MARKET SUMMARY

The most recent GDP growth data released for Canada shows that the economy bounced back in May 2018 with 12-month annualized growth of 2.6%, however, the uncertainty created by the trade wars and the renegotiation of the North American Free Trade Agreement (NAFTA) will weigh heavily on the Canadian economic outlook for the second half of 2018. Despite this, 2018 GDP growth for Canada is expected to come in at approximately 1.9% - 2.0%, and employment growth is estimated to be approximately 1.2%. The British Columbia (BC) economy is expected to outperform, with GDP growth forecasted to be 2.5% in 2018, however, employment growth will be half of the national average, at 0.5%. Like BC, the Greater Vancouver Area (GVA) is expected to outperform, we GDP growth for 218 expected to be approximately 2.6%. The initial slowdown in the first few months of 2018 were partially attributed to slowing consumer spending and the housing market, much of which was driven by rising interest rates, new mortgage qualifying rules and non-resident taxes, but also curbs on capital flight from China. In light of this, the gross value added (GVA) for the major sectors in the Greater Vancouver Area remains positive, with the Finance, Insurance and Real Estate (FIRE), Professional, Scientific and Technical Services (PSTS) and Transportation and Warehousing sectors expected to see GVA grow by 1.3%, 3.0% and 3.5%, respectively.

Although overall national employment was up in June, by 32,000 jobs, employment remains down 0.1% year-to-date (YTD), with FIRE down 1.5% YTD across Canada. Employment in the Professional, Scientific and Technical Services (PSTS) increased by 1.2% across Canada in 2018 YTD, and Transportation and Warehousing employment increased by 2.1% in the same period. In regards to the Greater Vancouver Area, it should come as no surprise that much of the pullback in employment occurred in the Finance, Insurance and Real Estate (FIRE) sector, specifically attributed to the slowdown in the residential real estate market, for the above noted reasons. Despite this, the Greater Vancouver Area, like the Greater Toronto Area, remains a hot employment market, specifically for high-tech and co-working tenants, as well as transportation and logistics. It should be noted that high consumer debt and inflation could weigh down the performance of commercial real estate. As seen with FIRE employment earlier this year, a drag on the retail sales and consumer consumption will likely create a drag retail performance later this year.

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 70 basis points (bps) year-over-year to end July 2018 at 5.6%. The market is experiencing strong demand from high-tech companies, such as Amazon, and co-working companies, such as WeWork, continuing to announce new and expanded operation in the Vancouver market. As a result of this dynamic of low vacancy and strong demand, the net asking rental rates are on the rise, however, the average net asking rental rate, at $23.53/sq. ft. per annum at the end of Q2 2018, was actually down 2.2% year-over-year due to the product mix available and most of the highest quality space being leased up. It is important to note that downtown vacancy is even lower, at 3.6%, down 180 bps year-over-year, whereas suburban vacancy is only down 10 bps over the same period to end July 2018 at 6.6%. Due to the limited options currently available downtown construction activity has picked up and now represents 3.7% of current downtown inventory, up from 1.8% in Q2 2017. Much of this space will not be available for several years, and as a result demand continues to spill over into the suburban markets. With limited new supply expected in the short term, expect vacancy to remain tight and rental rates to increase.

The industrial market vacancy rate decreased by 20 bps year-over-year to end July 2018 at 2.8%, however, this is up 30 bps from earlier this year, as a result of approximately 3.1 million SF of new supply delivered over the previous 12 months. The GVA industrial market remains exceptionally tight, and even though there is 3.7 million SF of space currently under construction, it is not enough to meet the demand from tenants and users. As a result the average net asking rental rate continued to increase, up 8.5% year-over-year to $10.51/sq. ft. per annum. The retail market vacancy at the end of July 2018 was 2.9%, down 50 bps year-over-year, but up 10 bps from the end of Q2 2018, with the average net asking rental rate up 15.6% year-over-year to $31.50/sq. ft. per annum. Higher interest rates are expected to create a drag on the retail sales and consumer consumption later this year, which in turn will likely create a drag retail performance later this year.

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 over 22,807 properties currently tracked in the Greater Vancouver Area, which include 990 properties for sale and 3,399 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

22,807

OFFICE	INDUSTRIAL	RETAIL
2,015	5,951	7,648

PROPERTIES FOR SALE

TOTAL	LAST 30 DAYS
ALL PROPERTIES	NEW LISTINGS ADDED
990	102

OFFICE	INDUSTRIAL	RETAIL
354	210	323
AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT
$424	$305	$509

SPACES FOR LEASE

TOTAL	LAST 30 DAYS
ALL SPACES	NEW LISTINGS ADDED
3,399	255

OFFICE	INDUSTRIAL	RETAIL
1,723	475	1,365
AVG. NET RENT / SQ. FT	AVG. NET RENT / SQ. FT	AVG. NET RENT / SQ. FT
$23.53	$10.51	$31.50

FEATURED DEALS

LEASED

Deloitte Signs 117,000-SF Lease at 24-Storey Office Tower Now Underway in Downtown Vancouver. [Read More](#).

SOLD

Artis Executes Disposition Strategy, Including Sale of Burnaby Office Complex for $100.5 Million. [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](#).

The first half of 2018 brought plenty of drama with it, impacting the economy and financial markets, as well as the real estate sector. As a result, the Canadian economy continues to slow across the country. Looking forward to the second half of 2018:

- Trade wars, as well as the NAFTA renegotiations are creating uncertainty for the Canadian economy.
- The real estate sector is feeling the impacts of higher interest rates and more stringent mortgage rules.
- High consumer debt levels, coupled with rising interest rates, will weigh on retail sales and could impact retailers later this year.
- Non-traditional users are driving demand and changing commercial real estate.

Learn how these and other factors will impact commercial real estate in the second half of 2018 and beyond. [Download Whitepaper.](#)