

INVESTMENT FORECAST

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

Retail
Vancouver

2022

Healthy Demand and Low Construction Enhance Canada's Strongest Retail Market

Vancouver boasts nation's tightest vacancy rate. The metro is often an entry point for international retailers angling for a foothold in the country. Since the beginning of 2022, roof rack producer Thule and Paris-based Maison Kitsuné have both opened locations in the market, indicative of the broad attraction of the consumer base. Overall, space demand will increase by 0.5 per cent this year, though extremely tight conditions point toward a pent-up need for more inventory. That pressure will not be alleviated in 2022, as the limited amount of construction coming online this year is mostly pre-leased, constraining the number of speculative footprints. When developers do resume delivering inventory at levels on par with the pre-recession pace, supply will be necessary along the Millennium SkyTrain extension and eventually the Surrey-Langley SkyTrain extension, the latter being projected for completion in 2028. Core areas are also starved for new space, though adding supply is more challenging. In the cities of Vancouver and Surrey, the retail vacancy rate is very tight.

Vancouver Retail Investment Trends

- The metro claims the highest prices and lowest cap rates in the country. Entering this year, the average cap rate for both single and multi-tenant transactions was 3.4 per cent. The average sale price for all retail assets was just short of \$800 per square foot.
- International buyers will retain their active role, as capital searches for high-end assets with consistent performance.

2022 Retail Trends


390,000
SQUARE FEET
will be completed

CONSTRUCTION:

Land constraints and a slow ramp-up from the health crisis are limiting inventory growth to 0.3 per cent in Vancouver this year.


20
BASIS POINT
decrease in vacancy

VACANCY:

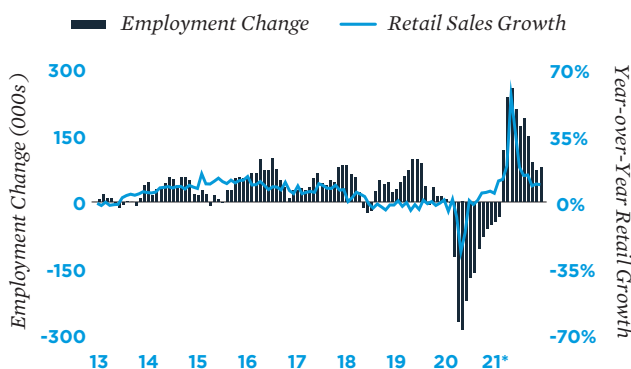
Improving demand will pull down the availability rate, building on last year's 30-basis-point decline.


4.0%
INCREASE
in asking rent

RENT:

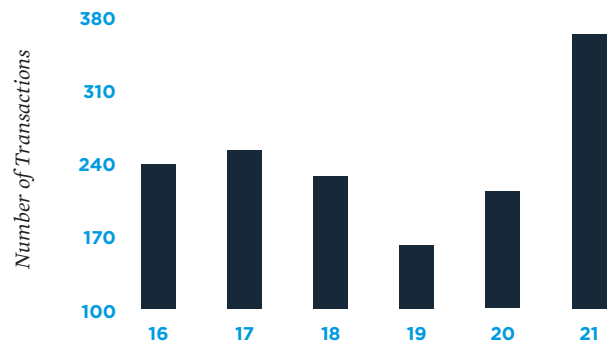
The average asking rent advances to \$36.10 per square foot by year-end, as the pace of growth slows modestly from the 5.2 per cent clip in 2021.

Employment vs. Retail Sales Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Transaction Trends



Vancouver office:

Michael Heck Regional Manager

333 Seymour Street, Suite 1280

Vancouver, British Columbia V6B 5A6

Tel: (604) 638-2121 | mheck@marcusmillichap.com