MARKET SUMMARY

British Columbia (BC) is projected to be a leader in economic growth for 2018. It managed to maintain GDP growth of over 3% for the past couple of years and is now expected to slow to a normalized rate of 2.4% this year and 2.1% in 2019. Vancouver continues to experience affordability issues, but sales activity on the residential side weakened in the month of April, which was also seen in Toronto. Although sales activity dropped, prices were still up by 14.3% from a year ago. In order to improve the overall affordability concern in the province, market cooling measures were announced in the 2018 BC budget back in February. The implementation of these policies, such as the expansion of the foreign-buyer tax and speculation tax, are expected to contribute in stabilizing the market this year. The unemployment rate is expected to decrease to 4.8%, however, employment growth is also expected to slow to 1.2% this year, which is below the national average of 1.5%. This will play a factor, along with the high cost of living, in the decrease of interprovincial migration.

The Bank of Canada is projected to raise interest rates again in July, but they will be very cautious with any policy adjustments due to the unpredictability in trade rules. There is a lot of economic uncertainty circling NAFTA's termination, and one of the current issues at play being the decision made by the U.S. to impose steep tariffs on Canadian steel and aluminum products as of June 1st this year. The tariffs were also levied on both Mexico and the European Union. Approximately 90% of Canadian steel and aluminum exports go to the U.S.; therefore the tariffs will have a significant impact on these trades. Canada has already retaliated by announcing their intentions to levy tariffs on $16.6 billion worth of goods from the U.S., which matches the value of the Canadian 2017 exports impacted by the U.S. tariffs. Overall, this will not impact the overall consumer price that drastically. The higher prices for Canadian imports will only amount to 2% of Canada's annual imports. The U.S. has justified these tariffs as both an issue of national security and also due to Mexico and Canada not being able to come to an agreement on NAFTA before the end of May. The uncertainty of not knowing which industry could be the next target of tariffs may be an issue for investors.

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 80 basis points (bps) from the end of Q1 2018, to end May 2018 at 5.5%, and down 160 bps year-over-year. The average net asking rental rate, at $23.76/sq. ft. per annum in May 2018, is down 2.3% 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, down 160 bps year-over-year to 4.0%, with minimal options for tenants looking for larger spaces, and as a result rental rates continue to edge up downtown. Due to the limited options currently available downtown, demand is spilling over into the suburban markets, with average suburban vacancy also down 160 bps year-over-year to 6.5%, however, suburban rents are now up almost 2.0% year-over year to $21.54/sq. ft. per annum. Furthermore, construction activity has increased to approximately 2.4 million SF, representing the equivalent of 2.8% of existing inventory, compared to only 1.7 million SF representing only 2.0% of existing inventory under construction at the end of 2017. With limited new supply expected in the short term, expect vacancy to remain tight and rental rates to increase.

The industrial market experienced a 50 bps drop since the end of Q1 2018, ending May 2018 at 2.3%. As a result the average net asking rental rate continued to increase, up 11.3% year-over-year to $10.22/sq. ft. per annum. The retail market vacancy at the end of May, at 2.7%, was down 30 bps from Q1 2018, yet only down 20 bps year-over-year, with the average net asking rental rate up 15.2% year-over-year to $30.25/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 22,484 properties currently tracked in the Greater Vancouver Area, which include 845 properties for sale and 3,211 spaces for lease.

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

Learn how CoStar can help accelerate your business. [Request a Demo].

OVERALL MARKET ACTIVITY

PROPERTIES TRACKED

TOTAL

ALL PROPERTIES

22,484

OFFICE	INDUSTRIAL	RETAIL
1,996	5,910	7,606

PROPERTIES FOR SALE

TOTAL	LAST 30 DAYS
ALL PROPERTIES	NEW LISTINGS ADDED
845	186

OFFICE	INDUSTRIAL	RETAIL
303	183	252
AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT
$481	$335	$414

SPACES FOR LEASE

TOTAL	LAST 30 DAYS
ALL SPACES	NEW LISTINGS ADDED
3,211	318

OFFICE	INDUSTRIAL	RETAIL
1,680	416	1,256
AVG. NET RENT / SQ. FT	AVG. NET RENT / SQ. FT	AVG. NET RENT / SQ. FT
$23.76	$10.22	$30.25

FEATURED DEALS

SOLD

The red-hot industrial sector officially lost one of its few publicly-traded players this week with the closing of the deal that saw Blackstone Property Partners buy Pure Industrial Real Estate Trust in a $3.8 billion deal. Read More.

COSTAR UPDATES

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

Brokers who maximize their CoStar subscriptions have experienced doubled or tripled business, have cut their research time by up to 90%, have increased client retention and negotiated better deals. Learn more about the five ways brokers use CoStar to get these benefits. Show me the Five Ways.