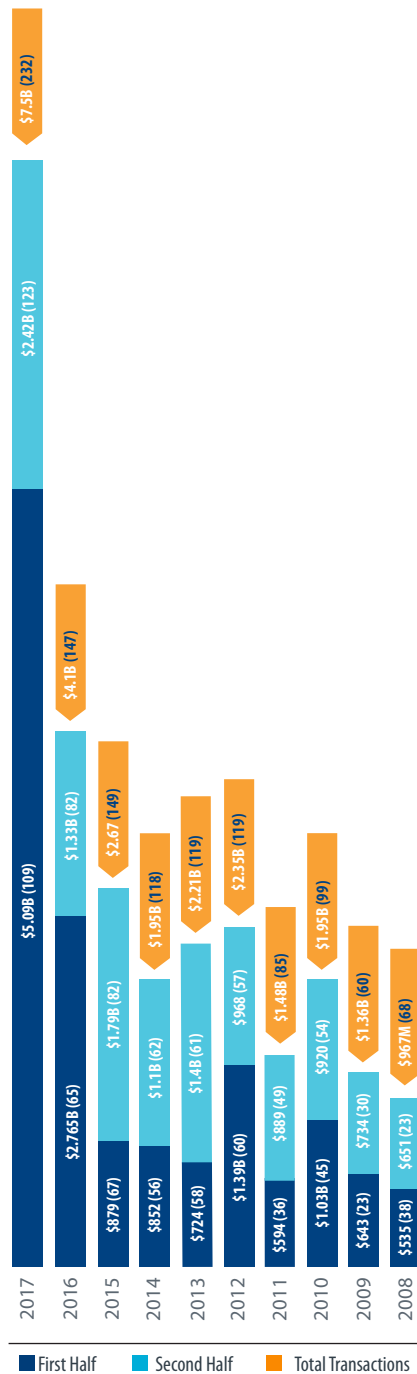


British Columbia

**YEAR-END 2017: BC INVESTMENT SALES
BY DOLLAR VOLUME & NUMBER OF SALES
DEALS GREATER THAN \$5M**



Divergence of market opinion produces blockbuster year for BC commercial real estate

BC commercial real estate investment activity and dollar volume achieved new heights in 2017 with the disposition of 230 office, industrial and retail properties valued at \$7.5B during the record-setting year. The previous record was set in 2016 when 147 deals worth \$4.1B transacted, which itself represented a substantial increase in dollar volume from 2015, which had also been a record-setting year with 149 transactions valued at \$2.67B. Values and deal velocity have risen exponentially in BC since 2015. The dollar volume recorded during the first six months of 2017, in which 109 transactions valued at \$5.09B closed, exceeded the record annual dollar volume of \$4.1B set in 2016 and was almost double the dollar volume registered in 2015, which had also been a record at the time. **(Avison Young** tracks investment deals valued at more than \$5M.)

The reasons behind this massive increase in commercial real estate investment in BC since 2015, and particularly in 2017, are complex and numerous. While these factors include large pools of private and institutional capital (both local and foreign), an ongoing shortage of land for development and an extended low-interest-rate environment, it is the mindset of market participants that ultimately dictates performance. In 2017, more property owners (i.e. potential vendors) than historically seen in this market came to the conclusion that a significant enough peak in terms of pricing had been achieved, which triggered the disposition of more assets and translated into an increase in deal velocity. From a purchaser's perspective, the BC market's track record of considerable price appreciation and stability – despite global turmoil, the BC market has not registered a noteworthy downturn in pricing in more

than a decade – boosted demand from well-capitalized buyers with the mindset that such assets will continue to rise in value. The result of this divergence in opinion among vendors and purchasers produced the record level of deal activity and investment registered in BC in 2017.

Interest-rate increases, rising bond yields and changes in government at the federal and provincial levels along with new taxes did not appear to have much impact on commercial real estate investment in BC in 2017. After a resurgence of the Canadian dollar in early 2017, the dollar has slid back down in the face of U.S. trade uncertainties, which makes real estate assets more attractive to foreign buyers from a currency perspective. Efforts to curtail the outflow of Chinese capital appear to have had limited impact on purchasers buying in BC in 2017. Resultantly, demand is expected to remain strong especially since BC is forecasted to remain one of the top economies in Canada and private investors (primarily local) are flush with real estate gains captured during the past five years as values have skyrocketed and assets have been purchased and resold for a profit time and again.

Economic fundamentals remain healthy with the provincial unemployment rate the lowest in Canada to start 2018 and provincial GDP growth among the highest. Market fundamentals remain very attractive to investors. Office vacancies in Metro Vancouver are on the decline, particularly in the rapidly tightening core, and the regional industrial vacancy has been hovering near record lows – sub 2% – for more than a year. Appetite for office assets remains as strong as ever as the fundamentals on office have

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, 2017

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
8220, 8240 & 8280 Alexandra Road	Richmond	\$20,800,000	2.14	Commercial	Dec 2017
2807 West Broadway	Vancouver	\$10,000,000	0.13	Commercial	Dec 2017
396 S.W. Marine Drive	Vancouver	\$44,000,000	3.11	Commercial	Dec 2017
2200 Yukon Street	Vancouver	\$20,400,000	0.41	Commercial	Dec 2017
485 Great Northern Way	Vancouver	\$17,125,000	1.2	Commercial	Nov 2017
2425 Manitoba Street	Vancouver	\$5,310,000	0.11	Commercial industrial*	Nov 2017
220 & 238 East 1st Avenue	Vancouver	\$46,100,000	0.71	Commercial industrial**	Oct 2017
901 West Broadway	Vancouver	\$22,500,000	0.26	Commercial	Oct 2017
505 Alexander Street	Vancouver	\$10,605,000	0.24	Commercial industrial*	Oct 2017
19970 & 19976 80th Avenue	Langley	\$10,600,000	4.74	Commercial	Oct 2017
353 Railway Street	Vancouver	\$7,300,000	0.15	Commercial industrial*	Sept 2017
285 West 5th Avenue	Vancouver	\$7,500,000	0.54	Commercial industrial*	Sept 2017
Eminata Centre 11125 124th Street	Surrey	\$44,500,000	12.96	Commercial	Sept 2017
Lot A, 16500-block 16th Avenue	Surrey	\$22,335,500	11.5	Commercial	Aug 2017
400 West Georgia Street, 725 Homer Street, 731 Homer Street	Vancouver	\$61,500,000	0.48	Commercial	Aug 2017
8860 & 8880 Cambie Road	Richmond	\$8,700,000	0.98	Commercial	Jul 2017

INDUSTRIAL ICI LAND SALES

(Greater than \$5 million and excluding parks and agricultural/agricultural business lands) July 1 to December 31, 2017

PROPERTY	LOCATION	PRICE	SITE AREA (ACRES)	LAND USE	DATE
19708 86th Avenue	Langley	\$6,700,000	9.625	Industrial	Dec 2017
3707-3795 Mount Lehman Road	Abbotsford	\$15,200,000	21.18	Industrial	Dec 2017
1140 - 1150 Raymur Avenue	Vancouver	\$33,000,000	1.51	Industrial	Dec 2017
3407 Mount Lehman Road	Abbotsford	\$5,600,000	10	Industrial	Dec 2017
19044 32nd Avenue	Surrey	\$5,650,000	4.5	Industrial	Dec 2017
1716 Clark Drive	Vancouver	\$6,900,000	0.37	Industrial	Nov 2017
2200 Iron Mills Court	Abbotsford	\$5,765,000	12.52	Industrial	Nov 2017
2460 - 2480 Shell Road	Richmond	\$8,250,000	2	Industrial	Oct 2017
1750 Clark Drive	Vancouver	\$6,650,000	0.26	Industrial	Oct 2017
Lots 1, 2 & 3, 5100 Block, 272nd Street	Langley	\$8,280,000	9.59	Industrial	Oct 2017
19283 28th Avenue	Surrey	\$6,089,000	4.33	Industrial	Aug 2017
31708 Marshall Road	Abbotsford	\$7,500,000	9.8	Industrial	Aug 2017
19067 & 19087 39th Avenue	Surrey	\$5,563,079	4.91	Industrial	Aug 2017
30722 Marshall Road	Abbotsford	\$5,650,000	4.67	Industrial	Aug 2017
10535 Scott Road	Surrey	\$8,100,000	4.59	Industrial	Aug 2017
19155 38th Avenue	Surrey	\$6,659,861	7.01	Industrial	Aug 2017
19035 38th Avenue	Surrey	\$6,090,000	5.8	Industrial	Aug 2017
3825, 3853 & 3889 191st Street	Surrey	\$5,091,112	4.63	Industrial	Aug 2017
23402 & 23450 Fisherman Road; 23552 River Road	Maple Ridge	\$7,000,000	10.29	Industrial	Jul 2017
28686 Fraser Highway	Abbotsford	\$5,510,736	4.52	Industrial	Jul 2017
830 Clark Drive; 1308 Adanac Street	Vancouver	\$7,600,000	0.42	Industrial	Jul 2017

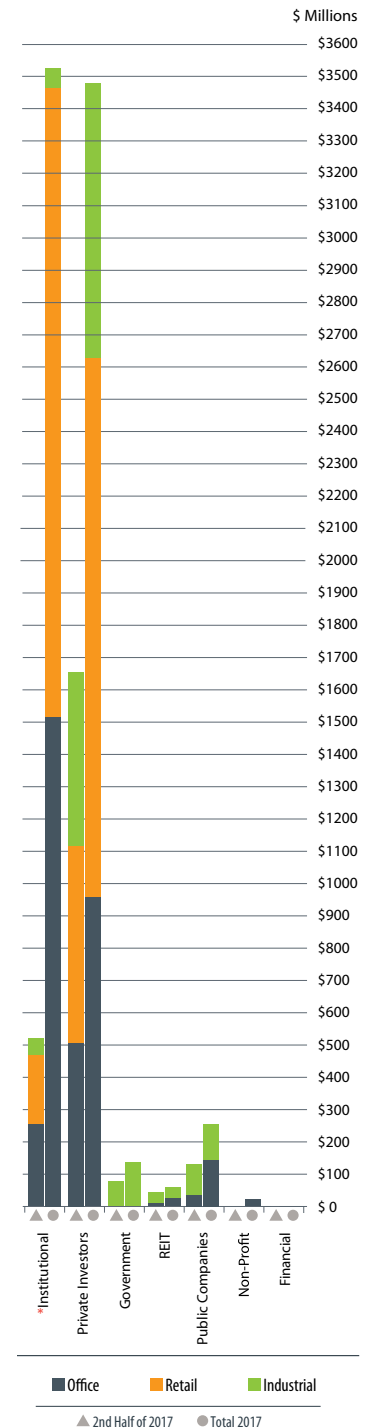
TOP FIVE RESIDENTIAL LAND SALES (METRO VANCOUVER)

(By Price) July 1 to December 31, 2017

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
1608 - 1616 West Georgia Street	Vancouver	\$245,184,795	0.95	41,556	Dec 2017
4186 West 4th Avenue	Vancouver	\$240,000,000	17.59	766,525	Nov 2017
5115-5451 No. 3 Road & 7960-7988 Alderbridge Way	Richmond	\$113,000,000	4.91	213,792	Sept 2017
1555 Robson Street	Vancouver	\$79,500,000	0.39	17,250	Oct 2017
6444 Willingdon Avenue & 4241 Maywood Street	Burnaby	\$56,550,000	1.5	65,384	Nov 2017

*modified industrial zoning permits higher density and additional office/showroom/flex use **includes residential component along with job space and light industrial uses

SECOND HALF & TOTAL OF 2017: 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.

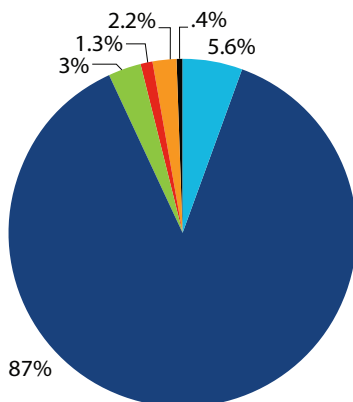
BUYER PROFILE

Private purchasers remained the most dominant buyer group in 2017. They accounted for 87% of all transactions but just 46% of total dollar volume, representing the lowest share of dollar volume captured by private investors since 2012 when they captured just 38% of total volume (and were involved in 72% of total deals). While private buyers have come to dominate 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.

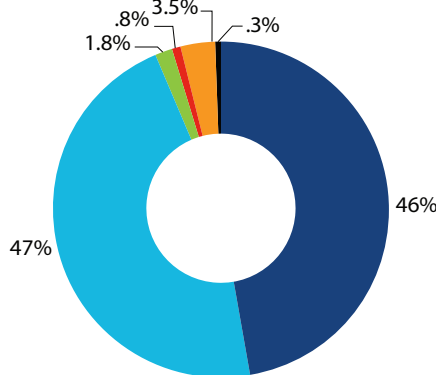
Private buyers rose in significance, particularly after 2014, due to the combination of an extended low-interest-rate environment and years of record pricing for Metro Vancouver commercial real estate assets. These factors resulted in many sophisticated private buyers (particularly local investors) familiar with the market becoming extremely well capitalized through the sale of previously acquired properties at a significant profit. The proceeds from those sales allowed for the reinvestment of those gains in larger commercial real estate assets.

Institutional purchases accounted for just 5.6% of all trades in 2017, but totalled 47% of dollar volume, which was the largest share registered since 2008 when institutional buyers invested 52% of total dollar volume and were represented in 21% of deals. Institutions were involved in several significant deals in 2017, including the acquisition of a 50% interest in **Cadillac Fairview's** Downtown Vancouver office

2017: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



2017: VALUE OF SALES BY TYPE OF BUYER



building portfolio and **Pacific Centre** shopping mall for \$1.9B, as well as the acquisition of **Oakridge Centre** in Vancouver for \$961.3M. Institutions were also active buyers in suburban markets in 2017. These deals included office properties such as **Solo District** in Burnaby and **Sussex Place** in Victoria as well as retail assets like **Mission SmartCentre, Market Crossing Shopping Centre** in Burnaby and **South Fraser Gate** in Abbotsford.

Other buyer types such as government, REITs and public companies were largely sidelined in 2017.

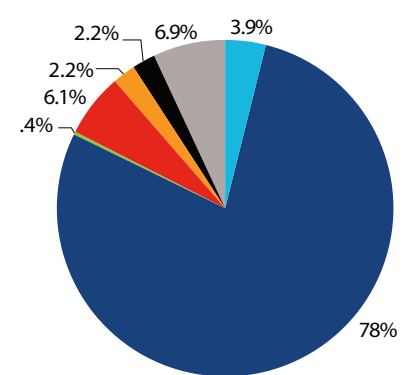
VENDOR PROFILE

Private vendors accounted for just 35% of total proceeds – a decline from 2016 (44%), down substantially from 2015 (67%) and 2014 (65%) and the lowest on record since at least 2006 – despite being involved in 78% of the deals completed in 2017.

Institutions banked a record dollar volume of \$3.5B, which accounted for 47% of the total dollar volume in 2017 despite institutions sellers being represented in just 3.9% of the number of transactions. A number of dispositions of large institutional-grade assets in 2017 continued to skew the percentage of sale proceeds in favour of institutional vendors as it did in 2016. This represents a significant break in the typical vendor profile, which has historically been dominated by private sellers.

After years of price gains in BC, particularly in Metro Vancouver and, more specifically,

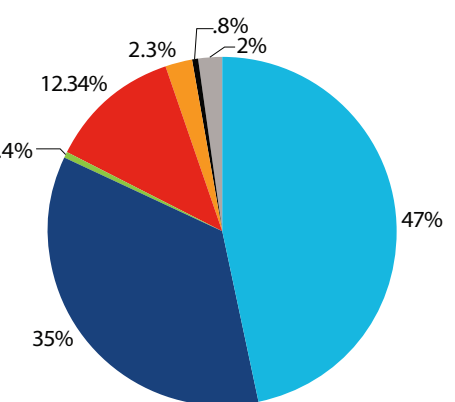
2017: NUMBER OF TRANSACTIONS BY TYPE OF VENDOR



in the downtown core, some institutional owners opted to sell off assets, or an interest in assets, in order to realize a significant return on capital that could be redeployed in markets where the gains could achieve superior returns in comparison with the highly compressed cap rates that have become commonplace in all BC asset classes.

REITs, which have been largely sidelined as purchasers in BC's high-cost/low-return commercial real estate environment, were able to capture 12.3% of dollar volume after being involved in 6.1% of the deals that closed in 2017. Financial institutions continued to capitalize on record land prices and sold off bank branch locations, primarily in the city of Vancouver, by acting as a seller in 6.9% of sales in 2017 for proceeds that totalled 2% of overall dollar volume.

2017: VALUE OF SALES BY TYPE OF VENDOR



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

Office

Office investment sales activity in BC achieved record levels in 2017 with 46 transactions valued at \$2.7B, representing 36% of overall record dollar volume of \$7.5B. This marked the second time in as many years that a new record for BC office investment sales was set. The previous record was 39 transactions valued at \$2.4B set in 2016. While the two largest office deals of 2017 closed in the first half – a 50% interest in **Cadillac Fairview's** Downtown Vancouver office portfolio (\$1.25B) and the \$274M sale of **Metrotower I & II** in Burnaby – a fair number of significant suburban office deals closed in the second half of the year. No office buildings in downtown Vancouver traded hands in the second half of 2017.

Suburban deals included the sale of the recently completed office component of the multi-phase **Solo District** mixed-use development in Burnaby for \$116.8M as well as the \$109M sale of **Station Tower** in Surrey. Other significant suburban office assets sold in the second half of 2017 included two office buildings at 4350 and 4370 Still Creek Drive in Burnaby's **Willingdon Park** for \$93M and the \$46M sale of **Pacific Business Centre** in Richmond along with the \$36M sale of the new **Gateway Place** office building in Surrey. The largest office transaction in Vancouver in the back half of the year was the sale of the **Wawanesa Building** at 1985 West Broadway for \$39M.

Outside Metro Vancouver, the largest office sale in Victoria's history transacted in the second half of 2017. The disposition of **Sussex Place** at 1001 Douglas Street and 720 Broughton Street in downtown Victoria, along with two office buildings at 2975 and 2995 Jutland

Road in the nearby Selkirk Waterfront sub-market, were valued at \$131.5M.

BC office sales in the second half marked one of the strongest second halves on record with 29 transactions valued at more than \$803M, easily surpassing the 24 second-half sales valued at \$519M in 2016, 22 office deals worth \$594M in 2015 and 13 transactions valued at \$374M in 2014.

Sales of office buildings on Vancouver Island were also prevalent in the second half with four deals in Victoria and one in Nanaimo. Two sales were also completed in the BC interior: Vernon and Kamloops. Demand and pricing for BC office assets remained at historic levels in 2017.



1985 West Broadway in Vancouver sold for \$39M

An additional \$197.8M (in sales from office assets valued at less than \$5M) was raised in 220 transactions in the Lower Mainland in 2017, pushing dollar volume to more than \$2.87B in total office investment.

OFFICE TRANSACTIONS

PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
2855 Arbutus Street	Vancouver	\$12,100,000	Non-Profit	Private	Dec 2017
1510 Commercial Drive; 1720 Grant Street	Vancouver	\$6,500,000	Private	Private	Dec 2017
Sunwest Place Unit 101 & 200, 14888 104th Avenue	Surrey	\$5,600,000	Private	Private	Dec 2017
Solo District 2025 Willingdon Avenue	Burnaby	\$116,852,373	Private	Institutional	Dec 2017
116 West 6th Avenue	Vancouver	\$11,250,000	Private	Private	Nov 2017
112 West 6th Avenue	Vancouver	\$5,900,000	Private	Private	Nov 2017
Sussex Place , 1001 Douglas Street, 720 Broughton Street, and 2975 & 2995 Jutland Road (3 properties)	Victoria	\$131,500,000	REIT	Institutional	Nov 2017
1476 West 8th Avenue	Vancouver	\$11,320,000	Non-Profit	Private	Nov 2017
810 Blanshard Street	Victoria	\$11,300,000	Private	REIT	Nov 2017
34375 Gladys Avenue	Abbotsford	\$5,100,000	Private	Private	Nov 2017
Station Tower 13401 108th Avenue	Surrey	\$109,000,000	REIT	Private	Oct 2017
828 West 8th Avenue	Vancouver	\$20,000,000	Private	Private	Oct 2017
1221 Lonsdale Avenue	North Vancouver	\$8,000,000	Private	Private	Oct 2017
488 Albert Street	Nanaimo	\$7,950,000	Private	Private	Oct 2017
Wawanesa Building , 1985 West Broadway	Vancouver	\$39,000,000	Private	Private	Sept 2017
191 Alexander Street	Vancouver	\$9,900,000	Private	Private	Sept 2017
Pacific Business Centre 5811 Cooney Road	Richmond	\$46,000,000	REIT	Private	Sept 2017
3683 East Hastings*	Vancouver	\$24,813,000	Private	Private	Sept 2017
210 Victoria Street	Kamloops	\$11,973,000	Private	Private	Aug 2017
265 25th Street	West Vancouver	\$5,200,000	Private	Private	Aug 2017
New Westminster Professional Building 625 West 5th Avenue	New Westminster	\$10,200,000	Private	Private	Aug 2017
4350 & 4370 Still Creek Drive	Burnaby	\$93,000,000	REIT	Private	Aug 2017
110-112 Cordova Street	Vancouver	\$10,000,000	Private	Private	Aug 2017
Gateway Place 13479 108th Avenue & 10835 City Parkway	Surrey	\$36,000,000	Private	Public Co.	Aug 2017
1988 Kootenay Street	Vancouver	\$12,000,000	Private	Private	Aug 2017
704-714 Alexander Street	Vancouver	\$8,450,761	Private	Private	Aug 2017
1100, 1120 Yates 1109 & 1115 Johnson Street	Victoria	\$16,150,000	Public Co.	Private	Jul 2017
1555-1595 McKenzie Avenue	Victoria	\$13,350,000	Public Co.	Private	Jul 2017
2501 14th Avenue	Vernon	\$5,166,160	Private	Private	Jul 2017
Total Deals/Investment	29	\$803,575,294			

Office investment activity generated record dollar volume in 2017

Retail

Sales of BC retail assets achieved blockbuster heights in 2017 with 96 transactions valued at \$3.63B – surpassing the previous record of 59 retail details worth \$1.22B set in 2015. Retail investment sales captured 48% of overall BC dollar volume of \$7.5B in 2017 while representing 42% of the total number of sales. While the majority of retail dollar volume in 2017 was recorded in the first half (55 retail transactions valued at \$2.77B), a historically significant second half included 41 deals valued at \$856M, far exceeding the 22 retail deals valued at \$244M registered in the back half of 2016.

Following the first-half sales of two Vancouver properties, **Oakridge Centre** (\$961.3M) and a 50% interest in **Pacific Centre** (\$650M) for a total of \$1.61B, substantial second-half retail sales in Metro Vancouver included **Central at Garden City** (\$220M) in Richmond and **Market Crossing Shopping Plaza** (\$173M) in Burnaby. These two deals represented 46% of total retail dollar volume in the second half of 2017. Smaller but still significant retail sales outside Metro Vancouver also transacted in the second half including **Mission SmartCentre*** (\$38.6M), **Dickinson Crossing Shopping Centre** (\$34M) in Nanaimo and **Plaza 33 Shopping Centre** (\$24M) in Kelowna. Second-half sales of retail assets were also recorded in Vancouver, Coquitlam, Port Coquitlam, Surrey, West Vancouver, Whistler, Abbotsford, Chilliwack and Victoria.

Demand for retail assets in BC remained very strong in 2017, particularly properties that have a significant land component and/or future redevelopment potential. The rapidly rising value of land, particularly in Metro Vancouver, is often underwriting the value ascribed to many retail assets and has resulted in the pricing of such assets to be more reflective of the land value and/or future redevelopment potential than the retail asset itself.

Private and institutional investors were the primary buyers of BC retail assets in 2017, deploying \$1.68B and \$1.95B, respectively, in the hunt to acquire properties. While vendors of retail properties were largely institutional (\$1.87B) and private owners (\$1.07B), REITs and financial institutions also sought to capitalize

on the strong pricing being achieved in the BC market. REITs sold more than \$500M worth of properties in 2017, while banks sold off bank branches for more than \$148M.

More than \$688M (in sales from retail assets valued at less than \$5M) was raised in 482 transactions in the Lower Mainland in 2017, pushing total dollar volume to more than \$4.1B in retail investment.

Retail sales in BC achieved record deal and dollar volume in 2017

RETAIL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
1751-1881 United Boulevard	Coquitlam	\$13,650,000	Private	Private	Dec 2017
Mission SmartCentre* 31956 Lougheed Highway	Mission	\$38,639,000	REIT	Institutional	Dec 2017
6300 No. 3 Road*	Richmond	\$21,500,000	Private	Private	Dec 2017
Newton Commerce Centre Unit 100, 12992 76th Avenue	Surrey	\$7,400,000	Private	Private	Nov 2017
10100-10118 King George Highway & 10105-10119 Whalley Boulevard	Surrey	\$9,800,000	Private	Private	Nov 2017
1161 Davie Street	Vancouver	\$8,680,000	Private	Private	Nov 2017
Dickinson Crossing Shopping Centre 6900 Island Highway North	Nanaimo	\$34,000,000	Private	Private	Nov 2017
1300 Woolridge Street	Coquitlam	\$13,313,000	Private	Private	Nov 2017
6498 Fraser Street	Vancouver	\$9,900,000	Private	Private	Nov 2017
1970 Oxford Connector	Port Coquitlam	\$9,550,000	Private	Private	Nov 2017
2627 West 16th Avenue	Vancouver	\$19,800,000	Private	Private	Nov 2017
3493 Cambie Street	Vancouver	\$10,000,000	Private	Private	Nov 2017
Market Crossing Shopping Plaza 7200 & 7501 Market Crossing	Burnaby	\$174,000,000	Private	Institutional	Oct 2017
6579-6595 Fraser Street	Vancouver	\$5,525,000	Private	Private	Oct 2017
4204 Village Square	Whistler	\$12,969,566	Private	Private	Oct 2017
Sardis Square Plaza 7670 Vedder Road	Chilliwack	\$7,300,000	Private	Private	Oct 2017
South Fraser Gate* 32346, 32390 South Fraser Way & 2649, 2653 Trethewey Street	Abbotsford	\$18,076,000	REIT	Institutional	Oct 2017
12640 Bridgeport Road	Richmond	\$5,455,000	Private	Private	Oct 2017
Cadence Unit 140, 7488 Lansdowne Road	Richmond	\$6,100,000	Private	Private	Oct 2017
1790 West 4th Avenue*	Vancouver	\$19,657,000	Private	Private	Sept 2017
1168 Robson Street	Vancouver	\$11,060,000	Private	Private	Sept 2017
2452-2458, 2460-2462 & 2464 Marine Drive	West Vancouver	\$10,583,000	Private	Private	Sept 2017
5250 272nd Avenue	Langley	\$5,697,000	Private	Private	Sept 2017
3456-3470 Dunbar Street	Vancouver	\$6,875,000	Private	Private	Sept 2017
Broadway Junction 1502 Broadway Street	Port Coquitlam	\$8,620,000	Private	Private	Sept 2017
1781-1795 Clearbrook Road	Abbotsford	\$11,000,000	Private	Private	Aug 2017
87 East Pender Street	Vancouver	\$7,579,000	Private	Private	Aug 2017
1225 Douglas Street	Victoria	\$11,809,000	REIT	Private	Aug 2017
5710 Victoria Drive	Vancouver	\$5,700,000	REIT	Private	Aug 2017
7075 Kingsway	Burnaby	\$5,100,000	REIT	Private	Aug 2017
1576 West 41st Avenue	Vancouver	\$6,950,000	Private	Private	Aug 2017
Plaza 33 Shopping Centre 301 Highway 33 West	Kelowna	\$24,245,000	Private	Private	Aug 2017
Shaughnessy Square 2099 Lougheed Highway	Port Coquitlam	\$8,800,000	Private	Private	Jul 2017
Austin Professional Building 1046 Austin Avenue & 431 Nelson Street	Coquitlam	\$8,100,000	Private	Private	Jul 2017
45410 Luckakuck Way	Chilliwack	\$5,900,000	Private	Private	Jul 2017
2135-2141 West 41st Avenue	Vancouver	\$7,810,000	Private	Private	Jul 2017
3003-3033 Grandview Highway	Vancouver	\$21,500,000	Private	Private	Jul 2017
Central at Garden City 4751 McClelland Road & 9251 Alderbridge Way	Richmond	\$220,000,000	REIT	Private	Jul 2017
34252-34314 Marshall Road	Abbotsford	\$8,500,000	Private	Private	Jul 2017
5907 Fraser Street & 686 East 43rd Avenue	Vancouver	\$6,440,000	Private	Private	Jul 2017
1032-1036 Austin Avenue	Coquitlam	\$8,400,000	Private	Private	Jul 2017
Total Deals/Investment	41	\$855,982,566			

*Sale price based on 2017 assessed value of property as actual sale price was unconfirmed

Industrial

Robust demand for BC industrial assets pushed deal and dollar to record levels in 2017 with 88 deals valued at more than \$1.2B, capturing just 16% of total 2017 investment proceeds of \$7.5B but claiming 38% of the total number of deals. This total easily surpassed the previous record set in 2016 (61 deals/\$819M and marks the first time in BC history that industrial dollar volume surpassed \$1B in a single year. It also likely marked the culmination of an incredible multi-year surge in industrial sales activity that started in 2014 with 38 transactions valued at \$419M. Sales activity subsequently climbed to 51 deals valued at \$642M in 2015 before spiking again to what was then a record-breaking year in 2016. In the past four years, almost \$3.1B has been invested in BC industrial properties (valued at more than \$5M).

The largest industrial transaction in the second half of 2017 was the \$91.685M sale of **Chevron Canada's** refinery in Burnaby to **Parkland Fuel Corp.** Several other significant industrial transactions also closed in the back half of 2017, including the \$47.925M sale of 6845 Tilbury Road in Delta; the \$39.95M sale of 1305 & 1375 Kingsway in Port Coquitlam; the \$33.85M sale of 8335 Meadow Avenue & 6064 Spur Road in Burnaby; and the \$32.75M sale of 9800 Van Horne Way, the \$32.6M sale of 16108 Blundell Road and the \$28.7M sale of 11480-11500 River Road, all located in Richmond.

Private buyers were overwhelmingly represented and invested in excess of \$832M in 2017; however, government entities including the **Vancouver Port Authority** and **Metro Vancouver** along with a limited number of public companies and institutional purchasers also acquired industrial properties in 2017. Private vendors sold more than \$1B worth of industrial properties in 2017 with public companies, REITs and government selling slightly more than \$200M in industrial assets.

More than \$537M (in sales from industrial assets valued at less than \$5M) was raised in 432 transactions in the Lower Mainland in 2017, pushing total dollar volume to more than \$1.7B.

INDUSTRIAL TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
9800 Van Horne Way	Richmond	\$32,750,000	Private	Private	Dec 2017
1519-1531 Derwent Way	Delta	\$17,000,000	Private	Private	Dec 2017
1321 Ketch Court	Coquitlam	\$5,865,000	Private	Private	Dec 2017
7393 Hopcott Road	Delta	\$22,337,500	Private	Private	Dec 2017
13330 Maycrest Way & 13720 Mayfield Place	Richmond	\$9,300,000	Private	Private	Dec 2017
475 Clark Drive & 1277 East Pender Street	Vancouver	\$5,870,000	Private	Private	Dec 2017
1555 Brigantine Drive	Coquitlam	\$8,100,000	Private	Private	Nov 2017
500 Brooksbank Avenue	North Vancouver	\$27,350,000	Public Co.	Private	Nov 2017
5 East 5th Avenue	Vancouver	\$7,500,000	Private	Private	Nov 2017
1315 Cotton Road	North Vancouver	\$7,750,000	Private	Private	Nov 2017
3899 Mt. Lehman Road	Abbotsford	\$8,100,000	Private	Private	Nov 2017
5228 184th Street	Surrey	\$9,325,000	Private	Private	Nov 2017
1691 West 75th Avenue	Vancouver	\$17,500,000	Private	Private	Nov 2017
13240 Comber Way	Surrey	\$6,350,000	Private	Private	Nov 2017
1545 & 1575 Kingsway Avenue	Port Coquitlam	\$19,900,000	Private	Private	Nov 2017
34336-34378 Manufacturers Way	Abbotsford	\$8,674,000	Private	Private	Oct 2017
Unit 101-112, 8899 Laurel Street	Vancouver	\$13,545,760	Private	Private	Oct 2017
2460 - 2480 Shell Road	Richmond	\$8,250,000	Private	Private	Oct 2017
19176 21st Avenue	Surrey	\$7,900,000	Private	Private	Oct 2017
1305 & 1375 Kingsway Avenue	Port Coquitlam	\$39,950,000	Private	Government	Oct 2017
381 Railway Street	Vancouver	\$6,100,000	Private	Private	Oct 2017
9470 192nd Street	Surrey	\$5,000,000	Private	Private	Oct 2017
4403 Eton Street & 335 North Willingdon Avenue; 4779 & 5201 Penzance Drive; 789 Glasgow Avenue	Burnaby	\$91,685,000	Public Co.	Public Co.	Oct 2017
16108 Blundell Road	Richmond	\$32,600,000	Government	REIT	Oct 2017
4240 Manor Street	Burnaby	\$19,711,206	Private	Private	Oct 2017
1428 Charles Street	Vancouver	\$16,500,000	Private	Private	Sept 2017
20702-20750 62nd Avenue	Langley	\$6,625,000	Private	Private	Sept 2017
11480-11500 River Road	Richmond	\$28,700,000	Private	Government	Sept 2017
6845 Tilbury Road	Delta	\$47,925,000	Private	Private	Sept 2017
50 Braid Street & 415 Vulcan Street	New Westminster	\$5,500,000	Private	Private	Sept 2017
19466 55th Avenue	Surrey	\$5,500,000	Private	Private	Sept 2017
5250 272nd Street	Langley	\$5,610,000	Private	Private	Sept 2017
19036 22nd Avenue	Surrey	\$7,900,000	Private	Private	Sept 2017
19095 24th Avenue	Surrey	\$20,600,000	Private	Private	Sept 2017
5371 Regent Street	Burnaby	\$8,316,000	Private	Private	Aug 2017
12040 Horseshoe Way	Richmond	\$6,080,000	Private	Government	Aug 2017
18425 53rd Avenue	Surrey	\$5,450,000	Private	Private	Aug 2017
27433 52nd Avenue	Langley	\$6,209,000	Private	Private	Aug 2017
5965 206th Street	Langley	\$7,350,000	Private	Private	Aug 2017
1001-1051 Churchill Crescent	North Vancouver	\$5,200,000	Private	Private	Aug 2017
4691 Vanguard Road*	Richmond	\$6,328,900	Private	Private	Aug 2017
4720, 4740 & 4693 Vanguard Road*	Richmond	\$16,197,000	Private	Private	Nov 2017
12180 Riverside Way	Richmond	\$7,665,000	Private	Private	Jul 2017
8860 Jim Bailey Crescent	Kelowna	\$5,090,000	Private	Private	Jul 2017
1331 Derwent Way	Delta	\$9,866,667	Private	Government	Jul 2017
1365 Main Street	North Vancouver	\$8,240,000	Private	Private	Jul 2017
8335 Meadow Avenue & 6064 Spur Road	Burnaby	\$33,850,000	Private	Institutional	Jul 2017
1600 - 1610 Derwent Way	Delta	\$16,500,000	Private	Private	Jul 2017
2984 Norland Avenue	Burnaby	\$5,750,000	Private	Private	Jul 2017
7060 Waltham Avenue	Burnaby	\$5,900,000	Private	Private	Jul 2017
1580 Brigantine Drive	Coquitlam	\$9,250,000	Private	Private	Jul 2017
Total Deals/Investment	51	\$746,516,033			

*Sale price based on 2017 assessed value of property as actual sale price was unconfirmed

Multi-Family

Multi-family investment activity surpassed the billion-dollar mark for only the second time in BC history after registering more than \$1.275B in 89 sale transactions in 2017. While the number of transactions in 2017, 89, marked a new record, dollar volume fell short of the record set in 2015 when 80 properties valued at \$1.41B traded hands. (Avison Young only tracks multi-family investments trading at more than \$5M.)

Investment activity remained stable in 2017 with sales evenly distributed throughout the year. First-half sales featured 46 transactions valued at \$652M, while sales in the back half of the year resulted in 43 deals worth \$624M.

The three largest sales in the second half of 2017 involved private vendors and private purchasers, excluding the **City of Vancouver's** acquisition of a social housing complex at 1107 Seymour Street. All three properties were located in the suburbs. Those deals included the \$90.8M forward-sale acquisition of **Novare** (a brand new 26-storey luxury rental apartment tower) and the \$50M sale of **Royal Towers**, both located in New Westminster. The \$31.75M sale of **The Evergreens** at 210A Evergreen Drive in Port Moody rounded out the top three. The largest market deals in Vancouver included the sale of the wholly renovated **OceanCrest Apartments** at 1333 Jarvis Street for \$26M; the sale of **Fraserviews** at 727 East 17th Avenue for \$23.5M; and the disposition of the **Leeward**, an 11-storey concrete highrise at 1686 West 12th Avenue for \$22.8M.

Purchasers have become more sensitive to pricing expectations and are underwriting multi-family assets more carefully in a rising-interest-rate environment in an effort to give themselves a bit of a cushion in terms of financing. The ultra low-yield deals that were recorded during the past 24 months are becoming far less frequent as the cost of debt has risen as bond yields increased steadily throughout 2017.

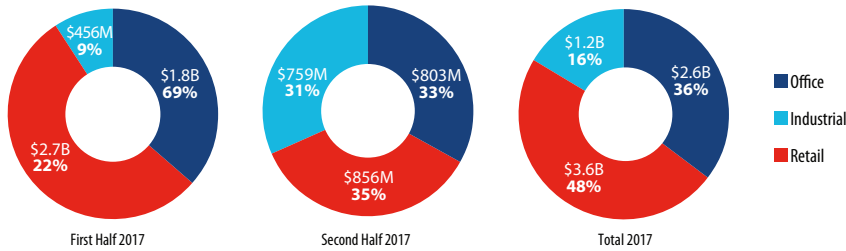
Almost \$197M (in sales from multi-family assets valued at less than \$5M) was raised in 69 transactions in 2017, pushing total dollar volume to \$1.47B.

MULTI-FAMILY TRANSACTIONS (OVER \$5 MILLION)						
PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
Oakview Apartments 3591 Oak Street	Vancouver	\$15,950,000	Private	\$613,462	Private	Dec 2017
Novare** 527 Carnarvon Street	New Westminster	\$90,800,000	Private	\$316,376	Institutional	Dec 2017
Bayview Chateau & White Rock Gardens 1371 Blackwood Street & 14989 Roper Avenue	White Rock	\$25,250,000	Private	\$271,505	Institutional	Dec 2017
Park Villa Apartments 4979 47A Avenue & 4759 Delta Street	Delta	\$6,600,000	Private	\$275,000	Private	Dec 2017
10011 150th Street	Surrey	\$5,125,000	Private	\$222,826	Private	Dec 2017
Hemlock Tower 1385 West 15th Avenue	Vancouver	\$14,600,000	Private	\$768,421	Private	Nov 2017
Park Manor Apartments 1615 William Street	Vancouver	\$5,379,000	Private	\$336,188	Private	Nov 2017
The Evergreens 210A Evergreen Drive	Port Moody	\$31,750,000	Private	\$496,094	Private	Nov 2017
Mauritz Manor 14990 North Bluff Road	White Rock	\$14,350,000	Private	\$448,438	Private	Nov 2017
Elaine Apartments (50% interest) 3819 & 3821 Cambie Street	Vancouver	\$5,100,000	Private	\$463,636	Private	Nov 2017
Bay View Apartments 1630 Burnaby Street	Vancouver	\$9,000,000	Private	\$428,571	Private	Nov 2017
Collingwood Gardens 3504 West 4th Avenue and Units 201-206 & Units 301-306, 3506 West 4th Avenue	Vancouver	\$8,928,800	Private	\$686,831	Private	Nov 2017
2177 Wall Street	Vancouver	\$5,100,000	Private	\$300,000	Private	Nov 2017
2268 Cornwall Avenue	Vancouver	\$7,400,000	Private	\$672,727	Private	Nov 2017
2925 Qu'Appelle Street	Victoria	\$6,050,000	Private	\$183,333	Private	Nov 2017
1555 Jubilee Avenue	Victoria	\$5,250,000	Private	\$250,000	Private	Oct 2017
Teja Vista 9010 School Street	Chilliwack	\$6,920,000	Private	\$230,667	Private	Oct 2017
Freidas Villa 1968 West 2nd Avenue	Vancouver	\$14,300,000	Private	\$595,833	Private	Oct 2017
2185 West 8th Avenue	Vancouver	\$8,500,000	Private	-	Private	Oct 2017
380 & 400 Third Street	Nanaimo	\$6,500,000	Private	\$94,203	Private	Oct 2017
373 & 421 Battle Street*	Kamloops	\$24,000,000	Private	\$140,000	Private	Oct 2017
Glenhaven Apartments 1526 Arbutus Street	Vancouver	\$7,600,000	Private	\$760,000	Private	Sept 2017
Golden Future Apartments 360 East 14th Avenue	Vancouver	\$9,800,000	Private	\$350,000	Private	Sept 2017
655 Poplar Street	Nanaimo	\$8,500,000	Private	\$154,545	Private	Sept 2017
2150 West 1st Avenue	Vancouver	\$10,500,000	Private	\$807,692	Private	Sept 2017
Centaurus Place 9005 Centaurus Circle	Burnaby	\$15,000,000	Private	\$272,727	Private	Sept 2017
Oakview Court 8580 Oak Street	Vancouver	\$7,300,000	Private	\$429,412	Private	Sept 2017
1510 Clive Drive**	Victoria	\$9,185,000	Private	\$540,294	Private	Aug 2017
261-263 Arrowstone Drive	Kamloops	\$6,200,000	Private	\$134,783	Private	Aug 2017
1552 East Pender Street	Vancouver	\$5,888,000	Private	\$267,636	Private	Aug 2017
2181 Haultain Street	Victoria	\$8,450,000	Private	\$216,667	Private	Aug 2017
1107 Seymour Street	Vancouver	\$36,759,000	Private	\$453,815	Government	Aug 2017
Fraserviews** 727 East 17th Avenue	Vancouver	\$23,500,000	Private	-	Private	Aug 2017
Myron Manor 75 East 8th Avenue	Vancouver	\$12,500,000	Private	\$462,963	Private	Aug 2017
Star Crest Apartments 4362 Maywood Street	Burnaby	\$15,000,000	Private	\$241,935	Private	Aug 2017
345 Marathon Court	Coquitlam	\$6,700,000	Private	\$304,545	Private	Aug 2017
1925 Maple Street	Vancouver	\$5,200,000	Private	\$520,000	Private	Aug 2017
Ashira Court 13245 104th Avenue	Surrey	\$9,675,000	Private	\$235,976	Private	Aug 2017
2200 West 5th Avenue; 2105-2107 Yew Street	Vancouver	\$5,400,000	Private	\$771,429	Private	Aug 2017
OceanCrest Apartments 1333 Jarvis Street	Vancouver	\$26,000,000	Private	\$684,211	Private	Jul 2017
Cedar Crest Manor 1569 West 12th Avenue	Vancouver	\$5,250,000	Private	\$525,000	Private	Jul 2017
The Leeward* 1686 West 12th Avenue	Vancouver	\$22,813,000	Private	\$475,271	Private	Jul 2017
Royal Towers* 140 6th Street	New Westminster	\$50,000,000	Private	\$370,370	Private	Jul 2017
Total Deals/Investment	43	\$624,072,800				

*Concrete highrise tower **Mixed-use building

Sources: Avison Young, Commercial Edge & RealNet

SALES BY PROPERTY TYPE & DOLLAR VOLUME



continued from front page

improved quite substantially thanks to lower vacancies and rent appreciation. Several developers are proceeding with new downtown office towers; more than 2.7 million square feet proposed to be delivered between 2020 and 2022 with uptake anticipated to occur in relatively short order. Developers of industrial space have been largely unable to keep up with demand as absorption has frequently outstripped the amount of new supply delivered in Metro Vancouver in recent years.

What is likely to be missing from 2018 is another billion-dollar deal. The \$1.055B sale of the **Bentall Centre** in 2016, which represented 25% of total annual dollar volume and was the first commercial real estate deal in BC history to surpass the billion-dollar mark, was followed in 2017 by the \$1.9B acquisition of a 50% non-managing interest in a portfolio of 12 downtown office towers and the **Pacific Centre** shopping mall as well as the sale of **Oakridge Centre** for \$961M, both of which closed in the first half. These two transactions involved both institutional purchasers and vendors. In the second half of 2017, institutional buyers were active in suburban markets such as Burnaby, acquiring the office component of **Solo District** (\$116.8M) and the **Market Crossing Shopping Centre** (\$174M), as well as acquiring office properties in secondary markets such as Victoria (**Sussex Place**). Institutional deal velocity in 2018 is likely to slow compared with 2017, while total dollar volume will decline year-over-year.

Pricing and demand is likely to remain stable in 2018 in part due to very well-capitalized private buyers, particularly long-time local investors familiar with the market, who continue to reinvest profits from the sales of previously acquired properties to fund additional commercial real estate acquisitions. The personal wealth of many of these private investors has increased considerably in recent years as has their ability to pursue larger deals.

While the momentum from a record-setting 2017 is expected to carry over into 2018, the potential for increased interest rates may serve as a drag on market activity. Developers and investors are also beginning to take a pause on acquiring land because the cost, combined with rapidly increasing construction costs and municipal fees, are driving the total price to untested levels. There is some concern in the ability of the market to support the pricing that the costs demand.

Ongoing price appreciation in all asset classes is being driven almost exclusively by land value and redevelopment potential. The acquisition of retail assets has morphed in many cases into land deals with lesser consideration or interest for the income in place or the retail asset itself. This approach has spread to office and even industrial properties as investors seek to secure land in hopes of redevelopment. The record-high valuations and deal velocity established in 2017 are indications that investors appear set to access Metro Vancouver's commercial real estate market before the next upward push on values. Income-producing assets in all classes continue to be difficult to secure and resultantly can command a premium among purchasers who require income in place as part of their investment criteria or financing.

Barring a significant shift in market fundamentals in 2018, investment in BC's commercial real estate market is anticipated to remain strong. While the upper limits of what the market can bear in terms of land pricing (which in turn is driving up the value of everything else) is starting to be tested, there remains considerable demand at these prices with little to no indication of a pause in 2018. ■

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