VANCOUVER FLASH REPORT **2018**

Altus Group

COMMERCIAL INVESTMENT & LAND MARKET
VANCOUVER MARKET AREA

Total investment property sales volumes in the Vancouver Market Area increased to $14.5 billion in 2017, the highest annual volume recorded to date by Altus Group.

2017 Highlights

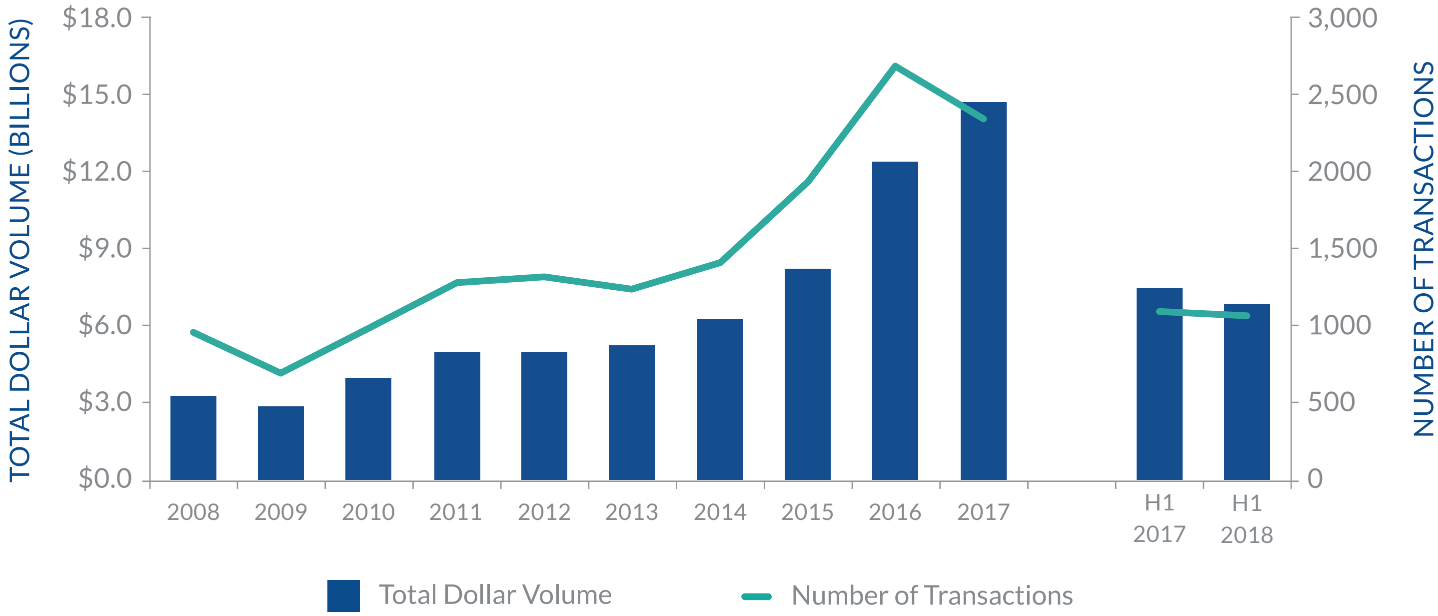
The strong investment activity in Vancouver in 2017 (based on sales valued at $1,000,000 or more) was driven by increased investment sales volumes in all sectors, with the exception of the Apartment sector (which was down 9% from a strong 2016).

The Residential Land market posted the largest year-over-year dollar increase – up by $1 billion (17%). This pushed the total value of land sales (ICI and Residential combined) above $9 billion for the first time since Altus Group started tracking the market in 1999.

The Office sector saw the largest percentage increase in 2017, rising 81% and surpassing the $1 billion mark for the first time.

The Retail sector recorded a notable improvement in 2017, increasing by more than $600 million to $1.7 billion.

Annual Investment Property Sales Transactions
VANCOUVER MARKET AREA



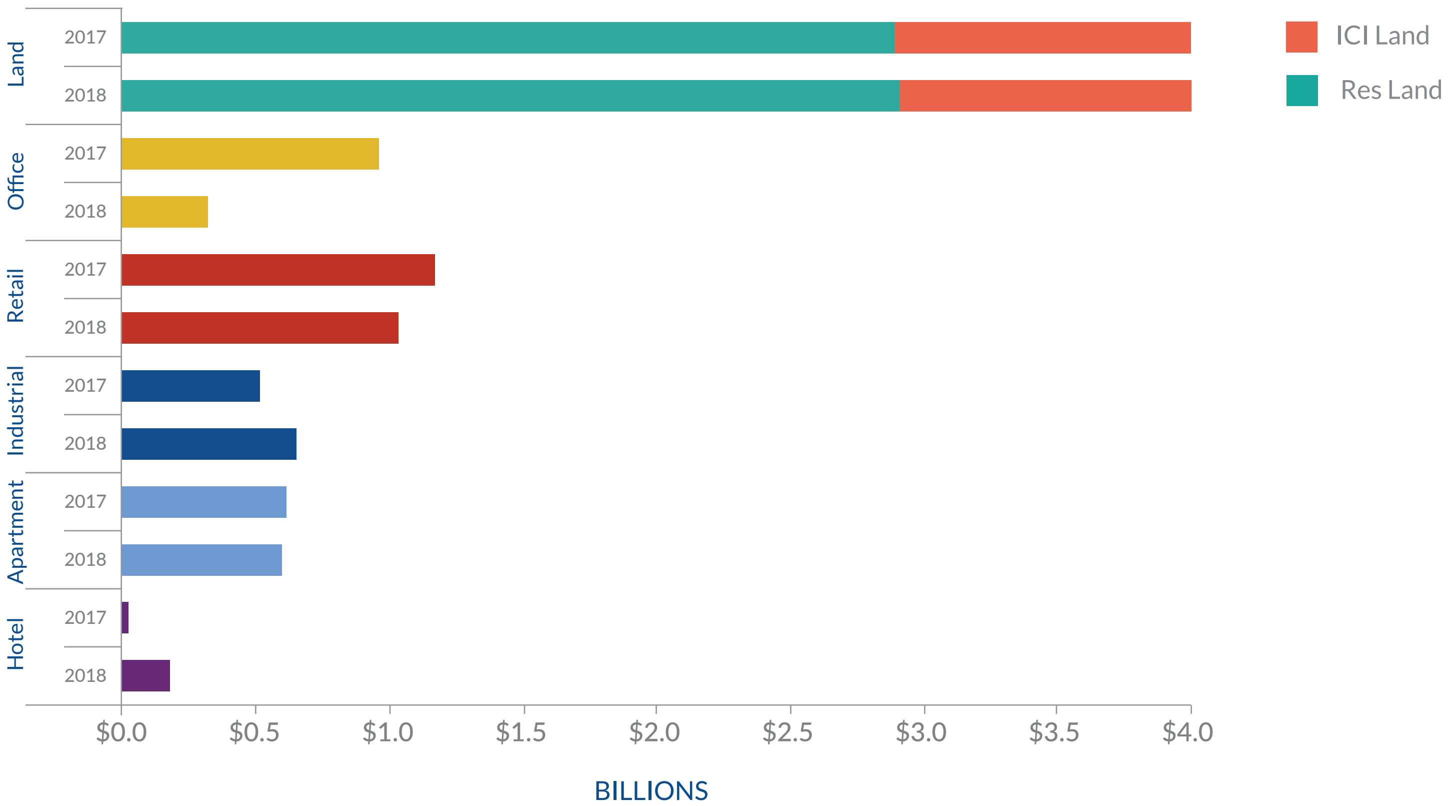
Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

VANCOUVER MARKET AREA

Investment Property Sales Transactions by Asset Class

VANCOUVER MARKET AREA – H1 2017 VS. H1 2018



Source: Altus Group

Total investment property sales volumes in the Vancouver Market Area slowed slightly in the first half of 2018.

First Half 2018 Highlights

Total investment property sales transactions slowed slightly in the first half of 2018 – down 7% in value from the first half of 2017.

The decrease was led by a drop in the Office sector, which fell to only one-third of the level recorded in the first half of 2017. Retail also was down (by 11%).

Countering some of the drop in Office and Retail was a stronger showing for Industrial (up by $138 million) and Hotel (up by $124 million).

Total land sales in the first half of 2018 were similar to a year earlier, as a slight decrease in ICI Land volumes was offset by a slight increase in Residential Land.

Residential Land sales set another record in 2017.

Notable Residential Land Themes

Residential Land investment set another record high in 2017, $6.9 billion– this was up 17% over 2016's very strong showing.

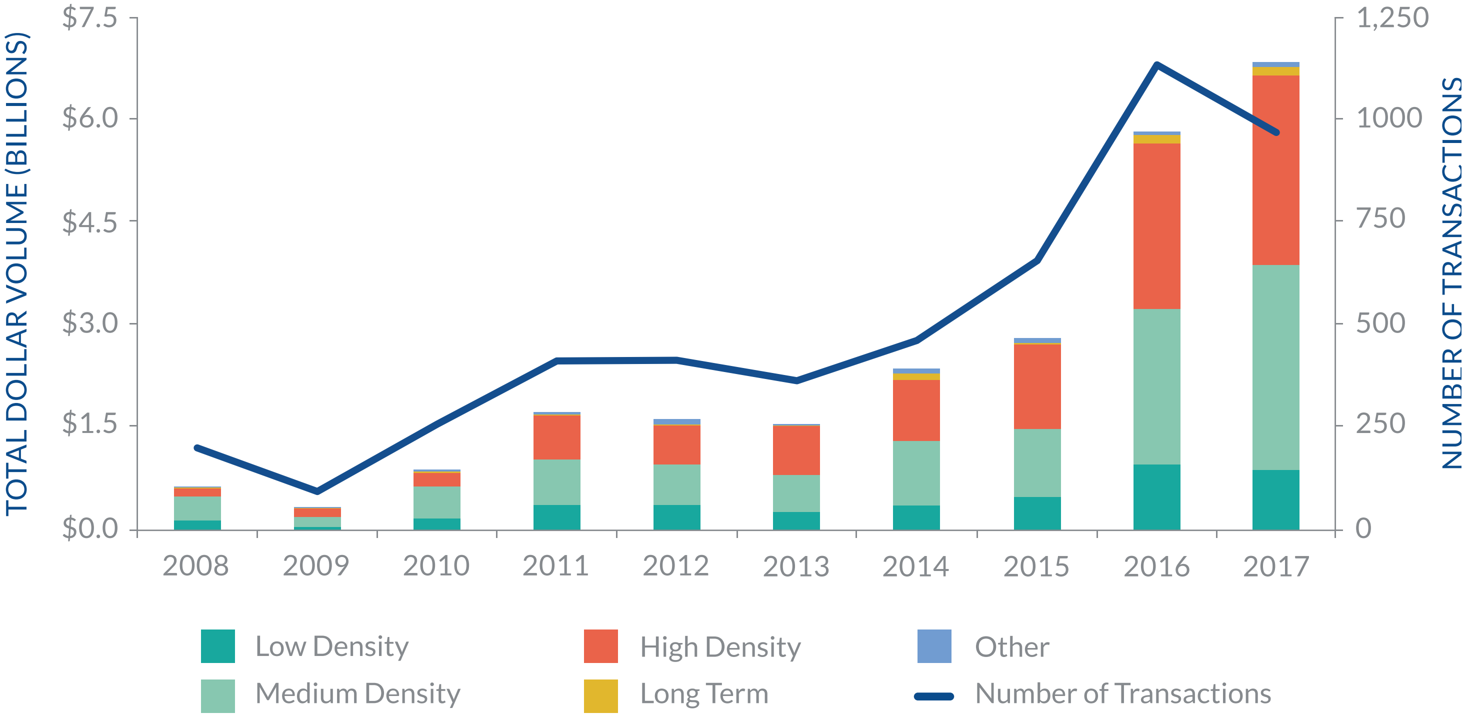
Larger average deal sizes drove the increase, as the number of transactions dipped.

High Density and Medium Density land accounted for 85% of all Residential Land volumes in 2017 (at $2.8 billion, and $3 billion, respectively).

Residential Land sales continued strong in the first half of 2018, matching the buoyancy of the first half of 2017.

Residential Land Transactions by Land Use

VANCOUVER MARKET AREA



Source: Altus Group

COMMERCIAL INVESTMENT & LAND MARKET CONTINUED

VANCOUVER MARKET AREA

The sale of seven strata units at the West Fourth Building represented a price per square foot of $1,250.

First Half 2018 Featured Investment Transactions

The continued strength of the Residential Land market in the first half of 2018 was aided by redevelopment sites in Downtown Vancouver like Landa Global Properties' acquisition of 1640-1650 Alberni St. at $130 million.

The largest ICI Land transaction in Q2 2018 was Hungerford Properties' purchase on S.E. Marine Drive, a rare Industrial Land site within the City of Vancouver.

While Retail investment activity was down in the first half of 2018, prices remained strong. The sale of seven strata units at the West Fourth Building for $80.5 million represented a price per square foot of $1,250.

Date	Sector	Transaction Name	Purchaser(s)	Price
Apr-04-2018	Office	Guildford Corporate Centre	Pacific Reach Properties	$51,000,000
May-01-2018	Retail	The West Fourth Building	Bonnis Properties	$80,500,000
Apr-30-2018	Industrial	1751 & 1771 Savage Rd.	Nexus REIT	$57,380,000
Apr-02-2018	ICI Land	86 & 100 S.E. Marine Dr. & 101 East 69th Ave.	Hungerford Properties	$90,390,000
Jun-28-2018	Residential Land	Park West at Lions Gate	Keltic Canada Development	$97,500,000
Apr-17-2018	Residential Land	1640-1650 Alberni St.	Landa Global Properties Ltd.	$130,000,000

Source: Altus Group

INDUSTRIAL SALES & LEASING MARKET

VANCOUVER MARKET AREA

The industrial vacancy rate has declined to the 2% range, despite significant new supply.

Industrial Sales and Leasing Market Highlights

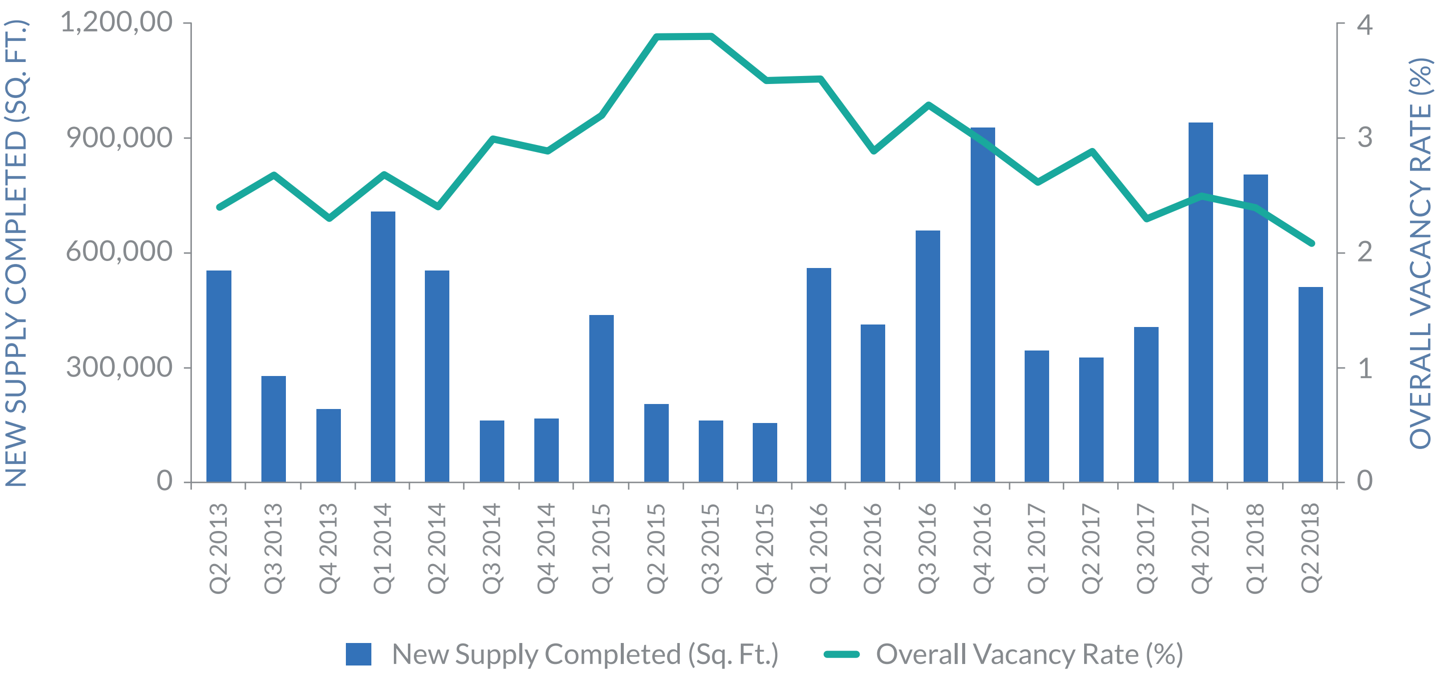
Almost 5 million square feet of new industrial space has been added to the Vancouver Market Area in the past 8 quarters. Demand for additional industrial space, however, has been even stronger, pushing the overall vacancy rate down to the 2% range in mid 2018.

There was a further 3.9 million sq. ft. of industrial space under construction in mid 2018. At the average annual pace of absorption over the past 3 years, this represents less than 1 year of supply.

Vancouver net rental rates for new tenants leasing industrial space are typically higher than in other major Canadian markets and with a tight vacancy rate, continue to move up.

Industrial Sales and Leasing Market

VANCOUVER MARKET AREA



Source: Altus Group

OFFICE LEASING MARKET

VANCOUVER MARKET AREA

The Vancouver office leasing market continues to improve.

Office Leasing Market Highlights

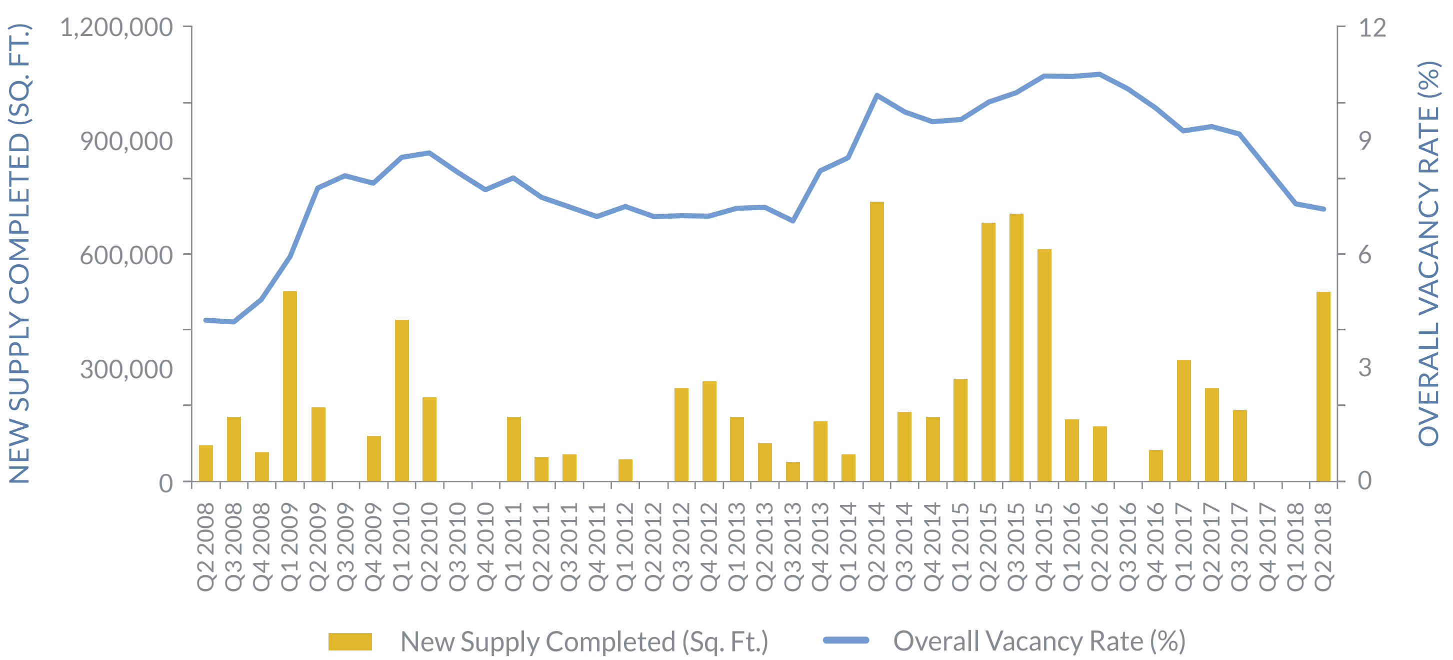
About 1.3 million sq. ft. of new office space has been added to the Vancouver Market Area in the past 8 quarters – less than half the amount added in the previous 8 quarters (mid 2014 to mid 2016).

At the same time, demand for office space has improved. The combination of reduced new supply and stronger absorption has driven the overall office vacancy rate down to the 7% range in mid 2018, from the peak of almost 11% in mid 2016.

With the improved market conditions, more office space is now in development, with nearly 2.8 million sq. ft. under construction in mid 2018. This represents 2 years of supply at the average annual rate of absorption in the past 3 years.

Office Leasing Market

VANCOUVER MARKET AREA



Source: Altus Group

OFFICE LEASING MARKET CONTINUED
VANCOUVER MARKET AREA

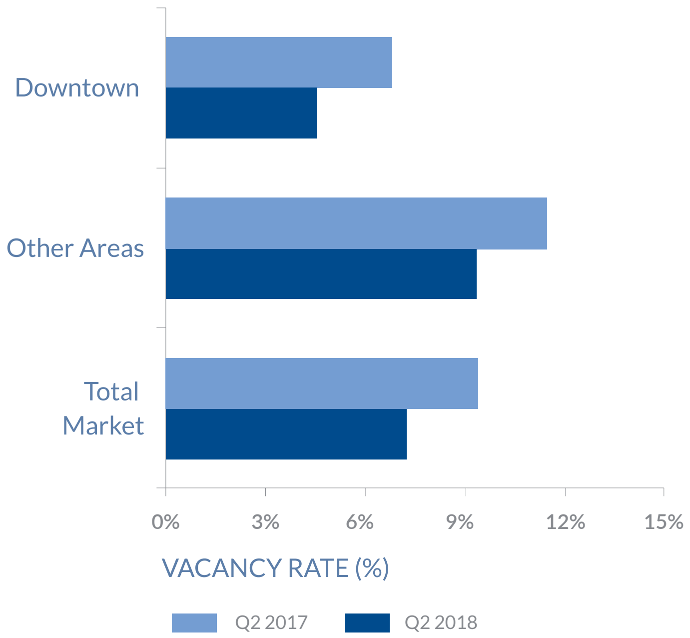
Majority of new office supply under construction is in the tighter downtown area.

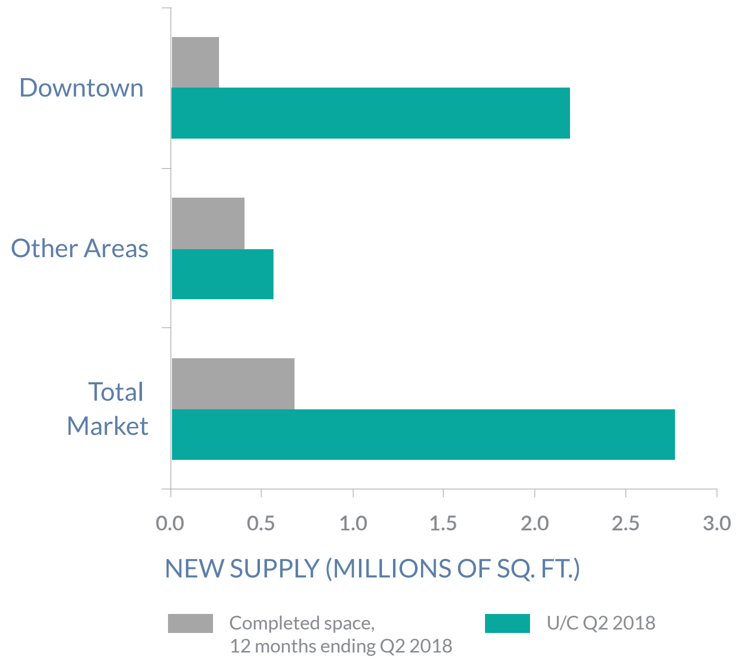
Office Leasing Market Highlights *Continued*

Accelerating office absorption in the downtown, with limited new supply, has pulled the vacancy rate down below 5% in mid 2018 from just under 7% a year earlier. Other areas of the market have also seen a drop in the vacancy rates over the past year.

Most of the office space under construction is located in the downtown market. However, pre-leasing activity has been strong for the new space, given more limited current available supply.

Office Leasing Highlights, Downtown vs. Other Areas
VANCOUVER MARKET AREA





Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET

VANCOUVER MARKET AREA

New home sales have moderated since 2016.

New Home Sales Highlights

Coming off of a record performance in 2016, Vancouver new home sales for 2017 dipped to 17,360 units – still the second highest level ever recorded by Altus Group for total new homes sales in the Vancouver Market Area for projects of 20 units and above.

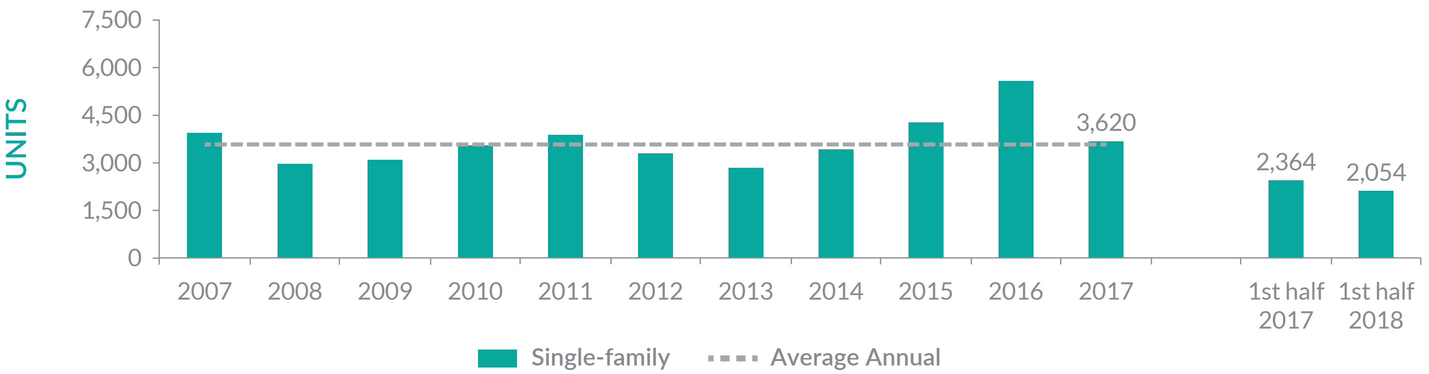
Single-family (detached, semi-detached and townhouse) sales slipped to the 11 year average while the fall-off in apartment sales was less pronounced.

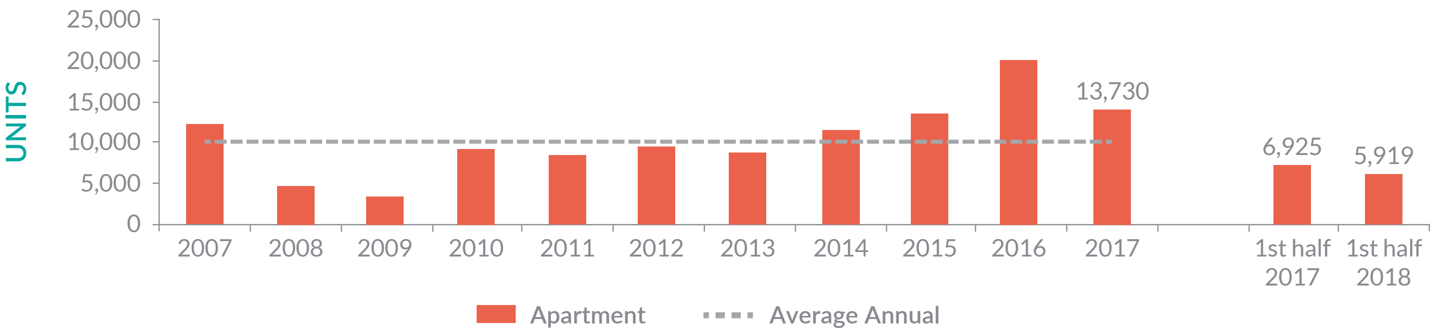
The top submarket for condominium apartment sales in 2017 was the Burnaby/Tri-Cities/New Westminster area accounting for 1 in 3 apartment sales. Surrey/White Rock/Delta was the top market for single-family new home sales with about half of the total.

New home sales moderated further in the first half of 2018, with both single-family and apartment sales down about 15% from the pace set in the first half of 2017.

New Home Sales

VANCOUVER MARKET AREA





Source: Altus Group

New condominium apartment project launches up from last year.

Condominium Apartment Highlights

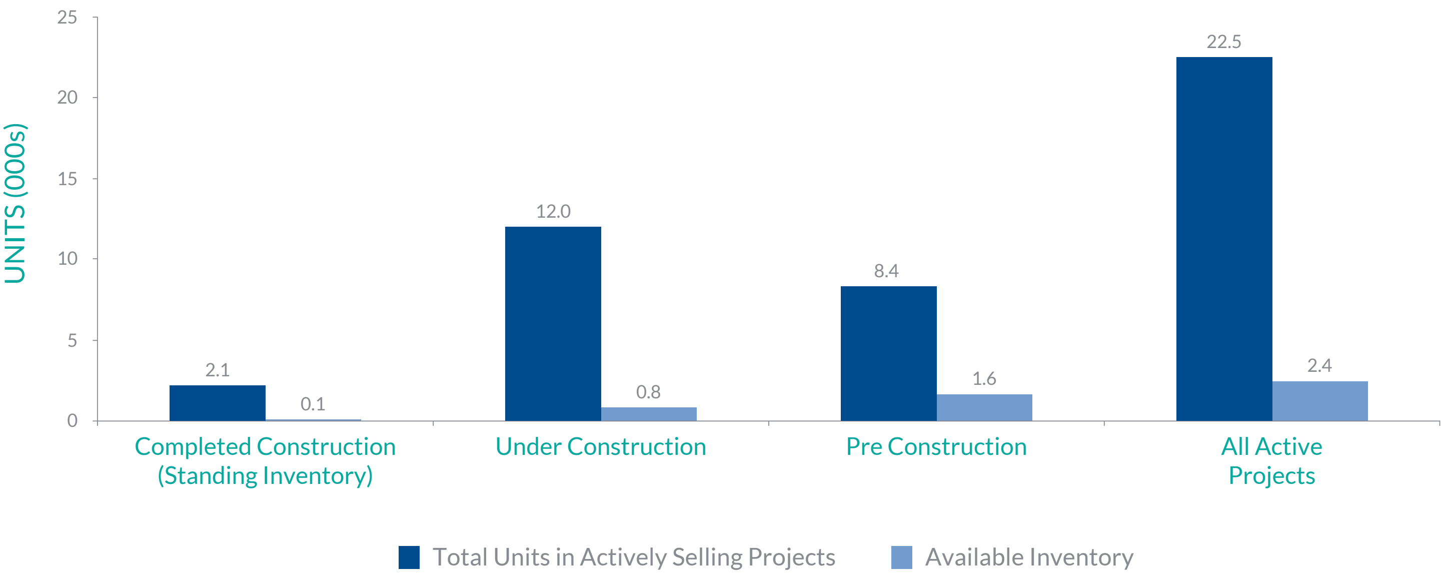
At the end of Q2 2018, the Vancouver Market Area had a total of about 22,500 total units in the 145 new condominium apartment projects actively being marketed. Of those, only about 2,400 units were unsold and available to purchase.

Two-thirds of the available inventory is in pre construction projects. Those looking for units to immediately occupy, or lease out, have very few options available to them in standing inventory.

The number of new condominium apartment projects launched (and total units) was higher in the first half of 2018 than in the first half of 2017, but below the very buoyant first half of 2016.

Active New Condominium Apartment Projects by Construction Status

VANCOUVER MARKET AREA – end of Q2 2018



Source: Altus Group

RESIDENTIAL DEVELOPMENT MARKET CONTINUED

VANCOUVER MARKET AREA

The approximately 2,400 new condominium apartment units available to purchase at the end of Q2 2018 represents only about 2 months of supply.

Condominium Apartment Highlights *Continued*

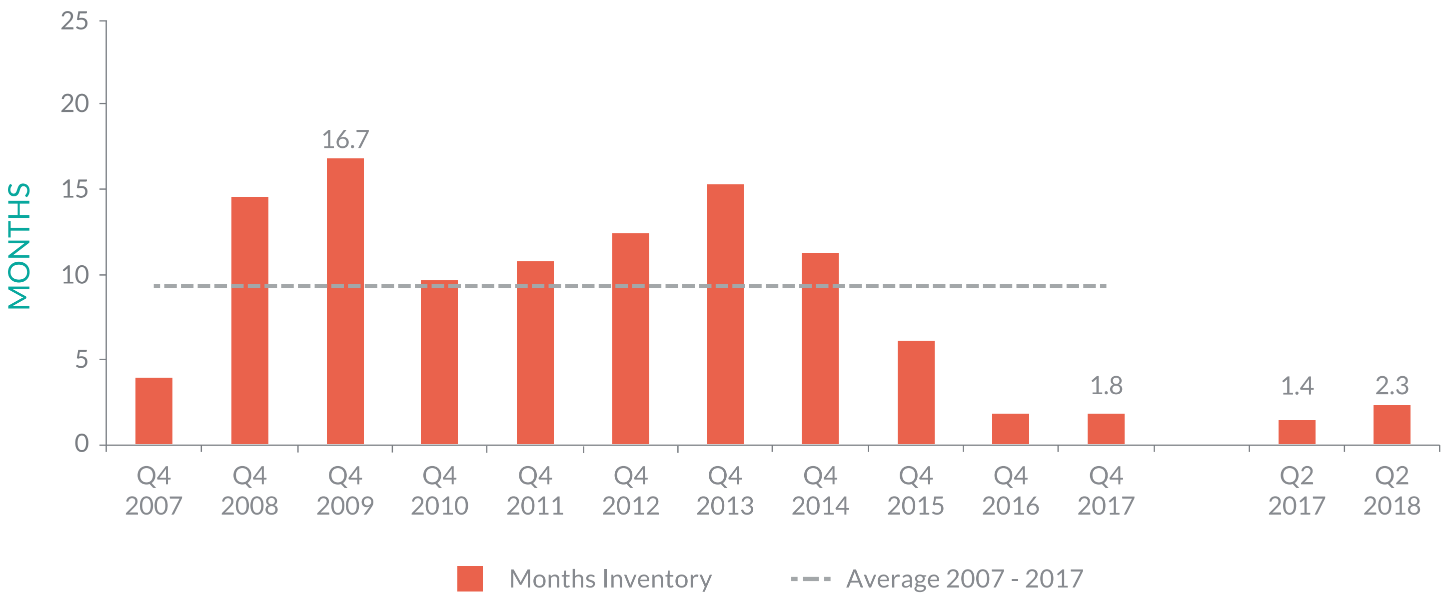
Strong sales of new condominium apartments in 2016 and 2017, along with fewer openings during 2017, drove year-end inventories to previously unseen lows.

With some increase in product launched this year, along with some moderation in sales, inventory is up slightly. However, the 2 months of inventory at the end of Q2 2018 (based on the pace of sales in the previous 4 quarters) still reflects a very tight market.

Limited inventory has been a factor in new condominium apartment price increases, although some moderation in prices is now emerging.

New Condominium Apartment Months of Remaining Inventory*

VANCOUVER MARKET AREA



*Based on sales in previous 12 months

Source: Altus Group

First-time homebuying intentions down from last year.

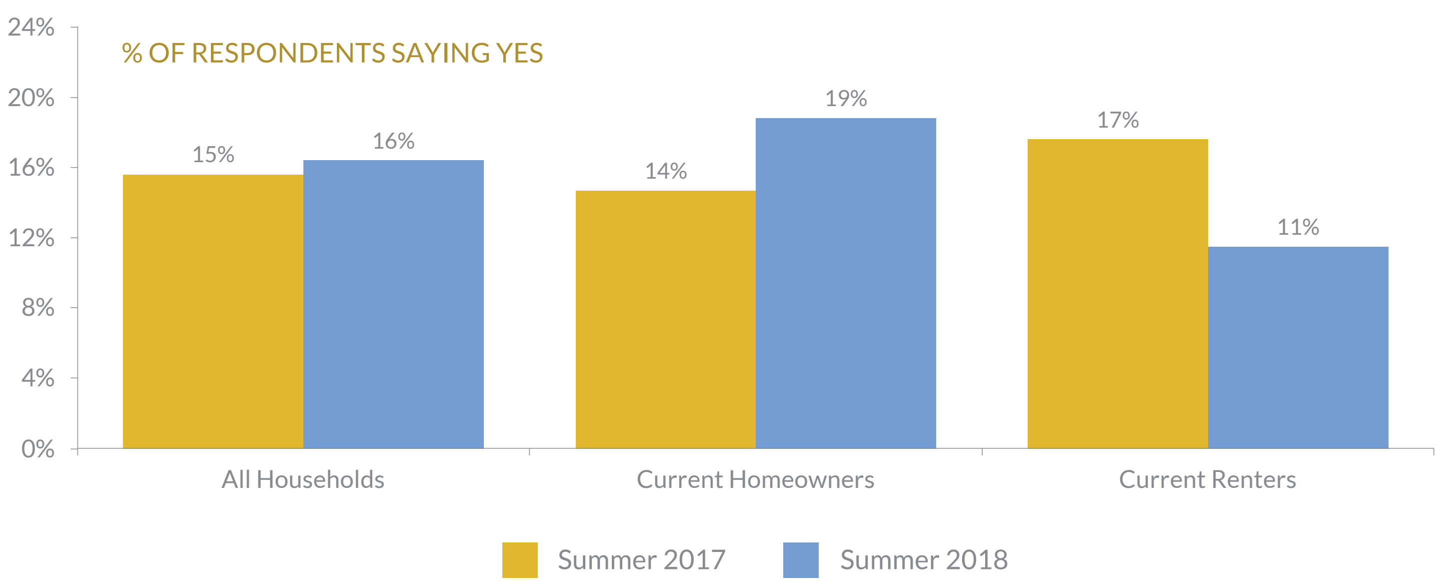
Homebuyers Highlights

Overall homebuying intentions are similar this year in the Vancouver Market Area to last year, according to Altus Group's FIRM Survey.

While homebuying intentions are up among current homebuyers, this has been offset by weaker intentions among current renters – the latter being the primary pool for potential first-time buyers. Affordability remains a challenge for first-time buyers in the Vancouver market.

Planning to Buy a Home in the Next Year

VANCOUVER MARKET AREA



Source: Altus Group

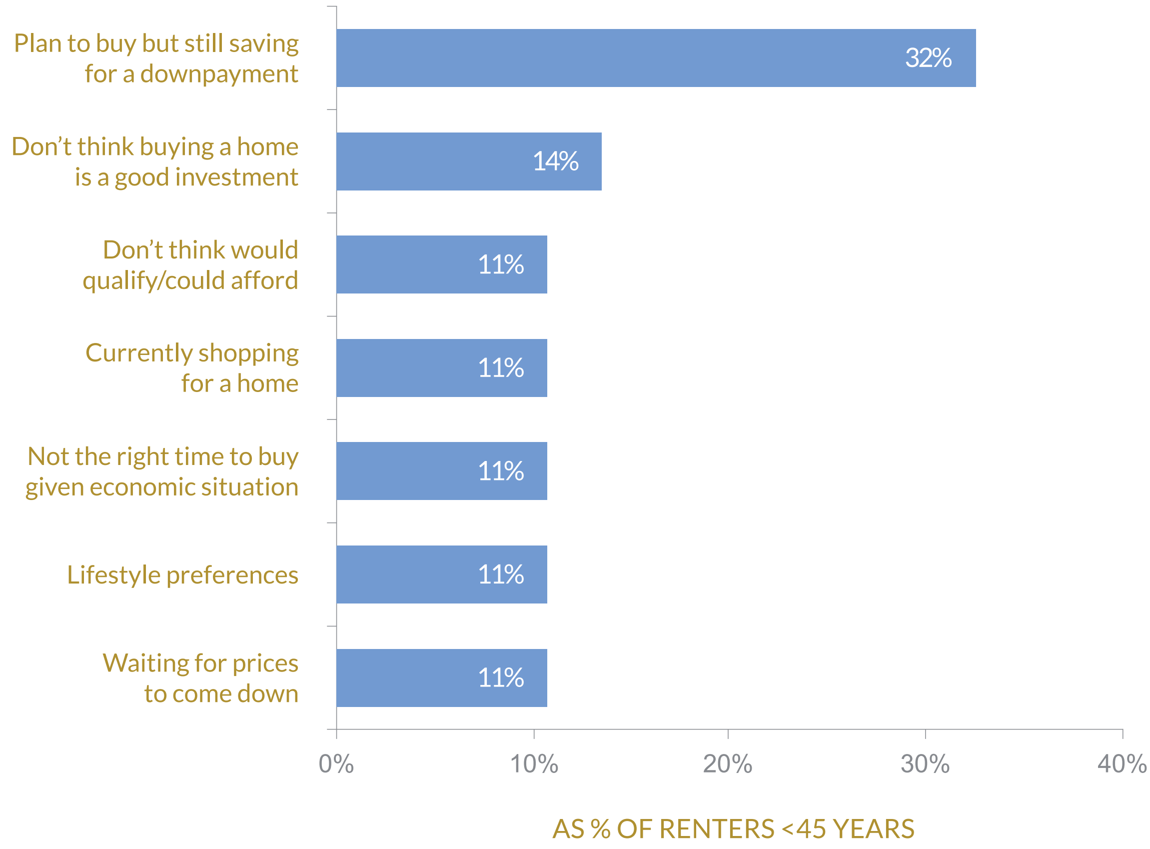
Many younger renters want to buy a home, but are still saving for a downpayment.

Homebuyers Highlights *Continued*

Most younger renters would like to own someday. Only about 1 in 4 renters under 45 years old say they don't own a home because of lifestyle preferences or because they think it is not a good investment, according to Altus Group's FIRM Survey.

But many younger renters who want to buy a home are still saving for a downpayment. Changes in mortgage lending criteria over the past year or so have made saving longer for a larger downpayment a necessity for many renters in order to be able to qualify for a mortgage.

Reasons Why Younger Renters Do Not Own a Home
VANCOUVER MARKET AREA



Source: Altus Group

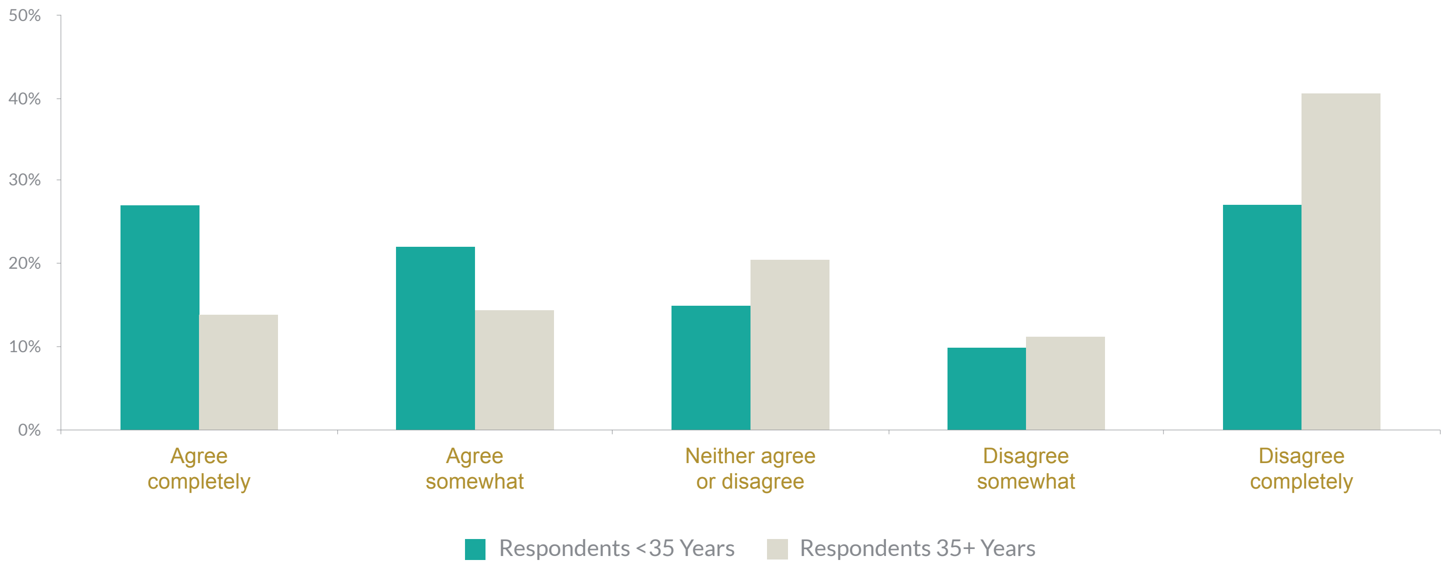
Being deep in Vancouver's downtown action has appeal for many Millennials.

Homebuyers Highlights *Continued*

Being deep in the downtown action of Vancouver has appeal for many Millennials (i.e. those currently under 35 years of age) than older respondents. About half of respondents under 35 years of age agreed in Altus Group's FIRM Survey that they would prefer living in a rental or condominium apartment in downtown Vancouver to a single-family home in the suburbs – this compares to about one-quarter of respondents aged 35 or older.

Assuming Similar Housing Costs, Preference Would Be to Live in a Condo or Rental Apartment in Downtown Area Rather than Single-Family Home in the Suburbs

VANCOUVER MARKET AREA



Source: Altus Group

About 1 in 3 end user homebuyers in the Vancouver Market Area in the past 5 years was a single-person household.

Homebuyers Highlights *Continued*

About 4 in 10 end user homebuyers in the Vancouver Market Area in the past 5 years were first-time buyers. Immigrants to Canada are an important homebuyer segment, with 4 in 10 end user homebuyers in recent years having been born outside Canada. About 1 in 3 homebuyers was a single-person household.

Selected Characteristics of Recent Homebuyers
VANCOUVER MARKET AREA

Aged 50 or Older	1 in 2
First-Time Buyer	4 in 10
Single-Person Household	1 in 3
Immigrants to Canada	4 in 10
Annual Household Income >$100K	3 in 10

Source: Altus Group

ABOUT THE FLASH REPORT

Produced by Altus Group, through our Data Solutions team. We have put together the following Flash Report which illustrates the expanded perspective our solutions provide in the Vancouver Market Area.

In this report, insights and perspectives are provided for the following areas:

- Commercial Investment & Land Market
- Commercial Leasing Market
- Residential Development Market
- Homebuyers

Altus Group is your single source for nationally researched real estate market data, backed by local expertise.

We hope you enjoy the report. Please let us know what you think by emailing *datasolutionsinfo@altusgroup.com*

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