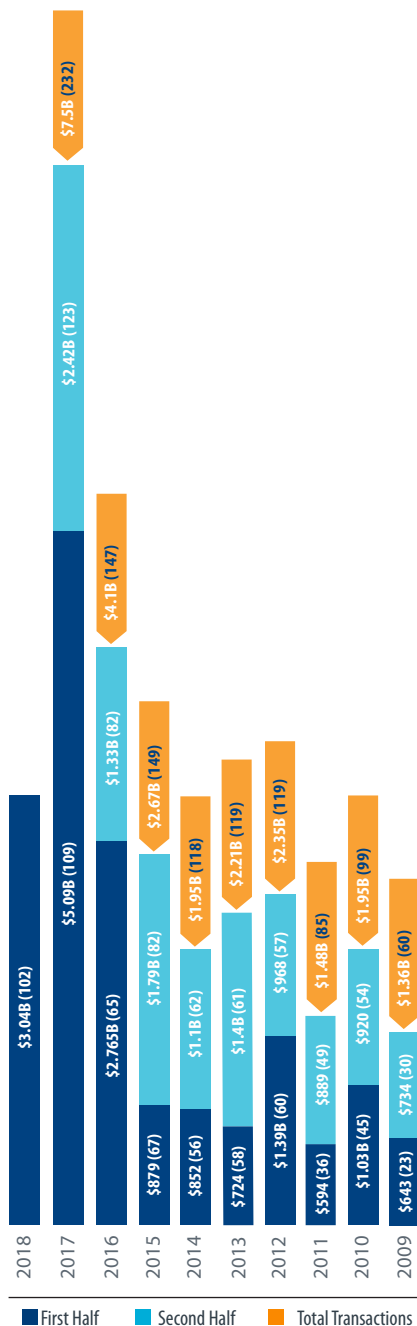


### FIRST HALF 2018: BC INVESTMENT SALES BY DOLLAR VOLUME & NUMBER OF SALES DEALS GREATER THAN \$5M



## BC investment market's impressive first half reveals signs of continued bull run as sales activity persists

BC commercial real estate investment activity continued its bull run in the first half of 2018 with 102 deals valued at \$3.04B – the second highest total on record in terms of both deal and dollar volume. However, a pause in the residential land market connected to heightened political uncertainty, rising construction costs and affordability issues is starting to foster a more cautious approach from buyers and lenders alike. The record for BC investment sales was set in the first half of 2017, which involved 109 transactions valued at \$5.09B. While questions surrounding current land values, particularly in Vancouver, may have led to a slowing of deal velocity in the land and multi-family markets as we moved into the second half of 2018, demand in the commercial real estate investment market for industrial, office and retail assets continues largely undiminished.

This voracious demand for commercial real estate in BC and Metro Vancouver specifically, which emerged in the second half of 2015 and continued unabated through the first half of 2018, had been largely fuelled by attractive capital and a lack of available land for development and the subsequent rise in the underlying land value of all properties as a result of that shortage. Rising land values had the effect of increasing the cost of not only land when it came available, but any and all commercial real estate assets that included a land component as well as the land the asset itself was built upon. Rising land values also contributed to the further compression of cap rates as vendors started including the potential value of the land in its pricing expectations if the property was rezoned to a higher and better use. This inclusion of future potential in pricing considerations, coupled with strong market

demand and attractive capital, continued to push pricing higher. Those investors seeking yield were forced to pay even more to obtain it in a market where yields on commercial real estate investments are typically some of the lowest in North America. This tying of land value to what could potentially be permitted by municipalities as a result of rezoning is one reason why local and foreign investors as well as developers and speculators are deciding to take a breath and wait on the sidelines to get a sense of where the land market will shake out in light of government regulations affecting the residential market, upcoming municipal elections and rising interest rates.

In terms of BC commercial real estate asset sales, the largest sale of the first half was the disposition of the **Gateway Casinos** portfolio for \$501M, which included the **Starlight Casino**, **Cascades Casino** and the **Grand Villa Casino and Hotel**. (This sale has been considered a retail transaction for research purposes.) The sale of a 50% interest in **CF Richmond Centre**, a shopping centre about to be redeveloped in Richmond, BC, for \$392M was the largest deal for a standalone asset in the province in the first half. A number of shopping centres located in secondary markets were also sold outside the Lower Mainland, including **Aberdeen Mall** (Kamloops), **Cowichan Commons** (Duncan) and **Dilworth Shopping Centre** (Kelowna). The largest retail sale located in Vancouver was the \$80.5M acquisition of retail units in the **Capers Building** in the 2200-block of West 4th Avenue in Kitsilano.

Office sales in Burnaby made up more than 45% of total BC office sales dollar volume in the first half of 2018, which included the purchase of **Willington Park** in Burnaby for \$179.4M and the subsequent flipping of

[continued on back page](#)

## Land sales & acquisitions by asset type

### COMMERCIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2018

PROPERTY	LOCATION	PRICE	TYPE	SITE SIZE (ACRES)	DATE
601 West Pender Street	Vancouver	\$131,460,000	Commercial	0.43	Jun 2018
234 West 3rd Avenue	Vancouver	\$18,520,000	Commercial	0.417	Jun 2018
20363 Langley Bypass & 20358 62nd Avenue	Langley	\$7,350,000	Commercial	2.77	Jun 2018
562 East Broadway	Vancouver	\$8,200,000	Commercial Residential	0.185	Jun 2018
5055 Joyce Street	Vancouver	\$55,000,000	Commercial Residential	0.37	May 2018
1030 Sperling Avenue & 6755 Napier Street	Burnaby	\$5,150,000	Commercial	0.6	May 2018
8804-8828 Osler Street	Vancouver	\$14,250,000	Commercial	0.37	May 2018
130 West Broadway (50% interest)	Vancouver	\$50,000,000	Commercial Residential	1.206	May 2018
762 SW Marine Drive	Vancouver	\$5,280,000	Commercial Industrial*	0.208	May 2018
600 Robson Street & 809 Seymour Street	Vancouver	\$40,000,000	Commercial Residential	0.275	May 2018
5740, 5760 & 5800 Minoru Boulevard	Richmond	\$59,800,000	Commercial Residential	3.874	Apr 2018
574 East Broadway	Vancouver	\$7,300,000	Commercial Residential	0.185	Mar 2018
2741 Skeena Street	Vancouver	\$10,400,000	Commercial Industrial*	0.899	Mar 2018
8655 Granville Street	Vancouver	\$20,000,000	Commercial Residential	0.346	Feb 2018
535 West 10th Avenue	Vancouver	\$7,750,000	Commercial	0.143	Feb 2018
16530 & 16616 16th Ave; 16725 15th Avenue	Surrey	\$15,500,000	Commercial	13.56	Feb 2018
503 - 505 Railway Street	Vancouver	\$13,500,000	Commercial Industrial*	0.296	Jan 2018
1520, 1524 and 1530 West 6th Avenue	Vancouver	\$24,931,750	Commercial Industrial*	0.325	Jan 2018
2951 & 2971 Sexsmith Road	Richmond	\$6,500,001	Commercial	0.37	Jan 2018

\*modified industrial zoning also permits higher density and additional office/showroom/flex use

### INDUSTRIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2018

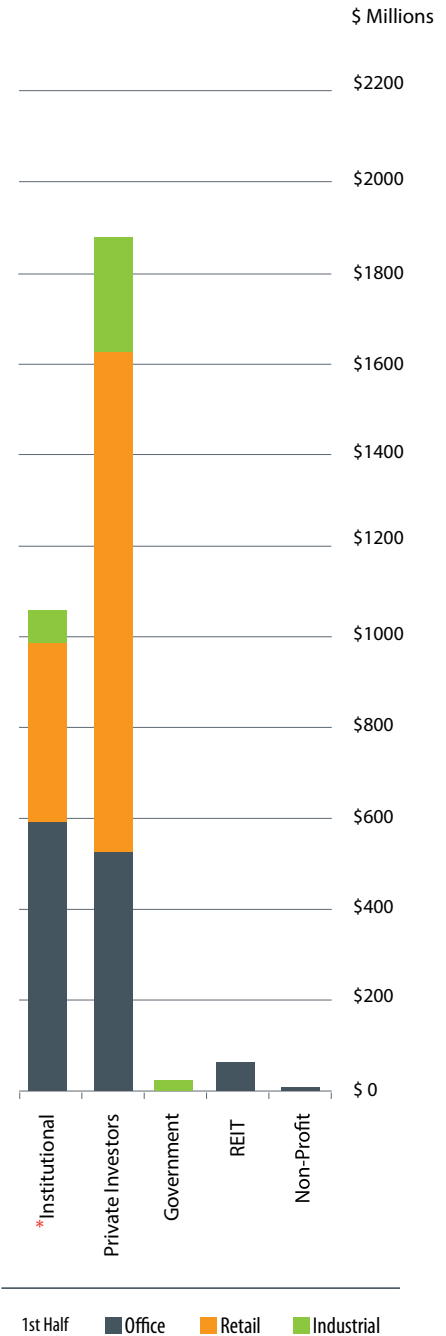
PROPERTY	LOCATION	PRICE	TYPE	SITE SIZE (ACRES)	DATE
1655 Maple Street	Oliver	\$7,000,000	Industrial	126	Jun 2018
1289 West 76th Avenue & 1270 West 75th Avenue	Vancouver	\$9,500,000	Industrial	0.73	Jun 2018
34499 McClary Avenue	Abbotsford	\$8,372,250	Industrial	5.49	May 2018
19437 32nd Avenue & 3338 194th Street	Surrey	\$8,850,000	Industrial	9.847	May 2018
19651 86th Avenue	Langley	\$6,675,000	Industrial	4.81	Apr 2018
1100 Grant Street	Vancouver	\$15,900,000	Industrial	2.05	Apr 2018
1539 & 1575 Vernon Drive	Vancouver	\$41,600,000	Industrial	0.78	Apr 2018
19370 36th Avenue	Surrey	\$5,607,500	Industrial	5.6	Apr 2018
86 SE Marine Drive & 101 East 69th Avenue	Vancouver	\$90,390,000	Industrial	12.46	Apr 2018
2940 190th Street	Surrey	\$5,510,000	Industrial	4.6	Mar 2018
768 - 772 SW Marine Drive	Vancouver	\$6,880,000	Industrial	0.21	Mar 2018
15315 66th Avenue	Surrey	\$5,650,000	Industrial	2.34	Mar 2018
7900 Nelson Road	Richmond	\$39,030,000	Industrial	18.65	Mar 2018
8163 216th Street	Langley	\$8,675,000	Industrial	12.16	Feb 2018
Langley 216 Business Park	Langley	\$16,750,000	Industrial	19.11	Feb 2018
7520 & 7550 Conrad Street	Burnaby	\$9,650,000	Industrial	1.41	Feb 2018
7570 Conrad Street	Burnaby	\$6,750,000	Industrial	2.04	Feb 2018
26264 30A Avenue	Langley	\$5,000,000	Industrial	5	Jan 2018
3267 Norland Avenue	Burnaby	\$6,000,000	Industrial	2.21	Jan 2018
3030 190th Street	Surrey	\$5,700,000	Industrial	4.49	Jan 2018
5224 88th Street	Delta	\$7,000,000	Industrial	163	Jan 2018

### TOP FIVE RESIDENTIAL LAND SALES (METRO VANCOUVER)

(By Price) January 1 to June 30, 2018

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
8671, 8731, 8791, 8831 Cambie Road & 3480, 3500, 3520, 3540 Sexsmith Road	Richmond	\$147,285,000	12.38	539,055	May 2018
1640-1650 Alberni Street	Vancouver	\$130,000,000	0.397	17,293	Apr 2018
1063-1075 Barclay Street	Vancouver	\$113,206,508	0.397	17,293	May 2018
1633 Capilano Road	North Vancouver	\$97,500,000	1.88	81,893	Jun 2018
3022 Glen Drive, 3040 Glen Drive & 1175 Pinetree Way	Coquitlam	\$57,807,000	3.82	166,399	Apr 2018

### FIRST HALF 2018: 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.

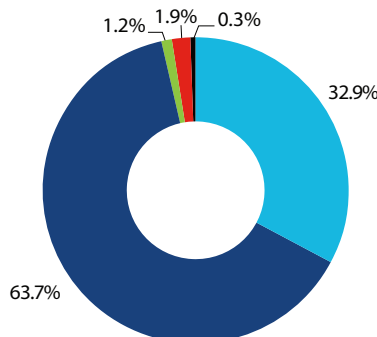
## BUYER PROFILE

Private purchasers remained the most dominant buyer group in BC in the first half of 2018 in terms of the number of deals completed (87%), with their share of overall dollar volume surging to 63.7% after plunging to a cyclical low of 36% a year earlier and just 46% at year-end 2017. Prior to 2017, the last time that private buyers were responsible for less than 50% of overall dollar volume was in 2012 when they accounted for 72% of total purchases, but just 38% of the \$2.35B invested that year. Institutional purchasers were very active in 2017 and resultantly displaced private buyers in terms of total capital outlay. While institutions remained active in the first half of 2018 and were involved in 10% of the total number of deals, they still captured 32.9% of total dollar volume.

Institutional purchases were primarily focused on office and retail assets in the first half of 2018. Institutions spent \$492.4M on five office properties located in Vancouver and Burnaby and \$392M on a 50% interest in a single retail asset in Richmond. Institutional investors also acquired four industrial properties for a combined total of \$116M. These properties were located in Coquitlam, Langley, Burnaby and Richmond.

Private buyers spent more than \$1.1B on retail properties in the first half, including a three-property casino portfolio and a number of shopping centres in secondary markets such as Kamloops, Duncan, Vernon and Kelowna. Private purchasers also invested more than \$537M in office assets in

### FIRST HALF 2018: VALUE OF SALES BY TYPE OF BUYER



the first half of 2018, including downtown office buildings such as 1200 Burrard Street and the **Shorehill Building** at 1155 West Pender as well as suburban office properties such as **Guildford Corporate Centre** and a number of buildings in **Willingdon Park Business Centre** in Burnaby. Private purchasers acquired the most industrial properties in BC in the first half of 2018, spending more than \$275M on industrial assets throughout Metro Vancouver. The largest private industrial acquisition of the first half was the \$27.8M sale of 9311 River Road in Richmond.

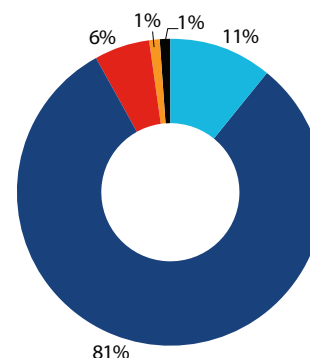
Government (retail), a non-profit (office) and a REIT (industrial) each purchased a single property, which totalled 3% of the overall number of deals in the first half and 3.4% of total dollar volume.

## VENDOR PROFILE

Private vendors accounted for just 53% of total proceeds in the first half of 2018 despite being involved in 81% of the deals completed. However, this marked a massive shift in fortunes from the first half of 2017 when private sellers accounted for a record low of 22% of the proceeds (even as they participated in 70% of the deals). The previous low was 23%, which occurred at year-end 2008.

Institutions, which were very active sellers in 2017, were still involved in 11% of BC investment sales as vendors in the first half of 2018 and captured 34% of the total proceeds. This marked a substantial shift from mid-year 2017 when institutions captured a

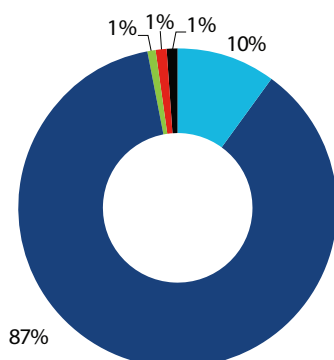
### FIRST HALF 2018: NUMBER OF TRANSACTIONS BY TYPE OF VENDOR



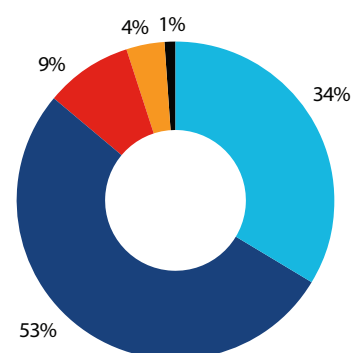
record 69% of sale proceeds despite being involved in just 8% of the transactions.

Institutional property owners, including **Investors Group**, **HOOPP**, **KingSett Capital** and **Ivanhoé Cambridge**, earned more than \$1B on the sale of office (\$484M), retail (\$482M) and industrial assets (\$67M) in BC in the first half of 2018. Private owners earned more than \$1.6B during that same period on the sale of retail (\$923M), industrial (\$371M) and office (\$313M) properties. REITs, which have remained largely silent in the BC investment market in recent years due to premium pricing, highly compressed cap rates and low rates of return, made more than \$260M in the disposition of retail (\$150M), office (\$100M) and industrial (\$10M) assets. A public company and a non-profit both sold off their respective office buildings in Vancouver for \$142.2M.

### FIRST HALF 2018: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



### FIRST HALF 2018: VALUE OF SALES BY TYPE OF VENDOR



## Office

Office investment sales activity in BC generated more than 1 billion dollars in the first half of 2018 with 23 transactions valued at \$1.04B, including the \$179.4M-sale of a suburban office park in Metro Vancouver and the subsequent \$48.25M-resale of select buildings from within that portfolio. While office assets captured 23% of the total number of investment deals in the province, sale proceeds from office assets represented 34% of the overall \$3.04B in dollar volume in the first half of 2018.

While surpassing \$1B in sales in the first half of 2018, dollar volume was down markedly from the previous two years that had registered back-to-back record dollar volumes for office sales. Seventeen transactions valued at \$1.86B were recorded in the first half of 2017, while the first half of 2016 reached the high-water mark for six-month dollar volume from office sales in BC with 15 deals valued at \$1.9B. Deal velocity on the other hand achieved a new first-half record with 23 completed deals in the first half of 2018, surpassing the previous record of 17 sales that were recorded in the first halves of 2012, 2015 and 2017.

While the majority of office deals were located outside the downtown core, including **Production Court**, **Imperial Square** and **Willingdon Park** in Burnaby, and **Guildford Corporate Centre** in Surrey, a handful of notable downtown buildings such as the **Shorehill Building**, 555 Robson Street and 1200 Burrard Street changed hands. A substantial strata office sale was also concluded in Surrey with **Safe Software** acquiring substantial space in **City Centre 2**. Strata office sales in excess of \$5M are historically uncommon in Metro Vancouver, but are becoming more frequent as the profile of strata office

space is elevated in new developments in Downtown Vancouver and the suburbs, which are increasingly offering more substantial strata office sale opportunities.

Institutions remained very involved as both the purchasers (22%) and vendors (26%) of office assets in the first half of 2018. **Investors Group** was a particularly active seller with four sales while HOOPP's disposition of **Willingdon Park** - \$179.4M - marked the largest office deal of the first half. The institutional investor who acquired that suburban office park, **Spear Street Capital**, subsequently sold a portion of it to another institutional investor, **Pacific Reach Properties**, who had also acquired a suburban office property from the Investors Group as well as **Artis REIT**. An institutional buyer was only involved in a single office transaction in downtown Vancouver while private purchasers secured three office properties. A handful of office properties along the Broadway corridor, including



**The Shorehill Building sold for \$80M in June 2018**

buildings located close to Mount Pleasant and the False Creek Flats, also transacted.

*An additional \$103.1M (in sales from office assets valued at less than \$5M) was raised in 118 transactions in the Lower Mainland in the first half of 2018, pushing dollar volume to more than \$1.14B in total investment.*

### OFFICE TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
<b>Shorehill Building</b> 1155 West Pender Street	Vancouver	\$80,000,000	Private	Private	Jun 2018
<b>Production Court</b> 8525 Baxter Place	Burnaby	\$100,500,000	REIT	Private	Jun 2018
7330 King George Boulevard	Surrey	\$23,000,000	Private	Private	Jun 2018
851-855 Terminal Avenue	Vancouver	\$11,500,000	Private	Private	Jun 2018
818 Fort Street	Victoria	\$6,595,000	Private	Private	May 2018
<b>City Centre 2</b> Units 801, 802, 803, 804, 900, 1000, 1100, 1200, 9639 137A Street	Surrey	\$30,570,300	Private	Private	May 2018
<b>Willingdon Park</b> Buildings 1 & 2, 4170 & 4185 Still Creek Drive	Burnaby	\$48,250,000	Institutional	Private	Apr 2018
210 West Broadway	Vancouver	\$23,500,000	Private	Private	Apr 2018
4601, 4611, 4621 Canada Way & 3001 Wayburne Drive	Burnaby	\$106,500,000	Institutional	Institutional	Apr 2018
1077 Great Northern Way	Vancouver	\$75,000,000	Institutional	Institutional	Apr 2018
<b>Guildford Corporate Centre</b> 10470 152nd Street	Surrey	\$51,000,000	Institutional	Private	Apr 2018
<b>Imperial Square</b> 4585 & 4595 Canada Way	Burnaby	\$24,000,000	Institutional	Institutional	Apr 2018
<b>Fraserwood Corporate Centre</b> 6651 Fraserwood Place	Richmond	\$24,200,000	Private	Private	Apr 2018
3680 East Hastings Street	Vancouver	\$10,525,000	Private	Private	Mar 2018
<b>Willingdon Park</b> Buildings 1, 2, 5, 6 & 7 4170, 4185, 4321, 4333 & 4401 Still Creek Drive	Burnaby	\$179,400,000	Institutional	Institutional	Mar 2018
1212-1232 West Broadway	Vancouver	\$34,700,000	Non-Profit	Private	Feb 2018
8120-8150 Granville Avenue	Richmond	\$8,150,000	Private	Private	Feb 2018
4126 Norland Avenue	Burnaby	\$10,200,000	Private	Non-Profit	Feb 2018
555 Robson Street	Vancouver	\$107,500,000	Public Co.	Institutional	Feb 2018
582 Goldstream Avenue	Langford	\$6,300,000	Private	Private	Feb 2018
<b>Five Fifty Beatty</b> 548 & 554 Beatty Street	Vancouver	\$7,670,250	Private	Private	Feb 2018
2810-2830 Grandview Highway	Vancouver	\$7,200,000	Private	Private	Jan 2018
1200 Burrard Street	Vancouver	\$63,800,000	Private	Private	Jan 2018
<b>Total Deals/Investment</b>	<b>23</b>	<b>\$1,040,060,550</b>			

Office investment  
activity generated  
more than \$1  
billion in sales



## Retail

The sale of BC retail assets remained exceptionally strong in the first half of 2018 with 43 transactions valued at \$1.55B following the record-smashing retail investment sales performance of 2017. While the retail investment market activity in the first half of 2018 marked a significant decline from the record first half of 2017 (55 deals/\$2.77B), retail sales dollar volume was substantially higher than each of the three years previous to 2017 and totalled more than the retail sales dollar volume of 2014-16 combined: mid-2016 (25 deals/\$593M), mid-2015 (21 deals/\$295M) and mid-2014 (28 deals/\$310M). Retail deals in first-half 2018 captured 51% of overall BC dollar volume of \$3.04B while also making up 42% of the total number of deals completed in the first half.

One important note when considering the retail dollar volume for first-half 2018 is the inclusion of the \$501M **Gateway Casinos** portfolio disposition, which includes the sales of New Westminster's **Starlight Casino**, the **Grand Villa Casino & Hotel** in Burnaby and the **Cascades Casino** in Langley, BC to U.S.-based **Mesirow Financial**. Avison Young has determined this portfolio transaction to be primarily retail-oriented for the sake of compiling the first-half 2018 statistics.

**Ivanhoé Cambridge** continued to execute on its disposition strategy to reduce its exposure to BC's retail market through the sale of its 50% interest in **CF Richmond Centre** to **AIMCo** for \$392M. The number of sales of shopping centres in secondary markets spiked in the first half of 2018.

**RioCan REIT**, an active seller in the first half of 2018, sold off **Dilworth Shopping Centre** in Kelowna, **Vernon Square Mall** and **Cowichan Commons** in Duncan for total proceeds of more than \$130M.

**KingSett Capital** sold **Aberdeen Mall** in Kamloops for \$83M, while **Guildford Place Mall** in Surrey changed hands for \$38M. The largest retail deal in the city of Vancouver was the sale of a series of retail units and properties in the 2200-block of West 4th Avenue in Kitsilano to **Bonnis Properties**, which also acquired two retail properties in the 800-block of Granville Street in downtown Vancouver. Meanwhile, **TransLink** acquired **The Hub**, two retail

buildings located at the northeast corner of Broadway and Commercial Drive that form part of the Commercial-Broadway SkyTrain station, for \$36M.

*Almost \$214M (in sales from retail assets valued at less than \$5M) was raised in 159 transactions in the Lower Mainland in the first half of 2018, pushing total dollar volume to almost \$1.77B.*

First-half retail dollar volume of \$1.55 billion  
2nd highest on record

RETAIL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
11911 Bridgeport Road	Richmond	\$6,090,000	Private	Private	Jun 2018
Opsal 97 East 2nd Avenue	Vancouver	\$10,250,000	Private	Private	Jun 2018
Aberdeen Mall 1320 Trans Canada Highway West	Kamloops	\$83,000,000	Institutional	Private	Jun 2018
Cadence Unit 150, 5555 Gilbert Road	Richmond	\$8,200,000	Private	Private	Jun 2018
1451 West Broadway	Vancouver	\$14,000,000	Private	Private	May 2018
2625 Granville Street	Vancouver	\$7,280,000	Private	Private	May 2018
Unit 16, 228 Schoolhouse Street	Coquitlam	\$7,149,900	Institutional	Private	May 2018
The Bishop Centre 2528, 2536, 2540, 2546, 2556 Montrose Avenue and 33767, 33769 & 33771 Gosling Way	Abbotsford	\$6,600,000	Private	Private	May 2018
2065 & 2115 Rutland Road and 175 Old Vernon Road	Kelowna	\$5,234,000	Private	Private	May 2018
2036 Oak Bay Avenue	Victoria	\$6,180,000	Private	Private	May 2018
2585 West 16th Avenue	Vancouver	\$6,691,400	Private	Private	May 2018
2603 West 16th Avenue	Vancouver	\$7,008,600	Private	Private	May 2018
John McIver Building 22471, 22477, 22489 & 11819 225th Street	Maple Ridge	\$5,200,000	Private	Private	May 2018
The Hub 2430, 2440, 2450, 2460 & 2470 Commercial Drive and 1715 & 1755 East Broadway	Vancouver	\$36,000,000	Private	Government	May 2018
Granville at 70th 8475, 8555 Granville Street	Vancouver	\$18,461,750	REIT	Private	May 2018
1783 Marine Drive	West Vancouver	\$9,200,000	Private	Private	May 2018
4401 West 10th Avenue	Vancouver	\$9,300,000	Private	Private	May 2018
1635 West 4th Avenue	Vancouver	\$6,000,000	Private	Private	Apr 2018
5705 Victoria Drive & 1944 East 41st Avenue	Vancouver	\$5,480,000	Private	Private	Apr 2018
The Capers Building, Unit 110-2201 West 4th & Unit 219-2211 West 4th & Unit 224-2211 West 4th Avenue and 2203, 2233, 2239 & 2285 West 4th Avenue	Vancouver	\$80,500,000	Private	Private	Apr 2018
7239 192nd Street	Surrey	\$8,460,000	Private	Private	Apr 2018
171 South Hollywood Road	Kelowna	\$9,250,000	Private	Private	Apr 2018
1369 - 1377 Kingsway	Vancouver	\$8,250,000	Private	Private	Apr 2018
1164 Robson Street	Vancouver	\$12,200,000	Private	Private	Apr 2018
Guildford Place Mall 10310, 10320, 10330 & 10340 152nd Street	Surrey	\$38,000,000	Private	Private	Apr 2018
Cowichan Commons 3020 Drinkwater Road	Duncan	\$46,351,684	REIT	Private	Apr 2018
3000 Christmas Way	Coquitlam	\$9,500,000	Private	Private	Mar 2018
Starlight Casino 350 Gifford Street & Parcel 61 Boundary Road	New Westminster	\$103,395,248	Private	Private	Mar 2018
Grand Villa Casino & Hotel 4331 & 4320 Dominion Street	Burnaby	\$253,624,830	Private	Private	Mar 2018
2257 Kingsway	Vancouver	\$14,014,600	Private	Private	Mar 2018
1066 Kingsway	Vancouver	\$10,288,700	Private	Private	Mar 2018
1162-1170 Bute Street; 1181-1195 Davie Street	Vancouver	\$18,000,000	Private	Private	Feb 2018
8251 Alexandra Road	Richmond	\$11,380,000	Private	Private	Feb 2018
Vernon Square Mall 4400 32nd Street	Vernon	\$26,500,000	REIT	Private	Feb 2018
Dilworth Shopping Centre 2339 BC-97	Kelowna	\$58,500,000	REIT	Private	Feb 2018
1695 Marine Drive	North Vancouver	\$8,500,000	Private	Private	Feb 2018
Richmond Centre (50% interest) 6060 Minoru Boulevard	Richmond	\$392,000,000	Institutional	Institutional	Feb 2018
3591 West 19th Avenue & 3496 Dunbar Street	Vancouver	\$5,150,000	Private	Private	Feb 2018
Cascades Casino Unit 1 & 2, 20393 Fraser Highway	Langley	\$143,860,922	Private	Private	Feb 2018
2814 Gladwin Road & Lot B Ventura Avenue	Abbotsford	\$6,305,000	Private	Private	Jan 2018
3550 King George Boulevard	Surrey	\$5,900,000	Private	Private	Jan 2018
810 & 816 Granville Street	Vancouver	\$20,950,000	Private	Private	Jan 2018
104-106 East Broadway; 2510 Quebec Street	Vancouver	\$6,800,000	Private	Private	Jan 2018
Total Deals/Investment	43	\$1,555,006,634			

## Industrial

Market demand for industrial investment properties remains extraordinarily strong in BC with lack of supply the primary factor limiting what would likely have been a more substantial first half in terms of deal and dollar volume. Industrial investment activity still remained strong in the first six months of 2018 with 36 industrial transactions valued at \$449M – a slight decline from the first half of 2017 when 37 deals valued at \$456M were completed. However, industrial investment activity in first-half 2018 declined significantly when compared with the record-setting second half of 2017 when an astonishing 51 deals valued at \$746M closed. While the industrial share of overall dollar volume in first-half 2018 was just 15%, industrial sales did represent 35% of the total number of deals completed. Industrial sales activity in BC has been rising steadily since 2015, but may have peaked with a record 89 sales transactions valued at more than \$1.275B in 2017.

Private vendors and purchasers remained the dominant owner type transacting industrial assets as there remains a significant delta between what an end user will pay for a vacant building (or strata unit) versus what an investor is willing to pay for a fully leased property. However, two of the five largest deals in the first half involved an institutional vendor, **Investors Group**, while three of the five purchasers of those top five deals were also institutional in nature, including **Manulife** and **Crestpoint Real Estate Investments**. The largest industrial deal in the first half, the \$57.38M sale of 1771 Savage Road in Richmond, was also the largest industrial deal completed in BC since the August 2016 sale of 6847 72nd Street in Delta for \$60.2M. It also marked the arrival of Ontario and Quebec-based **Nexus REIT** in Metro Vancouver's industrial market. Nexus REIT, which holds industrial properties in Prince George and Kamloops as well as across Canada, had also sold an industrial property in Kelowna in the first half of 2018.

Developers sold off two industrial properties in the first half of 2018, including one in Mount Pleasant, a former industrial area in Vancouver that is transitioning to more office-focused uses. Industrial sales activity

in Railtown, another former industrial area in transition in Vancouver, was also noted.

Transactions in Mount Pleasant and Ralatown are increasingly difficult to classify as industrial investment sales as properties are more often being acquired for redevelopment purposes that typically allow for additional uses besides traditional industrial activities and higher rents and are priced accordingly. Just a single sale involving a developer acquiring an industrial property

was registered in the first half of 2018. The vast majority of industrial acquisitions in the first half of 2018 were by end users in Metro Vancouver. Only two acquisitions – both in Kelowna – occurred outside of BC's more traditional industrial markets.

*More than \$301M (in sales from industrial assets valued at less than \$5M) was raised in 197 transactions in the Lower Mainland in the first half of 2018, pushing total dollar volume to more than \$750M.*

INDUSTRIAL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
2055 Boundary Road	Vancouver	\$12,100,000	Private	Private	Jun 2018
19490 92 Avenue	Surrey	\$6,050,000	Private	Private	Jun 2018
8238 129th Street	Surrey	\$9,500,000	Private	Private	Jun 2018
3083-3089 Grandview Highway	Vancouver	\$6,785,000	Private	Private	Jun 2018
1501 Hartley Avenue	Coquitlam	\$5,850,000	Private	Private	May 2018
19473 & 19483 Fraser Way	Pitt Meadows	\$9,000,000	Private	Private	May 2018
12200 Riverside Way	Richmond	\$5,200,000	Private	Private	May 2018
36 East 5th Avenue	Vancouver	\$6,125,000	Private	Private	May 2018
9311 River Drive	Richmond	\$27,800,000	Private	Private	May 2018
Lot 1 - 17677 James Hill Drive	Surrey	\$5,350,000	Private	Private	May 2018
1771 Savage Road	Richmond	\$57,380,000	Private	REIT	Apr 2018
555 Adams Road	Kelowna	\$10,000,000	REIT	Private	Apr 2018
310 Commercial Drive	Vancouver	\$5,750,000	Private	Private	Apr 2018
683 Dease Road	Kelowna	\$5,169,000	Private	Private	Apr 2018
93 North Bend Street	Coquitlam	\$9,900,000	Private	Private	Apr 2018
12051 Riverside Way	Richmond	\$16,100,000	Private	Institutional	Apr 2018
5367 271st Street	Langley	\$8,230,000	Private	Private	Apr 2018
27222 58th Crescent	Langley	\$7,300,000	Private	Private	Apr 2018
8014 Webster Road	Delta	\$5,450,000	Private	Private	Apr 2018
15100 River Road, 1600 Savage Road and 1611 Patrick Street	Richmond	\$21,500,000	Private	Private	Apr 2018
6851-6855 Antrim Avenue	Burnaby	\$6,300,000	Private	Private	Apr 2018
<b>Mayfair Square</b> 175 & 185 Golden Drive	Coquitlam	\$25,500,000	Institutional	Institutional	Apr 2018
3000 Beta Avenue	Burnaby	\$41,675,000	Institutional	Institutional	Apr 2018
19350 Enterprise Way	Surrey	\$5,289,119	Private	Private	Mar 2018
Unit 116 & 117, 6951 72nd Street	Delta	\$6,525,000	Private	Private	Mar 2018
8695 Barnard Street	Vancouver	\$7,300,000	Private	Private	Mar 2018
5368 273A Street	Langley	\$8,000,000	Private	Private	Mar 2018
7715 Anvil Way	Surrey	\$12,000,000	Private	Private	Feb 2018
430 Railway Street	Vancouver	\$10,400,000	Private	Private	Feb 2018
828 Powell Street	Vancouver	\$9,250,000	Private	Private	Feb 2018
5444, 5458 & 5476 275th Street	Langley	\$6,000,000	Private	Private	Feb 2018
395 Railway Street	Vancouver	\$11,400,000	Private	Private	Feb 2018
19750 92A Avenue	Langley	\$32,750,000	Private	Institutional	Jan 2018
1505 Brigantine Drive	Coquitlam	\$8,900,000	Private	Private	Jan 2018
1370 East Georgia Street	Vancouver	\$6,100,000	Private	Private	Jan 2018
205 Business Place	Langley	\$11,000,000	Private	Private	Jan 2018
<b>Total Deals/Investment</b>	<b>36</b>	<b>\$448,928,119</b>			



**15100 River Road, 1600 Savage Road & 1611 Patrick Street in Richmond was the second largest industrial deal in BC acquired by a private buyer in the first half of 2018.**

## Multi-Family

Sales activity of BC multi-family assets remained at historic heights with 42 transactions valued at \$674M in the first half of 2018 with the number of deals falling just short of the first half of 2017 (46) but with greater dollar volume (\$652M) than what was recorded a year ago. However, the first half of 2018 did surpass the second half of 2017, which had registered 43 deals valued at \$624M. While the number of transactions in 2017, 89, marked a new record, dollar volume of \$1.275B fell short of the record set in 2015 when 80 properties valued at \$1.41B traded hands. Despite the strong start to the year, a new record for multi-family investment is not anticipated to be set in 2018. (Avison Young only tracks multi-family investments trading at more than \$5M.)

While the overwhelming majority of purchasers and vendors were private, a single institutional purchaser, **Starlight Investments**, was responsible for acquiring a four-property portfolio located in Vancouver/North Vancouver as well as a townhome development also in North Vancouver for more than \$290M or approximately 43% of the total dollar volume recorded in the first half of 2018.

The largest private acquisition was the \$32.5M purchase of **Oceania Court** in Burnaby by **Anthem Properties**. REITs, which have historically been fairly active in the BC multi-family market, were involved in only a single transaction as a buyer and none as a vendor. All but one deal in the first half of 2018 involved private sellers.

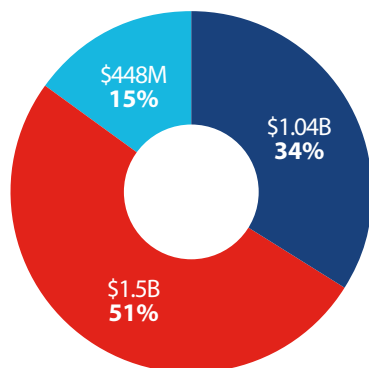
The vast majority of multi-family transactions were located in Metro Vancouver with almost 50% located in Vancouver and almost a quarter in New Westminster. Burnaby, which had been one of the most active markets in Metro Vancouver recently, recorded just three deals. Multi-family sales activity also declined significantly in the first half of 2018 on Vancouver Island with just a single sale in Nanaimo. A single multi-family sale was registered in each of Penticton, Kelowna and Kamloops.

*Slightly more than \$56M (in sales from multi-family assets valued at less than \$5M) was raised in 25 transactions in the first half of 2018, pushing total dollar volume to more than \$723M.*

MULTI-FAMILY TRANSACTIONS (GREATER THAN \$5 MILLION)						
PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
<b>Garden Manor Apartments</b> 2285 Triumph Street	Vancouver	\$6,000,000	Private	\$375,000	Private	Jun 2018
<b>Evergreen Gardens</b> 4564 Evergreen Lane	Delta	\$5,300,000	Private	\$220,833	Private	Jun 2018
<b>Jericho Villa</b> 3495 West 4th Avenue	Vancouver	\$8,266,000	Private	\$688,833	Private	Jun 2018
<b>Westview Manor</b> 1210 7th Avenue	New Westminster	\$5,650,000	Private	\$353,125	Private	Jun 2018
1133 West 70th Avenue	Vancouver	\$8,500,000	Private	\$326,923	Private	Jun 2018
<b>Landsdowne House</b> 1537 Burnaby Street	Vancouver	\$8,750,000	Private	\$364,583	Private	Jun 2018
<b>Alexandra Apartments</b> 888 Fairview Road	Penticton	\$5,800,000	Private	\$126,087	Private	May 2018
<b>Oxford Manor</b> 2333 Oxford Street	Vancouver	\$16,260,870	Private	\$318,841	Private	May 2018
225 North Garden Drive	Vancouver	\$5,739,130	Private	\$318,841	Private	May 2018
<b>Maple Manor Apartments</b> 304 Third Avenue	New Westminster	\$5,900,000	Private	\$347,059	Private	May 2018
2340-2350 St. Johns Street	Port Moody	\$5,110,000	Private	\$511,000	Private	May 2018
275 East 13th Avenue	Vancouver	\$9,450,000	Private	\$410,870	Private	May 2018
<b>The York Apartments</b> 2358 York Avenue	Vancouver	\$7,800,000	Private	\$709,091	Private	May 2018
<b>Lagoon Villa Apartments</b> 1958 Barclay Street	Vancouver	\$19,650,000	Private	\$467,857	Private	May 2018
<b>Cedarvale Apartments</b> 311 Ash Street	New Westminster	\$6,480,000	Private	\$240,000	Private	May 2018
<b>Kolumbia Garden</b> 17719 58A Avenue	Surrey	\$6,629,981	Private	\$170,000	Private	May 2018
<b>Malibu Apartments</b> 1979 Pandosy Street	Kelowna	\$5,325,000	Private	\$197,222	Private	May 2018
230 West 10th Avenue	Vancouver	\$9,546,200	Private	\$502,432	Private	May 2018
<b>Mar Van Apartments</b> 8623 Selkirk Street	Vancouver	\$11,880,000	Private	\$383,226	Private	May 2018
<b>Twin Lakes Estates</b> 3701-3817 Princess Avenue	North Vancouver	\$42,250,000	Private	\$741,228	Institutional	Apr 2018
<b>Northridge Apartments</b> 269 West 4th Street	North Vancouver	\$19,400,000	Private	\$412,766	Private	Apr 2018
<b>Oceania Court</b> 7070-7082 Inlet Drive	Burnaby	\$32,500,000	Private	\$277,778	Private	Apr 2018
1680 Tranquille Road	Kamloops	\$8,500,000	Private	\$118,056	Private	Apr 2018
7227 Arcola Street	Burnaby	\$11,350,000	Private	\$315,278	Private	Apr 2018
<b>Heatherlea Apartments</b> 1406 Laburnum Street	Vancouver	\$6,825,000	Private	\$682,500	Private	Apr 2018
<b>Paul Plaza</b> 1501 Haro Street	Vancouver	\$81,850,843	Private	\$568,409	Institutional	Apr 2018
<b>Monika Vista</b> 150 East Keith Road	North Vancouver	\$26,493,283	Private	\$679,315	Institutional	Apr 2018
<b>Matthew Court</b> 1005 Jarvis Street	Vancouver	\$65,115,338	Private	\$482,336	Institutional	Apr 2018
<b>Peter Manor</b> 1755 Haro Street	Vancouver	\$74,459,574	Private	\$539,562	Institutional	Apr 2018
<b>Bayshore Manor</b> 2425 York Avenue	Vancouver	\$12,100,000	Private	\$504,167	Private	Apr 2018
<b>Mon Tru Manor</b> 420 11th Street	New Westminster	\$13,400,000	Private	\$219,672	Private	Apr 2018
1110 West 10th Avenue	Vancouver	\$10,240,000	Private	\$445,217	Private	Feb 2018
<b>Woodgrove Pines</b> 6597 Applecross Road and 6439 Portsmouth Road	Nanaimo	\$20,700,000	Private	\$151,095	REIT	Feb 2018
<b>Sherwood Apartments</b> 5875 177B Street	Surrey	\$7,400,000	Private	\$185,000	Private	Feb 2018
<b>Martin Manor</b> 1509 Martin Street	White Rock	\$11,700,000	Private	\$278,571	Private	Feb 2018
<b>Parkcrest Court</b> 1024 St. Andrews Street	New Westminster	\$6,420,000	Private	\$279,130	Private	Feb 2018
<b>Crystal Court Apartments</b> 8860 Montcalm Street	Vancouver	\$7,800,000	Private	\$325,000	Private	Feb 2018
<b>Starlite Apartments</b> 1450 Burnaby Street	Vancouver	\$18,350,000	Private	\$436,905	Private	Feb 2018
7110 Linden Avenue	Burnaby	\$8,400,000	Private	\$280,000	Private	Jan 2018
<b>Glen Oaks Apartments</b> 825 East 8th Avenue	Vancouver	\$14,350,000	Private	\$350,000	Private	Jan 2018
<b>Key Manor Apartments</b> 610 Blackford Street	New Westminster	\$6,670,000	Private	\$230,000	Private	Jan 2018
<b>Lori Ann Apartments</b> 404 Seventh Street	New Westminster	\$9,250,000	Non-profit	\$220,238	Private	Jan 2018
<b>Total Deals/Investment</b>	<b>42</b>	<b>\$673,561,219</b>				

## FIRST HALF 2018 SALES BY PROPERTY TYPE & DOLLAR VOLUME

■ Office ■ Industrial ■ Retail



continued from front page

select buildings in Willingdon Park to another buyer for \$48.25M. Other deals included the sale of select buildings in **Canada Way Business Park** for \$106.5M, the sale of **Imperial Square** for \$24M and the disposition of **Production Court** for \$100.5M. More than \$465M was spent acquiring Burnaby office properties in the first half of 2018.

Demand for office buildings in Vancouver, which typically dominates BC office sales activity, also remained strong in the first half but featured just three significant sales in downtown Vancouver, including the **Shorehill Building** (\$80M), 555 Robson Street (\$107.5M) and 1200 Burrard Street (\$63.8M). Office sales in and around Mount Pleasant and the False Creek Flats were also recorded at 851-855 Terminal Avenue, 1077 Great Northern Way and 210 West Broadway. Also, of note, **Safe Software's** \$30.57M acquisition of strata office space in Surrey's recently completed **City Centre 2** is one of the largest reported strata office sales in recent years and is likely representative of the increase in strata office sales to come in the next 36 months as developers start delivering more strata office space options in both the downtown core and suburbs.

The total dollar volume attributed to the sale of multi-family assets approached \$667M in the first half of 2018 and involved 42 transactions. (For the purposes of this report, multi-family investment totals are not included in the overall investment statistics and are tallied separately.) Approximately 43% (or \$290M) of the total dollar volume recorded in the first half of 2018 associated with multi-family sales was the result of **Starlight Investments'** acquisition of a four-building portfolio in Vancouver/North Vancouver as well as a townhome development in North Vancouver.

Land pricing remains a key driver of values for retail, office, multi-family and, to a lesser extent, industrial assets throughout Metro Vancouver; however, cap rates for these asset types in secondary markets and some suburban Vancouver submarkets are starting to rise slightly.

Deal and dollar volume in first-half 2018 for the industrial asset class, which has typically been more insulated from factors influencing residential land pricing, remained virtually unchanged year-over-year with no shortage of private purchasers (end users and investors) as well as institutions seeking to acquire properties. However, a widening of the bid-ask gap has resulted due to vendors seeking a price that is not reflective of a rising-interest-rate environment and priced in future rental rate growth that has yet to occur. While vendors seek peak pricing in terms of cap rates, a substantial drag on industrial sales velocity is the significant delta between what an end user will pay for a vacant building and what an investor can pay for a fully leased building. This is why the majority of BC industrial sales in the first half of 2018 involved end users as purchasers and are often subject to different buyer considerations than other commercial real estate assets. The inability for private investors and institutions to acquire industrial portfolios of scale in Metro Vancouver, which remain closely held by private local owners, also limits industrial deal and dollar volume. However, a handful of recent industrial transactions have started to reflect a broader consideration of associated land value in other mixed-use or related scenarios, which has resulted in higher pricing being achieved and may signal a new approach to valuing and acquiring industrial properties.

After three years of unprecedented growth and blockbuster deals that have and continue to reshape market conditions, the potential opportunity to acquire property remains high as many vendors are increasing willing to come to terms and continue to drive commercial real estate investment activity in one of Canada's most dynamic real estate markets. ■

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