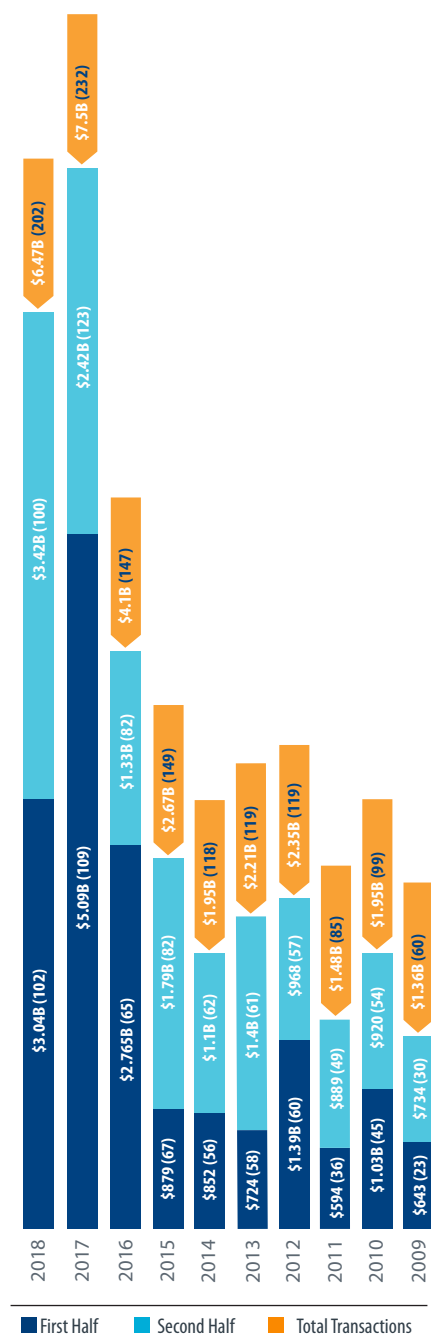


### YEAR-END 2018: BC INVESTMENT SALES BY DOLLAR VOLUME & NUMBER OF SALES OFFICE, INDUSTRIAL & RETAIL DEALS >\$5M



## Near-record year reveals market fundamentals driving BC investment levels despite headwinds

BC commercial real estate investment activity achieved near-record levels in 2018 despite a shift in market outlook and rising economic and political headwinds that manifested locally at mid-year and remained on the minds of investors through the balance of 2018. While there may have been a change in the perception of market conditions due to municipal elections in the fall that ushered in rising anti-development sentiment in council chambers across Metro Vancouver, investors still concluded 202 industrial, retail and office deals valued at almost \$6.5B – the second most on record in terms of both deal and dollar volume. This figure does not include ICI or residential land sales activity, which Avison Young has historically tracked separately, and which did slow in terms of the number of sales in the second half of 2018. (Avison Young tracks retail, office and industrial deals valued at more than \$5M for this report.)

While the first and second halves of 2018 were almost identical in terms of deal and dollar volume, the approach of investors involved in acquiring assets started to change by mid-year. Purchasers began to temper not only the price they would be willing to pay in an environment of increasing as well as real and present risk, but they also resumed evaluating assets on fundamentals such as income, maximizing rents and reviewing tenant mix and lease terms. This approach was done in a renewed search for organic growth of returns with less of a focus on the speculative aspects of any given sale. Redevelopment opportunities remained an important consideration, but were no longer the primary consideration. This recalibration of investment objectives resulted in a widening bid-ask gap by the summer of 2018, which resulted in a slowing of deal velocity as vendors, who had grown accustomed to setting new pricing records with each transaction, were forced to reconsider their price expectations in order to come to terms

with purchasers. This temporary pullback may not be directly reflected in the 2018 investment totals. The market's extraordinary momentum resulted in many deals negotiated in the first half of 2018 not closing until the latter half, which spread out the near-record level of annual activity and masked the slowdown in the back half of 2018. The second half of 2018 ultimately marked the divergence of pricing expectations between vendors and purchasers and a temporary pause in the upward trajectory in pricing that had largely defined the market since at least 2015. A substantial decline in the number of deals completed is forecasted for the first half of 2019, while pricing is expected to remain strong with large institutional-grade office, retail and industrial assets still commanding top dollar. While capital remains plentiful, purchasers became more circumspect in terms of what they acquired in the latter half of 2018 and into 2019.

In terms of BC commercial real estate asset sales, the largest transaction of 2018 was the \$600M acquisition of **Telus Garden** by **Greystone Managed Investments** and **Forgestone Capital**. The sale and subsequent resale of the **Gateway Casinos** portfolio were the second and third largest deals of 2018, respectively. **AIMCo** acquired a 50% interest in **CF Richmond Centre** for \$392M, while the \$225M sale of **City Square Shopping Centre** in Vancouver to private investors rounded out the top five.

While there were no billion-dollar deals in BC in 2018 (unlike 2016 and 2017), investor demand remained very strong, particularly for industrial assets. While larger deals (particularly retail sales) continued to rely on redevelopment potential as an important part of the pricing rationale, those purchasers of assets for less than \$20M have increasingly switched to seeking out income deals instead of relying on the underlying land value of the asset to boost

continued on back page

## Land sales & buyer purchases by asset type

### COMMERCIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) July 1 to December 31, 2018

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
205 West 5th Avenue & 2045 Columbia Street	Vancouver	\$10,600,000	0.27	Commercial Industrial	Dec 2018
8679 200th Street & 19943 86th Avenue	Langley	\$20,000,000	8.20	Commercial	Nov 2018
294 East 1st Street	Vancouver	\$5,950,000	0.11	Commercial Industrial	Nov 2018
398 Kingsway	Vancouver	\$26,500,000	0.57	Commercial Residential	Oct 2018
2250 Enterprise Way	Kelowna	\$10,848,010	5.41	Commercial	Oct 2018
1801 Commercial Drive & 1656 East 2nd Avenue	Vancouver	\$8,610,000	0.27	Commercial Residential	Oct 2018
6800 Lougheed Highway	Burnaby	\$209,000,000	19.12	Commercial Residential	Oct 2018
4655 Main Street	Vancouver	\$5,900,000	0.16	Commercial Residential	Oct 2018
8257 Oak Street	Vancouver	\$20,000,000	0.42	Commercial Residential	Oct 2018
2452 - 2490 Marine Drive	West Vancouver	\$65,000,000	1.01	Commercial Residential	Oct 2018
21262 83rd Avenue	Langley	\$5,610,000	3.30	Commercial	Oct 2018
3771 & 3791 No. 3 Road	Richmond	\$18,450,000	0.76	Commercial Residential	Sep 2018
5930 & 5940 East Boulevard, 2090 - 2098 West 43rd Ave	Vancouver	\$6,300,000	0.30	Commercial Residential	Sep 2018
2211 & 2213 Granville Street	Vancouver	\$11,800,000	0.17	Commercial Residential	Sep 2018
2007 - 2021 West 41st Avenue	Vancouver	\$20,760,000	0.28	Commercial Residential	Sep 2018
1520 Robson Street	Vancouver	\$12,888,000	0.10	Commercial Residential	Sep 2018
602 Kingsway and 603 - 609 East 16th Avenue	Vancouver	\$10,000,000	0.29	Commercial Residential	Sep 2018
2045 - 2075 Old Dollarton Road	North Vancouver	\$5,500,000	0.29	Commercial Residential	Sep 2018
41 West Pender	Vancouver	\$10,800,000	0.14	Commercial Residential	Sep 2018
8200 - 8300 Leslie Road	Richmond	\$12,000,000	1.23	Commercial	Sep 2018
4716 - 4780 Hastings Street	Burnaby	\$26,000,000	1.22	Commercial Residential	Sep 2018
8100 - 8180 Westminster Highway	Richmond	\$28,000,000	0.77	Commercial Residential	Aug 2018
225 - 245 East 2nd Avenue	Vancouver	\$18,750,000	0.34	Commercial Residential	Aug 2018
8100 & 8200 Capstan Way; 3411 & 3471 No. 3 Road	Richmond	\$54,180,000	2.25	Commercial Residential	Aug 2018
339 East 1st Street	Vancouver	\$32,900,000	1.10	Commercial	Aug 2018
1202-1208 Davie Street; 1209 Bute Street	Vancouver	\$9,980,000	0.20	Commercial Residential	Aug 2018
316 East 1st Avenue	Vancouver	\$5,850,000	0.11	Commercial Industrial	Aug 2018
1311 Howe Street	Vancouver	\$55,500,000	0.28	Commercial Residential	Aug 2018
4071 Kingsway	Burnaby	\$5,900,000	0.19	Commercial Residential	Aug 2018
1456 West 8th Avenue	Vancouver	\$12,250,000	0.13	Commercial Residential	Aug 2018
8690 Ash Street	Vancouver	\$7,288,000	0.54	Commercial	Jul 2018
3021 & 3033 Gordon Avenue	Coquitlam	\$7,500,000	0.71	Commercial	Jul 2018
4585 Dunbar Street	Vancouver	\$12,380,000	0.18	Commercial Residential	Jul 2018
7513 Hurd Street	Mission	\$6,000,000	4.69	Commercial Residential	Jul 2018
801 & 805 Brunette Avenue	Coquitlam	\$8,250,000	0.83	Commercial	Jul 2018
2331, 2333 & 2337 Main Street	Vancouver	\$10,750,000	0.16	Commercial Residential	Jul 2018
1235 Marine Drive	North Vancouver	\$14,000,000	0.54	Commercial Residential	Jul 2018
1575 Kootenay Street	Vancouver	\$19,000,000	1.61	Commercial	Jul 2018
1855 Burrard Street	Vancouver	\$25,000,000	0.28	Commercial Residential	Jul 2018
2470 - 2490 Main Street	Vancouver	\$9,665,000	0.16	Commercial Residential	Jul 2018
9850 Austin Road, 9858 & 9898 Gatineau Place	Burnaby	\$220,000,000	4.07	Commercial Residential	Feb 2018

### INDUSTRIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) July 1 to December 31, 2018

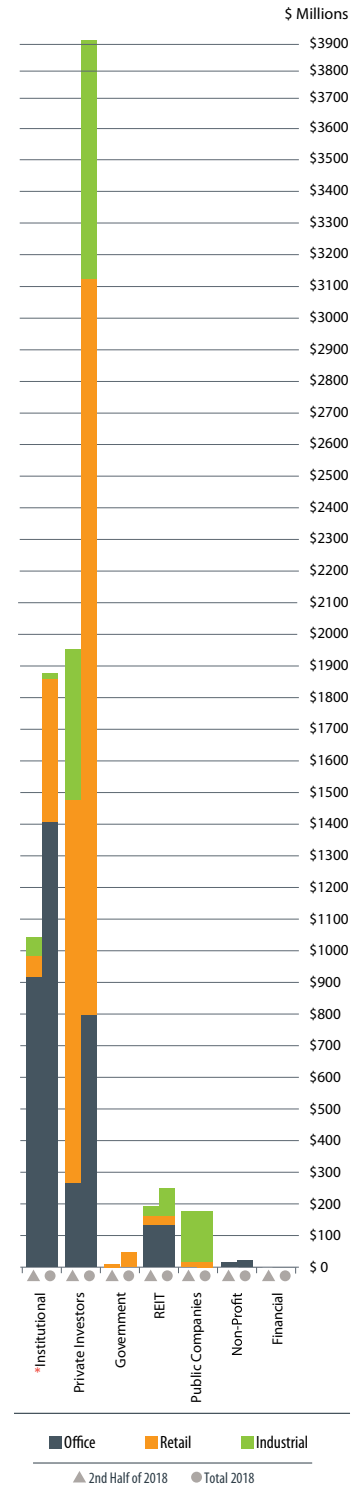
PROPERTY	LOCATION	PRICE	SITE AREA (ACRES)	LAND USE	DATE
1615, 1625 & 1633 Franklin Street	Vancouver	\$9,782,630	0.37	Industrial	Dec 2018
2217 Clark Drive	Vancouver	\$5,440,000	0.14	Industrial	Dec 2018
3353 194th Street	Surrey	\$8,850,000	4.89	Industrial	Dec 2018
17277 56th Avenue	Surrey	\$16,867,000	10.46	Industrial	Nov 2018
3441 196th Street	Surrey	\$5,100,000	5.00	Industrial	Oct 2018
20512 64th Avenue	Langley	\$10,200,000	3.76	Industrial	Oct 2018
3673 Mt. Lehman Road	Abbotsford	\$6,000,000	17.77	Industrial	Oct 2018
30418 Simpson Road	Abbotsford	\$9,119,652	23.78	Industrial	Sep 2018
2648 Kyle Road	Kelowna	\$10,250,000	10.33	Industrial	Sep 2018
1701 Lougheed Highway	Coquitlam	\$25,174,000	12.56	Industrial	Sep 2018
8729 Aisne Street	Vancouver	\$16,280,000	1.00	Industrial	Sep 2018
9436 184th Street	Surrey	\$6,800,000	7.41	Industrial	Aug 2018
7400 Vantage Way	Delta	\$23,100,000	9.20	Industrial	Aug 2018
2625 Skeena Street	Vancouver	\$29,390,000	1.73	Industrial	Aug 2018
930 Dominion Avenue	Port Coquitlam	\$14,500,000	7.13	Industrial	Aug 2018
2185 Townline Road	Abbotsford	\$10,600,000	7.16	Industrial	Aug 2018
3459 Mt. Lehman Road	Abbotsford	\$8,619,000	16.77	Industrial	Aug 2018
3583 Mt. Lehman Road	Abbotsford	\$15,250,000	28.36	Industrial	Jul 2018
11611 No. 5 Road	Richmond	\$7,010,000	1.88	Industrial	Jul 2018
3473 190th Street	Surrey	\$10,500,000	5.66	Industrial	Jul 2018
7949 104th Street	Delta	\$28,700,000	75.50	Industrial	Jul 2018
1222 - 1238 Franklin St and 1205 East Hastings	Vancouver	\$18,900,000	0.54	Industrial	Jul 2018

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

(By Price) July 1 to December 31, 2018

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
1045 Haro Street; 842 Thurlow Street	Vancouver	\$164,750,000	0.99	43,255	Aug 2018
2298 Mcbain Avenue	Vancouver	\$160,000,000	4.27	186,001	Sep 2018
6645 Dow Avenue	Burnaby	\$58,600,000	0.94	40,946	Aug 2018
1116 & 1140 Pendrell Street	Vancouver	\$57,475,963	0.69	30,236	Sep 2018
10227 King George Boulevard	Surrey	\$54,000,000	1.56	67,950	Dec 2018

### SECOND HALF & TOTAL OF 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.

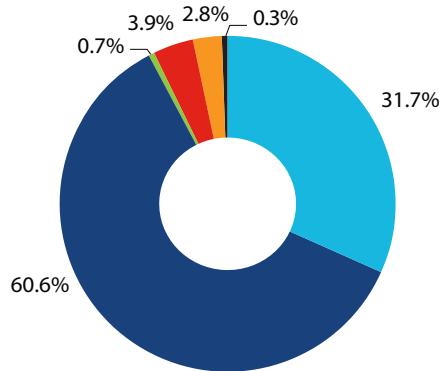
## BUYER PROFILE

Private purchasers remained the most dominant buyer group in 2018 in terms of the number of deals completed (82%) with their share of overall dollar volume climbing to 60.6% – a substantial change from the 46% of dollar volume expended in 2017, which was the lowest 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 steadily declined each year until 2018 as institutions re-engaged with the market. While private buyers have dominated the BC market in terms of the number of deals completed in recent years, this 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 9% of completed deals in 2018, but capturing 31.7% of the total spend. This marked a departure from 2017 when institutional investors were involved in fewer deals (5.6%) but captured 47% of the total spend (versus 46% for private investors – the first time since 2008 that institutions outspent private investors).

Private investors were overwhelmingly interested in acquiring retail properties in 2018, spending more than \$2.35B on retail assets such as the **Gateway Casinos** portfolio, **City Square**, **West Oaks Mall**, **Aberdeen Mall**, **Guildford Place Mall**,

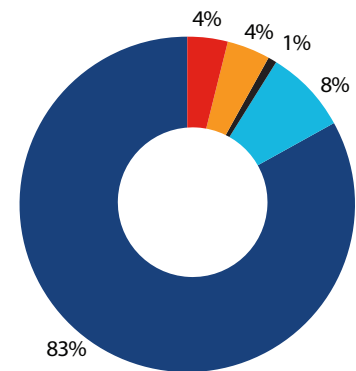
2018: VALUE OF SALES BY TYPE OF BUYER



**Cowichan Commons** and the strata retail in the **Capers Building** on West 4th Avenue in Vancouver. Office (\$804M) and industrial (\$759M) properties also attracted substantial investment.

Institutional investors were focused on acquiring office assets (\$1.42B) in 2018, including **Telus Garden**, **Government House**, **Containers** (phase two), 555 Robson Street, 1077 Great Northern Way, all located in Vancouver, as well as **Canada Way Business Park**, **Imperial Square** and **Willingdon Park** in Burnaby. While retail properties (\$458M) attracted moderate levels of investment, institutions were limited in how much industrial product (\$175M) they could acquire in 2018 despite boosting their industrial investment dollar volume share to 15% in 2018 from 8% the year previous.

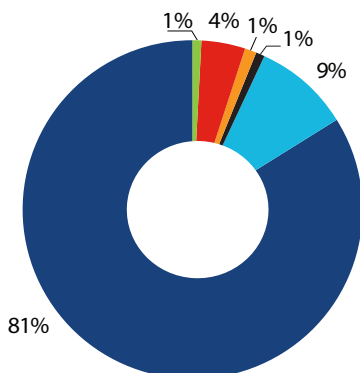
2018: NUMBER OF TRANSACTIONS BY TYPE OF SELLER



in just 4% of deals that captured 15.4% of total proceeds. These sales included the disposition of office properties such as **Telus Gardens** in downtown Vancouver and **Industrial Alliance Financial Group's** former office at 2165 West Broadway as well as **Morguard Corp.'s** sale of two substantial industrial assets: the **Hopcott Centre** in Delta and **Main Industrial Park** in Vancouver.

Vendors received more than \$2.9B for retail assets in 2018, followed by almost \$2.4B for office properties and nearly \$1.2B in industrial sales. Private vendors earned more than \$3.6B from the sale of office, industrial and retail assets, while institutions earned more than \$1.4B, with public companies banking almost \$1B and REITs earning almost \$290M.

2018: NUMBER OF TRANSACTIONS BY TYPE OF BUYER

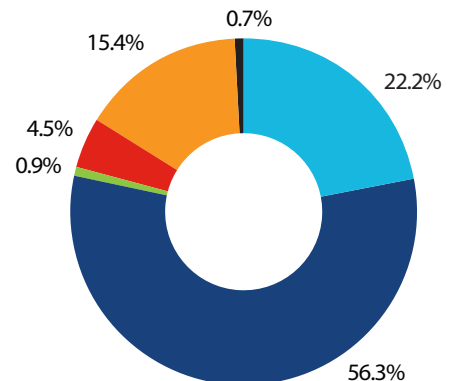


## VENDOR PROFILE

Private vendors accounted for 56.3% of total proceeds in 2018, up significantly from 35% in 2017 (the lowest on record since at least 2006) and 2016 (44%) but still off the highly profitable years of 2015 (67%) and 2014 (65%), despite being involved in 83% 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 2018 (to a lesser extent than previous years) with institutions accounting for 22% of the proceeds from 8% of the total sales.

Public companies played a prominent role as vendors in 2018 despite being involved

2018: VALUE OF SALES BY TYPE OF SELLER



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

## Office

Office investment sales activity in BC achieved near-record levels in 2018 with 42 transactions valued at \$2.4B, representing 37% of overall dollar volume of \$6.5B while capturing 21% of total sales. While just shy of the record 46 office transactions valued at \$2.7B that transacted in 2017, office sales activity in 2018 was the second strongest on record, surpassing the 2016 deal total of 39 sales valued at \$2.4B. Two of the three largest office sales in 2018 closed in the second half – the \$600M sale of the recently completed **Telus Garden** at 510 West Georgia Street and the \$227M sale of **Government House** at 800 Burrard Street – and were located in the Downtown core. The third, **Willingdon Park** in Burnaby, had sold for \$179.4M in the first half of 2018. Other notable office sales in the second half included the **Leckie Building** at 220 Cambie Street (also downtown) for \$91M and the \$92M sale of phase two of **Containers** at 468 Terminal Avenue on the outskirts of downtown Vancouver.

While dollar volume of \$1.34B in the second half exceeded the \$1.04B booked in office sales during the first half, deal velocity slowed with just 19 deals in the second half compared with 23 in the first six months of 2018.

Office sales in Vancouver proper were more prevalent in the second half of 2018 than the first half of the year, which was characterized by suburban office transactions. The \$76M sale of 2165 West Broadway was the largest office deal in Vancouver outside the core, while the \$40M acquisition of **Ormidale Block** at 151 West Hastings marked a willingness from investors to push beyond the eastern boundary of the traditional downtown core. The largest office sale

outside of Metro Vancouver in 2018 was the \$60M sale of **Harbour Centre** in Victoria, one of three office sales recorded in the provincial capital in 2018.

With the exception of the \$35.25M sale of **Glenlyon Business Park** in Burnaby and small deals in New Westminster (\$6.5M) and Surrey (\$8.5M), suburban office sales in Metro Vancouver ground to a halt in the second half of 2018 in stark contrast to the first half when suburban sales dominated. However, three office sales in Abbotsford and two in Langley during the second half signalled a new willingness by investors to acquire assets in the largely disregarded office markets of the Fraser Valley. While office sales have taken place in these markets previously, pricing seldom exceeded \$5M.

REITs returned to the market as the purchasers of five office assets in the second



The **Leckie Building** in Vancouver sold for \$91M

half of 2018, which marked a significant change in the recent buyer profile of the asset class as REITs were absent from the first half entirely and had only acquired two office properties in all of 2017.

*An additional \$242.2M (in sales from office assets valued at less than \$5M) was raised in 256 transactions in the Lower Mainland in 2018, pushing dollar volume to more than \$2.6B in total investment.*

### OFFICE TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
2145 - 2165 West Broadway	Vancouver	\$76,000,000	Public Co.	Private	Dec 2018
<b>Eastleigh Professional Centre</b> 20644 & 20668 Eastleigh Crescent	Langley	\$11,000,000	Non-Profit	Private	Dec 2018
<b>The Buscombe Building</b> 342 Water Street	Vancouver	\$19,995,000	Private	REIT	Dec 2018
<b>Harbour Centre</b> 910 Government Street	Victoria	\$60,000,000	Government	Private	Dec 2018
<b>Ormidale Block</b> 151 West Hastings Street	Vancouver	\$40,000,000	Private	REIT	Nov 2018
<b>Voth Centre</b> 2722 Allwood Street	Abbotsford	\$5,000,000	Private	Private	Nov 2018
<b>Glenlyon Business Park</b> 9200 Glenlyon Parkway 914 Yates Street	Burnaby Victoria	\$35,250,000 \$8,300,000	Private	REIT Institutional	Nov 2018 Nov 2018
<b>The Leckie Building</b> 220 Cambie Street	Vancouver	\$91,000,000	Private	Private	Nov 2018
1220 Homer Street	Vancouver	\$17,500,000	Private	REIT	Oct 2018
<b>Containers</b> (phase two) 468 Terminal Avenue	Vancouver	\$92,000,000	Private	Institutional	Sep 2018
32071 South Fraser Way	Abbotsford	\$22,000,000	Private	REIT	Aug 2018
<b>Government House</b> 800 Burrard Street	Vancouver	\$227,000,000	Institutional	Institutional	Aug 2018
<b>Telus Garden</b> 510 West Georgia Street	Vancouver	\$600,000,000	Public Co.	Institutional	Aug 2018
422 Sixth Street	New Westminster	\$6,500,000	Private	Non-Profit	Aug 2018
2377 Bevan Avenue	Sidney	\$5,000,000	Private	Private	Jul 2018
<b>Spire Professional Centre</b> #110 & 120 - 8029 199th Street	Langley	\$5,999,120	Private	Non-Profit	Jul 2018
<b>Hyland Business Centre</b> #200 - 6638 152A Street	Surrey	\$8,500,000	Private	Private	Jul 2018
<b>McCallum Tower</b> 2151 & 2125 McCallum Road	Abbotsford	\$10,500,000	Private	Private	Jul 2018
<b>Total Deals/Investment</b>	<b>19</b>	<b>\$1,341,544,120</b>			

Office investment activity generated near-record dollar volume in 2018

## Retail

Sales of BC retail assets remained extraordinarily strong in 2018 with 79 transactions valued at \$2.9B – the second most on record after the blockbuster record year of 2017 that included 96 deals valued at \$3.63B. Retail investment sales captured 45% of overall BC dollar volume of \$6.5B in 2018 while representing 40% of the total number of sales. While the majority of 2017 retail dollar volume had occurred in the first half of the year, retail sales volumes in 2018 were more evenly distributed with 43 transactions valued at \$1.55B registered in the first half before declining to 36 transactions valued at \$1.35B in the second half of 2018.

One important note when considering the retail dollar volume for 2018 is the inclusion of the initial \$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, in the first half of 2018 as well as the inclusion of the subsequent resale of the portfolio for \$575M in the second half of the year. Avison Young has determined this portfolio transaction to be primarily retail-oriented for the sake of compiling the 2018 statistics.

Excluding the Gateway Casino portfolio sales, the three largest retail sales in 2018 included the first-half sale of a 50% interest in **Richmond Centre** for \$392M, and the \$225M acquisition of **City Square** in Vancouver and the \$90.8M sale of **West Oaks Mall** in Abbotsford, both in the second half of 2018. Shopping centres and retail properties in tertiary BC markets were in high demand in 2018 with significant deals transacting in Sooke, Duncan, Salt Spring Island, Vernon, Kelowna and Kamloops along with multiple sales in Langley and Abbotsford.

A number of notable retail locations in Vancouver also changed hands in the second half of 2018, including 2180 West 4th Avenue (\$30.5M), 1660 East Broadway (\$7.5M), 1626 West Broadway (\$13.6M) and 450 Southeast Marine Drive (\$27.6M).

A significant number of retail sales, particularly in Vancouver, are increasingly valued on the potential value of the land and its redevelopment potential. While this valuation

method was previously used for large regional shopping centres that often included substantial land holdings, the approach is now commonplace when evaluating virtually all retail properties in Metro Vancouver.

*Almost \$501M (in sales from retail assets valued at less than \$5M) was raised in 380 transactions in the Lower Mainland in 2018, pushing total dollar volume to more than \$3.4B.*

Retail sales in BC achieved near-record deal & dollar volume in 2018

RETAIL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
<b>Gateway Casinos portfolio</b> 4320, 4331 Dominion Street, 350 Gifford Street, 20393 Fraser Highway	Burnaby New Westminster Langley	\$575,000,000	Private	Private	Dec 2018
<b>West Oaks Mall</b> 32650 South Fraser Way	Abbotsford	\$90,880,000	Institutional	Private	Dec 2018
<b>Cadence #155</b> - 5555 Gilbert Road	Richmond	\$7,450,000	Private	Private	Dec 2018
450 Southeast Marine Drive	Vancouver	\$27,600,000	Private	Private	Dec 2018
<b>City Square</b> 555 West 12th Avenue	Vancouver	\$225,000,000	Private	Private	Dec 2018
2180 West 4th Avenue	Vancouver	\$30,500,000	Private	Private	Dec 2018
780 Fort Street & 1106 - 1114 Blanshard Street	Victoria	\$10,650,000	Private	Private	Nov 2018
<b>Ventura Station</b> 32904 Ventura Avenue	Abbotsford	\$5,700,000	Private	Private	Nov 2018
13734 104th Avenue	Surrey	\$7,000,000	Private	Private	Nov 2018
<b>Richview Plaza</b> #170 & #220-3631 No. 3 Road	Richmond	\$9,300,000	Private	Private	Nov 2018
20785 Fraser Highway	Langley	\$8,868,000	Private	Private	Nov 2018
<b>Evergreen Shopping Centre</b> 6660 Sooke Road	Sooke	\$19,250,000	REIT	REIT	Nov 2018
<b>Centuria Urban Village</b> 1131 Lawson Avenue	Kelowna	\$10,400,000	REIT	REIT	Nov 2018
34530 McConnell Road	Abbotsford	\$17,100,000	Institutional	Private	Oct 2018
14727 108th Avenue & 14672 108A Avenue	Surrey	\$11,250,000	Private	Private	Oct 2018
8711 Alexandra Road	Richmond	\$7,500,000	Private	Private	Oct 2018
905 Notre Dame Drive	Kamloops	\$5,200,000	Private	Private	Oct 2018
344 Sixth Street	New Westminster	\$7,200,000	Private	Private	Oct 2018
150 Fulford-Ganges Road	Salt Spring Island	\$5,112,000	Private	Private	Oct 2018
20359 Highway 10	Langley	\$8,500,000	Private	Private	Oct 2018
<b>President Plaza</b> #1000 - 8181 Cambie Road	Richmond	\$9,320,000	Private	Private	Sep 2018
2899 No. 3 Road	Richmond	\$10,080,000	Private	Private	Sep 2018
1626 West Broadway	Vancouver	\$13,600,000	Private	Private	Sep 2018
<b>Madison &amp; Dawson</b> 4301-4325 Dawson Street	Burnaby	\$5,297,796	Private	Private	Sep 2018
<b>Montage at Burnaby Heights</b> 488 Gamma Ave. & 4828- 4860 Hastings St.	Burnaby	\$6,000,000	Public Co.	Private	Aug 2018
<b>Logan Creek Plaza</b> 20020 & 20055 Willowbrook Drive	Langley	\$36,365,000	Private	Private	Aug 2018
<b>Rio Theatre</b> 1660 East Broadway	Vancouver	\$7,500,000	Private	Private	Aug 2018
<b>Sterling</b> 6455 West Boulevard (strata retail)	Vancouver	\$17,934,105	Private	Public Co.	Aug 2018
33780 King Road	Abbotsford	\$9,850,000	Private	Government	Aug 2018
10136 King George Boulevard	Surrey	\$14,500,000	Private	Private	Aug 2018
2849 North Road	Burnaby	\$5,500,000	Private	Private	Jul 2018
504 Sixth Street	New Westminster	\$7,108,800	Private	Private	Jul 2018
220 & 250 16th Street	West Vancouver	\$5,600,000	Private	Private	Jul 2018
131-137 East Columbia Street	New Westminster	\$5,180,000	Private	Private	Jul 2018
<b>Valley Centre Shopping Centre</b> 20151-20199 Fraser Hwy. & 20219-20229 Industrial Ave.	Langley	\$40,000,000	Institutional	Private	Jul 2018
<b>Sumas Mountain Village</b> 2254 - 2388 Whatcom Road	Abbotsford	\$65,800,000	Private	Institutional	Jul 2018
<b>Total Deals/Investment</b>	<b>36</b>	<b>\$1,349,095,701</b>			

## Industrial

Very strong demand for BC industrial assets pushed deal and dollar volume to near-record levels in 2018 with 81 deals valued at almost \$1.2B, capturing 18% of total 2018 investment proceeds of \$6.5B, but claiming 40% of the total number of deals. This is the second year in a row that annual industrial investment in BC has surpassed the \$1B mark following a record-setting 2017 that registered 88 transactions valued at more than \$1.2B. To provide some sense of the scope of the surge in BC industrial investment activity since 2014: a new deal and dollar volume record was set each year from 2015 to 2017. Investment activity rose to 51 deals valued at \$642M in 2015 before spiking to 61 deals valued at \$819M in 2016 before surpassing \$1.2B and peaking in 2017.

The majority of industrial deals in 2018 concluded in the second half of the year: 45 sales valued at \$733.8M compared with 36 sales worth \$448.9M in the first half.

The three largest industrial sales in BC in 2018 included the acquisition of **Hopcott Centre** in Delta for \$151.2M followed by the \$57.38M sale of 1771 Savage Road in Richmond followed by the sale of **Main Industrial Park** in Vancouver for \$43.17M. Three other industrial sales followed closely behind: 7939 Huston Road in **Beedie's Delta Link Business Park** in Delta (\$42.5M), 7303 Meadow Avenue in Burnaby (\$41.9M) and 3000 Beta Avenue in Burnaby (\$41.67M).

While very few strata industrial sales have exceeded \$5M historically, the rising prevalence of mid- to large-bay strata units in Metro Vancouver, combined with substantial price-per-square-foot increases due to elevated construction costs as well as high industrial land costs, has resulted in more strata industrial sales being included in transactional totals. As free-standing industrial buildings in Metro Vancouver, particularly in Vancouver, Burnaby and Richmond, continue to trade less frequently and industrial land prices remain elevated, the trend towards larger and pricier strata units is expected to accelerate moving forward.

*Almost \$616M (in sales from industrial assets valued at less than \$5M) was raised in 426 transactions in the Lower Mainland in 2018, pushing total dollar volume to \$1.8B.*

INDUSTRIAL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
2600 Viking Way	Richmond	\$6,088,000	Private	Private	Dec 2018
<b>Hopcott Centre</b> 7510, 7530 & 7550 Hopcott Road	Delta	\$151,200,000	Public Co.	Public Co.	Dec 2018
3555 East 5th Avenue	Vancouver	\$18,775,000	Private	Institutional	Dec 2018
12680 Bridgeport Road	Richmond	\$5,325,000	Private	Private	Dec 2018
80 & 84 Golden Drive	Coquitlam	\$18,250,000	Private	Institutional	Dec 2018
4055 McConnell Drive	Burnaby	\$6,000,000	Private	Private	Dec 2018
6720-6740 Graybar Road	Richmond	\$5,150,000	Private	Private	Dec 2018
7303 Meadow Avenue	Burnaby	\$41,900,000	Private	Private	Dec 2018
11920 Hoeshoe Way	Richmond	\$5,876,000	Public Co.	Institutional	Dec 2018
12500 Vickers Way	Richmond	\$7,100,000	Private	Private	Dec 2018
9807 196A Street	Langley	\$8,000,000	Private	Private	Nov 2018
150 Glacier Street	Coquitlam	\$21,993,000	Private	Private	Nov 2018
1594 Kebet Way	Port Coquitlam	\$9,000,000	Private	Private	Nov 2018
5590 Goring Street	Burnaby	\$5,800,000	Private	Private	Nov 2018
3256 McCallum Road	Abbotsford	\$5,000,000	Public Co.	Private	Nov 2018
12400 Bridgeport Road	Richmond	\$5,800,000	Private	Private	Nov 2018
<b>Main Industrial Park</b> 117 East Kent Avenue North	Vancouver	\$43,170,000	Public Co.	Private	Nov 2018
<b>Delta Link Business Centre II</b> #113, 114, 115 & 116 - 7727 Beedie Way	Delta	\$13,256,987	Private	Private	Nov 2018
<b>Delta Link</b> 7939 Huston Road	Delta	\$42,500,000	Private	Private	Nov 2018
3190 Sexsmith Road	Kelowna	\$6,300,000	Private	Private	Nov 2018
1691 West 75th Avenue	Vancouver	\$23,000,000	Private	Private	Nov 2018
9160 Van Horne Way	Richmond	\$22,000,000	Private	Private	Oct 2018
<b>Pattullo Plaza</b> 12388 Pattullo Place	Surrey	\$5,700,000	Private	Private	Oct 2018
8651 Eastlake Drive	Burnaby	\$30,125,000	Institutional	REIT	Oct 2018
18998 36th Avenue	Surrey	\$7,500,000	Private	Private	Oct 2018
880 Cliveden Avenue	Delta	\$10,250,000	Private	Private	Oct 2018
7795 128th Street	Surrey	\$8,100,000	Private	Private	Sep 2018
1350 Valmont Way	Richmond	\$7,000,000	Private	Private	Sep 2018
<b>North Fraser Corporate Centre</b> #1 - 7978 North Fraser Way	Burnaby	\$14,650,000	Private	Private	Sep 2018
747 Cliveden Place	Delta	\$9,000,000	Private	Private	Sep 2018
15100 River Road	Richmond	\$17,200,000	Private	Private	Sep 2018
8149 River Way	Delta	\$5,500,000	Private	Private	Sep 2018
14291 Burrows Road	Richmond	\$8,050,000	Private	Private	Aug 2018
2961 Norland Avenue	Burnaby	\$6,175,000	Private	Private	Aug 2018
<b>Delta Link Business Centre I</b> #101, 102 & 103 - 7717 Beedie Way	Delta	\$6,055,128	Private	Private	Aug 2018
19209, 19239 & 19299 96th Avenue	Surrey	\$11,000,000	Private	Private	Aug 2018
12951-12971 Bathgate Way	Richmond	\$10,200,000	Private	Private	Aug 2018
<b>Delta Link Business Centre I</b> #107, 108 & 109 - 7717 Beedie Way	Delta	\$7,550,000	Private	Private	Aug 2018
4220, 4260 & 4300 Vanguard Road	Richmond	\$15,980,000	Private	Private	Aug 2018
4912 Still Creek Avenue	Burnaby	\$13,000,000	Private	Private	Jul 2018
19577 94th Avenue	Surrey	\$9,580,000	Private	Public Co.	Jul 2018
8351 & 8365 Ontario Street	Vancouver	\$29,250,000	Private	Private	Jul 2018
11511 No. 5 Road	Richmond	\$16,510,000	Private	Institutional	Jul 2018
9790 198B Street	Langley	\$8,200,000	Private	Private	Jul 2018
12510 82nd Avenue	Surrey	\$5,750,000	Private	Private	Jul 2018
<b>Total Deals/Investment</b>	<b>45</b>	<b>\$733,809,115</b>			

## Multi-Family

Multi-family investment activity surpassed the billion-dollar mark for the second consecutive year in 2018 with 84 transactions valued at \$1.47B, setting a new dollar volume record. While the number of transactions in 2017, 89, still holds the record in terms of number of deals, the dollar volume record of \$1.41B (which had actually been set in 2015) was finally surpassed in 2018. (Avison Young only tracks multi-family investments trading at more than \$5M.)

Investment activity remained stable throughout 2018, but dollar volume increased in the second half of the year with 42 deals valued at \$798M compared with 42 transactions worth \$673M in the first half. The five largest multi-family sales in the province in 2018 included the \$130M sale of **Wesley Place** in Vancouver's West End; the \$97.5M sale of **Woodland Park** in Port Moody; and the portfolio sale of **Paul Plaza** (\$81.85M), **Peter Manor** (\$74.5M) and **Matthew Court** (\$65.1M), all of which were also located in the West End. These five deals alone make up 30% of the total multi-family dollar volume investment in BC in 2018.

While pricing remained strong in 2018, low-yield deals were largely absent in the market in the second half as some investors started reconsidering their asset repositioning strategies. Demand for multi-family properties remained strong throughout the province as investors sought higher yields, resulting in substantial deals in secondary markets such as Chilliwack, Esquimalt, Sidney, Langley, Nanaimo and Kelowna. While Vancouver remained the most active market in 2018 with 35 sales, New Westminster was second with 16 deals, followed by the North Shore (6). Burnaby, which had been very active in recent years, slipped to just four deals in 2018 – the same as Kelowna, which was home to the largest deal (\$50M) outside of Metro Vancouver in 2018. Victoria, which had been quiet in the first half of 2018, recorded three sales in the back half of the year.

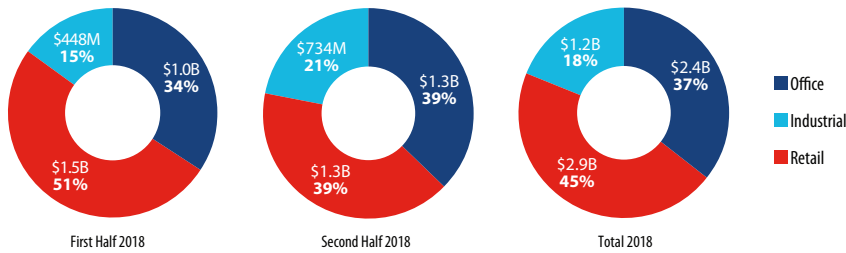
*Almost \$105M (in sales of multi-family assets valued at less than \$5M) was raised in 45 transactions in 2018, pushing total dollar volume to \$1.57B.*

MULTI-FAMILY TRANSACTIONS (OVER \$5 MILLION)						
PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
<b>Woodland Park</b> 1030 Cecile Drive (townhomes)	Port Moody	\$97,500,000	Private	\$487,500	Private	Dec 2018
<b>Sunrise Heights Place</b> 2215 East Hastings Street**	Vancouver	\$19,650,000	Private	\$517,105	Public Co.	Dec 2018
<b>East Village Place</b> 2778 East Hastings Street**	Vancouver	\$16,500,000	Private	\$458,333	Public Co.	Dec 2018
2466 West Broadway	Vancouver	\$5,050,000	Private	\$505,000	Private	Dec 2018
<b>Logan Place &amp; Logan Manor</b> 9245 & 9259 Edward Street	Chilliwack	\$10,500,000	Private	\$152,174	Private	Dec 2018
<b>Somerset Manor</b> 5600 Dalhousie Road	Vancouver	\$20,060,000	Private	\$573,143	Institutional	Dec 2018
<b>Colonial House</b> 5450 University Boulevard	Vancouver	\$14,190,000	Private	\$567,600	Institutional	Dec 2018
<b>Oakview Court</b> 8580 Oak Street	Vancouver	\$8,800,000	Private	\$517,647	Private	Dec 2018
<b>The Somerset Apartments</b> 525 Tenth Street	New Westminster	\$5,950,000	Private	\$238,000	Private	Dec 2018
<b>Esquimalt portfolio</b> 843 & 866 Craigflower Street, 925 Esquimalt Road and 1340 Sussex Street	Esquimalt	\$38,285,000	Private	\$186,756	Private	Dec 2018
<b>Wesley Place</b> 1022 Nelson Street*	Vancouver	\$130,000,000	Non-profit	\$653,266	Private	Nov 2018
<b>Mount Tormie Ridge Apartments</b> (50% interest) 1900 Mayfair Drive	Victoria	\$10,250,000	Private	\$191,589	Private	Nov 2018
<b>Glenmore Valley Landing</b> 724 Valley Road	Kelowna	\$50,000,000	Private	\$301,205	Private	Oct 2018
<b>Seascape Apartments</b> 1170 Harwood Street*	Vancouver	\$36,000,000	Private	\$580,645	Private	Oct 2018
520 8th Street	New Westminster	\$12,650,000	Private	\$225,893	Private	Oct 2018
<b>White Birch Apartments</b> 1485 Fir Street	White Rock	\$7,127,000	Private	\$285,080	Private	Oct 2018
<b>The Arvan Ann</b> 621 Twelfth Street	New Westminster	\$6,200,000	Private	\$344,444	Private	Oct 2018
<b>Lord Harley &amp; Lady Harley Apartments</b> 3220 & 3234 Quadra Street	Victoria	\$34,500,000	Private	\$244,681	Institutional	Oct 2018
<b>Royal Beach Apartments</b> 628 Dallas Road	Victoria	\$8,250,000	Private	\$266,129	Institutional	Oct 2018
<b>The Flamingo</b> 2050 West 2nd Avenue	Vancouver	\$10,500,000	Private	\$500,000	Private	Oct 2018
<b>Sylvia Apartments</b> 1315 Seventh Avenue	New Westminster	\$9,250,000	Private	\$402,174	Private	Oct 2018
<b>Mandalay Terrace</b> 325 Ward Street	New Westminster	\$14,800,000	Private	\$259,649	Private	Oct 2018
<b>Tudor Manor</b> 121 West 21st Street	North Vancouver	\$10,350,000	Private	\$356,897	Private	Sep 2018
<b>Lombardy Park Apartments</b> 1310-1314 Lawson Avenue	Kelowna	\$10,500,000	Private	\$164,063	Private	Sep 2018
467 Lampson Street	Esquimalt	\$7,225,000	Private	\$185,256	Private	Sep 2018
<b>Sea Vista &amp; Mount Vista Apartments</b> 215 - 225 East 12th Street	North Vancouver	\$11,200,000	Private	\$430,769	Private	Sep 2018
<b>Manoa Yew</b> 1875 Yew Street	Vancouver	\$10,500,000	Private	\$420,000	Private	Sep 2018
<b>Doulton Arms Apartments</b> 7265 Arcola Street	Burnaby	\$16,250,000	Private	\$338,542	Private	Sep 2018
2433 Malaview Avenue & 10129 Fifth Street	Sidney	\$17,400,000	Private	\$290,000	Institutional	Sep 2018
95 East 14th Avenue	Vancouver	\$9,000,000	Private	\$346,154	Private	Sep 2018
<b>Rose Garden Apartments</b> 170 West 5th Street	North Vancouver	\$7,850,000	Private	\$436,111	Private	Sep 2018
2225 West 1st Avenue	Vancouver	\$6,500,000	Private	\$541,667	Private	Aug 2018
<b>Kingsway Manor</b> 254 East 12th Avenue	Vancouver	\$12,200,000	Private	\$348,571	Private	Aug 2018
<b>Maryon Manor</b> 1035 Howie Avenue	Coquitlam	\$10,100,000	Private	\$240,476	Private	Aug 2018
<b>Villa Contessa</b> 1433 Burnaby Street	Vancouver	\$15,050,000	Private	\$501,667	Institutional	Aug 2018
<b>Libby Manor</b> 508 Eighth Street	New Westminster	\$9,750,000	Private	\$232,143	Private	Aug 2018
<b>The Meridian Apartments</b> 5363 201st Street	Langley	\$34,310,000	Private	\$381,222	REIT	Aug 2018
<b>Shelby Apartments</b> 243 East 13th Avenue	Vancouver	\$6,180,000	Private	\$561,818	Private	Jul 2018
<b>Santa Monica Apartments</b> ** 109 - 115 East 1st Street	North Vancouver	\$7,300,000	Private	\$365,000	Private	Jul 2018
<b>Impala Manor</b> 732 Fifth Avenue	New Westminster	\$5,750,000	Private	\$230,000	Private	Jul 2018
<b>Okanagan Place Apartments</b> 1950, 1955, & 1960 Pacific Court	Kelowna	\$16,600,000	Private	\$153,704	REIT	Jul 2018
1222 Fifth Avenue	New Westminster	\$6,950,000	Private	\$330,952	Private	Jul 2018
<b>Total Deals/Investment</b>	<b>42</b>	<b>\$796,977,000</b>				

\*Concrete highrise tower \*\*Mixed-use building

Sources: Avison Young, Commercial Edge & RealNet

## SALES BY PROPERTY TYPE & DOLLAR VOLUME



continued from front page

future returns. While underlying land value remains an important component of any valuation, it is no longer as much of a determining factor for many investors. Periods of due diligence have returned to more historical standards as sellers realize that if they want to achieve a certain price, they have to be prepared to give a potential purchaser ample time to prove that the price can pencil out in an environment where risk has increased and pricing escalation has paused so purchasers can catch their breath after years of steady increases. As buyers become more selective in 2019, particularly in Metro Vancouver, transaction volume will likely moderate. The most active buyers in the market will have their own capital, which will also be accomplished by the formation of new joint ventures and/or partnerships with like-minded investors, including those who may have competed with each other for assets in the recent past.

Industrial sales led 2018 in terms of the number of deals completed with 81 transactions valued at almost \$1.2B. While this marked a decline from 2017 (88 sales/\$1.2B), it did highlight the insatiable demand for industrial properties that is currently limited only by a lack of supply. There is significant industrial investment demand from institutions and owner-occupiers, coupled with substantial preleasing/leasing demand from tenants coping with record low vacancy, which is driving increases in lease rates as well as strata industrial pricing. Rising construction costs and a highly constrained supply of industrial land has added further upward pressure on industrial asset pricing. Owner-occupiers remain very active in the industrial market, but are coping with not only rising costs related to their industrial real estate needs, but, in many cases, declines in the value of their residential real estate holdings. Moving forward, this conundrum may temper many owner-occupiers' ability or willingness to relocate or expand their business. This shift has led pricing on some assets – those typically less than \$20M that do not attract institutional investors – to fall below vendor expectations in some instances, which may constrain industrial deal volume in 2019.

More than \$2.9B was spent acquiring retail properties in 79 transactions in 2018, marking a decline from 2017 when 96 deals valued at \$3.63B were completed. Continued strength in the retail asset class is being driven primarily by the redevelopment potential that frequently accompanies such assets due to excess land (typically parking lots) and/or a clearer path to rezoning to higher and better uses that frequently combined retail elements with residential and/or office uses. The sales of significant shopping centres in 2018 in secondary retail markets such as Kelowna, Kamloops, Duncan, Langley and Abbotsford have been fuelled in part by the desire for purchasers to have income in place during a longer holding period that can help justify the price paid for the asset. Retail assets that involve a redevelopment angle and a mid- to long-term hold are how developers are frequently accessing properties in Metro Vancouver's land-constrained market. The distinction between a land sale and a retail acquisition is increasingly blurry.

The number of office sales slipped to 42 in 2018 from the record of 46 set in 2017, but exceeded the 39 sales recorded in both 2016 and 2015. Dollar volume of \$2.38B in 2018 was the third highest on record after 2017 (\$2.73B) and 2016 (\$2.42B). The sale of Telus Garden dominated total office dollar volume in 2018, comprising 25% of total investment. Just four other office sales surpassed the \$100M mark: **Government House** (\$227M) in Downtown Vancouver, and **Willingdon Park** (\$179.4M), **Canada Way Business Park** (\$106.5M) and **Production Court** (\$100.5M), all located in Burnaby. Investors increasingly looked at suburban opportunities to acquire office (and retail) assets in 2018 in an effort to achieve higher yields.

A renewed scrutiny of income will be a key driver of how many deals get done in 2019 as purchasers form new partnerships and increasingly turn to using debt and equity to finance acquisitions that may not have as much of a compelling route to redevelopment as previously desired. With deal velocity likely to slow in 2019, pricing is expected to stabilize temporarily as vendor expectations that the market will continue upwards indefinitely fade and are exchanged for a more nuanced understanding of value based on a return to more traditional fundamentals to make up for the increase in risk in 2019. ■

For more information, please contact:

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

**Andrew Petrozzi**  
Principal & Vice-President, Research (BC)  
604.646.8392  
andrew.petrozzi@avisonyoung.com

## Investment Team

<b>Bal Atwal*</b> bal.atwal@avisonyoung.com	<b>Jake Luft*</b> jake.luft@avisonyoung.com
<b>Michael Buchan*</b> michael.buchan@avisonyoung.com	<b>Jason Mah*</b> jason.mah@avisonyoung.com
<b>Carey Buntain</b> carey.buntain@avisonyoung.com	<b>Douglas McMurray</b> doug.mcmurray@avisonyoung.com
<b>Michael Emmott</b> michael.emmott@avisonyoung.com	<b>Denny Park</b> denny.park@avisonyoung.com
<b>Nestor Fourik</b> nestor.fourik@avisonyoung.com	<b>Max Ripper</b> max.ripper@avisonyoung.com
<b>Michael Gill</b> michael.gill@avisonyoung.com	<b>Struan Saddler*</b> struan.saddler@avisonyoung.com
<b>Robert Greer*</b> robert.greer@avisonyoung.com	<b>Mehdi Shokri</b> mehdi.shokri@avisonyoung.com
<b>Robert Gritten</b> robert.gritten@avisonyoung.com	<b>Benjamin Temple</b> benjamin.temple@avisonyoung.com
<b>Brendan Hannah</b> brendan.hannah@avisonyoung.com	<b>Terry Thies*</b> terry.thies@avisonyoung.com
<b>Ryan Kerr*</b> ryan.kerr@avisonyoung.com	<b>Matt Thomas*</b> matt.thomas@avisonyoung.com
<b>Mitchell Knoepfel</b> mitchell.knoepfel@avisonyoung.com	<b>Ian Whitchelo*</b> ian.whitchelo@avisonyoung.com
<b>Robert Levine</b> bob.levine@avisonyoung.com	<b>Chris Wieser</b> chris.wieser@avisonyoung.com

\* Personal Real Estate Corporation

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

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