



# British Columbia investment review

H1 2024

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**AVISON  
YOUNG**

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# Investment market trends

## 01

### Financing obstacles persist

Financing remained a significant challenge for buyers in the first half of 2024, as most major banks showed little flexibility in lending to new borrowers, even if they were well-qualified. This contributed to a slowing down in sales activity in the beginning of the year.

High vacancy rates in the office sector are significantly impacting net operating income, prompting many landlords to invest in improving their existing properties rather than acquiring new ones.

However, for buyers with available capital, there are still attractive opportunities, particularly with the rise in distressed sales of development lands.

## 02

### Interest rate drop showing renewed signs of optimism

On June 5, the Bank of Canada (BoC) became the first central bank among the G7 nations to lower its policy rates in 2024. As anticipated by the market, the BoC followed up with a second 25-basis-point cut on July 24 and another on September 4, bringing the overnight rate to 4.25%. These rate reductions aligned with inflation falling to 2.5% in July, just 50 basis points away from the BoC's 2% target.

Following the U.S. Federal Reserve's larger-than-expected 0.5% rate drop in September, Canada may see similarly aggressive cuts before the end of the year, with two more interest rate announcements scheduled for October and December.

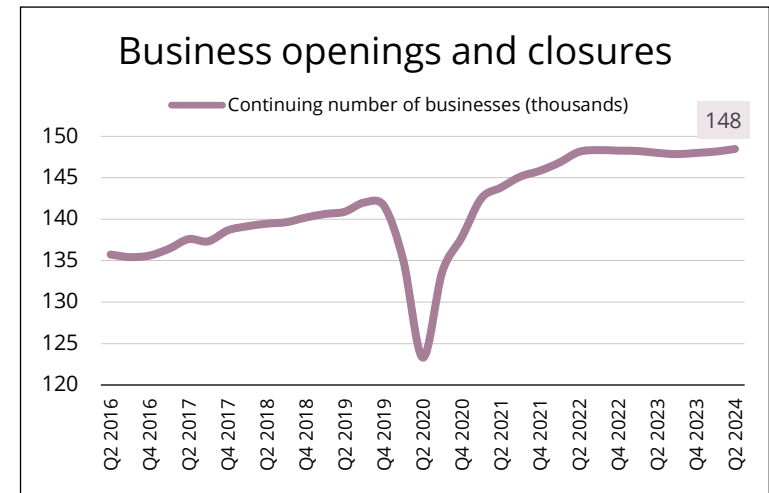
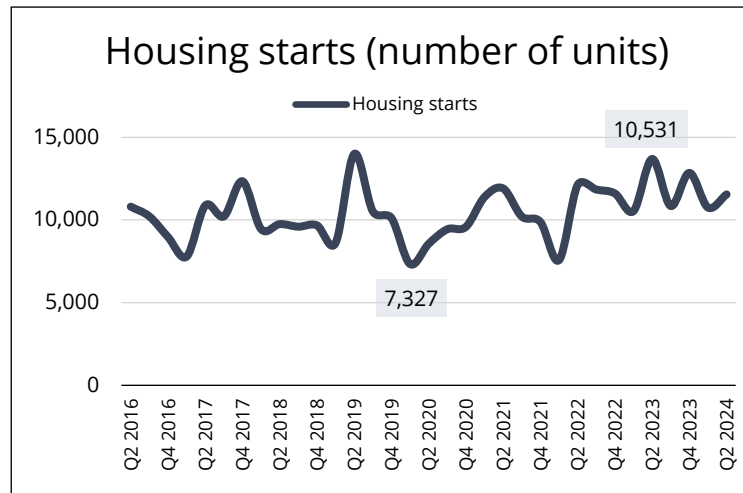
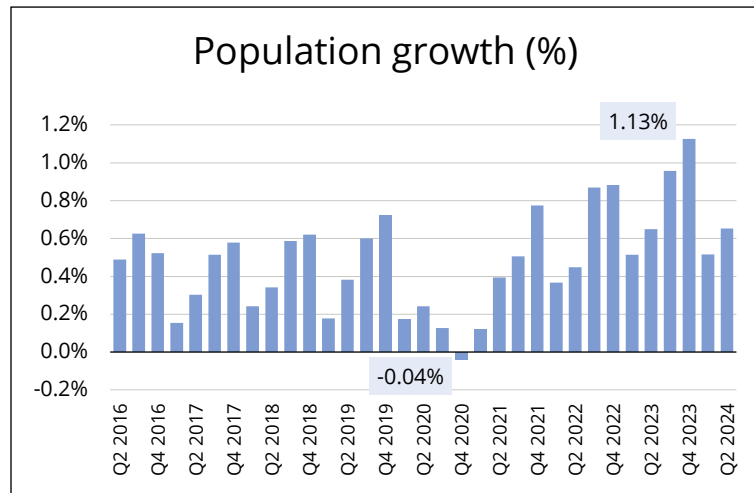
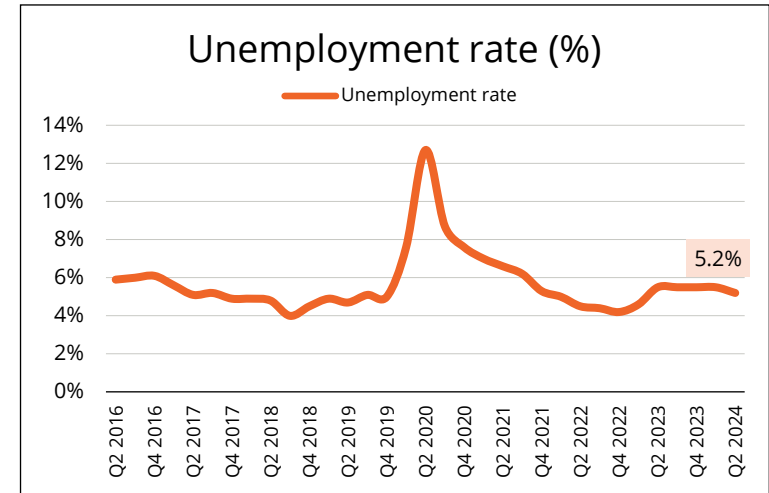
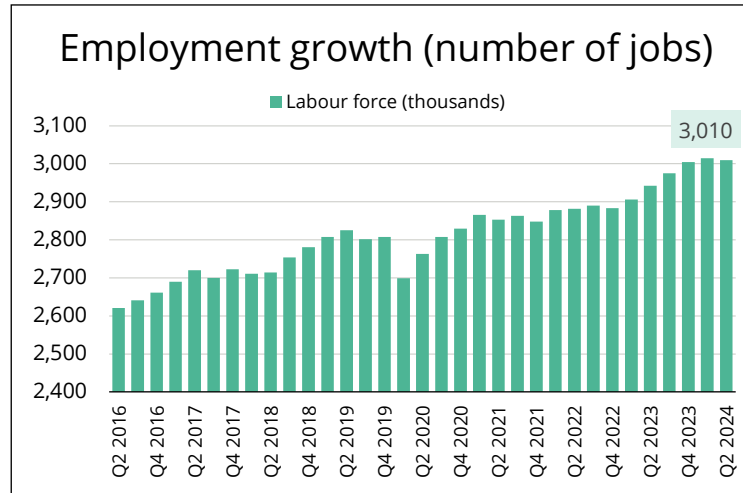
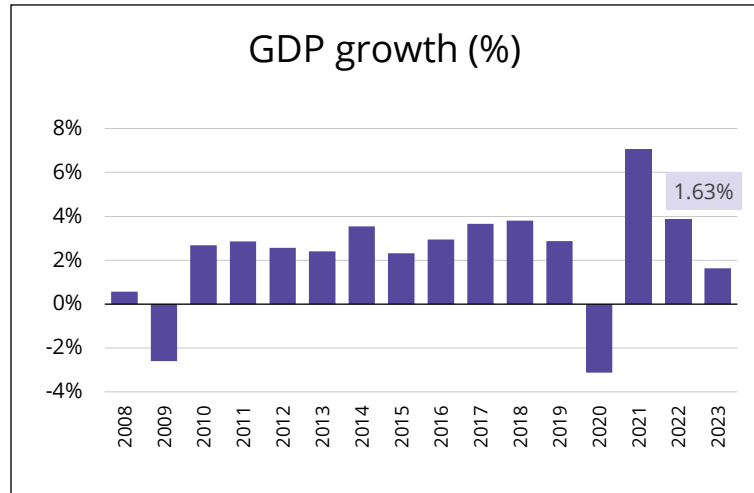
## 03

### Capital gains tax changes spur numerous sales

On June 25, 2024, the federal government introduced changes to capital gains taxation. The capital gains inclusion rate was raised from 50% to 66.67% for gains exceeding \$250,000 per year for individuals, and on all capital gains for corporations and most types of trusts.

As a result, many owners took action and decided to reorganize or adjust their assets before the June 25 deadline. This led to a significant spike in closings during Q2, with Q1 sales accounting for only 27.5% of the total transaction volume in the first half of the year. In June alone, transactions over \$5 million made up 37.7% of all H1 sales.

# British Columbia economic snapshot



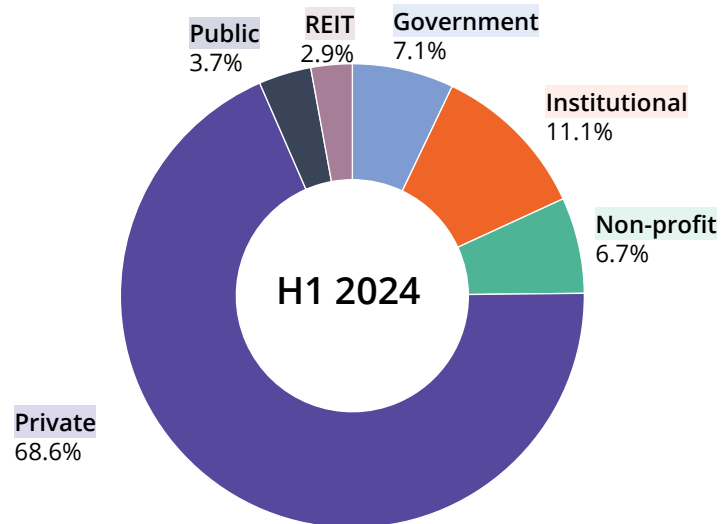
# British Columbia investment activity

# 26.3%

Percentage of the number of residential land sales in H1 2024

Residential land transactions accounted for the majority of the transactions in H1, with one-third of those transactions closing in June. Residential land sales also comprised most distressed sales in H1.

Transaction volume by investor profile

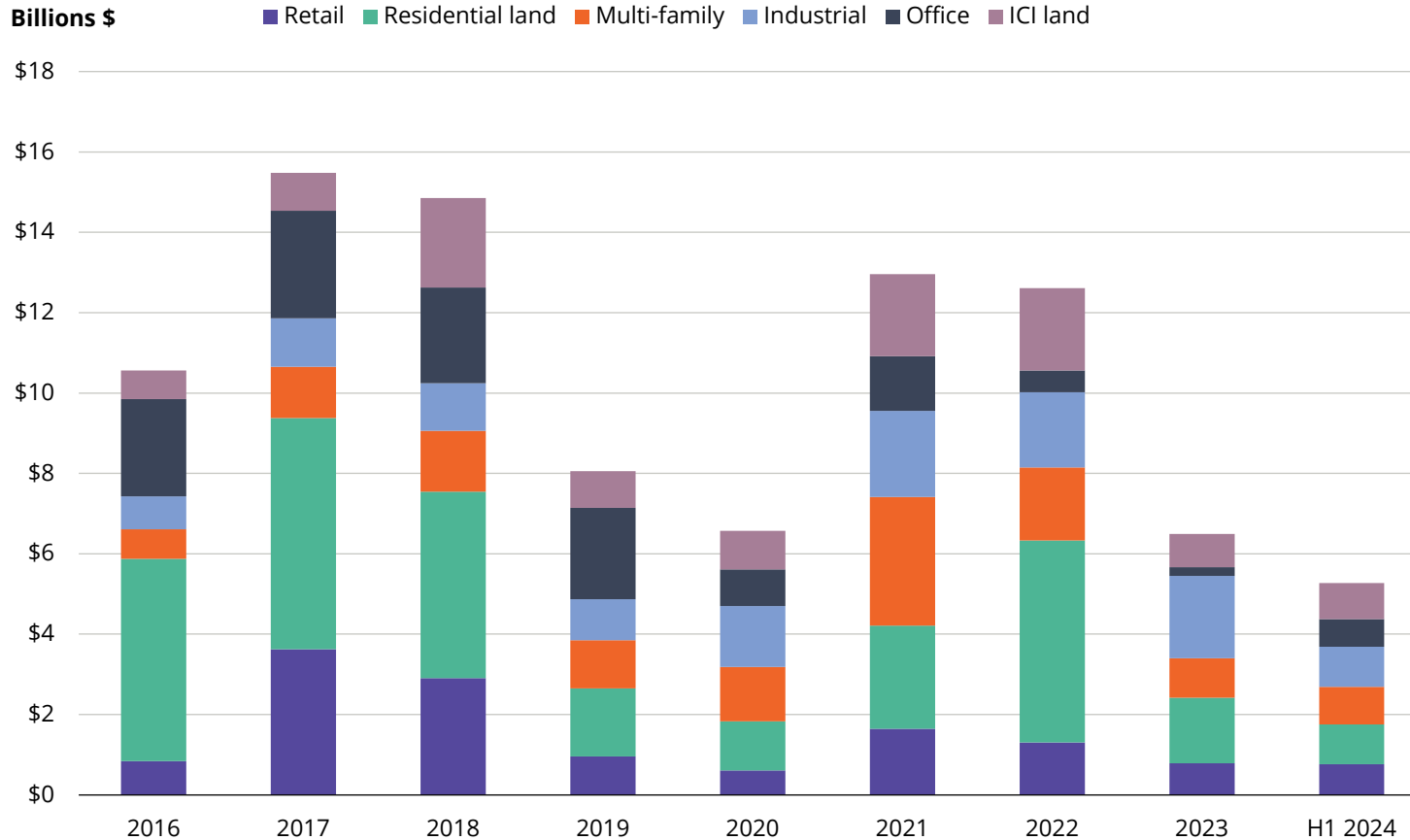


Sales volumes

Sales volume (\$)	H1 2024	H2 2023	H1 2023
Office	\$684.8M	\$107.1M	\$114.8M
Industrial	\$998.8M	\$1.4B	\$779.3M
Retail	\$760.5M	\$609.0M	\$180.0M
Multi-family	\$935.8M	\$696.2M	\$279.7M
ICI land	\$898.2M	\$339.0M	\$482.6M
Residential land	\$993.4M	\$1.1B	\$569.3M
<b>Total</b>	<b>\$5.3B</b>	<b>\$4.3B</b>	<b>\$2.4B</b>

# British Columbia investment activity

## Transaction by asset class



Although transactions in 2024 began slowly, May and June made up 56.1% of the total transaction volume for the first half of the year. Industrial sales remained the frontrunners, reaching almost \$1 billion in transaction volume.

Office transactions also saw significant activity, totaling nearly \$685 million – the highest level since H1 2021 – and nearly two and a half times the volume traded in the previous 18 months.

# Industrial

## Industrial transactions continue to account for majority of sales volume

Industrial transactions continued to lead total transaction volume in H1, continuing a trend from 2023. The capital markets for institutional-sized investment sales have experienced a price adjustment, with prices psf decreasing from their peak due to rising debt costs and higher mortgage interest rates. Lease rates have also slightly softened, depending on the asset's quality. Consequently, market participants are focusing on forecasting growth while adapting to the rapidly changing debt landscape.

Over the past year, institutions have largely stayed on the sidelines, concentrating on asset management and

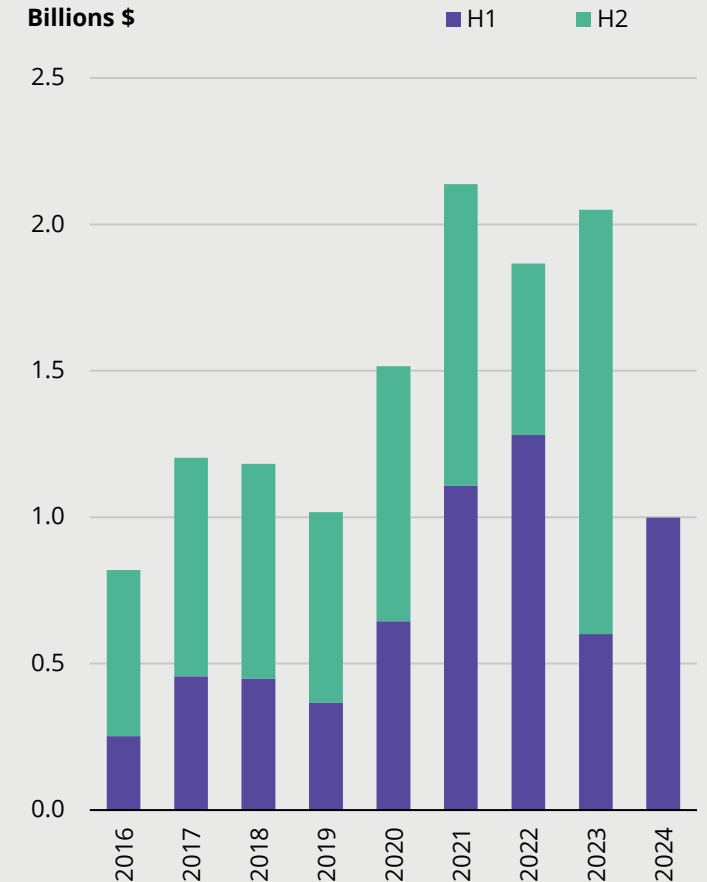
portfolio balancing. However, recent months have shown a notable increase in institutional investors re-entering the market and showing a willingness to bid on properties.

A key trend has been the recalibration of investment asset pricing, setting a new standard. Sellers willing to accept these adjusted offers are likely to close deals before the end of the year, though most transactions are expected to be smaller and involve private buyers and sellers.

## Significant sale transactions

Address	City	Sale price / \$ psf	Buyer	Seller
FAMA Business Park, 15050 54A Avenue	Surrey	\$93,000,000 / \$295	Bosa Properties	CanFirst Capital Management
1302 Derwent Way	Delta	\$73,000,000 / \$326	Dayhu Investments Ltd.	Grosvenor
Eastlake Campus, 8327-8339 Eastlake Drive (*partial interest)	Burnaby	\$68,999,999 / N/A	Adera Group	Sun Life Assurance Company of Canada
21720 Fraserwood Way	Richmond	\$63,000,000 / \$458	RCG Group	Navona Investors Services
3023 188 <sup>th</sup> Street	Surrey	\$63,000,000 / \$485	Ice Cube Holdings Ltd.	Trojan Holdings Ltd.

## Industrial investment volume



# ICI land

## Despite ICI land sales being strong, many remain risk averse

ICI land transactions for H1 surpassed the total sales volume for all of 2023, with industrial land comprising the majority of these transactions. However, financing for speculative developments remains challenging. Developers with stronger financial ability dominate the market. Buyers are acting strategically, with owner-occupied sales gaining momentum and achieving strong prices, while speculative investments have declined.

Rising construction costs have squeezed profit margins, reducing investor confidence. Developers with ample capital will remain active, focusing on filling their project pipelines. Sellers are expected to stay strategic, as most

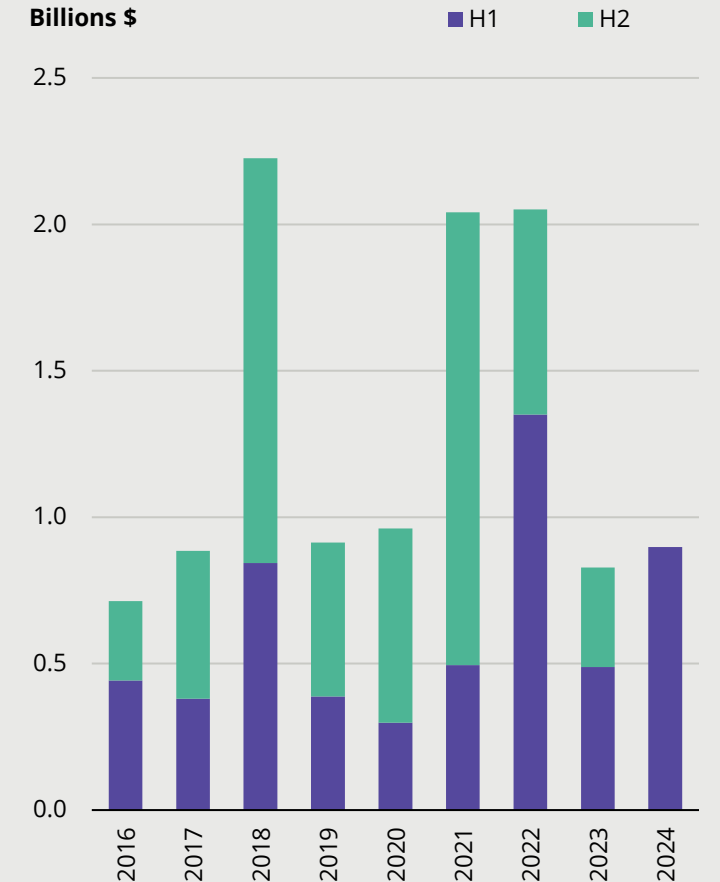
straightforward industrial sites are already developed. The remaining available sites are more complex, requiring longer due diligence and development processes.

The industrial land market is expected to remain tight, with limited availability of large institutional assets in Vancouver, and strong demand from private market investors.

## Significant sale transactions

Address	City	Sale price	Buyer	Seller
100 Forester Street	North Vancouver	\$145,000,000	HTEC	ERCO Worldwide
1085 Tanaka Court	New Westminster	\$74,040,000	Beedie Group	SP Copper Property Buyer Inc.
7280 River Road	Richmond	\$68,000,000	City of Richmond	Ebco Industries Ltd.
6862 & 6875 153 <sup>rd</sup> Street	Surrey	\$59,700,000	Newton East (152) Titleco Ltd.	Conwest Developments
3887 Still Creek Avenue	Burnaby	\$53,100,000	Martian Properties 2 Inc.	Reimer Consolidated Corp.

## ICI land investment volume



# Retail

## Retail investment sales active in H1, especially street-front opportunities

Retail investment sales remained robust in the first half of 2024, nearing the total transaction volume of 2023 with over \$760 million. Of the 10 largest retail transactions in H1, seven closed in the final weeks of June, likely largely due to the changes in the Capital Gains Tax legislation.

With a relatively healthy retail leasing market, there is strong demand from both private and institutional investors for grocery-anchored strip malls. However, many sellers had to be highly motivated, as buyers were

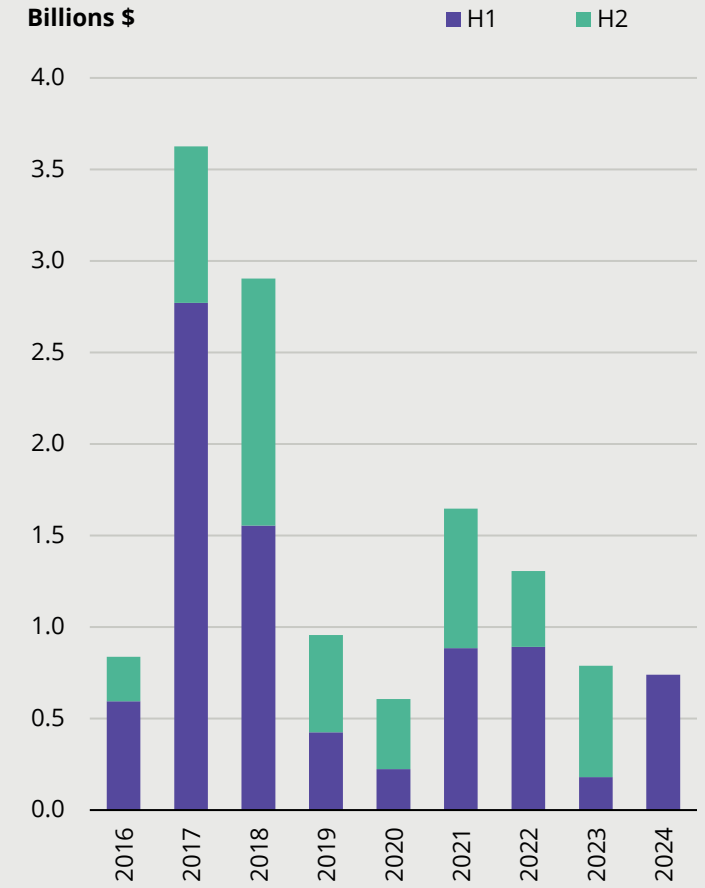
hesitant to meet the asking prices. Private investors in Vancouver, often long-term holders with stable capital, played a significant role in the market.

Some of the larger H1 sales featured aggressive cap rates and strong owner-user deals. Retail investment sales are expected to remain strong, especially with anticipated interest rate cuts. While demand from institutional buyers may slow, private buyers are likely to drive market activity.

## Significant sale transactions

Address	City	Sale price	Buyer	Seller
Robson Centreplace, 818 Thurlow Street	Vancouver	\$102,000,000	Private Individual(s)	Hartleywood Holdings Ltd.
2211 West 4 <sup>th</sup> Avenue	Vancouver	\$100,000,000	Salthill	Bonnis Properties
20499 64 <sup>th</sup> Avenue	Langley	\$94,000,000	Costco Wholesale Canada	Rockcliffe Estates Ltd.
6899 King George Boulevard	Surrey	\$40,000,000	1359854 BC Ltd.	John Volken Foundation
6280 120 <sup>th</sup> Street	Surrey	\$34,500,000	Go Auto	Barnes Wheaton Chevrolet Buick GMC Ltd.

## Retail investment volume





# Office

## Office market on the rebound

Although Metro Vancouver's office vacancy rates have risen to unprecedented levels, the market remains one of the tightest in North America. Vacancy rates have likely peaked, with a downward trend expected, particularly in class AAA and A buildings, especially as many organizations reassess how they utilize their space and the quality of buildings they prefer.

Return-to-office policies have stagnated as companies hesitate to take decisive action. Employers pushing for a full five-day return and not being flexible with hybrid options have largely encountered resistance and challenges.

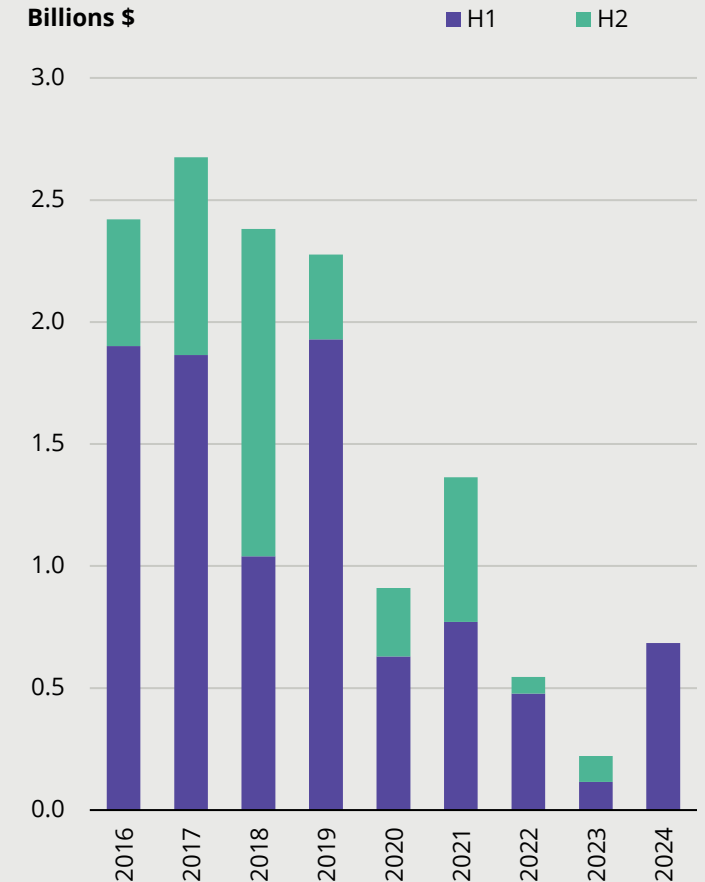
In 2023, the office investment market faced significant hurdles, with few transactions making valuations difficult. However, some buyers took advantage of excellent purchase opportunities during this time. The strata market has seen some activity, particularly in high-quality buildings in prime locations.

With lower interest rates, transaction volume is expected to increase compared to the last six months, as pricing expectations between buyers and sellers become more aligned. The market will likely see more office trades, driven primarily by private buyers, while institutional investors are anticipated to be the main sellers.

## Significant sale transactions

Address	City	Sale price / \$ psf	Buyer	Seller
Oxford Towers, 402 Dunsmuir Street & 401 West Georgia Street	Vancouver	\$300,000,000 / \$721	Deka Group	Oxford Properties & CPP Investment Board
Deloitte Summit, 410 West Georgia Street ( <i>*partial interest</i> )	Vancouver	N/A	Allied Properties REIT	Westbank Corp.
Brian Canfield Centre, 3777 Kingsway ( <i>*partial interest</i> )	Burnaby	\$82,500,000 / N/A	Crestpoint Real Estate Investments Ltd.	H&R REIT
Glenlyon Business Park, 9200 Glenlyon Parkway	Burnaby	\$37,000,000 / \$409	Private Individual(s)	True North Commercial Real Estate Investment Trust
5611 Cooney Road	Richmond	\$22,000,000 / \$539	TPMG Capital	Wesgroup Properties

## Office investment volume



# Multi-family

## H1 2024 transaction volume nearly exceeds 2023

Despite Vancouver's ongoing housing crisis, multi-family sales remained strong in the first half of 2024, with 52 transactions exceeding the \$5 million mark. Rising cap rates, needed to balance higher interest rates, combined with reduced tenant turnover and deferred maintenance, have put considerable pressure on rental apartment buildings. These factors, along with capital gains increases, have led to lower prices and greater seller motivation than seen in recent years.

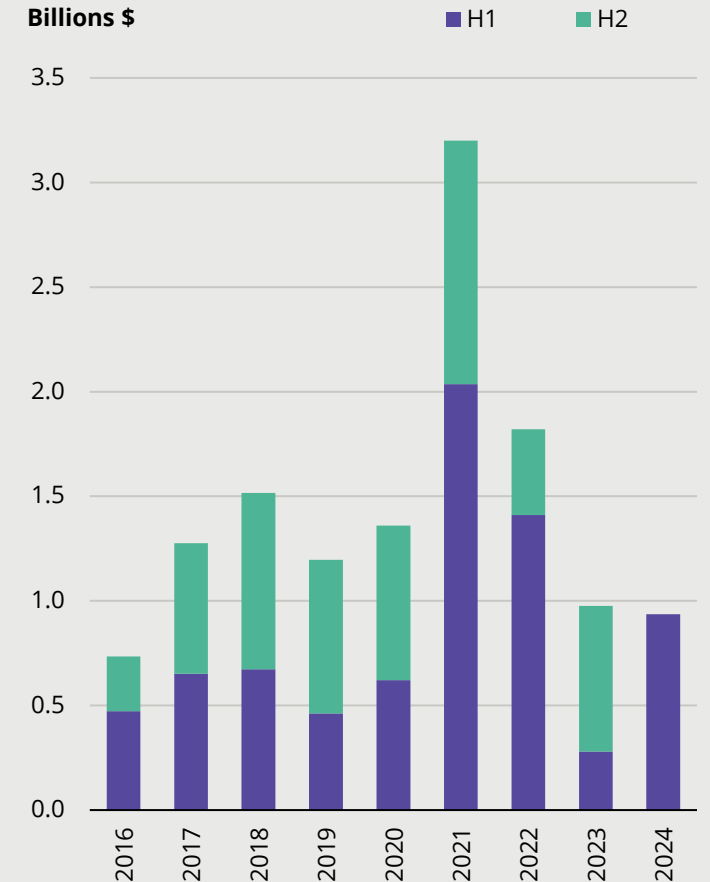
Non-profit buyers have significantly increased their presence, accounting for 38.5% of multi-family sales in the first half of 2024, up from just 1.8% in 2023 from the deployment of the \$500M Rental Protection Fund.

Over the recent decades, a lack of incentives for purpose-built rental housing has contributed to low tenant turnover, largely due to rent control measures. These controls, which have become stricter, now cap rent increases well below inflation, removing the incentive for tenants to relocate. This has diminished affordability and limited opportunities in the market. Tenant mobility is essential for maintaining healthy vacancy rates and fostering competition, particularly with the current wave of immigration. While rent protections that encourage tenants to stay may seem beneficial in the short term, they ultimately make it harder for newcomers to find housing.

## Significant sale transactions

Address	City	Sale price / \$ per unit	Buyer	Seller
The Lauren, 1051 Broughton Street	Vancouver	\$125,000,000 / \$672,043	Starlight Investments	Peterson Group
Skyline Towers, 102 & 120 Agnes Street	New Westminster	\$50,000,000 / \$310,559	Skyline New Westminster Holdings Ltd.	X L Properties Inc.
Garden Court Co-op, 2865 & 2885 Packard Avenue	Coquitlam	\$49,014,085 / \$405,075	Community Housing Land Trust Foundation	Trustees of the Operating Engineers' Pension Plan, In Trust
Lynnmour Village South, 1923-1959 Purcell Way	North Vancouver	\$45,000,000 / \$500,000	Western Investment Properties	Woodbridge Northwest
M41N, 188 East Woodstock Avenue	Vancouver	\$38,500,000 / N/A	City of Vancouver	188 East Woodstock Holdings Inc.

## Multi-residential investment volume



# Residential land

## Provincial legislative changes impact residential land sales

In the first half of the year, residential land sales reached nearly \$1 billion in transaction volume, but fell short of the three-year average following a period of consistently high activity since 2021. Residential land values have been declining due to rising construction costs, distressed sales, and high holding expenses. Additionally, the due diligence process remains lengthy, particularly with regard to the Broadway Plan and changes in the City of Vancouver's view cone policies.

The British Columbia government passed new legislation that allow for the building of more affordable and livable communities. This slowed down land transactions as

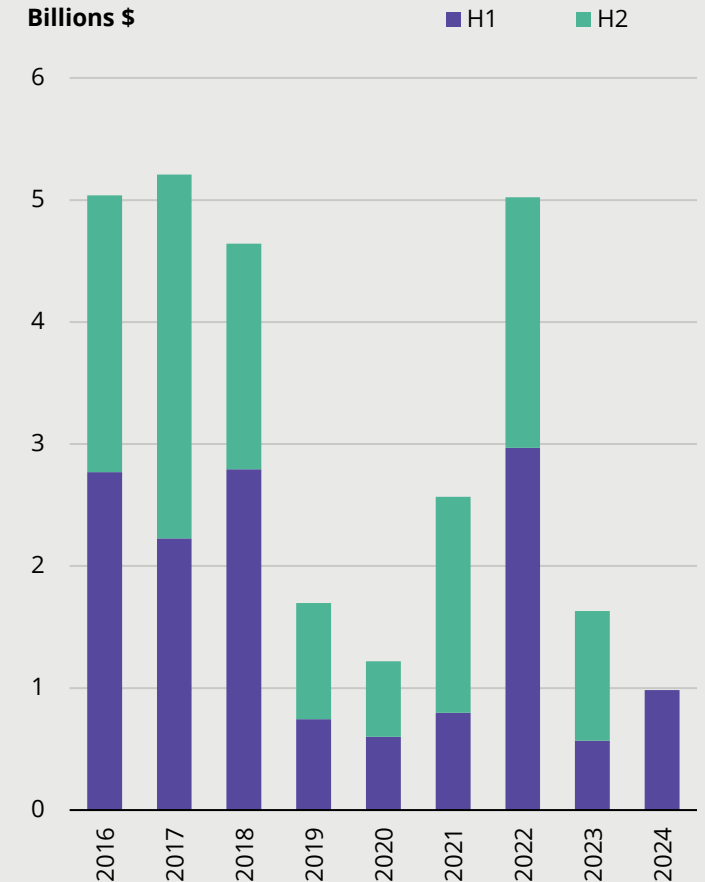
both buyers and sellers did their due diligence to know more about the impact of these changes. To support local governments in adopting the changes, the Province provided \$51 million in capacity funding.

Court-ordered and receivership sales are expected to persist into 2025. Challenges such as prolonged development timelines, low liquidity, and elevated construction costs and fees continue to hinder many projects from reaching completion. Notably, two significant court-ordered sales in H1 had transaction values lower than the original land purchase prices from six years ago. The market remains favorable for buyers.

## Significant sale transactions

Address	City	Sale price	Buyer	Seller
2315 West 4 <sup>th</sup> Avenue	Vancouver	\$90,000,000	PCI Group & Low Tide Properties	SDLP Land Holdings Limited dba Sobeys
1553-1575 Robson Street	Vancouver	\$58,000,000	GWL Realty Advisors	VivaGrand Developments
5777 Willingdon Avenue & 4475 Grange Street	Burnaby	\$38,000,000	Intergulf Development Group	Old Orchard Apartments Limited
1110-1160 West King Edward Avenue	Vancouver	\$35,300,000	Amica Senior Lifestyles	Private Individual(s)
11089 240 <sup>th</sup> Street	Maple Ridge	\$28,900,000	Polygon Group	Private Individual(s)

## Residential land investment volume



For more market insights and  
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