

Vancouver June Market Report June 2020

by Canada Market Analytics Team | Jun 03, 2020



The CoStar Canada Market Analytics Team recently released its June newsletter update focused on Vancouver. Check out the team¹'s assessment of performance across all Vancouver market segments, and its forecast for the days and months ahead, below.

As Canadians have been bombarded with news coverage related to the pandemic over the past three months, many have forgotten that geo-politics, trade wars, extradition battles, and pipelines problems have been ongoing in the background during isolation. One of the most shocking statements that could impact Canada's economic recovery post-pandemic involved presidential candidate, Joe Biden, stating that he would rescind approval of the Keystone pipeline if he was elected, ultimately placing a massive blow to job creation and future tax revenue for Alberta and Canada as a whole. Moreover, as Meng Wanzhou's extradition case moves forward, Chinese-Canadian relations continue to deteriorate and will likely be elevated even further if Huawei's 5G network is not permitted in Canada.

British Columbia is also facing its own challenges with major infrastructure projects in jeopardy. In particular, TransLink announced that the \$1.63 billion SkyTrain extension from Surrey to Langley may be delayed due to the massive shortfall in revenue from transit operations. With this announcement, there is a high likelihood that more projects may be put at risk, ultimately creating a challenge on how to distribute the \$1.5 billion provincial stimulus package to get the province's economy back on track. Fortunately, there are signs of hope as Vancouver is in the running as a potential hub city to host the remainder of the NHL season. With 12 Western Conference teams potentially arriving in the city, it could generate demand for up to 1,000 hotel rooms to accommodate players, coaching staff, management, and media from across North America, ultimately putting Vancouver back into the limelight.

As we move into the next stage of reopening, many firms across Metro Vancouver are preparing for their employees to return to the office in a phased approach. Many landlords in the downtown core have stepped up their cleaning and sanitation procedures for common areas, and are giving a lot of thought into how they will operate their elevators, however, many will not be implementing any drastic measures such as temperature checks or capacity limitations, thereby placing the onus on tenants to implement their own safety protocols. In the meantime, subleasing opportunities have picked up, including the recent addition of 52,000 square feet of space within the top floors of the iconic Park Place.

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On the industrial front, activity remains steady with strong interest in strata units. In fact, 84% of the industrial transaction activity in May was centered on the industrial strata segment with prices averaging \$353 per square foot. Although the overall industrial vacancy rate for Metro Vancouver remains tight, at 1.9%, the availability rate is starting to show signs of an upward trend, increasing by almost 140 basis points over the past year to 3.5%. This now increases the spread between vacancy and availability to 160 basis points compared to a tight 20 basis point spread at the end of the second quarter of 2019. The Metro Vancouver industrial sector may also see a new threat to the market in the medium term in the form of large vacant retail space. As the pandemic continues to place pressure on the retail sector, those larger retail spaces that do go dark could serve as logistics and distribution space to fill the void for last-mile delivery in urban areas. A perfect example of this is a former Target retail location in Ontario now being marketed as either a retail or industrial space with targeted lease rates depending on the user.

After over two months in isolation, Metro Vancouver has finally started to see retailers gradually reopen after the Victoria Day long weekend. Many consumers were eager to visit newly opened storefronts on Robson and Alberni Street while also getting that much needed haircut. Unfortunately, some retailers could not overcome the coronavirus hurdle, including Canada's first discount department store, Army & Navy, which closed all of its locations after a century in business. With the summer fast approaching, many restaurateurs will now have to battle capacity limits at the peak of patio season. Luckily, the City of Vancouver is fast tracking a temporary patio expansion for restaurant and bar owners, with the application window opened as of June 1st. With permit fees waived and a two-day approval turnaround, the city hopes that this initiative, running through the end of October, will help the restaurant industry offset the losses caused by the pandemic. Currently, Metro Vancouver's retail sector has not seen any drastic declines in lease rates nor market prices, however, similar to the industrial market, the spread between vacancy and availability has increased from 50 basis points in the second quarter of 2019 to 90 basis points at the end of May.

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 27,858 properties currently tracked in the Greater Vancouver Area, which include 1,194 properties for sale and 3,057 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		
27,858		
OFFICE	INDUSTRIAL	RETAIL
2,364	6,574	8,922

PROPERTIES FOR SALE

TOTAL		LAST 30 DAYS	
ALL PROPERTIES		NEW LISTINGS ADDED	
1,194		84	
OFFICE	INDUSTRIAL	RETAIL	
356	374	357	
AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT	AVG. SALE PRICE / SQ. FT	
\$809	\$390	\$810	

SPACES FOR LEASE

TOTAL		LAST 30 DAYS	
ALL SPACES		NEW LISTINGS ADDED	
3,057		335	
OFFICE	INDUSTRIAL	RETAIL	
1,491	524	1,118	
NET RENT / SQ. FT	NET RENT / SQ. FT	NET RENT / SQ. FT	
\$24.73	\$13.25	\$34.26	