

MARKET REPORT

Multifamily

Vancouver Metro Area

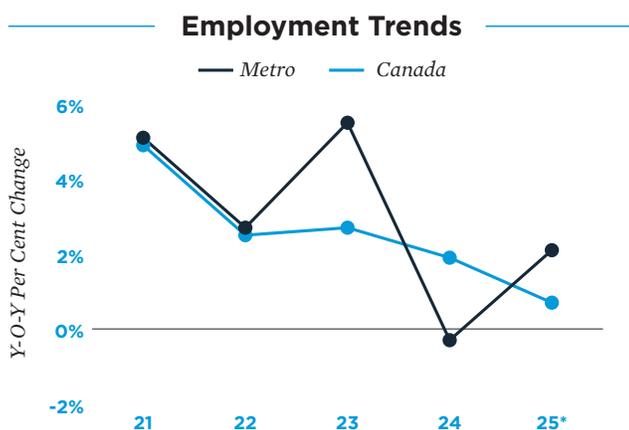
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3Q/25

Investors Eye Transit-Friendly Communities and Policy Amid Construction Pressures

Pullback in development to hinder affordability goals. Trailing 12-month apartment construction starts in Vancouver were down nearly 20 per cent annually in May. While holding up better compared with other high-cost markets, Vancouver's residential development sector is coming under pressure. Not only are elevated costs and softening rents making expected returns hard to deliver, but speculative overreach, high holding costs and slow entitlements have resulted in fewer land sales, as well as in rising distress sales. These dynamics suggests construction starts are likely to slow further over the coming quarters. While beneficial for current owners, as abating supply-side pressures will put a lid on vacancy increases, the overarching long-run goal of achieving housing affordability is likely to take a hit.

Select submarkets attractive. Surrey's population has boomed in recent years and is expected to become the most populous city in British Columbia by 2030. Combined with the city offering public land for rental construction, the submarket welcomed the most new supply last year. With vacancy holding largely unchanged, it underscores the metro's strong demand fundamentals and attractiveness to investors. Meanwhile, for similar reasons surrounding rental-first policies and strategic growth around the SkyTrain, the Tri-Cities is also seeing investor interest. As of mid-2025, the submarket held the largest multifamily construction pipeline, signaling strong demand for transit-orient development and its resulting connectivity.



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

Multifamily 2025 Outlook



**35,000
JOBS**

will be created

EMPLOYMENT:

After a drop in employment in 2024, job growth has outperformed in Vancouver so far this year, totaling roughly 50,000 jobs as of May. While lingering economic risks could cause this pace to slow, the metro is likely to see some of the strongest gains this year.



**7,500
UNITS**

will be completed

CONSTRUCTION:

With deliveries up nearly 30 per cent year to date as of May when compared with last year, openings are forecast to reach a record high in 2025. Nevertheless, construction starts began to slow in 2024, suggesting fewer completions in the years ahead.



**140
BASIS POINT**

increase in vacancy

VACANCY:

Due to surging supply, as well as affordability challenges and dwindling population tailwinds, vacancy will rise to around 3.0 per cent – its highest reading on record. For the same reasons, this vacancy increase is concentrated in new, higher-quality buildings.



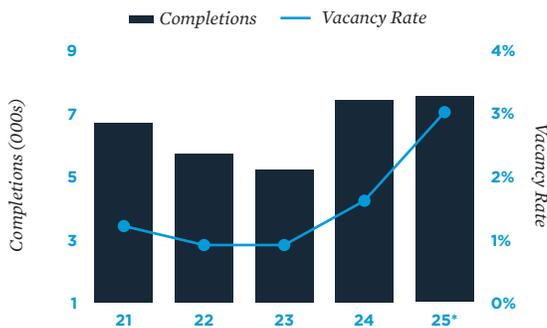
**0.8%
INCREASE**

in effective rent

RENT:

Rents are flatlining, yet hold 30 per cent above the 2019 level. Amid stretched affordability and more units on the market, newer and more expensive builds hold higher vacancy rates and are seeing rents fall. In contrast, older units that can still reset rents to market upon turnover could push the metrowide rate up slightly.

Supply and Demand



Rent Trends



Sales Trends



* Forecast; ** Through 1Q

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

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2024 Overview

CONSTRUCTION

7,370 units completed

- Completions hit a new high last year, surpassing the 2021 peak by 10 per cent. Given strong demand and government initiatives, Surrey welcomed the most new supply, representing a 16 per cent share of total openings.
- For similar reasons, and due to strategic transit-oriented growth along the SkyTrain corridor, the Tri-Cities held the largest construction pipeline.

VACANCY

70 basis point increase in vacancy Y-O-Y

- After an all-time low in 2023, vacancy rose to 1.6 per cent last year. In more high-cost areas, such as West Vancouver and downtown, vacancy rose by more than the metrowide rate to 4.1 per cent and 2.6 per cent, respectively.
- Amid historic deliveries and affordability hurdles, some sources say vacancy rates in newer builds are near 10 per cent, leading the citywide increase.

RENT

5.8% increase in the average effective rent Y-O-Y

- After near 10 per cent annual rent growth for two consecutive years, gains slowed last year as some balance began to return to the market. Still, the annual increase was above the metro's long-term average of 3.5 per cent.
- Despite a metrowide jump, premium and newly built units have seen rent levels largely flatline, with mounting downward pressures forming.

Investment Highlights

- Multifamily transactions have been declining since 2021. The total number of sales was down 13 per cent annually over the past yearlong period ended March, potentially reflecting elevated interest rates and softening fundamentals in recent years. Nevertheless, the property type continues to generate investor interest, given ongoing supply constraints and homeownership hurdles, as well as favourable financing provided by the CMHC.
- Despite a more pronounced softening in fundamentals, investors are still seeking new builds. Rent control policies have limited income growth for older buildings and have resulted in deferred maintenance. Yet builders' report that investors expect returns above 4.0 per cent, making it difficult to deliver these newer projects amid cost pressures and stagnating rents.
- In the highest-priced market in Canada, elevated interest rates and slowing rent growth caused the average sale price to fall roughly 15 per cent from the 2022 peak. That said, with bond yields stabilizing in 2024 and inching lower this year, it appears the average sale price has bottomed. At the same time, cap rates are also holding firm at just below 4.0 per cent.