

# MARKET REPORT

Multifamily  
Vancouver Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

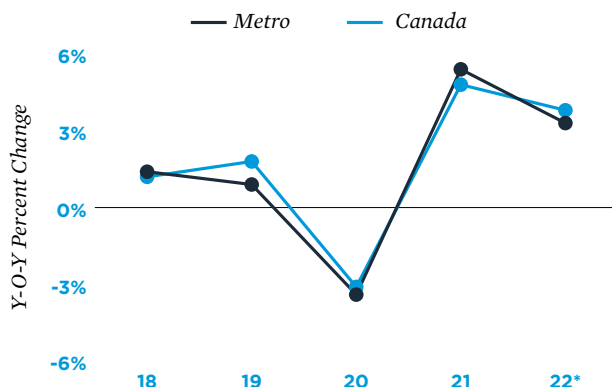
3Q/22

## Population and Labour Market Growth Drive Rental Demand; Immigration Rises and Tourism Returns

Sky-high home prices direct potential buyers toward rentals. Housing demand in the Vancouver metro is severely outpacing supply, due to the presence of top tech firms and an elevated rate of immigration. As the nation raises its immigration targets for 2023 and beyond, Vancouver will remain a top choice for new entrants, further driving apartment demand. With single-family housing and apartment construction lagging behind population growth, Vancouver is experiencing a housing shortage, with the average price of a home sitting at \$2.1 million as of the second quarter. With home ownership out of reach for many due to rapidly accelerating prices and rising interest rates, high-income earners are increasingly opting to explore the upper-scale rental market. The average rental rate is forecast to increase by a historic pace of 8.1 per cent year-over-year in 2022. This growth is expected to continue in the future, but at a less aggressive pace.

Tourism returns, boosting demand for lower-tier rentals. High immigration levels are not the only demand driver for lower-tier rental units in the Vancouver market. With almost all COVID-19 restrictions being lifted in the first quarter of 2022, the tourism and cruise industry is recovering in Vancouver. This uptick is fueling hiring in the retail and service sectors, in turn supplying incomes to more residents, further boosting demand for lower-tier rentals. With developers focusing mostly on condo developments in recent years, and not purpose-built rental buildings, this combination of growing demand and limited new supply makes investment fundamentals strong for the Vancouver metro.

### Employment Trends



\* Forecast

Sources: Statistics Canada; Canada Mortgage and Housing Corporation

## Multifamily 2022 Outlook



**50,200  
JOBS**  
*will be created*

### EMPLOYMENT:

Employment has fully recovered since the health crisis and is expected to continue to grow. Although Vancouver is expected to add less jobs than last year, employment is still expected to rise at a strong pace, due to the return of international tourism fueling the hiring in the retail and service sectors.



**5,000  
UNITS**  
*will be completed*

### CONSTRUCTION:

Vancouver is expected to add approximately 25 per cent less rental units than it did in 2021, as material and labour shortages slow construction timelines. This should be beneficial for existing apartments, as it will result in more demand relative to the limited amount of availabilities.



**30  
BASIS POINT**  
*decrease in vacancy*

### VACANCY:

Vacancy should remain slightly higher than its previous low set in 2016, but is expected to return to similar levels seen prior to the health crisis. Immigration and the return of tourism is expected to help vacancy retreat back to the sub-1 per cent range.

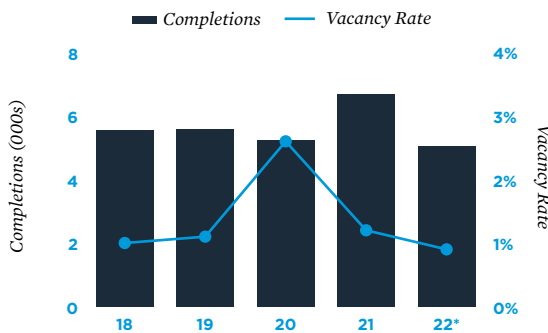


**8.1%  
INCREASE**  
*in effective rent*

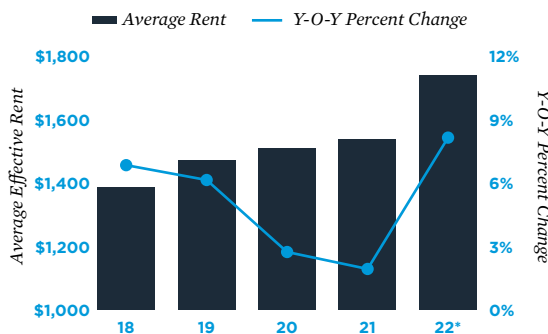
### RENT:

The average rent is expected to grow at historic levels in 2022 to \$1,661 per month, due to the limited affordability of for-sale housing, immigration and the return of tourism. Vancouver is expected to be the priciest rental market in Canada.

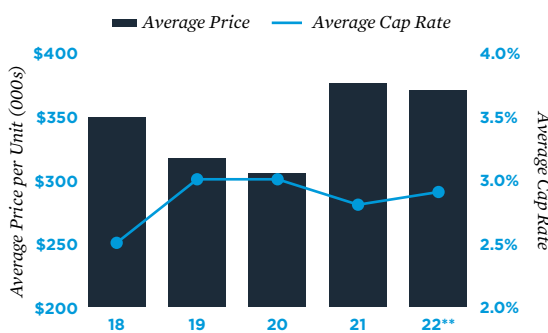
### Supply and Demand



### Rent Trends



### Sales Trends



\* Forecast \*\*Through 1Q

Sources: Canada Mortgage and Housing Corporation; Altus Data Solutions

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Price: \$250

## 2021 Overview

### CONSTRUCTION 6,679 units completed

- Vancouver completed approximately 2,000 more rental units in 2021, compared to the market's trailing five-year average.
- Throughout 2021, the Vancouver government implemented numerous policies to simplify the planning and development process, with the hope to incentivize developers to construct more affordable rental units.

### VACANCY 140 basis point decrease in vacancy Y-O-Y

- The Vancouver multifamily market saw vacancy begin to recover from the health crisis in 2021, with vacancy returning to the historic average in the sub-2 per cent range.
- Immigration was the main driver in lowering vacancy as British Columbia welcomed 100,000-plus new arrivals in 2021.

### RENT 1.9% increase in the average effective rent Y-O-Y

- During the health crisis, the provincial government instituted a 1.5 percent cap on annual rent increases. This contributed to 2021 being the smallest rent growth since 2013.
- New supply has not alleviated the tight market as many units are pre-leased before completion, mainly due to strong population growth.

## Investment Highlights

- Vancouver proper has led the way in total sales volume over the trailing 12-month period ending in March, valued at \$875 million, followed by West Vancouver at \$150 million and Surrey at \$110 million. The majority of these transactions fell within the \$1 million to \$10 million range. However, Vancouver also experienced a number of transactions above \$20 million. More suburban markets, such as Surrey and Burnaby, have seen influxes of young people who want to start families and live independently, due to the markets' affordability. Strong population growth in these suburban markets makes them attractive investment locations.
- Vancouver experienced the highest in-migration levels throughout the health crisis by a significant margin, with this trend expected to intensify in 2022. As such, demand for lower-tier rentals will continue to rise, especially in the more affordable suburban markets mentioned above.
- The extension of the Millennium subway line along the Broadway corridor brings ample investment opportunity to Vancouver proper, as the city government has approved zoning that will allow the construction of 40- to 50- story apartment buildings across 50 blocks. These developments will help alleviate supply shortages and help support population growth.