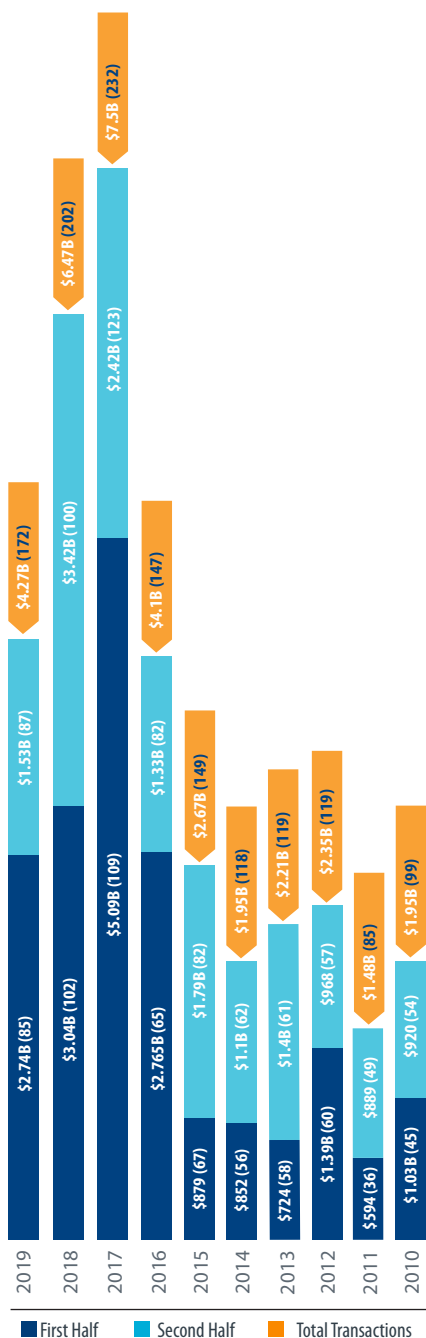


### YEAR-END 2019: BC INVESTMENT SALES BY DOLLAR VOLUME & NUMBER OF SALES OFFICE, INDUSTRIAL & RETAIL DEALS >\$5M



## 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

[continued on back page](#)

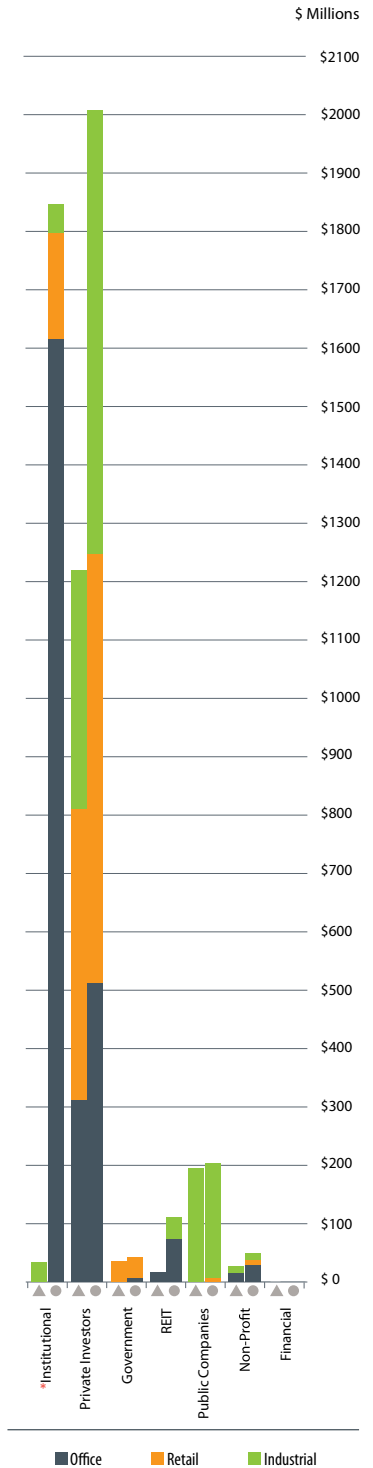
## Land sales & buyer purchases by asset type

| COMMERCIAL ICI LAND SALES<br>(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<br>(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)<br>(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

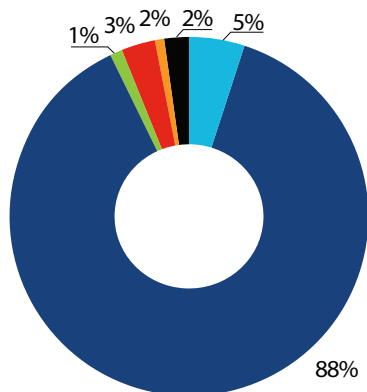
Note: Foreign buyers have also been active investors. Rather than identifying them separately as foreign, Avison Young is categorizing them as institutional or private as the case may be.

## BUYER PROFILE

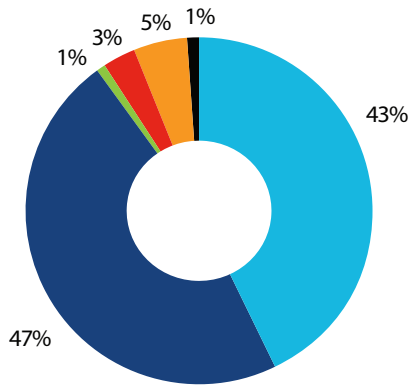
Private purchasers remained the most dominant buyer group in 2019 in terms of the number of deals completed (88%). However, their share of overall dollar volume slid to 47.3% from the 60.6% in 2018, and was only slightly better than in 2017 when private buyers accounted for 46% (which was the lowest 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.

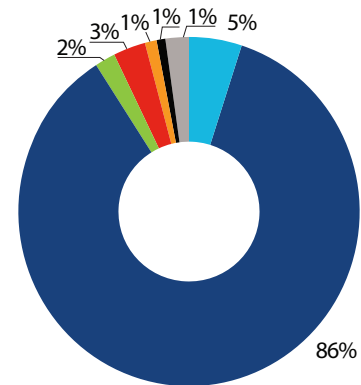
Private buyers were focused on acquiring industrial assets in 2019, spending more than \$762M on industrial properties followed by the acquisition of retail assets, which totalled \$729M. Office sales totalled \$531M. The largest private acquisition in 2019 was the \$73.5M purchase of **Renfrew Business 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**

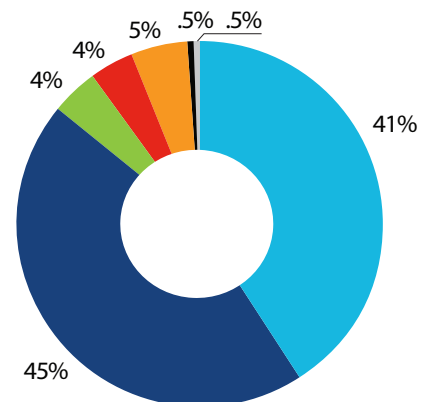
### 2019: NUMBER OF TRANSACTIONS BY TYPE OF SELLER



**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  |
| <b>Kings Crossing</b> (strata)<br>#1-#12 - 7310 Edmonds Street                  | Burnaby         | \$17,050,000         | Private       | Private    | Dec 2019  |
| <b>Kings Crossing</b> (strata)<br>#13-#17 - 7310 Edmonds Street                 | Burnaby         | \$13,725,000         | Private       | Private    | Dec 2019  |
| <b>Kings Crossing</b> (strata)<br>#23-#32 - 7310 Edmonds Street                 | Burnaby         | \$6,000,000          | Private       | Private    | Dec 2019  |
| 238 Government Street   | Duncan          | \$6,400,000          | Private       | Private    | Dec 2019  |
| <b>Royal Avenue Centre</b> 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<br>#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 |
| <b>Gateway Park</b> 2261 Keating Cross Road                                     | Victoria        | \$35,450,000         | Institutional | Private    | Aug 2019  |
| <b>Boucher Centre</b> 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  |
| <b>CityCentre II</b> (strata)<br>#303-#308 - 13737 96th Avenue                  | Surrey          | \$5,900,000          | Private       | Private    | July 2019 |
| <b>Burrard Medical Building</b> (strata)<br>#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 |
| <b>Total Deals/Investment</b>   | <b>22</b>       | <b>\$347,096,670</b> |               |            |           |

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      |
| <b>Beverly Corners Marketplace</b><br>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  |
| <b>Gibsons Park Plaza</b><br>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  |
| <b>Ladner Harbour Centre</b><br>4857 Elliott Street  | Ladner      | \$24,000,000         | Private       | Private    | Dec 2019  |
| 1395 - 1455 United Boulevard   | Coquitlam   | \$24,925,000         | Private       | Private    | Dec 2019  |
| <b>The Cambie</b> 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  |
| <b>Rainbow Mall</b><br>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  |
| <b>Broadway Medical Building</b> (parking lot) 943 West Broadway                                       | Vancouver   | \$5,333,000          | Private       | Private    | Oct 2019  |
| <b>Port Place Shopping Centre</b><br>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  |
| <b>ML Plaza</b> 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  |
| <b>The Crystal Mall</b> (strata) #2829 - 4500 Kingsway   | Burnaby     | \$9,350,000          | Private       | Private    | Aug 2019  |
| 2179 West 41st Avenue  | Vancouver   | \$5,200,000          | Private       | Private    | Aug 2019  |
| <b>Lansdowne Village Shopping Centre</b> 450 Lansdowne Street  | Kamloops    | \$40,000,000         | Institutional | Private    | Aug 2019  |
| <b>Burquitlam Capital</b><br>#101-#111-511 Clarke Road   | Coquitlam   | \$6,480,000          | Private       | Private    | Aug 2019  |
| <b>International Trade Centre</b> (strata) #110, #115 & #605 - 8400 West Road                          | Richmond    | \$11,000,000         | Private       | Private    | Aug 2019  |
| <b>Langford Centre</b> 701-777 Goldstream Avenue, 2800 Bryn Maur Road & 2780 Veterans Memorial Parkway | Langford    | \$50,260,000         | Private       | Private    | Aug 2019  |
| <b>Richmond Ice Centre</b><br>14140 Triangle Road  | Richmond    | \$32,000,000         | Private       | Government | June 2019 |
| <b>Total Deals/Investment</b>  | <b>30</b>   | <b>\$531,248,265</b> |               |            |           |



## 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  |
| <b>Squamish Self-Storage</b> 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 |
| <b>FAMA Business Park</b> 15050 54A Avenue                                       | Surrey          | \$66,150,000         | Government    | Private       | Sept 2019 |
| <b>Marshall Road Business Centre</b> (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 |
| <b>South Shore Business Centre</b> (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 |
| <b>Total Deals/Investment</b>  | <b>35</b>       | <b>\$650,792,071</b> |               |               |           |

## 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.

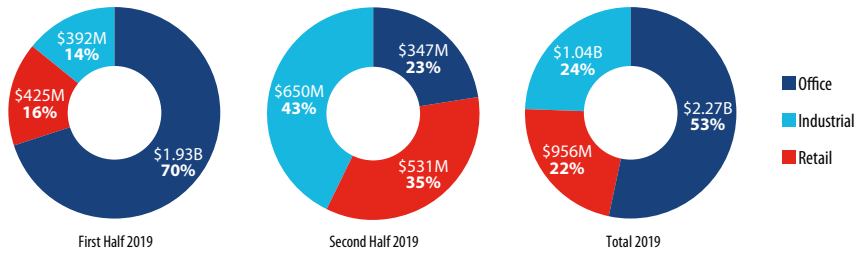
*Almost \$100M (in sales of multi-family assets valued at less than \$5M) was raised in 29 transactions in 2019, pushing total dollar volume to \$1.34B.*

### 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   |
| <b>Redwood Manor</b> 101 Royal Avenue   | New Westminster    | \$13,400,000         | Private       | \$279,167 | REIT           | Dec 2019   |
| <b>Kitimat portfolio</b><br>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   |
| <b>The Highland</b> 1803 31A Street   | Vernon             | \$9,496,124          | Private       | \$220,840 | REIT           | Dec 2019   |
| <b>The Glenwood</b> 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   |
| <b>Lora Court Apartments</b> 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   |
| <b>Cedar Terrace</b> 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   |
| <b>Mountain View Apartments</b><br>2182 West 39th Avenue  | Vancouver          | \$10,000,000         | Private       | \$476,190 | Private        | Oct 2019   |
| <b>Villa Palazzo</b> 3880 Pender Street   | Burnaby            | \$9,000,000          | Private       | \$310,345 | Private        | Oct 2019   |
| <b>Surrey Gardens</b> 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   |
| <b>Fraser Plaza</b> 7440 Fraser Street  | Vancouver          | \$12,150,000         | Private       | \$258,511 | Private        | Oct 2019   |
| <b>Wynwood Apartments</b> 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   |
| <b>Fusion Apartments</b> 13555 96th Avenue  | Surrey             | \$56,000,000         | Private       | \$383,562 | REIT           | Sept 2019  |
| <b>Casa Bernello</b> 330 Ash Street   | New Westminster    | \$13,891,524         | Private       | \$227,730 | Private        | Sept 2019  |
| <b>Robyn Apartments</b> 700 Fourth Avenue   | New Westminster    | \$11,783,476         | Private       | \$210,419 | Private        | Sept 2019  |
| <b>Langford portfolio</b> 728 Meaford Avenue & 2699 Peatt Road  | Langford           | \$57,000,000         | Private       | \$304,813 | REIT           | Sept 2019  |
| <b>Claire Manor</b> 1635 West 12th Avenue   | Vancouver          | \$8,350,000          | Private       | \$417,500 | Private        | Sept 2019  |
| <b>Montecito Towers</b><br>7360 & 7376 Halifax Street   | Burnaby            | \$90,000,000         | Private       | \$357,143 | Institutional  | Aug 2019   |
| <b>York Manor</b> 2425 York Avenue  | Vancouver          | \$13,250,000         | Private       | \$530,000 | Private        | Aug 2019   |
| <b>Danbrook One</b> 2766 Claude Road  | Langford           | \$31,300,000         | Private       | \$347,778 | REIT           | Aug 2019   |
| <b>Oceania Court</b> 7070 Inlet Drive   | Burnaby            | \$32,500,000         | Private       | \$277,778 | Private        | Aug 2019   |
| <b>Cloverdale Apartments</b><br>5772 177B Street  | Surrey             | \$14,250,000         | Private       | \$180,380 | Private        | Aug 2019   |
| <b>Verve</b> 433 Boleskine Road & 3381 Whittier Avenue  | Saanich            | \$32,700,000         | Private       | \$344,211 | REIT           | Aug 2019   |
| <b>Valley View Apartments</b> 1604 31 Street  | Vernon             | \$5,635,000          | Private       | \$115,000 | Private        | Aug 2019   |
| <b>Willow Manor</b> 2800 35th Street  | Vernon             | \$5,250,000          | Private       | \$125,000 | Private        | July 2019  |
| <b>Ocho Apartments</b> 1368 East 8th Avenue   | Vancouver          | \$9,200,000          | Private       | \$575,000 | Private        | July 2019  |
| <b>Chestnut Place Apartments</b><br>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  |
| <b>Kuldo Suites</b> 702-730 Kuldo Boulevard   | Kitimat            | \$10,998,000         | Private       | \$137,475 | Non-Profit     | April 2019 |
| <b>Total Deals/Investment</b>   | <b>37</b>          | <b>\$734,544,625</b> |               |           |                |            |

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. ■

For more information, please contact:

**Michael Keenan**  
Principal & Managing Director  
604.647.5081  
michael.keenan@avisonyoung.com

**Andrew Petrozzi**  
Principal & Practice Leader, Research (BC)  
604.646.8392  
andrew.petrozzi@avisonyoung.com

## Investment Team

|   |   |
|---|---|
| <b>Scarlett Angkriwan</b><br>scarlett.angkriwan@avisonyoung.com | <b>Bijan Lalji</b><br>bijan.lalji@avisonyoung.com         |
| <b>Bal Atwal*</b><br>bal.atwal@avisonyoung.com                  | <b>Robert Levine</b><br>bob.levine@avisonyoung.com        |
| <b>Scott Bailey</b><br>scott.bailey@avisonyoung.com             | <b>Jake Luft*</b><br>jake.luft@avisonyoung.com            |
| <b>Michael Buchan*</b><br>michael.buchan@avisonyoung.com        | <b>Jason Mah*</b><br>jason.mah@avisonyoung.com            |
| <b>Carey Buntain</b><br>carey.buntain@avisonyoung.com           | <b>Douglas McMurray</b><br>doug.mcmurray@avisonyoung.com  |
| <b>Michael Emmott</b><br>michael.emmott@avisonyoung.com         | <b>Struan Saddler*</b><br>struan.saddler@avisonyoung.com  |
| <b>Nestor Fourik</b><br>nestor.fourik@avisonyoung.com           | <b>Mehdi Shokri</b><br>mehdi.shokri@avisonyoung.com       |
| <b>Robert Greer*</b><br>robert.greer@avisonyoung.com            | <b>Benjamin Temple</b><br>benjamin.temple@avisonyoung.com |
| <b>Robert Gritten</b><br>robert.gritten@avisonyoung.com         | <b>Terry Thies*</b><br>terry.thies@avisonyoung.com        |
| <b>Brendan Hannah</b><br>brendan.hannah@avisonyoung.com         | <b>Matt Thomas*</b><br>matt.thomas@avisonyoung.com        |
| <b>Ryan Kerr*</b><br>ryan.kerr@avisonyoung.com                  | <b>Ian Whitchelo*</b><br>ian.whitchelo@avisonyoung.com    |
| <b>Mitchell Knoepfel</b><br>mitchell.knoepfel@avisonyoung.com   | <b>Chris Wieser</b><br>chris.wieser@avisonyoung.com       |

\* Personal Real Estate Corporation

Avison Young  
#2900-1055 W. Georgia Street  
Box 11109 Royal Centre  
Vancouver, BC V6E 3P3, Canada

**AVISON  
YOUNG**

**CANADA BEST  
MANAGED  
COMPANIES**

Platinum member

avisonyoung.com

© 2020 Avison Young. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources that we deem reliable and, while thought to be correct, is not guaranteed by Avison Young Commercial Real Estate (B.C.) Inc.; DBA, Avison Young.