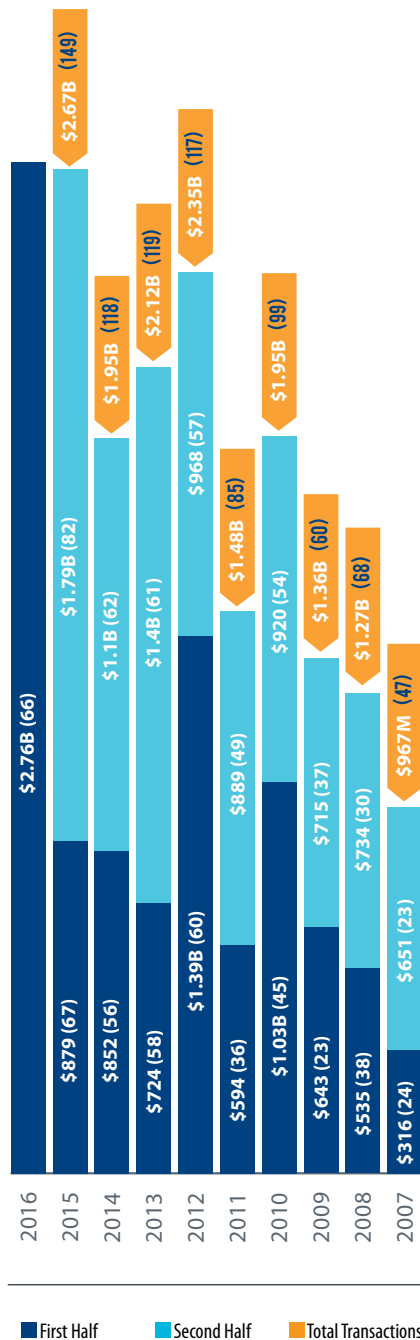


British Columbia

**FIRST HALF 2016:
BC SALES BY DOLLAR VOLUME**



Disposition of trophy assets drives record investment levels in red-hot BC market

The value of commercial real estate investment in British Columbia achieved new heights in the first half of 2016 driven by the disposition of trophy office assets in downtown Vancouver. The billion-dollar sale of the **Bentall Centre** office portfolio powered BC's investment totals to a new record in 2016 and will likely come to represent the peak of the market for some time to come. With 65 transactions completed and proceeds of \$2.74B in the first half of 2016 alone – the previous six-month dollar volume record was \$1.79B in the second half of 2015, and the 12-month record of \$2.67B was also set in 2015 – it is highly unlikely that these levels of investment activity will be repeated in this current market cycle. (**Avison Young** tracks investment deals valued at more than \$5M.)

While private investors in the first half of 2016 continued to dominate the overall BC market in terms of the number of transactions they were involved in – representing 89% of buyers and 75% of vendors – the total value of BC transactions revealed the large role that institutional investors and public companies in downtown Vancouver played when it came to overall dollar volume. Despite being involved as purchasers in just 6% of BC transactions, institutional buyers accounted for 42% of total dollar volume with the vast majority of capital placed during **Anbang Insurance Group Co.'s** acquisition of Bentall Centre. Rather than identifying investors as foreign, Avison Young categorizes them as institutional or private as the case may be. For the purposes of this report, Anbang has been classified as an institutional investor.

Meanwhile, Canadian institutional investors were involved as vendors in just 8% of BC

sales, but reaped 47% of the proceeds. In the downtown core alone, four institutional owners, including **Ivanhoé Cambridge**, **Great-West Life Assurance Co.**, **Bentall Kennedy** and **Greystone Managed Investments**, executed disposition strategies for office assets in the first half of 2016 – an unprecedented level of sales activity from a vendor type largely absent from the Downtown market in recent years. In addition, the sale of the **Royal Centre** for \$427.5M by publicly-traded **Brookfield Office Properties** and the disposition of the **UK Building** for \$115M, both of which sold to private investors, capped off a remarkable, record-setting first half of the year and a level of sales activity in downtown Vancouver unseen in a generation.

Private investors remained a potent force in BC's commercial real estate investment market spending \$1.51B (55%) on office, retail and industrial properties in the province during the first half of 2016 compared with \$1.08B (39%) by institutions. Other purchasers, including a public company, a REIT and a non-profit organization, combined for a total of \$90M (3%) of dollar volume.

While private vendors remained dominant in regards to the number of deals in which they were involved, capturing \$703M (26%) in sale proceeds, institutional vendors were able to secure \$1.29B (47%) of total proceeds province-wide. Public companies registered \$439.7M (16%) in sales while REIT sales totalled \$266.5M (10%). Government vendors (1%) and financial institutions (>1%) captured a meagre \$43M in sale proceeds.

Institutional investment was almost

[continued on back page](#)

Buyer purchases by asset & land deals

COMMERCIAL ICI LAND SALES (greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2015

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
1900 Pandora Street; 200 Victoria Drive, 1909 Franklin	Vancouver	\$14,500,000	2.315	Commercial	June 2016
2500 Main Street	Vancouver	\$9,500,000	0.191	Commercial	June 2016
8558 Chilliwack Mountain Road	Chilliwack	\$6,000,000	10.687	Commercial	June 2016
34633 VYE Road	Abbotsford	\$5,675,000	4.74	Commercial	June 2016
950 West Broadway	Vancouver	\$46,000,000	0.574	Commercial	May 2016
3580 Graveley Street/3595 East 1st Avenue	Vancouver	\$13,625,000	2.026	Commercial	May 2016
1327 Marine Drive	West Vancouver	\$10,800,000	0.359	Commercial	May 2016
1980 Foley Street	Vancouver	Undisclosed	2.6	Commercial	May 2016
916 West Broadway	Vancouver	\$8,995,000	0.143	Commercial	April 2016
9100 & 9120 Bridgeport Road	Richmond	\$6,850,000	0.811	Commercial	April 2016
11191 Twigg Place	Richmond	\$5,125,000	2.768	Commercial	April 2016
Molson Brewery (1550 Burrard St, 1655 West 1st Ave)	Vancouver	\$185,000,000	7.71	Commercial	March 2016
1296 Station Street	Vancouver	\$13,000,000	0.95	Commercial	March 2016
19628-19740 88th Avenue	Langley	\$10,600,000	9.62	Commercial	March 2016
15800 River Road	Richmond	\$10,000,000	6.097	Commercial	March 2016
43 West 6th Avenue	Vancouver	\$5,700,000	0.25	Commercial	March 2016
18671, 18707 & 18717 74th Avenue	Surrey	\$7,899,999	7.485	Institutional	February 2016
20722 80 Avenue	Langley	\$5,673,482	3.202	Commercial	February 2016
1802 Thornton Street	Vancouver	\$5,800,000	0.484	Commercial	January 2016
20346 66th Avenue	Langley	\$5,250,000	2.297	Commercial	January 2016

INDUSTRIAL ICI LAND SALES (greater than \$5 million and excluding parks and agricultural/agricultural business lands) January 1 to June 30, 2016

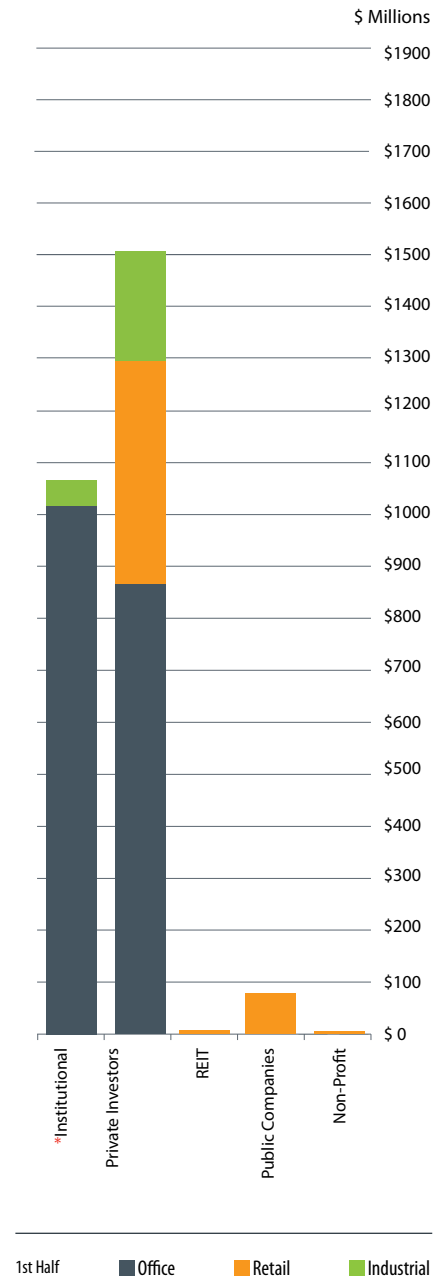
PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	LAND USE	DATE
5495 Regent Street	Burnaby	\$7,295,000	4.044	Industrial	June 2016
Airport East Business Park Parcel A Clearbrook Road	Abbotsford	\$5,900,000	13.937	Industrial	June 2016
14529 66th Avenue	Surrey	\$6,300,000	4.289	Industrial	April 2016
15410 68th Avenue	Surrey	\$5,900,000	5	Industrial	April 2016

TOP FIVE RESIDENTIAL LAND SALES (Metro Vancouver) By Price January 1 to June 30, 2016

PROPERTY	LOCATION	PRICE	SITE SIZE (ACRES)	SITE SIZE (SF)	DATE
Brighouse Square 6340-6390 No. 3 Road	Richmond	\$73,500,000	3.58	155,945	May 2016
1444 Alberni Street, 740 Nicola Street	Vancouver	\$170,100,000	0.99	43,156	April 2016
Pearson Dogwood 650 West 57th Avenue*	Vancouver	\$217,000,000	19.581	852,948	March 2016
1059, 1075 Nelson Street	Vancouver	\$68,000,000	0.40	17,292	March 2016
1745 West 8th Avenue	Vancouver	\$70,000,000	1.30	56,628	February 2016

*This deal represented the second transaction involving the Pearson Dogwood lands. The first closed in April 2015.

FIRST HALF 2016: BUYER PURCHASES BY ASSET TYPE



* Institutional investors include pension funds 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.

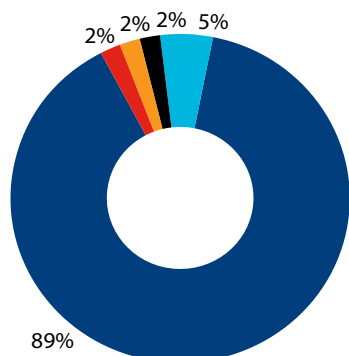
BUYER PROFILE

Private purchasers remained the most dominant buyer group in the first half of 2016. Private buyers accounted for 89% of all transactions and 55% of total dollar volume surpassing the record set in 2015 when private buyers were involved in 88% of all transactions (but 69% of dollar volume). In comparison, private purchasers accounted for 80% of transactions and 54% of total dollar volume in 2013. Institutional purchases accounted for just 5% of all trades in the first half of 2016, but totalled 42% of dollar volume. A public company, which was involved in just 2% of transactions and earned only 3% of total dollar volume, was a non-factor. REITs were similarly sidelined, capturing even less.

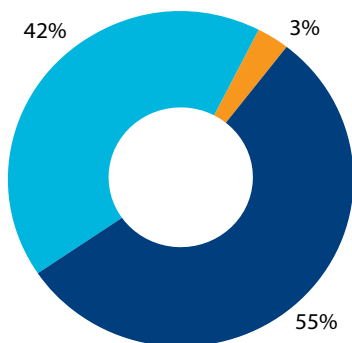
Private buyers spent \$1.51B in the first half of 2016, up from \$689M in the first half of 2015, and invested in office (\$874M), retail (\$436M) and industrial (\$203M) assets. Institutional buyers overwhelmingly focused on office assets (\$1.03B) – in this case, a single asset, the **Bentall Centre** – as well as industrial (\$49.5M) and retail (\$68M) properties. A public company secured one significant retail asset, **Peninsula Village** (\$78.25M).

Private buyers continued to acquire assets despite higher prices in an effort to build up portfolios and achieve scale

FIRST HALF 2016: NUMBER OF TRANSACTIONS BY TYPE OF BUYER



FIRST HALF 2016: VALUE OF SALES BY TYPE OF BUYER



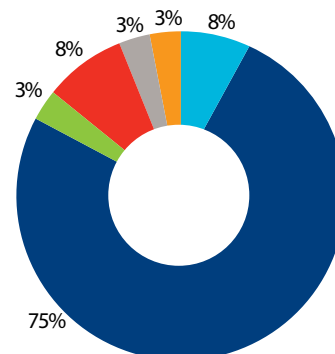
in BC (particularly in Metro Vancouver) and to buy properties that historically have not been available for purchase, but have become available. Despite highly compressed cap rates for most assets, purchasers appear to be satisfied with the stable returns – or potential for returns – these properties offer when compared with the volatile and paltry return on investment currently available in the stock or bond markets.

VENDOR PROFILE

Institutions banked \$1.29B of total proceeds – a steep increase from the \$204M recorded in the first half of 2015. Private vendors accounted for \$703M of the total proceeds in the first half of 2016 – up from the \$582M achieved in the first six months of 2015. Public companies took home \$440M in proceeds, up significantly from the \$36M registered a year ago. REITs captured \$266M in the first half of 2016 compared with no proceeds earned by REITs 12 months earlier. Government and financial vendors comprised the remaining \$43M.

Two REITs possessed very different motivations for selling during the first half of 2016. **Dream Office REIT** has faced challenges with its portfolio holdings in recessionary Alberta and sold three office buildings in Metro Vancouver as part of a

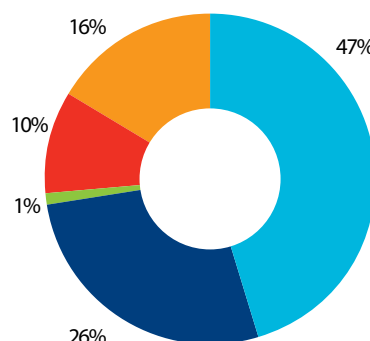
FIRST HALF 2016: NUMBER OF TRANSACTIONS BY TYPE OF VENDOR



liquidity play. While **RioCan REIT** decided to realize significant gains by selling two non-core retail assets in suburban BC markets.

Sellers' motivations can vary widely, particularly for many who may not have previously considered selling 'untouchable' core assets. The age of such long-held assets as well as the need for capital investment may have served as significant motivating factors as well as the declining rates of return that would accompany such expenditures. Pricing has been trending upward for years and has accelerated significantly since 2012 and may have resultantly surpassed a threshold at which even core assets could be made available.

FIRST HALF 2016: VALUE OF SALES BY TYPE OF VENDOR



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

Office

Office investment activity generated record dollar volume in the first half of 2016

Royal Centre sold for \$427.5M in March 2016.



Office investment sales activity in BC generated record dollar volume in the first half of 2016 with 15 transactions valued at \$1.9B, capturing an astonishing 69% of the overall dollar volume of \$2.75B. However, approximately 54% of the dollar volume for office transactions in the first half of 2016 was attributed to the historic sale of the **Bentall Centre** in Vancouver for \$1.03B. Two other office deals exceeded \$100M in the first half of 2016, and three others exceeded \$50M, as the majority of activity involved class A and B assets downtown.

Office sales were registered in Vancouver, Surrey, Burnaby, New Westminster, Victoria, Kamloops and Kelowna. Deal velocity was moderate when compared with previous years, including the first half of 2015 when 17 office deals (\$213M) closed. In comparison, there were 15 office transactions (\$380M) in the first half of 2014 but just 10 deals (\$165M) in the same period of 2013. There were 20

office transactions (\$764M) in the previous record-holding first half of 2012.

The sales of the **Royal Centre** (\$427.5M) and the **UK Building** (\$115M) along with 1380 Burrard Street (\$81M) and the **Revenue Canada Building** (\$71.4M) marked a particularly active half for the sales of downtown office buildings. The disposition of 887 Great Northern Way (\$72.8M) by **Dream Office REIT** was the only office transaction in the City of Vancouver during the first half of 2016 that was not located downtown. Dream Office REIT also sold **Canada Way I & II** (\$27.6M) in Burnaby and **First Capital Place** (\$19.8M) in New Westminster to boost its liquidity.

An additional \$101.4M (in sales from office assets valued at less than \$5M) was raised in 132 transactions in the first half of 2016, pushing dollar volume to slightly more than \$2B in total investment.

OFFICE TRANSACTIONS					
PROPERTY	LOCATION	PRICE	VENDOR TYPE	BUYER TYPE	DATE
Bentall Centre 505, 555, 595 Burrard & 1055 Dunsmuir Street*	Vancouver	\$367,156,655	Institutional	Institutional	June 2016
887 Great Northern Way	Vancouver	\$72,829,000	REIT	Private	June 2016
1290 Homer Street	Vancouver	\$9,750,000	Private	Private	June 2016
1380 Burrard Street	Vancouver	\$81,000,000	Institutional	Private	May 2016
260 Harvey Avenue	Kelowna	\$5,750,000	Private	Private	May 2016
Bentall Centre 505, 555, 595 Burrard & 1055 Dunsmuir Street*	Vancouver	\$660,000,000	Institutional	Institutional	April 2016
UK Building 409 Granville Street	Vancouver	\$115,000,000	Private	Private	April 2016
Revenue Canada Building 1166 West Pender Street	Vancouver	\$71,400,000	Institutional	Private	April 2016
Canada Way I & II 4299 & 4259 Canada Way	Burnaby	\$27,572,000	REIT	Private	April 2016
First Capital Place 960 Quayside Drive	New Westminster	\$19,800,000	REIT	Private	April 2016
Bard & Banker Building 1022 Government Street	Victoria	\$11,000,000	Private	Private	April 2016
Royal Centre 1055 West Georgia Street	Vancouver	\$427,500,000	Public Co.	Private	March 2016
Continental Building 275 Lansdowne Street	Kamloops	\$12,250,000	Public Co.	Private	March 2016
Guildford Learning Centre 10183 152A Street	Surrey	\$9,500,000	Private	Private	February 2016
Rithet Building 1107-1119 Wharf Street	Victoria	\$10,380,000	Private	Private	January 2016
Top Deals/Investments	15	\$1,900,887,655			

*These two transactions represented one purchaser acquiring two ownership stakes in the same property.

Retail

Sales of BC retail assets in the first half of 2016 reflected markedly strong pricing and limited supply with 25 transactions totalling \$593M, a substantial increase from the 21 transactions (\$295M) recorded in the first half of 2015 or the 28 transactions (\$310M) noted in the first half of 2014. There were 24 retail deals (\$292M) registered in the first half of 2013. The sale of **Royal City Centre** (\$115M) was responsible for almost 20% of total retail dollar volume in the first half of 2016.

Other than the Royal City Centre sale, three other retail transactions were valued at \$50M or greater. **Mission Junction, Peninsula Village** and **Big Bend Crossing** represented the three largest retail transactions (after Royal City Centre) in the first half of 2016 and made up 36% of total retail dollar volume.

Retail sales were registered in Vancouver, Richmond, New Westminster, Burnaby, Surrey, White Rock, Delta, Coquitlam, Mission, Abbotsford and Kelowna. Retail assets were overwhelmingly purchased by private investors with the exception of Mission Junction and Peninsula Village, which were acquired by an institutional investor and public company, respectively. The shifting retail landscape has generally made larger institutional investors a bit more uncertain of retail outside of large established shopping centres in primary markets, particularly if the retail asset is priced greater than \$10M and if land (and the potential redevelopment opportunities that accompany it) is not included as part of the deal.

Those retail opportunities that do include a land component remain in demand and command strong pricing from developers and those seeking income in place while the potential of redevelopment is explored with the municipality through the permitting process.

More than \$332M (in sales from retail assets valued at less than \$5M) was raised in 271 transactions in the first half of 2016, pushing dollar volume to more than \$926M in total retail investment.



The sale of **Royal City Centre** in New Westminster, BC was the largest retail deal in the first half of 2016.

RETAIL TRANSACTIONS						
PROPERTY	MUNICIPALITY	PRICE	VENDOR TYPE	BUYER TYPE	DATE	
Central Plaza 15160 North Bluff Road & 1530 Foster Street	White Rock	\$29,000,000	Private	Private	June 2016	
2509-2521 Main Street	Vancouver	\$14,500,000	Private	Private	June 2016	
4716, 4736 & 4780 Hastings Street	Burnaby	\$19,250,000	Private	Private	June 2016	
100 East 1st Street	Vancouver	\$8,000,000	Private	Private	June 2016	
The Honda Way 30150 Automall Drive	Abbotsford	\$9,049,999	Private	Private	June 2016	
333 North Road	Coquitlam	\$6,990,000	Private	Private	June 2016	
Southgate Mall 2606, 2616 Pandosy Street	Kelowna	\$6,350,000	Private	Private	June 2016	
3698 Grandview Highway	Vancouver	\$9,300,000	Private	Private	May 2016	
294 Bernard Avenue	Kelowna	\$5,800,431	Financial	REIT	May 2016	
Mission Junction 32525 London Avenue	Mission	\$68,050,000	REIT	Institution	April 2016	
The Wilson Block 929 Granville Street	Vancouver	\$38,250,000	Private	Private	April 2016	
Boundary Park Plaza 6350 120th Street	Surrey	\$24,200,000	Government	Private	April 2016	
15110 & 15140 101st Avenue	Surrey	\$9,500,000	Private	Private	April 2016	
5506 - 5518 12th Avenue	Delta	\$6,480,000	Private	Private	April 2016	
6373 Fraser Street	Vancouver	\$6,000,000	Private	Private	April 2016	
Big Bend Crossing 5751 Marine Way	Burnaby	\$65,000,000	Private	Private	March 2016	
Newton Square 7093 King George Boulevard	Surrey	\$10,000,000	Private	Private	March 2016	
164 East Pender	Vancouver	\$5,600,000	Financial	Non-profit	March 2016	
Peninsula Village 15355 24th Avenue	White Rock	\$78,250,000	REIT	Public Co.	February 2016	
Landmark Plaza 8351 Alexandra Road	Richmond	\$14,130,000	Private	Private	February 2016	
Yi An Centre 4651, 4653 Garden City Road	Richmond	\$9,800,000	Private	Private	February 2016	
1876 - 1880 West 1st Avenue	Vancouver	\$5,000,000	Private	Private	February 2016	
Royal City Centre 610 6th Street	New Westminster	\$114,700,000	Institutional	Private	January 2016	
Vancouver Honda 850-880 SW Marine Drive	Vancouver	\$25,250,000	Private	Private	January 2016	
Kingsway Honda 6984 Kingsway	Burnaby	\$5,000,000	Private	Private	January 2016	
Top Deals/Investments	25	\$593,450,430				

Industrial

Industrial investment activity in the first half of 2016 was comparable in regard to deal velocity with the same period of 2015, but marked a significant drop in total dollar volume as supply remained highly constrained. The level of industrial investment in the first half of 2016 totalled 25 transactions that contributed \$252M in dollar volume compared with 27 transactions valued at \$358M in the first half of 2015. However, industrial sales activity in the first half of 2016 marked a substantial departure from the 13 sales valued at \$163M recorded in the first half of 2014.

A single transaction – the acquisition of 8400-8500 River Road by **Bentall Kennedy** for \$49.5M – made up 20% of total industrial investment in the first half of 2016. Just seven other deals exceeded \$10M, but none of them exceeded \$15M. Most deals represented premium pricing for small- to mid-sized industrial assets clustered in Vancouver, Richmond, Delta and Surrey with very limited availability in Burnaby and North Vancouver.

Private investors – the majority of them owner/occupiers – dominated both the buy and sell sides of industrial transactions in the first half of 2016. Demand remained very strong, but with few assets of scale available and limited ability to develop new product due to the cost and availability of industrial land, pricing is expected to remain strong but supply constrained and will likely continue to dampen industrial investment totals.

In terms of overall dollar volume in BC, the first half of 2016 marks the lowest percentage – just 9% – contributed by industrial investment on record despite industrial sales activity contributing 39% of the total number of deals in that period. In light of the higher costs and lack of availability of industrial development sites, some developers are increasingly considering multi-level industrial buildings

with higher densities, particularly within core markets such as Vancouver and Burnaby. Logistics/distribution assets as well as stand-alone industrial buildings remained in high demand as did strata properties, most of which were not included in the \$252M total.

More than \$312M (in sales from industrial assets valued at less than \$5M) was raised in 285 transactions in the first half of 2016, pushing total dollar volume to more than \$577M.



8400-8500 River Road in Delta sold for \$49.5M.

INDUSTRIAL TRANSACTIONS					
PROPERTY	MUNICIPALITY	PRICE	VENDOR TYPE	BUYER TYPE	DATE
149-159 West 7th Avenue	Vancouver	\$14,500,000	Private	Private	June 2016
18380 Mccartney Way	Richmond	\$13,650,000	Private	Private	June 2016
15055 54A Avenue	Surrey	\$12,750,000	Private	Private	June 2016
15100 River Road, 1611 Patrick Street, & 1600 Savage Road	Richmond	\$12,500,000	Private	Private	June 2016
1250 East Pender Street	Vancouver	\$7,350,000	Private	Private	June 2016
7815 North Fraser Way	Burnaby	\$5,975,000	Private	Private	June 2016
60 West 7th Avenue	Vancouver	\$8,900,000	Private	Private	May 2016
2288 Clark Drive	Vancouver	\$7,250,000	Private	Private	May 2016
3331 Jacombs Road	Richmond	\$6,080,000	Private	Private	May 2016
10238 Nordel Court	Delta	\$5,083,750	Private	Private	May 2016
8717 132nd Street	Surrey	\$7,450,000	Government	Private	April 2016
11320 Horseshoe Way	Richmond	\$5,200,000	Private	Private	April 2016
563 Ebury Place	Delta	\$5,190,000	Private	Private	April 2016
32 Fawcett Road	Coquitlam	\$5,100,000	Private	Private	April 2016
8400 - 8500 River Road	Delta	\$49,500,000	Private	Institutional	March 2016
810 West 1st & 105 Fell Avenue	North Vancouver	\$7,400,000	Private	Private	March 2016
494 Railway Street	Vancouver	\$7,300,000	Private	Private	March 2016
7542 Progress Way	Delta	\$5,650,000	Private	Private	March 2016
7708 80th Street	Delta	\$12,775,000	Private	Private	February 2016
1305-1315 Powell Street	Vancouver	\$10,000,000	Private	Private	February 2016
14551 Burrows Road	Richmond	\$8,100,000	Private	Private	February 2016
5731 Minoru Boulevard	Richmond	\$7,380,000	Private	Private	February 2016
Steveston Industrial Estates 12280 & 12320 Trites Road	Richmond	\$14,000,000	Private	Private	January 2016
8125 North Fraser Way	Burnaby	\$7,900,000	Private	Private	January 2016
485 Commercial Drive	Vancouver	\$5,200,000	Private	Private	January 2016
Top Deals/Investments	25	\$252,183,750			

Multi-Family

Multi-family investment activity remained highly elevated in the first half of 2016 after recording 43 transactions valued at \$471.9M. This compares with 26 deals valued at \$370M in the first half of 2015 and 23 deals valued at \$396M in the first half of 2014. (Avison Young only tracks multi-family investments trading at more than \$5M.)

Premium pricing and highly compressed cap rates continued to define BC's multi-family investment market, particularly within Metro Vancouver. Private investors were involved as buyers and vendors in every transaction in the first half of 2016. Most institutional investors simply do not have a mandate to acquire properties with such low cap rates and, combined with a lack of assets of scale available for purchase in BC, have largely avoided the asset class with limited exceptions during the past 18 months. Strong demand for multi-family product has pushed select properties to a 2% (or slightly less) cap rate and those properties with cap rates of 3% to 4% may continue to compress further yet.

Listings remained tight and large deals few and far between in the first half of 2016 with the largest deal being the sale of the Berkeley for \$43M. Seven other deals exceeded \$15M while 10 other deals were between \$10M and \$15M. Supply constraints have limited deal velocity while those properties that do trade achieve a significant premium.

Multi-family building sales in Metro Vancouver were included in the new 15% levy on residential purchases made by foreign nationals that was introduced on August 2, 2016. While the impact on multi-family sales will not likely be known until year-end, it is not anticipated to have a significant effect on deal volume or pricing in the second half of 2016. Foreign capital may shift to other asset classes, such as retail or

MULTI-FAMILY TRANSACTIONS COVER \$10 MILLION						
PROPERTY	MUNICIPALITY	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
1033 Granville Street	Vancouver	\$10,000,000	Private	\$1,250,000*	Private	June 2016
The Berkeley 1770 Davie Street	Vancouver	\$43,000,000	Private	\$741,379*	Private	June 2016
Winsome Place 7760 120th Street	Surrey	\$10,802,977	Private	\$154,328	Private	June 2016
Viscount Court , 2910 Alder Street	Vancouver	\$12,400,000	Private	\$344,444	Private	May 2016
Sharmerob Manor 1929 West 3rd Avenue	Vancouver	\$19,800,000	Private	\$373,585	Private	May 2016
Reid Manor 1875 West 7th Avenue	Vancouver	\$13,500,000	Private	\$346,154	Private	May 2016
Dunsmuir House , 831-835 Dunsmuir Road	Esquimalt	\$17,000,000	Private	\$200,000	Private	May 2016
The Crest 775 Terminal Ave North	Nanaimo	\$20,500,000	Private	\$169,421	Private	May 2016
The Josephine & The Westwood 2116, 2150 West 39th Ave	Vancouver	\$17,500,000	Private	\$416,667	Private	March 2016
Dorchester 170 East 5th St.	North Vancouver	\$16,250,000	Private	\$306,604	Private	March 2016
MC2 8101 Nunavut Lane, 488 West 64th Avenue	Vancouver	\$26,898,000	Private	\$244,527	Private	March 2016
1580 Everall Street	White Rock	\$10,925,000	Private	\$191,667	Private	March 2016
Beverly Manor 1190 West 10th Avenue	Vancouver	\$12,000,000	Private	\$342,857	Private	February 2016
Graystone Manor 1750 West 13th Avenue	Vancouver	\$18,100,000	Private	\$385,106	Private	January 2016
Vallejo Court 1009 West 10th Ave	Vancouver	\$12,850,000	Private	\$313,415	Private	January 2016
Brunswick Apartments 396 East 2nd Avenue	Vancouver	\$12,680,000	Private	\$239,245	Private	January 2016
Karin Manor (7230 Elwell St) & Walker Manor (6947 Walker Ave)	Burnaby	\$12,400,000	Private	\$200,000	Private	January 2016

*Mixed-use apartment building

Sources: Avison Young & RealNet Canada

office investments, or move to other BC markets if the tax succeeds in making multi-family properties too expensive for foreign nationals to acquire. However, price increases in communities outside of Metro Vancouver, such as Victoria and Nanaimo, had already been registered prior to the introduction of the tax.

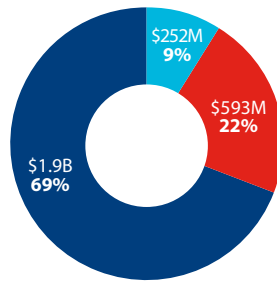
Little product is anticipated to come to market in the second half and that could lead to further downward pressure on cap rates while foreign capital is likely to take a pause and evaluate the impact the tax has on sales activity. Residential land sales and assemblies are likely to slow and some may be dropped, but this is expected to be temporary as developers reevaluate residential land values and potential joint ventures backed with foreign capital.



The \$43M sale of the **Berkeley** in Vancouver was the largest multi-family sale in the first half.

FIRST HALF 2016: SALES BY PROPERTY TYPE & DOLLAR VOLUME

■ Office ■ Industrial ■ Retail



continued from cover page...

solely focused on securing office assets – in this case the Bentall Centre – but did also secure a single industrial property, while private investors acquired office (\$874M), retail (\$436M) and industrial (\$203M) assets. A public company purchased a retail property (\$78M) in the first half of 2016 as did REITs (\$5.8M) and a non-profit (\$5.6M).

Institutional vendors overwhelmingly sold off office assets (\$1.18B) in the first half of 2016 with one retail property (\$115M) included. Private sellers sold their retail properties (\$297M) followed by the industrial (\$245M) and office (\$161M) assets they held. Public companies sold office buildings (\$439M), while REITs liquidated retail (\$146M) and office (\$120M) product.

The drastic shift in vendor and purchaser profiles and activity in the first half of 2016 would indicate that demand and pricing in the commercial real estate market in BC had reached a threshold that triggered institutional owners to reconsider their positions in BC, particularly in the downtown market. Those decisions to sell – many of which would have been initiated in mid-to-late 2015 – represented the culmination of years of steady price increases, strengthening demand, higher yields in other markets and compressing cap rates. Even the development and recent delivery of millions of square feet of new office space – a route increasingly taken by institutional owners as an alternative to being unable to secure existing product – did little to relieve the upward pressure on pricing in the face of seemingly insatiable demand from local and, increasingly, foreign investors seeking to place capital. Those experienced institutional owners who had held properties in the downtown Vancouver market for a long period of time chose to exit the market and redeploy the capital elsewhere where an opportunity to earn a higher return exists.

While each institutional sale has its own backstory with different motivations, justifications and actors, the decision that appears to have been taken collectively by a number of institutional owners to sell represented the emergence of a new stage of investment and ownership in BC's commercial real estate market. The broadening exposure of the province's commercial real estate market to an international audience of investors, combined with a weakened Canadian dollar, record low interest rates, a strong rule of law, and political and economic stability, attracted foreign capital and emboldened local investors to step up their own game in order to compete at a level previously unseen on this scale in Vancouver and British Columbia.

Land prices for development sites of any kind remain at a premium and costs to acquire properties with redevelopment potential – even those properties seemingly without near-term redevelopment potential – continue to increase exponentially in value throughout Metro Vancouver as well as Kelowna and select Vancouver Island communities. **Concord Pacific's** \$185-million-dollar acquisition of the **Molson Brewery** site in Vancouver in the first half of 2016 – ostensibly an industrial site that Avison Young has classified as an ICI land deal – is an example of the lengths to which developers are willing to go to acquire land even it means a development horizon potentially stretching decades into the future.

Despite record-setting dollar volume in the first half of 2016, deal velocity remained moderate with 65 transactions closing – the least recorded since the second half of 2014 – but still greater than the average of 57 deals completed each half since 2010. Dollar volume is expected to decline to more historical levels in the second half of 2016 while deal velocity is anticipated to slow as potential purchasers recalibrate what they are willing (and able) to pay in a market that continues to have significant constraints on supply and new development, but seemingly not price. ■

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