



MARKET SUMMARY

With finalized 2017 provincial GDP data just released, British Columbia's (BC) economy grew by 3.9% in 2017, second only to Alberta at 4.9%. Although down from the highs of 2017, economic activity remains healthy, with BC's economy expected to grow by 2.4% in 2018, leading the rest of the provinces. Affordability issues, along with low residential inventory, remain outside of historical norms, and for this reason the provincial government has introduced initiatives in their 2018 budget to help cool the market. Policies such as an increase in the foreign-buyer tax, the speculation tax and the OSFI's stress tests are a few of the measures implemented to slow down the housing market, and these measures may diminish consumer spending as well. Higher interest rates are also one of the policies implemented by the Bank of Canada to try to provide a solution to counter the affordability issues being faced by the Vancouver population. The Bank of Canada is being very cautious with any policy adjustments, due to the unpredictability in trade rules and the budget sensitivity of indebted households. Two more rate hikes are expected in 2018.

BC's employment growth was the strongest amongst all other provinces last year, at 3.7%, but employment is expected to decrease by 1.2% in 2018. Looking at sectors experiencing a slowdown, real estate is at the forefront due to a slowdown in residential real estate sales. The real estate sector experienced back to back declines in output of 12.9% in January 2018 and 7.9% in February, with employment for Finance, Insurance and Real Estate down 4.6% year-over-year in March 2018. Employment in BC in general increased at a rate of 1.9% in 2017, and a higher population growth rate could lead to an expanding workforce in the long-run. Economic uncertainty, in the form of pipeline disputes, the potential trade dispute between the U.S. and China, and the potential for NAFTA's termination, although diminishing, still up in the air, continues to put a drag on both Canada and BC economic growth projections.

Given this economic backdrop, the office, industrial and retail commercial real estate markets in the Greater Vancouver Area remain deeply embedded in favour of landlords. The office market vacancy rate decreased by 50 basis points (bps) from the end of Q1 2018, to 5.9% at the end of April 2018, and down 120 bps year-over-year. The average net asking rental rate, at \$23.65/sq. ft. per annum in April 2018, is down 3.0% year-over-year mainly as a result of the product mix that is left available on the market. It is important to note that downtown vacancy remains exceptionally low, with minimal options for tenants looking for larger spaces, and as a result rental rates continue to edge up. Furthermore, construction activity is picking up, with approximately 2.4 million SF now under construction, representing the equivalent of 2.9% of existing inventory, compared to only 1.7 million SF representing only 2.0% of existing inventory under construction at the end of 2017. The strong demand and limited options continues to push tenants to explore more suburban options. With limited new supply expected in the short term, expect vacancy to remain tight and rental rates to increase.

The industrial market experienced a 40 bps drop since the end of Q1 2018, ending April at 2.4%. As a result the average net asking rental rate continued to increase, up 17.8% year-over-year to \$10.19/sq. ft. per annum. The retail market vacancy in April was down 30 bps from Q1 2018, to end April at 2.7%, however, it is up 30 bps year-over-year, with the average net asking rental rate up 17.8% to \$29.79/sq. ft. per annum.

These insights are made possible through CoStar, the largest commercial real estate source for property listings for sale or lease in Canada. CoStar enables users to gain insight into the over 22,150 properties currently tracked in the Greater Vancouver Area, which include 736 properties for sale and 3,241 spaces for lease.

CoStar conducts constant, proactive research with a team of 60+ researchers making over 12,000 database updates each day.

OVERALL MARKET ACTIVITY

PROPERTIES TRACKED

TOTAL

ALL PROPERTIES

22,161

OFFICE

INDUSTRIAL

RETAIL

1,986

5,905

7,595

PROPERTIES FOR SALE

TOTAL

LAST 30 DAYS

ALL PROPERTIES

NEW LISTINGS ADDED

736

87

OFFICE

INDUSTRIAL

RETAIL

211

176

248

AVG. SALE PRICE / SQ. FT

AVG. SALE PRICE / SQ. FT

AVG. SALE PRICE / SQ. FT

\$349

\$292

\$493

SPACES FOR LEASE

TOTAL

ALL SPACES

3,241

LAST 30 DAYS

NEW LISTINGS ADDED

426

OFFICE

1,688

AVG. NET RENT / SQ. FT

\$23.65

INDUSTRIAL

440

AVG. NET RENT / SQ. FT

\$10.19

RETAIL

1,240

AVG. NET RENT / SQ. FT

\$29.79

FEATURED DEALS



LEASED

Conbraco Industries, a company that manufactures and distributes brass valves and fittings for backflow prevention, leased 77,565 square feet in the industrial building at 9450 River Rd. in Delta, BC. [Read More.](#)



SOLD

Alec's Automotive Machine Shop acquired the industrial building at 6909-6919 Russell Ave. in Burnaby earlier this month from a private seller for \$4.725 million, or about \$325 per square foot. [Read More.](#)

COSTAR UPDATES



Visit our Canadian case studies site to read how firms such as JLL, Marcus &



Our first annual Power Brokers reception in Vancouver took place on

Millichap, Re/Max Complete Commercial, Coldwell Banker Commercial West, Commercial Focus Realty, Lizotte & Associates Real Estate, and more, have used CoStar to grow their business. [Read More](#).

Tuesday April 24th at Brix & Mortar restaurant. The event was attended by over 100 CRE professionals including Power Broker winners. The evening included food, drinks, awards, networking and giveaways. Click [here](#) to see pictures from the event and click [here](#) for a list of all the award winners.