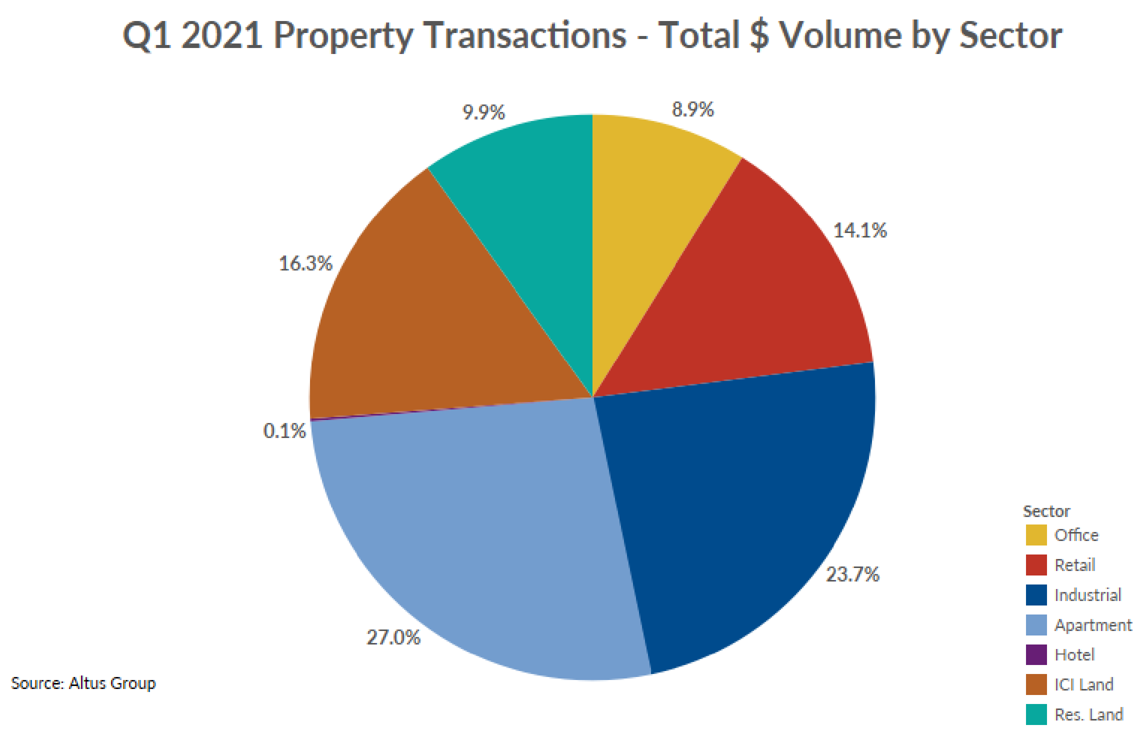
Vancouver Market Area Commercial Q1 2021 Statistics

Altus Group

Q1 2021 summary

Commercial real estate investments in the Vancouver market area saw an active first quarter in 2021. In total $2.7 billion was transacted in Q1 2021, marking a 15% increase from Q1 of 2020. The total of 475 transactions also represented the highest amount seen since Q4 of 2018. Strong activity was driven in part by an all-time high in apartment sales. As seen in several major transactions, there is growing interest in the Vancouver market from institutional type buyers, making key acquisitions in this sector during Q1 2021. This quarter represents the final opportunity for comparison against a pre-pandemic market, and Q1 2021 numbers indicate the Vancouver market to be healthy, active and back to pre-pandemic levels.

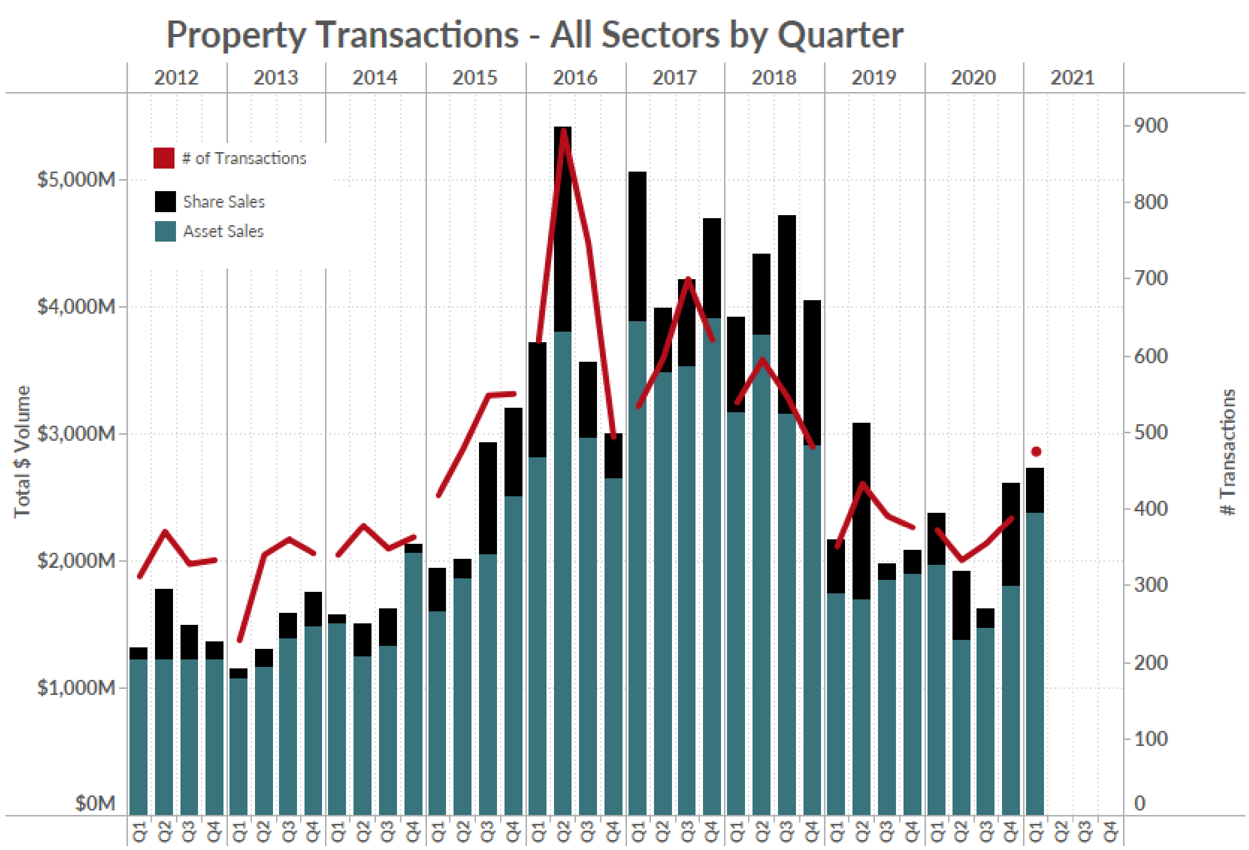
A record total of $738 million was invested in apartment assets in Q1 2021, representing a 73% increase from Q1 2020 and the highest performing quarter of multi-family investment in the Vancouver market area since Altus Group started tracking transaction data in 1999. Approximately 40% of this overall number can be attributed to a single portfolio transaction, a total of 614 units across 15 buildings, which sold for a reported price of $292.5 million.



The industrial sector also continued its momentum into Q1 2021, as availability rates on the leasing side have trended towards record lows in the area. Investors and owner/users alike contributed a total invested amount of $649 million in the industrial sector, representing a 12% increase from Q1 2021. Retail also saw continued strong performance in Q1 2021, with $386 million in total investment volume, representing a 40% increase from the previous quarter and a 79% increase from Q1 of 2020. The majority of significant retail transactions this quarter were multi-tenanted properties with stable holding income, and in some cases having long term development potential. Despite rising availability rates, sales activity in this sector continues to trend upwards. While office transaction volume among other markets stalled this quarter, investment in Vancouver saw an increase of 86% from Q1 2020 with a total of $243 million invested. A single transaction accounted for 43% of the total office volume – the Low Tide Properties and PCI Group joint venture acquisition of 1077 Great Northern Way. Owners in this asset class have been patient amongst the COVID-19 uncertainty and appear reluctant to sell their properties at a discount. In a continuing trend seen through the pandemic, residential land saw a 43% decrease compared to Q1 of 2020, with a total of $271 million in volume. This marks the eleventh straight quarter of year-over-year declines, and can be attributed to a lack of product and a slow approach amongst developers.

According to Altus Group's Investment Trends Survey for Q1 2021, Vancouver remained as the number one investor-preferred market in Canada ahead of Toronto. Overall cap rates compressed slightly compared to the previous quarter, with rates increasing for Single Tenant Industrial and Suburban Multi Unit Residential assets, but decreasing for both Downtown Class AA Office and Tier 1 Regional Malls.

Overall, all improved asset classes, aside from Hotel, saw an increase in year-over-year investment volume, while both land sectors saw a decline. Record levels of apartment sales and a steady increase in both the retail and industrial sectors were all noteworthy takeaways from the first quarter of 2021. Significant portfolio transactions, joint venture partnerships and an increase in institutional type buyers have demonstrated a level of creativity among commercial real estate investments, and it has become clear that pandemic related concerns have been subdued as opportunistic buyers have re-emerged in the Vancouver market.



Source: Altus Group

Notable Q1 Transactions

Hollyburn Properties – Crestpoint/InterRent Portfolio, Vancouver – Apartment
A reported price of $292.5 million was attributed to this benchmark apartment portfolio, consisting of 614 residential suites spread across 15 buildings. The portfolio was acquired by a joint venture between InterRent REIT and Crestpoint Investments, who will share a 50/50 ownership. Ten of the properties traded through title while the other five were share sale transactions. The buildings are spread across desirable City of Vancouver neighbourhoods including the West End, Kitsilano, Point Grey, Marpole and South Granville.

1077 Great Northern Way, Vancouver – Office
The largest Vancouver office transaction of Q1 2021 was the sale of the former Mountain Equipment Co-op (MEC) head office located at 1077 Great Northern Way, adjacent to the VCC Clark Skytrain station in east Vancouver. The vacant building was purchased by a joint venture between Low Tide Properties and PCI Group by way of a share sale transaction for a reported price of $103 million, adding to Low Tide's assembly on the north side of Great Northern Way. The 120,000 square foot building is currently being marketed for lease to a single tenant, and the property was reported to have long term development potential.

Lougheed Super Centre, Coquitlam – Retail
The sale of Lougheed Super Centre located at 101 Schoolhouse Street in Coquitlam represented one of the largest retail transactions of Q1 2021 in Vancouver. The 81,000 square foot multi-tenanted retail plaza was purchased by Surrey Cedar Ltd. for a reported price of $42 million in a share sale transaction, with a year-one yield of 4.8%.

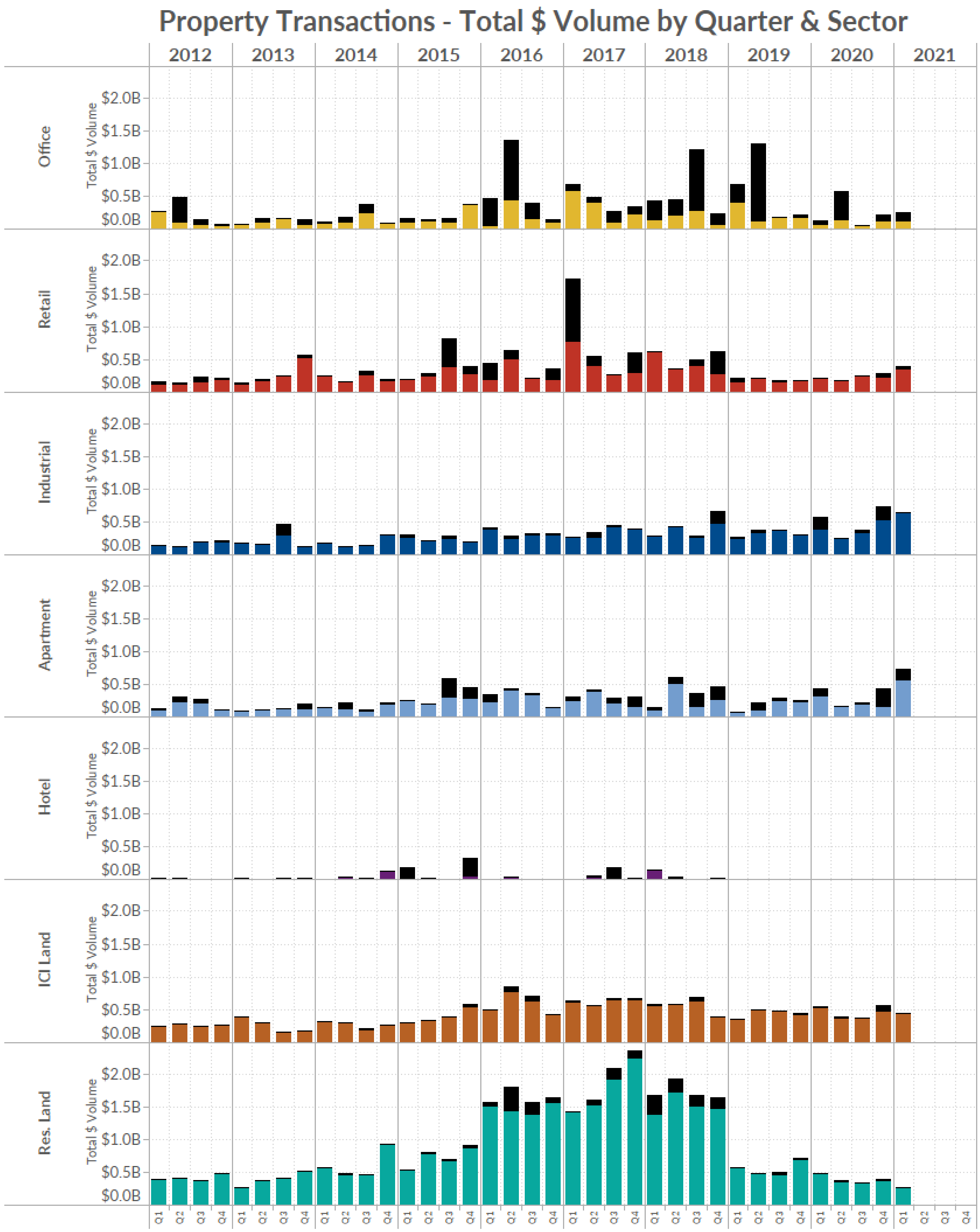
6399, 6415 & 6435 Victoria Drive, Vancouver – Retail
The largest retail transaction of Q1 2021 in Vancouver was the sale 6399, 6415 & 6435 Victoria Drive, consisting of two single-tenant and one multi-tenant retail buildings. The asset was purchased by a local property management company for $42.5 million and was reported to have a first-year yield of approximately 2.8%, with long term development potential.

Dozyn Dezyn Properties: CanFirst Capital Management Portfolio, Surrey and Abbotsford – Industrial
The largest industrial transaction of Q1 in Vancouver was the acquisition of 11 buildings spread across three properties located at Newton Omniplex Centre and New Plex Industrial Centre in Surrey and 2707 – 2771 Progressive Way, 30553 Great Northern Avenue in Abbotsford. The 412,897 square foot portfolio was purchased for an overall price of $104.5 million, representing a price per square foot of $253. The buildings were fully leased at the time of sale generating a reported first year yield of 3.5%. The portfolio represents the first acquisition by CanFirst Capital Management in the Vancouver Market Area.

5 West 4th Avenue, 4 & 16 West 3rd Avenue, Vancouver – ICI Land
The largest ICI land deal of the quarter was located in the Mount Pleasant area of Vancouver. At the time of sale, the property was improved with multiple industrial buildings with no imminent plans to redevelop. The 1.57-acre development site was purchased by a joint venture between the Healthcare of Ontario Pension Plan (HOOPP) and PCI Group for $56.5 million, representing a price per square foot of site area of $825. Mount Pleasant is a rapidly growing tech hub within the City of Vancouver, with numerous new and ongoing developments in this area.

Property Transactions by Quarter and Sector

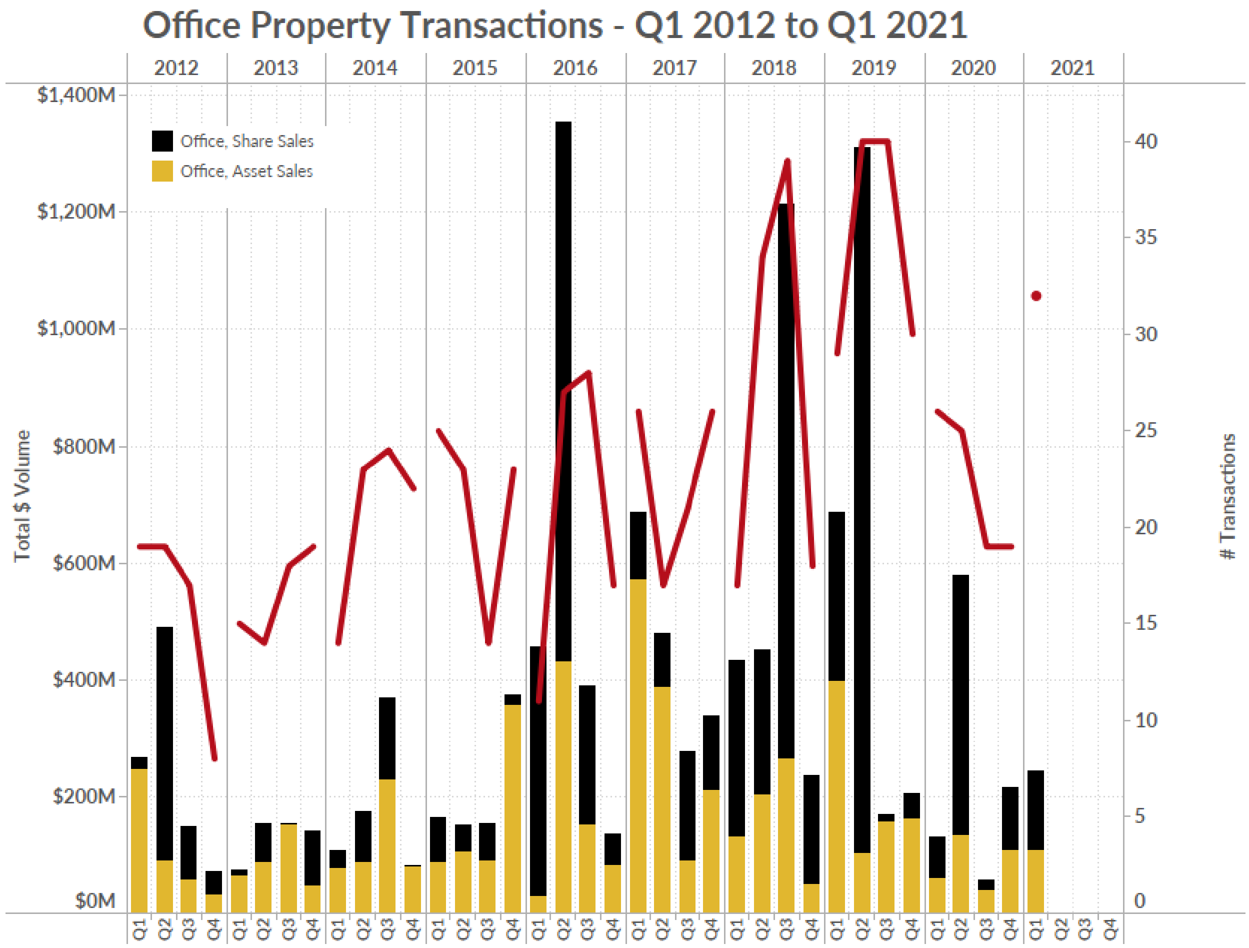
All of the improved asset classes, except hotel, saw increased activity in Q1 2021 compared to Q1 2020, while both land sectors saw declining volumes.



Source: Altus Group

Office Transactions

While the office sector continues to face challenges related to work from home, investment in the sector saw improvement in Q1 2021, with overall activity up 86% over Q1 2020.



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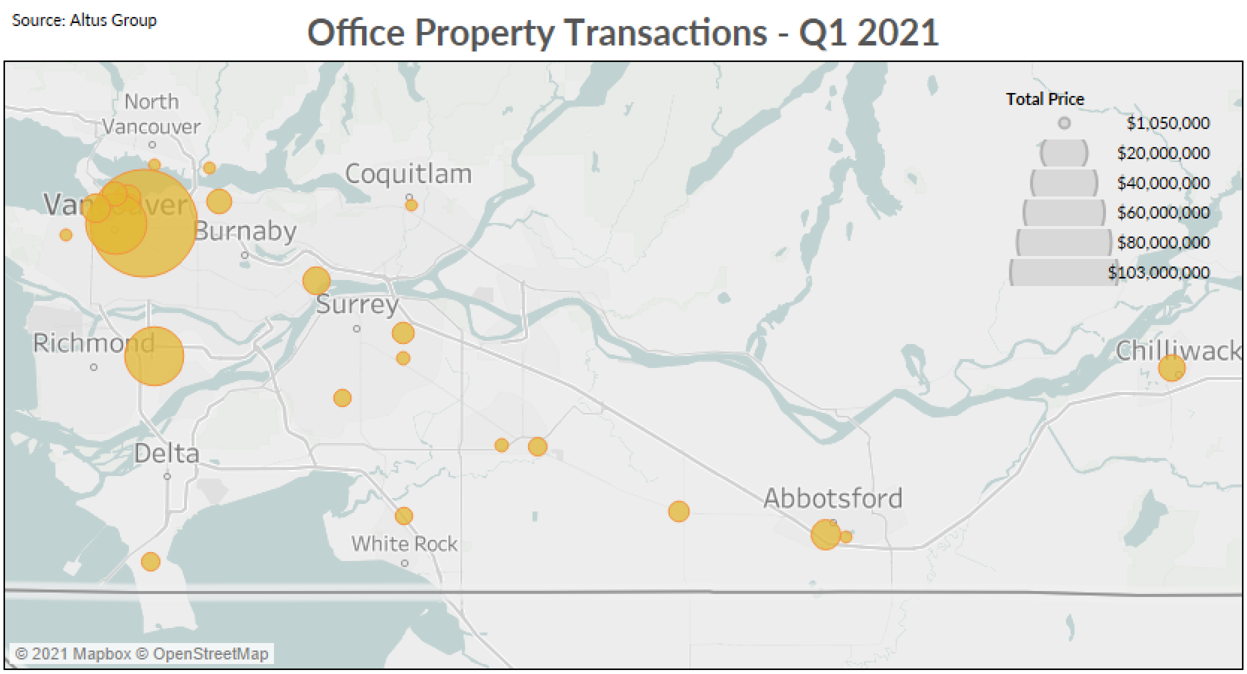
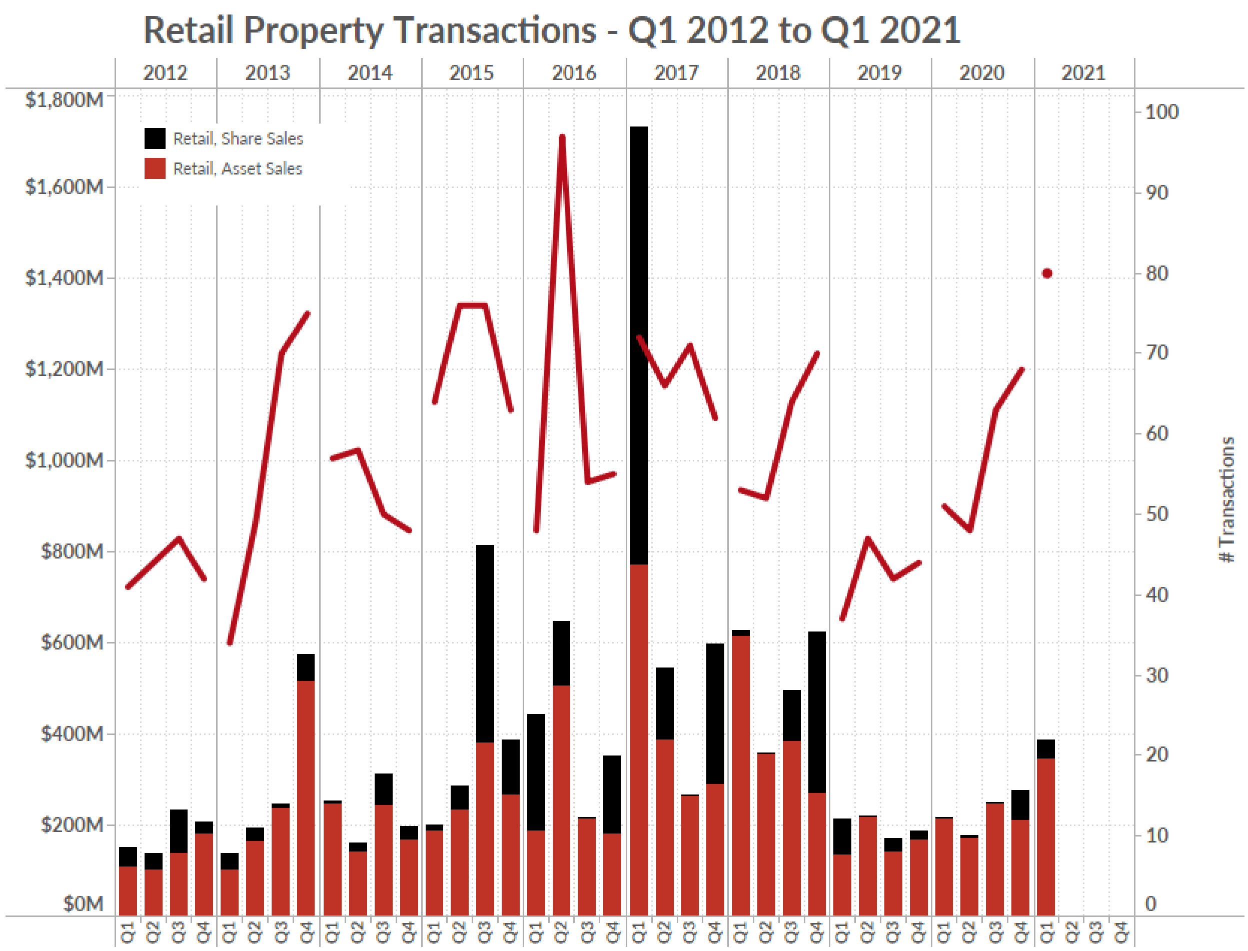


Retail Transactions

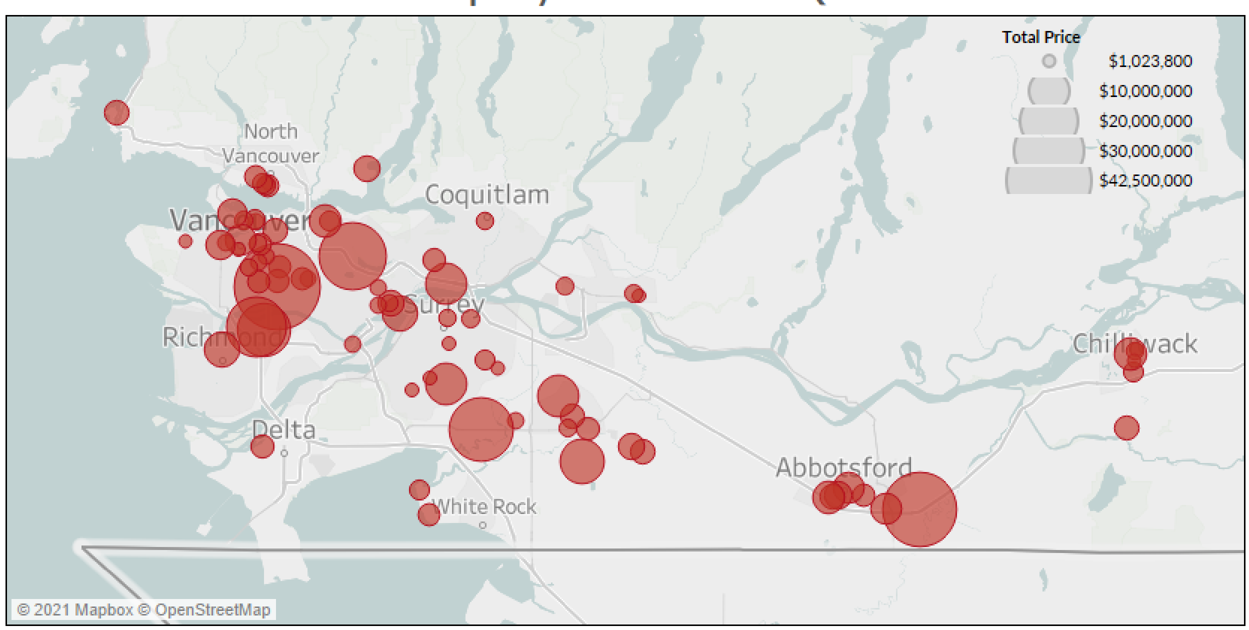
Retail sector investments, which have been sluggish in the Vancouver market since before the pandemic, picked up in Q1 2021 with $386M in transaction volume – the highest of any quarter since Q4 2018.

Retail Property Transactions - Q1 2012 to Q1 2021



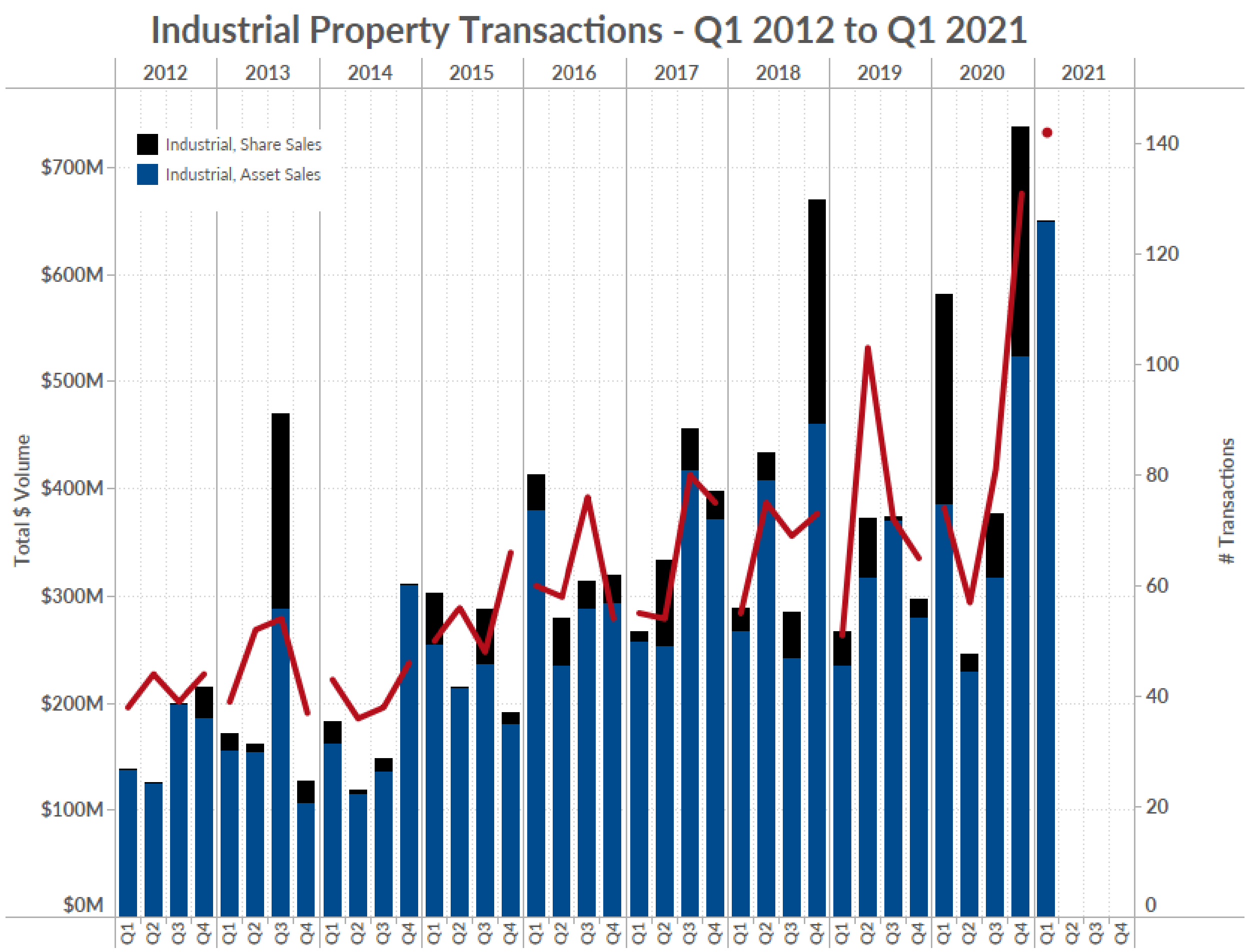
Source: Altus Group

Retail Property Transactions - Q1 2021



Industrial Transactions

Investors continue to seek out industrial space in the Vancouver market, with investment totals in Q1 2021 once again strong. The $649M recorded in Q1 2021 represents a 12% increase over Q1 2020.



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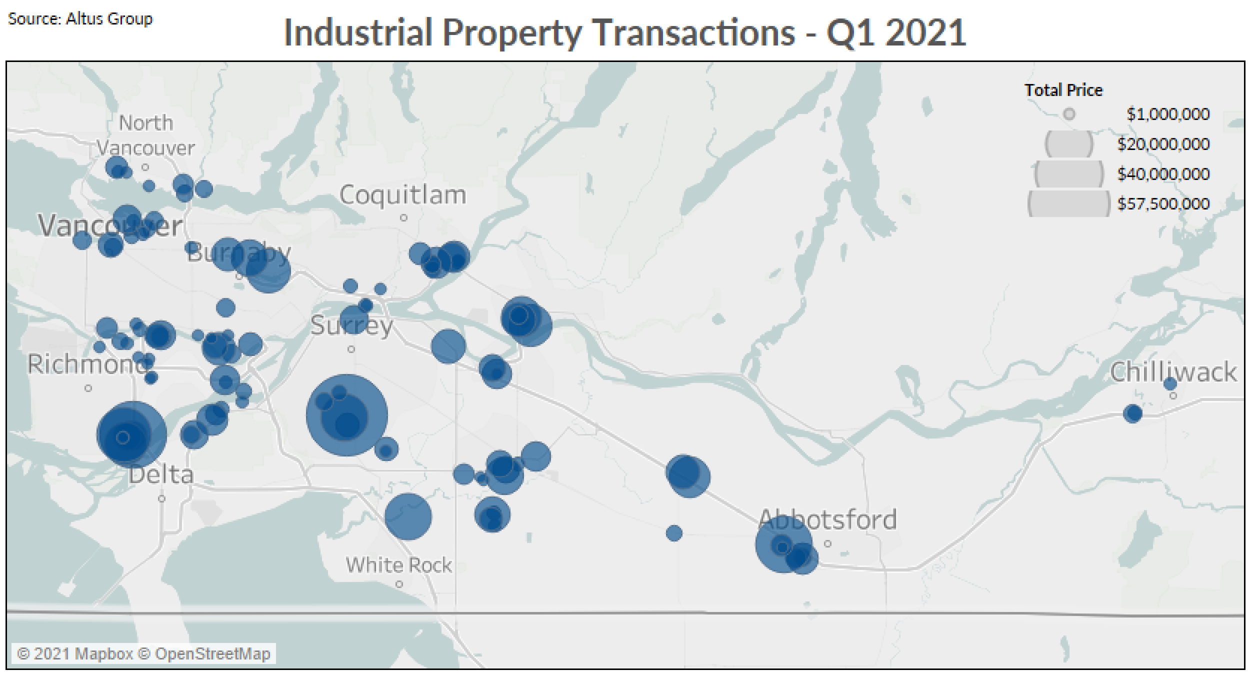
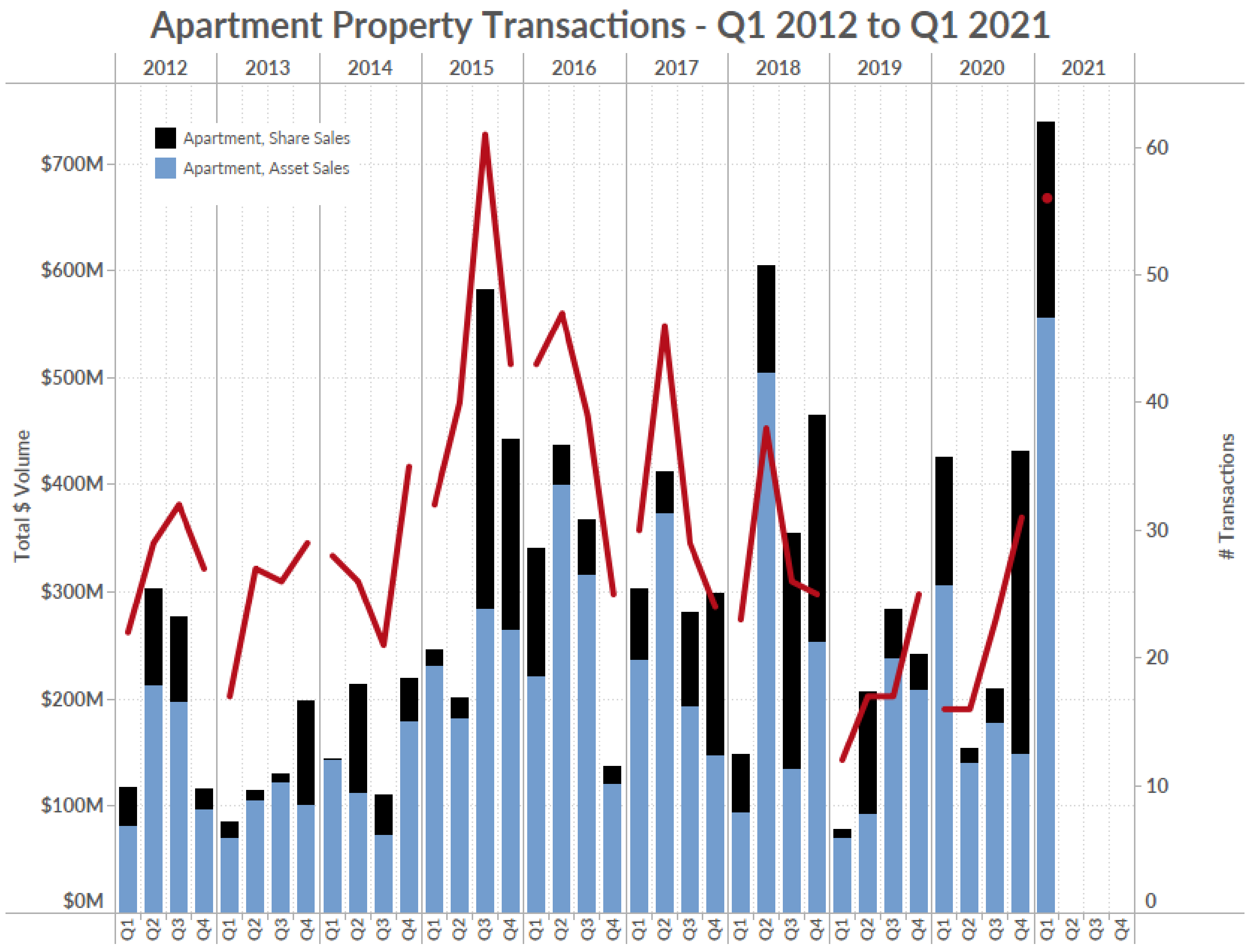


Apartment Transactions

Investor interest in the multi-family sector has been increasing as of late. As a result, the $738M in recorded in Q1 2021 set a new record high for investment in a quarter in the Vancouver market.



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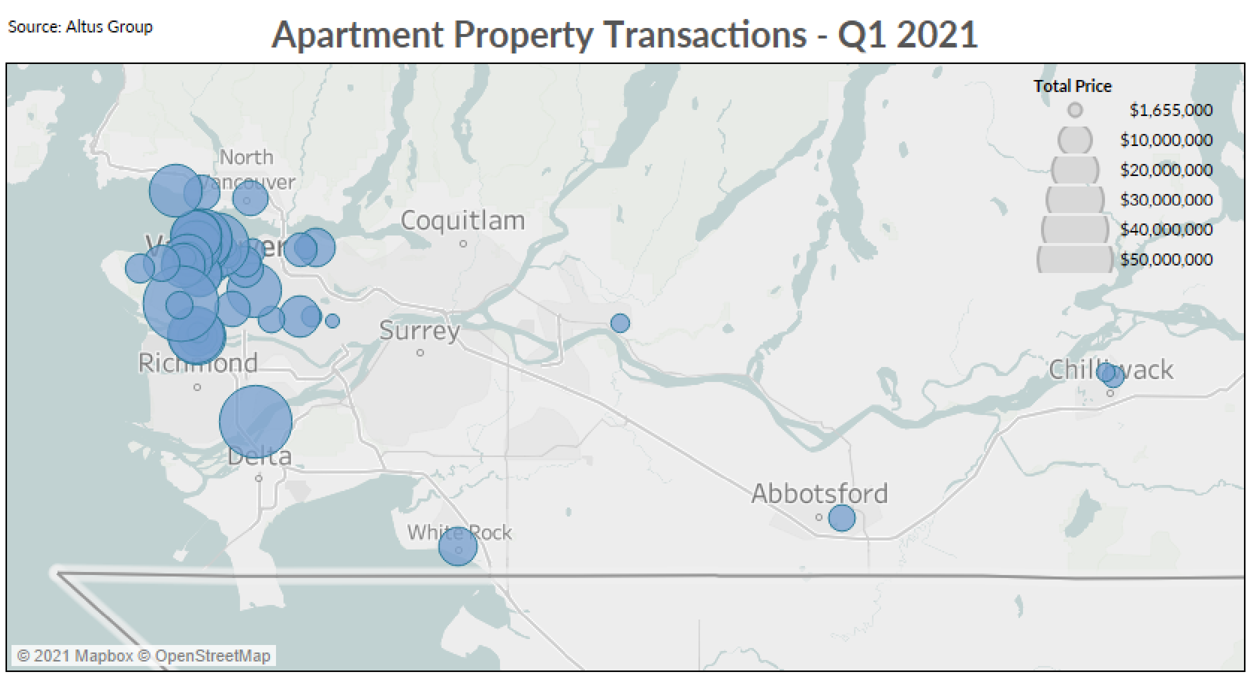
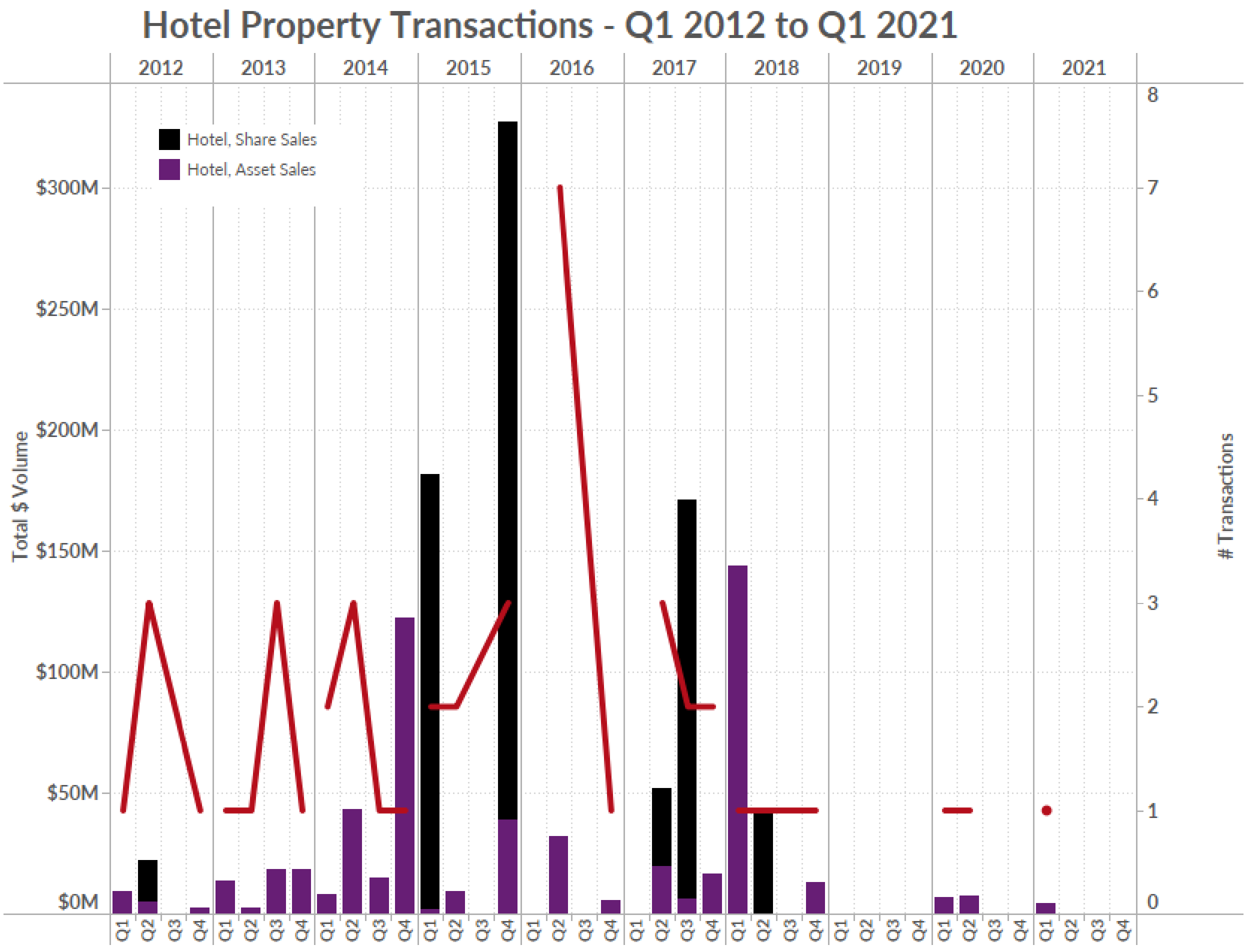


Hotel Transactions

The Vancouver Market Area has seen very few hotel transactions since 2018, however, Q1 2021 did register one transactions worth $4M.



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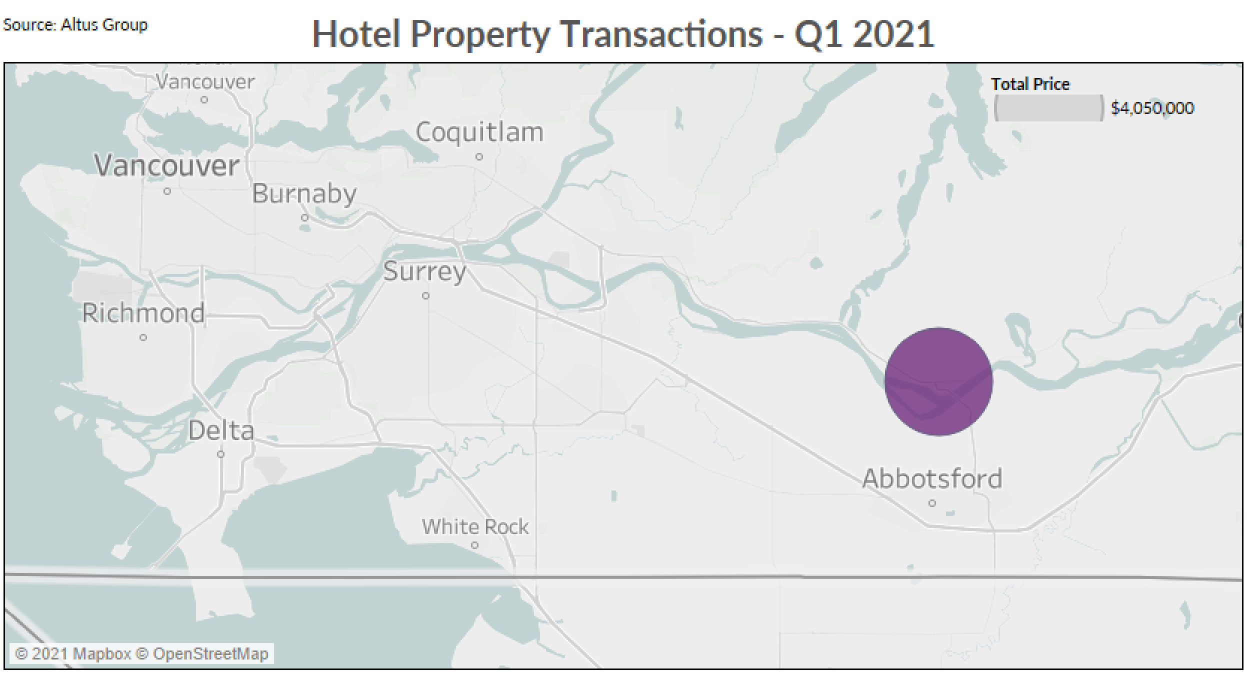
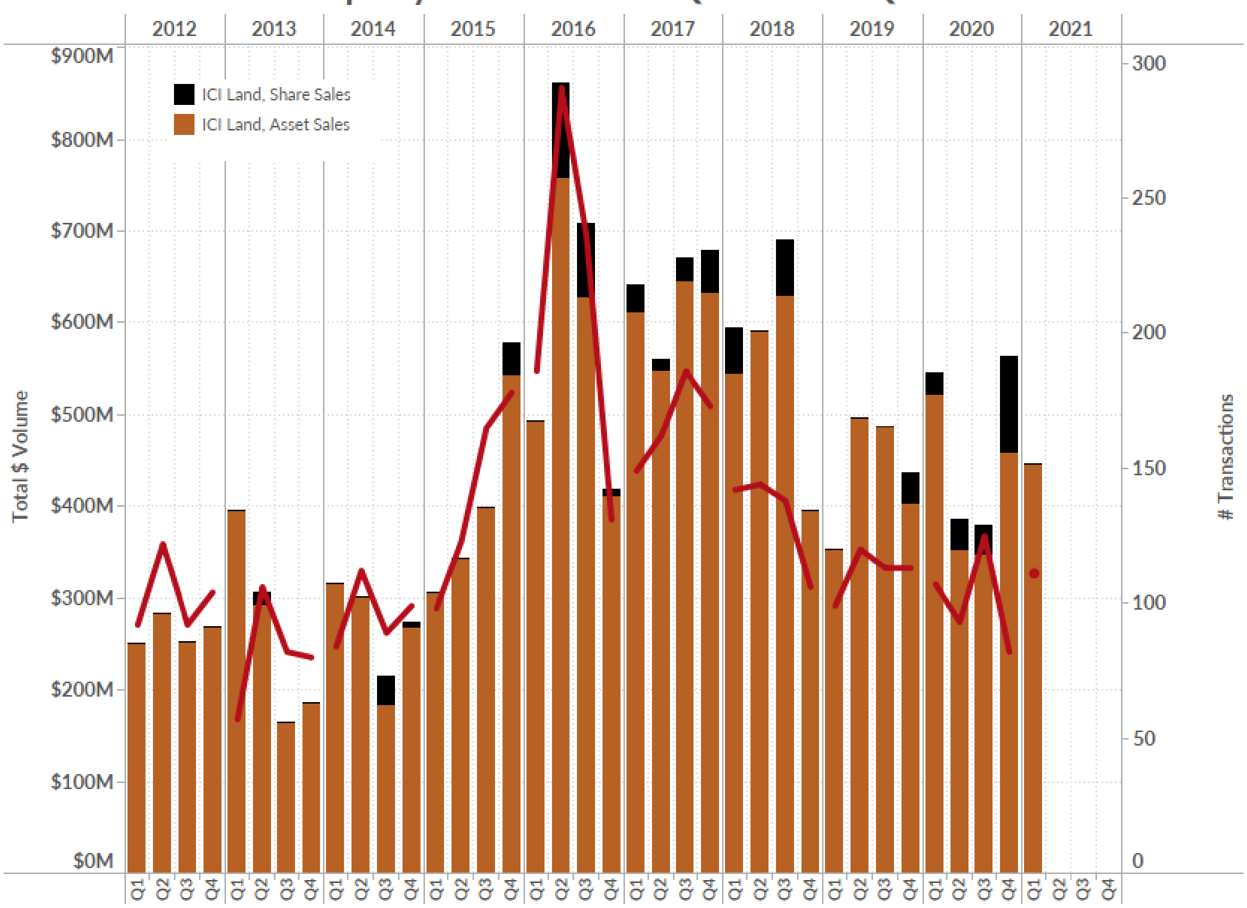


ICI Land Transactions

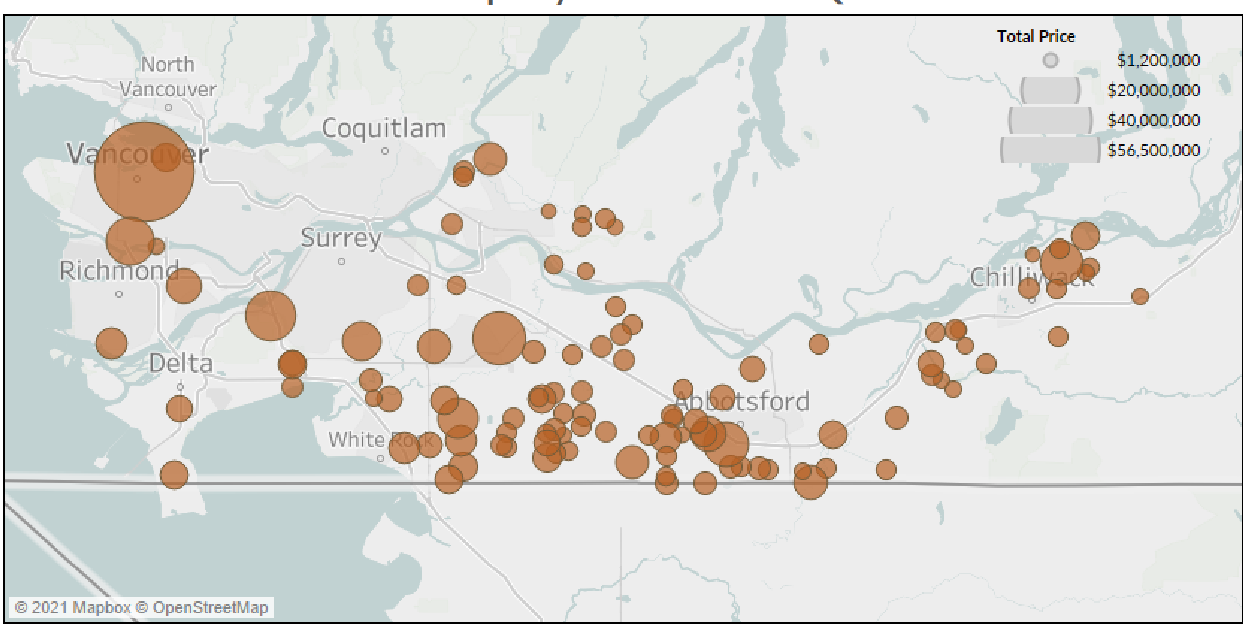
Investment in the ICI Land sector declined 18% in Q1 2021 compared to Q1 2020 as available industrial land continues to be in short supply.

ICI Land Property Transactions - Q1 2012 to Q1 2021



Source: Altus Group

ICI Land Property Transactions - Q1 2021



Residential Land Transactions

The residential land sector continued to see sluggish activity in Q1 2021 as overall investment was down 43% from the previous year, even as the housing market has substantially picked up recently.

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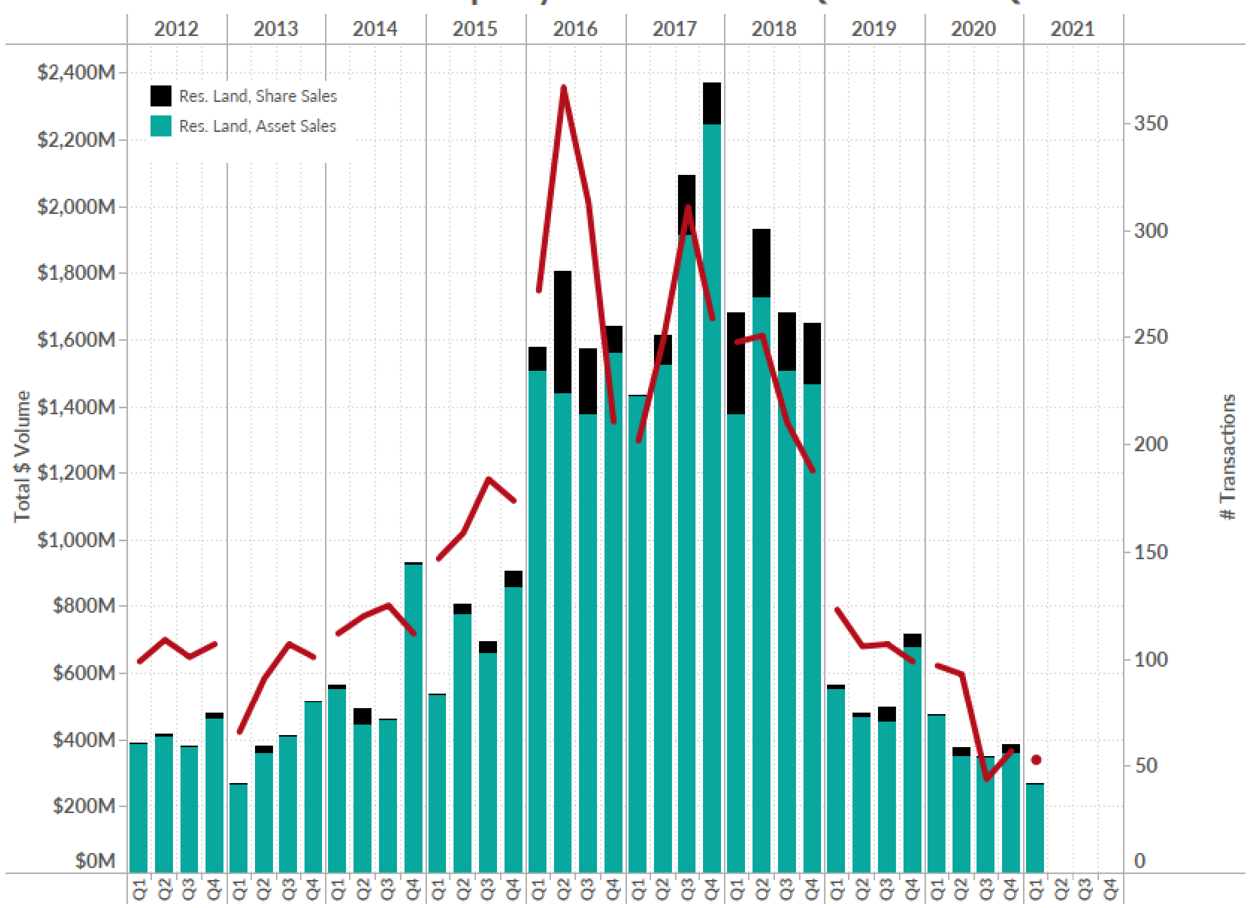
Residential Land Property Transactions - Q1 2012 to Q1 2021



Source: Altus Group

Residential Land Property Transactions - Q1 2021