

SPECIAL REPORT

THE BROADWAY PLAN

FEBRUARY 2023

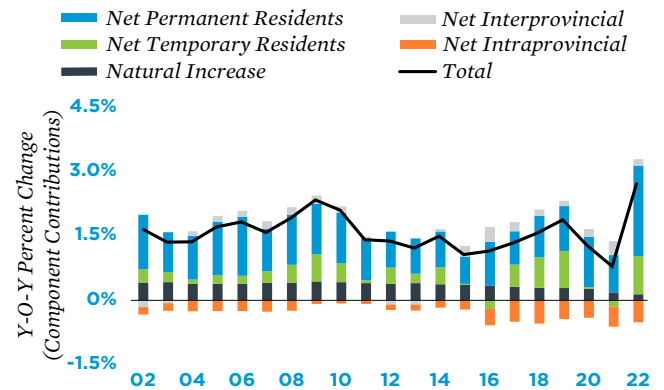
The Broadway Plan a Major Boon for Vancouver Commercial Real Estate

Broadway Plan sets stage for large-scale development. Last year, Vancouver approved the long-awaited Broadway Plan. This 30-year project focuses on opportunities to integrate new housing, jobs and amenities around the Millennium subway line extension, in preparation for robust population growth. The plan calls for public transit expansion and major housing developments, as well as further office and retail additions. By the project's end, it will span nearly 500 blocks and has the potential to create 30,000 new housing units, accommodate 50,000 new residents, and add an additional 42,000 jobs. The commercial real estate industry, as a result, is expected to witness significant investment and development over the next decade. The area will begin to transform from a predominantly low-density residential area and small, local retail community to a 15-minute city, where most of the average needs can be found within the designed plan.

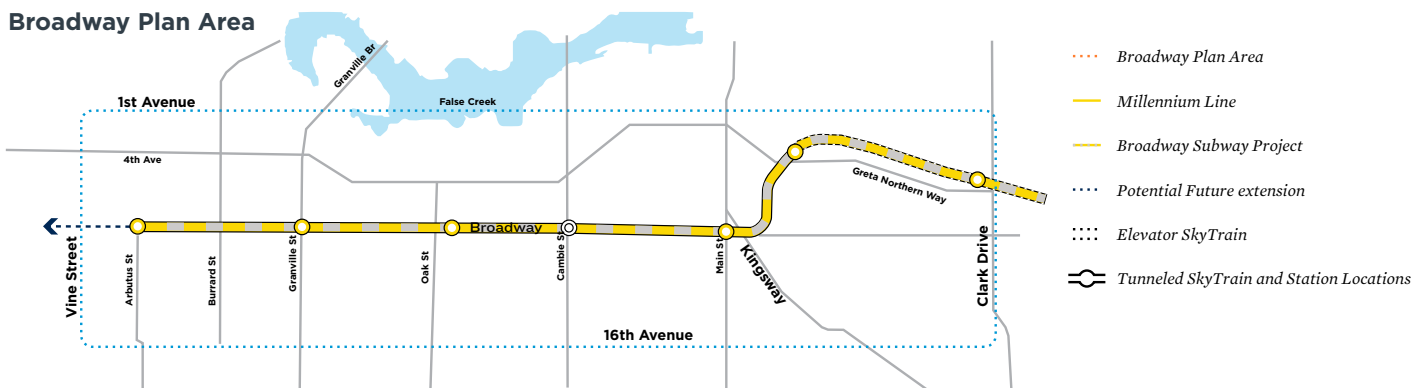
Broadway Corridor in need of revitalization. Currently, the Broadway Corridor has a wide range of occupiers. The area hosts beaches with walking trails, converted warehouses, hospitals, heritage homes and condos, as well as local retailers and restaurants. As a major east-west connector in the city, the corridor holds the second-highest concentration of jobs in Vancouver, only trailing the downtown peninsula. The area, however, lacks a specific purpose, and the amenities, infrastructure and density are not suited for the expected growth the area has begun to undergo. It lacks destination retail, a walkable streetscape, and a cluster of businesses necessary to create a financial centre. Consequently, the Broadway Plan was created in order to make the area more livable and suited for the already-expanding population and labour force.

Population growth above metro average. Vancouver is one of the most livable cities in the world and is a top destination for both people moving within Canada, as well as arriving immigrants. Over the past 10 years, the metro's population has increased by 10 per cent. In comparison, over the past 30 years the population of the Broadway Corridor has increased by nearly 50 per cent. This is a byproduct of the area's existing and emerging job opportunities, as well as its connectivity to the lower mainland. As a result, the Broadway Plan was created to address population growth within the area, which will be further accelerated by the construction of the new subway line. Consequently, the Broadway Plan sets the framework for future multifamily, retail and office development in order to create a high-density community and a second downtown. If the plan is fully realized, the population could increase by a further 50 per cent over the upcoming 30 years.

Vancouver Population



Broadway Plan Area



Commercial Real Estate Outlook

Purpose-built rental opportunities to arise. With an expanding population, coupled with homeownership barriers, apartment demand has outpaced supply in Vancouver. The metro's vacancy rate – the lowest in Canada – currently sits below 1 per cent, and annual rent growth surpassed 6 per cent in 2022. Development activity, however, is expected to accelerate over the coming years, given the planned addition of 30,000 new households occupying the Broadway Corridor. Nonetheless, despite this expected uptick in construction, demand is likely to continue to outpace supply. The metro is forecast to welcome 166,000 immigrants over the next three years, and still-prevalent homeownership hurdles redirect demand toward the apartment rental market. Correspondingly, the Broadway Plan will address some of the housing supply needs. However, underlying apartment fundamentals should endure, due to sustained long-term demand. While investment has slowed due to elevated borrowing costs, multifamily should remain a favourable property type over the long term, which supports the construction of the Broadway Plan.

Expanding consumer base to benefit retail sector. Vancouver proper currently has the nation's lowest retail vacancy rate of 1.4 per cent as of the end of 2022. As a result, healthy underlying fundamentals are likely to spur a wide range of development and investment activity in order to support the Broadway Corridor initiative. With the goal of creating an urban hub, hundreds of thousands of square feet of new retail opportunities will be constructed to accommodate the expected 50,000 new residents and the 42,000 new jobs within the area. While a significant uptick in supply may soften fundamentals over the short term, an already extremely tight market, growing employment options, a relatively wealthy consumer base, strong tourism and an expanding population will drive leasing activity over the long term.

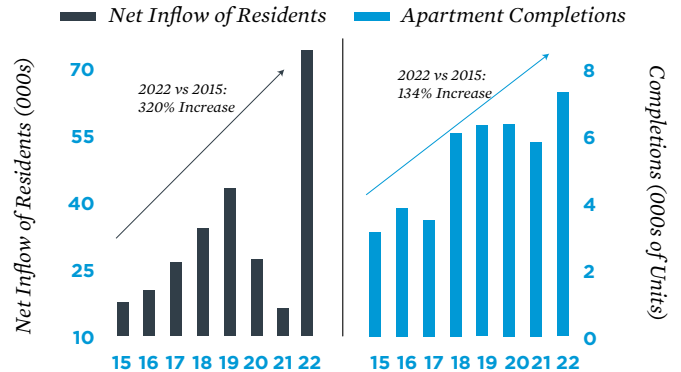
Spillover effects to positively impact local economy. While the Broadway Plan is beneficial for the CRE industry, the overall impact on the local economy will also be widespread. Both a growing population and emerging job opportunities support low unemployment and, in turn, healthy consumption – the largest component of GDP. As a result, the Broadway Plan will play a critical role in supporting future economic growth within Vancouver, by driving retail sales, business investment and real estate development.

*Through November

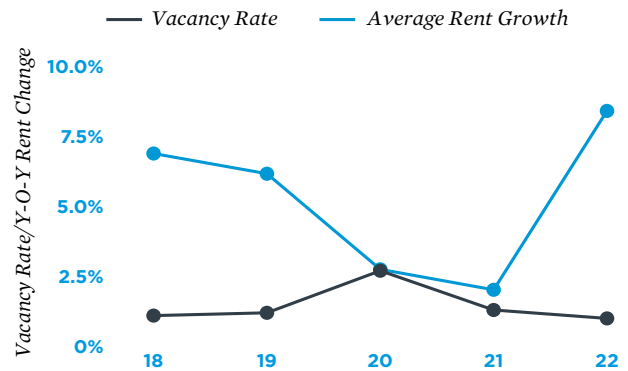
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Sources: IPA Research Services; Altus Data Solutions; Bank of Canada; Capital Economics; City of Vancouver; CoStar Group, Inc.; Statistics Canada

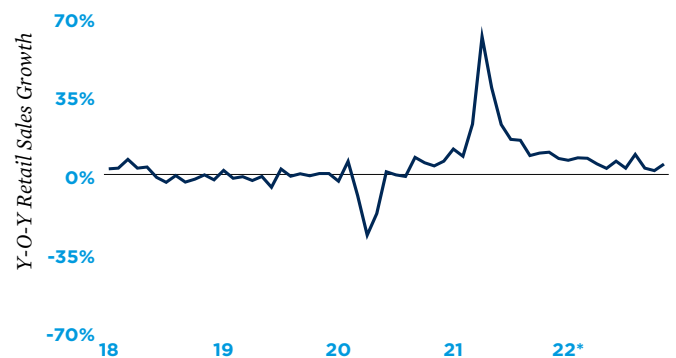
Vancouver: New Residents vs. Rentals



Vancouver Multifamily Vacancy & Rent Trends



Vancouver Retail Sales Trend



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