88 deals were completed at a value of more than \$1.2B. For comparison, in 2015, 51 deals valued at \$642M was considered a record at the time.

While more industrial deals occurred in the first half of 2019 (39), most of the industrial dollar volume was booked in the second half of 2019 due to the \$197.5M sale of a **Husky Oil** refinery in Prince George to **Tidewater Midstream** in November 2019.

The three largest industrial sales in BC (excluding the former Husky Oil refinery) in 2019 included **FAMA Business Park** in Surrey (\$66.15M), the former **OfficeMax Grand & Toy** distribution centre at 4560 Tillicum Street in Burnaby (\$40.65M) and a flex industrial building at 2323 Quebec Street in Mount Pleasant in Vancouver (\$38M). Other notable sales included a self-storage facility in Squamish (\$32.3M) and a manufacturing plant at 18920 36th Avenue in Surrey (\$29M).

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 that Avison Young uses to track investment sales, including strata deals in **Marshall Road Business Centre, South Shore Business Centre, Ironworks** and **IntraUrban Rivershore**. While historically few strata industrial sale transactions exceeded \$5M, that threshold was surpassed frequently in 2019 and will continue to figure more prominently in future BC industrial sale totals.

After decades of stagnant industrial lease rates in Metro Vancouver, strong demand (starting in 2014/15 and compounded by a highly constrained supply of industrial land) pushed regional vacancy to sustained record lows, where they have remained ever

since and which has resulted in substantial rental-rate appreciation. These increases in rent have helped push the value of industrial assets to new heights while compressing cap rates.

Almost \$670M (in sales from industrial assets valued at less than \$5M) was raised in 438 transactions in the Lower Mainland in 2019, pushing total dollar volume to \$1.71B.

BC INDUSTRIAL TRANSACTIONS (2ND HALF)

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
4560 Tillicum Street	Burnaby	\$40,650,000	Private	Private	Dec 2019
8978 Fraserston Court	Burnaby	\$5,380,000	Private	Private	Dec 2019
20186 113B Avenue	Maple Ridge	\$6,100,000	Private	Private	Dec 2019
6315 202nd Street	Langley	\$8,600,000	Private	Private	Dec 2019
8580 Greenall Avenue	Burnaby	\$6,150,000	Private	Private	Nov 2019
#108 - 8218 North Fraser Way (strata)	Burnaby	\$5,350,000	Private	Private	Nov 2019
#1175 - #1185, 1579 Kingsway Avenue (strata)	Port Coquitlam	\$7,154,173	Private	Private	Nov 2019
#1-1910 Pandora Street (strata)	Vancouver	\$6,121,840	Private	Private	Nov 2019
5370 271st Street	Langley	\$15,200,000	Private	Private	Nov 2019
2602 Prince George Pulpmill Road	Prince George	\$197,500,000	Public Co.	Public Co.	Nov 2019
11476 Kingston Street	Maple Ridge	\$12,600,800	Private	Private	Nov 2019
8128 River Way	Delta	\$7,500,000	Private	Private	Oct 2019
#160-2368 No. 5 Road (strata)	Richmond	\$5,310,000	Private	Private	Oct 2019
12720 82nd Avenue	Surrey	\$13,100,000	Private	Private	Oct 2019
#1-#7-13478 78th Avenue (strata)	Surrey	\$7,180,000	Private	Non-Profit	Oct 2019
Squamish Self-Storage 39480 Queens Way	Squamish	\$32,300,000	Private	Institutional	Oct 2019
7708 80th Street	Delta	\$21,650,000	Private	Private	Oct 2019
18920 36th Avenue	Surrey	\$29,000,000	Private	Private	Sept 2019
27222 Lougheed Highway	Maple Ridge	\$15,000,000	Private	Private	Sept 2019
5901 Delesalle Street	Burnaby	\$21,500,000	Private	Private	Sept 2019
FAMA Business Park 15050 54A Avenue	Surrey	\$66,150,000	Government	Private	Sept 2019
Marshall Road Business Centre (strata) #100-#124-30722 Marshall Road	Abbotsford	\$12,534,830	Private	Private	Sept 2019
18446 53rd Avenue	Surrey	\$6,100,000	Private	Private	Sept 2019
13600 Maycrest Way	Richmond	\$11,308,000	Private	Private	Aug 2019
26620 56th Avenue	Langley	\$9,700,000	Private	Private	Aug 2019
5726 Landmark Way	Surrey	\$6,217,500	Private	Private	July 2019
12440 Vulcan Way	Richmond	\$6,000,000	Private	Private	July 2019
10095 & 10097 179th Street	Surrey	\$12,550,000	Private	Private	July 2019
8162 Ontario Street	Vancouver	\$5,100,000	Private	Private	July 2019
325 Edworthy Way	New Westminster	\$8,900,000	Private	Private	July 2019
12851 & 12871 Bathgate Way	Richmond	\$8,263,500	Private	Private	July 2019
South Shore Business Centre (strata) #160, #170 and #180 11611 No. 5 Road	Richmond	\$6,758,150	Institutional	Private	July 2019
26688 56th Avenue	Langley	\$6,653,278	Private	Private	July 2019
9344 192nd Street & 19214-19248 94th Avenue	Surrey	\$9,210,000	Private	Private	July 2019
788 Caldew Street	Delta	\$12,000,000	Private	Private	June 2019
Total Deals/Investment	35	\$650,792,071			

Multi-Family

Multi-family investment activity surpassed the billion-dollar mark for the third consecutive year in 2019 with 67 transactions valued at \$1.24B. While 2018 holds the record for most annual dollar volume (\$1.47B), the record number of multi-family transactions (89) was set in 2017. (Avison Young only tracks multi-family investments trading at more than \$5M.)

While sales velocity of BC multi-family assets slowed substantially in the first half of 2019 (\$504M/30 deals) compared with the first halves of 2017 and 2018, the number of transactions and dollar volume rose notably in the second half of 2019 with 37 deals valued at \$733.6M. The five largest multi-family sales in the province in 2019 included the \$90M sale of **Montecito Towers** in Burnaby; the \$78M sale of **Mission Flats** in Kelowna; the \$69.6M sale of **Willoughby Walk** in Langley; the \$57M sale of two apartment properties in Langford; and the \$56M sale of the **Fusion Apartments** in Surrey. These five deals alone make up almost 29% of the total multi-family dollar volume investment in BC in 2019.

While pricing remained strong in 2019, low-yield deals were largely absent in primary markets as investors – both institutional and private – tended to focus on obtaining higher yields by acquiring large apartment buildings (or portfolios of smaller ones) in secondary markets. Vancouver Island communities such as Victoria, Langford, Esquimalt, Saanich and Nanaimo recorded 21 multi-family sales in 2019, almost one-third of all sales province-wide. The Fraser Valley (4) as well as markets in Central BC such as Vernon, Kelowna and Penticton, also recorded notable deal volume. Kitimat in northern BC made its debut with two multi-family sales in 2019.

While Vancouver remained the most active market in 2019 with 18 sales, Victoria was second with 11 deals, followed by New Westminster (6) and Langford (6). Deal velocity in many primary markets such as Burnaby (3), Surrey (3) and the North Shore (3) was highly constrained in 2019.

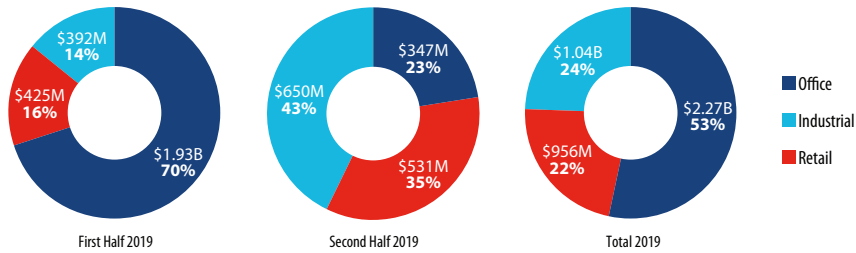
Almost \$100M (in sales of multi-family assets valued at less than \$5M) was raised in 29 transactions in 2019, pushing total dollar volume to \$1.34B.

BC MULTI-FAMILY TRANSACTIONS (OVER \$5 MILLION)

PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
765 Hockley Avenue	Langford	\$21,024,555	Private	\$333,723	REIT	Dec 2019
Redwood Manor 101 Royal Avenue	New Westminster	\$13,400,000	Private	\$279,167	REIT	Dec 2019
Kitimat portfolio 1611 - 1711 Haisla Boulevard	Kitimat	\$9,727,500	Private	\$147,386	Private	Dec 2019
830 Pembroke Street	Victoria	\$10,425,000	Private	\$248,214	Institutional	Dec 2019
The Highland 1803 31A Street	Vernon	\$9,496,124	Private	\$220,840	REIT	Dec 2019
The Glenwood 1771 East Georgia Street	Vancouver	\$12,750,000	Private	\$318,750	Private	Dec 2019
450 Dallas Road	Victoria	\$34,600,000	Institutional	\$467,568	Private	Dec 2019
Lora Court Apartments 4711 57 Street	Delta	\$6,900,001	Private	\$202,941	Private	Nov 2019
1230 West 12th Avenue	Vancouver	\$8,168,000	Private	\$408,400	Private	Nov 2019
250 Oswego Street & 283 Michigan Street	Victoria	\$8,500,000	Private	\$274,194	Institutional	Nov 2019
1629 Haro Street	Vancouver	\$18,500,000	Private	\$462,500	Institutional	Nov 2019
Cedar Terrace 720 Queens Avenue	New Westminster	\$25,000,000	Private	\$221,239	Institutional	Nov 2019
1060 Granville Street	Vancouver	\$10,050,000	Private	\$125,625	Private	Oct 2019
639 Constance Ave & 646 Admirals Rd & 430 Michigan St and 850 Rupert Terrace	Esquimalt/Victoria	\$23,600,000	Private	\$214,545	Private	Oct 2019
Mountain View Apartments 2182 West 39th Avenue	Vancouver	\$10,000,000	Private	\$476,190	Private	Oct 2019
Villa Palazzo 3880 Pender Street	Burnaby	\$9,000,000	Private	\$310,345	Private	Oct 2019
Surrey Gardens 10272 127A St. & 12747 102nd Ave & 10235, 10269, 10275, 10281, 10289 128th St. and 12750 103rd Ave.	Surrey	\$43,500,000	Private	\$196,067	Private	Oct 2019
Fraser Plaza 7440 Fraser Street	Vancouver	\$12,150,000	Private	\$258,511	Private	Oct 2019
Wynwood Apartments 155 East 19th St.	North Vancouver	\$11,500,000	Private	\$396,552	Institutional	Oct 2019
1869 Frances Street	Vancouver	\$10,600,000	Private	\$311,765	Private	Oct 2019
Fusion Apartments 13555 96th Avenue	Surrey	\$56,000,000	Private	\$383,562	REIT	Sept 2019
Casa Bernello 330 Ash Street	New Westminster	\$13,891,524	Private	\$227,730	Private	Sept 2019
Robyn Apartments 700 Fourth Avenue	New Westminster	\$11,783,476	Private	\$210,419	Private	Sept 2019
Langford portfolio 728 Meaford Avenue & 2699 Peatt Road	Langford	\$57,000,000	Private	\$304,813	REIT	Sept 2019
Claire Manor 1635 West 12th Avenue	Vancouver	\$8,350,000	Private	\$417,500	Private	Sept 2019
Montecito Towers 7360 & 7376 Halifax Street	Burnaby	\$90,000,000	Private	\$357,143	Institutional	Aug 2019
York Manor 2425 York Avenue	Vancouver	\$13,250,000	Private	\$530,000	Private	Aug 2019
Danbrook One 2766 Claude Road	Langford	\$31,300,000	Private	\$347,778	REIT	Aug 2019
Oceania Court 7070 Inlet Drive	Burnaby	\$32,500,000	Private	\$277,778	Private	Aug 2019
Cloverdale Apartments 5772 177B Street	Surrey	\$14,250,000	Private	\$180,380	Private	Aug 2019
Verve 433 Boleskine Road & 3381 Whittier Avenue	Saanich	\$32,700,000	Private	\$344,211	REIT	Aug 2019
Valley View Apartments 1604 31 Street	Vernon	\$5,635,000	Private	\$115,000	Private	Aug 2019
Willow Manor 2800 35th Street	Vernon	\$5,250,000	Private	\$125,000	Private	July 2019
Ocho Apartments 1368 East 8th Avenue	Vancouver	\$9,200,000	Private	\$575,000	Private	July 2019
Chestnut Place Apartments 20727 Fraser Highway	Langley	\$6,070,000	Private	\$164,054	Private	July 2019
301 Nursery Hill Drive	Victoria	\$26,500,000	Private	\$368,056	REIT	June 2019
Kuldo Suites 702-730 Kuldo Boulevard	Kitimat	\$10,998,000	Private	\$137,475	Non-Profit	April 2019
Total Deals/Investment	37	\$734,544,625				

Sources: Avison Young, Commercial Edge & RealNet

SALES BY PROPERTY TYPE & DOLLAR VOLUME



continued from front page

core and peripheral markets. Many trophy office assets have transacted in BC since 2015, particularly in core markets such as Vancouver, with the majority of new owners unwilling to part with recent acquisitions despite valuations that have risen annually. This competition to acquire premium office assets in Vancouver generally (and downtown specifically) compressed cap rates for office assets to levels generally unseen in the rest of Canada. While many larger institutional investors pursued a strategy of partnering or entering into joint ventures in 2019 to diffuse the risk of acquiring high-cost, low-cap rate office assets in downtown Vancouver, investors who required a higher return or to fulfill geographic investment allocation requirements, turned to the peripheral markets in the search of assets. This quest for yield subsequently powered sales of office assets in non-core markets, a similar trend that also manifested in the province's retail and multi-family markets in 2019.

Retail investment remained a substantial contributor to commercial real estate deal dollar and volume in BC in 2019 despite larger philosophical questions regarding the future viability of more traditional retail assets. Investors in BC remained relatively bullish on retail in 2019 and embraced the additional yield achievable with, and familiarity represented by, traditional retail properties. While many acquisitions appeared to be purely yield-driven, the opportunity to refresh a retail asset combined with the potential addition of multi-family development on sites with excess land were also motivating factors, particularly in secondary markets where this strategy has not been deployed as widely as in core markets. Unlike the office and industrial markets in 2019, retail assets were available to acquire as vendors pursued a range of disposition strategies, including shedding non-core assets that were initially yield plays to a wider calculated shift in the overall weighting of retail assets in their respective portfolios.

Demand for industrial assets remained near record levels in 2019, marking the third year in a row that total annual proceeds have exceeded \$1B, with supply the only constraint on deal and dollar volume. After years of stagnating rents, the rapid appreciation of industrial lease rates since 2015 has been powered by record-low vacancy and limited new supply, which has led to a significant increase in asset values. The low cost of capital has allowed owner-occupiers (typically a much larger portion of the purchaser pool compared with other asset classes) to meet heightened vendor expectations and often outbid investors who typically need to earn a certain return to justify the acquisition. These owner-occupiers can then set rents for themselves to justify the elevated purchase price. Speculation that further rent appreciation will occur as historical leases turn over contributed to investors' motivation to acquire industrial assets at premium prices in 2019. Further compounding the demand and supply conundrum is Metro Vancouver's increasingly constrained industrial land supply, which continued to push industrial land price to record heights. In turn, developers are frequently only able to make sense of current land prices if they build strata projects, which does little to alleviate regional vacancy concerns and works to boost not only strata costs but lease rates as well, which further drives demand from owner-occupiers and investors.

While strata industrial sales have grown to become a substantial part of Metro Vancouver's industrial market during the past decade, it is only in the past two years that strata office and retail space has started to markedly contribute to investment totals. While neither are new to the BC market, the rising price per square foot that strata office and retail space can command along with an increase in the average unit size have resulted in more strata transactions surpassing the \$5M threshold that Avison Young uses to track transactions. As strata ownership continues to be embraced by more purchasers, a clearer distinction between investor and owner-occupier and their respective motivations will be developed to inform future analysis of this rapidly expanding form of property ownership in BC's active and engaged commercial real estate investment market. ■

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