

Office investment sales activity in BC was muted in the first half of 2015 with 17 transactions only capturing 24% of total dollar volume. Only four deals exceeded \$15M and they accounted for nearly 50% of office's overall dollar volume. 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 record-setting first half of 2012.

Even though more than two-thirds of the properties that sold were located in Vancouver, none were considered prime locations. However, the acquisitions did highlight where within Vancouver's city limits overwhelmingly private purchasers were seeking to secure assets. Four Downtown properties – all east of Granville Street – were sold and included 750 Cambie Street, 555 & 569 Richards Street, 837 Beatty Street and 626 West Pender. The Broadway corridor remained popular with the properties at 395 West Broadway, 532 West Broadway and 1867 West Broadway changing hands. The increasingly popular Mount Pleasant office node was the location of three sales: 33 & 53 East 8th Avenue, 127 East 4th Avenue and 375 West 5th Avenue.

Three office buildings were sold in Surrey, while the largest office transaction dollar-wise was located in Richmond at 3600 Lysander Lane. A relatively rare strata office sale of scale was booked in Burnaby and just a single office building outside Metro Vancouver was sold in Victoria.

The delivery of almost 1.4 msf of new Downtown office supply in the first half of 2015 did not have an impact on building sales and is not anticipated to factor into a vendor's decision to sell moving forward or mute a buyer's enthusiasm to acquire. Most building owners and/or landlords, particularly of class B and C assets, continued to reinvest in their properties to help maintain face rates and retain tenants in the more balanced leasing environment that has emerged.

Asian investors continued to assert

themselves in the office market and have heightened the level of competition for those assets that do come available. It is no longer a discussion of when Mainland Chinese capital will start to flow into BC's office market, but now a question of how much more is still to come. A weakened Canadian dollar and record low interest rates are further exacerbating the situation as both private foreign investors and local interests seek to outbid each other in an effort to secure office assets.

Local developers are increasingly making their mark on the office market, particularly on class B and C assets located Downtown or along the Broadway corridor, as they invest the proceeds generated from their development activities in order to diversify their real estate portfolios by adding a steady income stream to smooth out the uneven cash flow sometimes associated with development activity. The assets these developers acquire often serve as potential future redevelopment sites.



Vancouver's historic **London Building** at 626 West Pender was sold to a private Asian investor for \$27M.

All commercial real estate transactions in Metro Vancouver increasingly include an underlying land value aspect to them and office transactions are no different.

As an example, the \$47M sale in the first half of 2015 of 1550 Alberni Street, a 100,000-sf office building built in 1972, was considered a land deal due to the redevelopment potential the site offered to its new owner, which was reflected in its pricing.

OFFICE TRANSACTIONS

PROPERTY	MUNICIPALITY	PRICE	VENDOR TYPE	BUYER TYPE	DATE
375 West 5th Avenue	Vancouver	\$12,600,000	Private	Private	June 2015
127 East 4th Avenue	Vancouver	\$5,280,000	Private	Private	June 2015
The London Building (626 West Pender Street)	Vancouver	\$27,645,000	Institutional	Private	June 2015
Russell Professional Building (15261 Russell Avenue)	Vancouver	\$6,000,000	Private	Private	June 2015
7 East 6th Avenue	Vancouver	\$9,850,000	Private	Private	May 2015
837 Beatty Street	Vancouver	\$9,880,000	Private	Private	April 2015
3600 Lysander Lane	Richmond	\$33,000,000	Private	Private	March 2015
Graphic Arts Building (33 & 53 East 8th Avenue)	Vancouver	\$7,455,000	Private	Private	March 2015
555 & 569 Richards Street	Vancouver	\$11,000,000	Private	Private	March 2015
Guildford Court (10428 153rd Street)	Surrey	\$9,860,000	Private	Private	March 2015
Croydon Business Centre (unit 400 - 2630 Croydon Drive)	Surrey	\$5,868,798	Private	Private	March 2015
CGA Building (1867 West Broadway)	Vancouver	\$16,125,000	Private	Private	February 2015
532 West Broadway	Vancouver	\$7,850,000	Private	Private	February 2015
Sovereign (#301 - 4501 Kingsway)	Burnaby	\$13,148,231	Private	Private	February 2015
Centennial Building (750 Cambie Street)	Vancouver	\$21,500,000	Non-profit	Private	February 2015
908 Pandora Avenue	Victoria	\$10,050,000	Private	Private	January 2015
395 West Broadway	Vancouver	\$5,950,000	Private	Private	January 2015
Total Deals/Investment	17	\$213,062,029			