MARKET REPORT

Retail

Vancouver Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS
A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

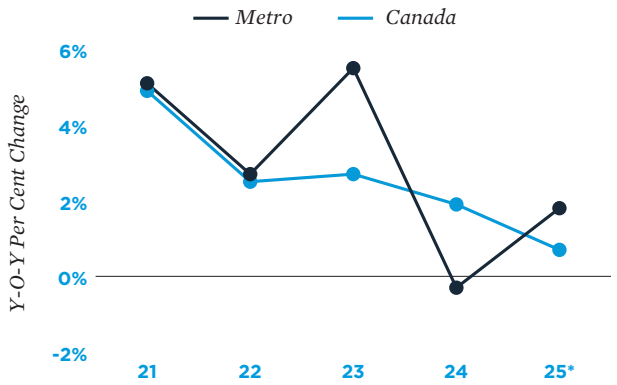
3Q/25

Retail Property Performance Backed by an Economy Less Dependent on U.S. Trade

Economic makeup cushions retail sector. Despite lingering risks stemming from protectionist U.S. trade, Vancouver is well positioned. Having direct access to the Pacific Ocean, the Port of Vancouver is Canada's largest shipping terminal and a major hub for Asia-Pacific trade. Meanwhile, services make up roughly 75 per cent of Vancouver's GDP. The province as a whole is also less dependent on manufacturing, focusing instead on natural resources and knowledge-based industries. Together, these factors mitigate Vancouver's exposure to U.S. tariffs, allowing for a more resilient labour market. As of July, the metro held the lowest jobless rate among major Canadian metros at 6.1 per cent, while year-end employment growth is also forecast to be one of the strongest. In turn, retail sales in Vancouver have outpaced the national rate – up 9.0 per cent year over year – continuing to uphold the metro as Canada's top performing retail property market.

Travellers aid retail performance. Tourism accounts for a much larger share of Vancouver's GDP than it does for the nation at large. Amid a large cruise industry, the Port of Vancouver saw a 5.1 per cent year-over-year increase in passengers last year. In the first five months of 2025, daily spending per international visitor also rose 3.5 per cent compared with 2024. Looking ahead, tourism-related retail spending will likely continue benefiting the property sector. While tariff disputes may curb inbound U.S. travel, the ongoing nationalism trend in Canada could benefit domestic spending in Vancouver. Tourism is set to remain a key driver in retail property performance.

Employment Trends



** Forecast*

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

Retail 2025 Outlook

30,000 JOBS
will be created

EMPLOYMENT:

Vancouver's labour market is performing much better than originally expected. Year-to-date job gains as of July were up 35,000 positions compared with last year, which creates some upside risk to the 1.8 per cent employment forecast currently penciled in.

850,000 SQ. FT.
will be completed

CONSTRUCTION:

While year-to-date deliveries as of June were down 70 per cent, the opening of Oakridge Park will push completions higher this year. Even so, construction starts have shrank to all-time lows, creating favourable supply-side conditions for investors.

30 BASIS POINT
increase in vacancy

VACANCY:

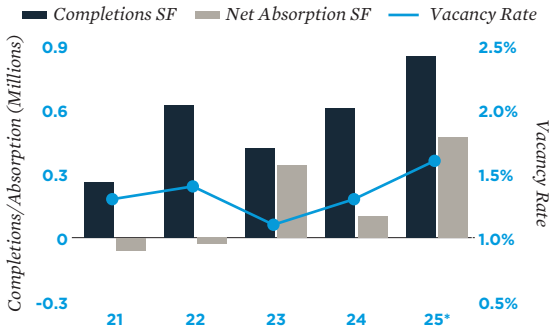
Trade risks, tighter immigration and higher interest rates for consumers are tempering retail leasing. Yet absorption will be led by pre-leased space, some by first-to-market retailers, which will mitigate upwards pressure on vacancy and keep it sub-2.0 per cent.

2.5% INCREASE
in asking rent

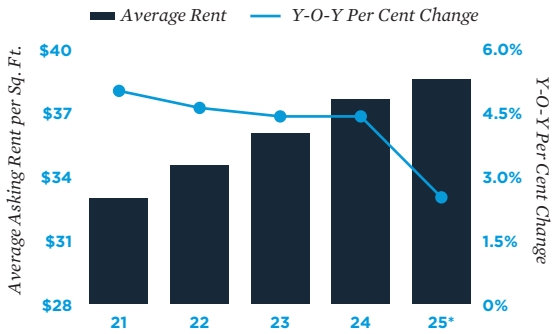
RENT:

Limited availabilities will drive rents higher, rising at a pace largely aligned with or slightly above inflation. Economic uncertainties are still tempering expansion decisions, though, which will likely pull annual rent growth down when compared with the gains above 4.0 per cent seen since 2017.

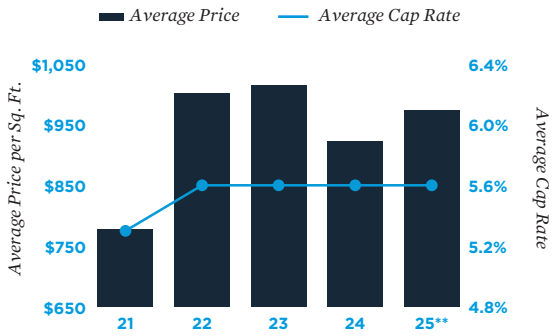
Supply and Demand



Rent Trends



Sales Trends



** Forecast; ** Through 2Q*

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

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2Q 2025: Trailing 12-Month Period

CONSTRUCTION

454,000 sq. ft. completed

- Deliveries over the past year fell 11.4 per cent and were down 17 per cent compared with the trailing five-year average — an ongoing trend since 2017.
- Although Oakridge holds a major mall component, most new supply is in mixed-use builds. This is a major factor in limiting space availability, as most of these mixed-use projects remove larger retail footprints.

VACANCY

30 basis point increase in vacancy Y-O-Y

- While net absorption was negative over the past year, total retail inventory has actually declined, which has helped maintain a sub-2.0 vacancy rate.
- Power centers and malls held higher vacancy rates as of June, ranging above 2.0 per cent amid changing consumer preferences. In-demand assets like neighbourhood and strip centers maintained sub-2.0 per cent rates.

RENT

3.4% increase in the average asking rent Y-O-Y

- Annual rent growth has been trending down since early last year amid rising business closures. Decelerations were seen across all build formats.
- Amid more affordable rental rates and stronger population gains, suburban submarkets such as Richmond-Delta, the Tri-Cities, Burnaby and Surrey/Langley saw rent growth outpace the metrowide rate.

Investment Highlights

- While both the number of trades and dollar volume were down over the past year ended June, it appears some momentum is building. The total number of deals has increased in each quarter since mid-2024, and dollar volume in the $20 million-plus segment jumped 5.0 per cent annually. This rise in larger-sized deals may reflect ongoing confidence in grocery-anchored properties that offer transit connectivity and intensification potential.
- Langley, Chilliwack, Maple Ridge and Port Coquitlam saw the largest annual increases in total trades and dollar volume. This could reflect more favourable price discovery, as well as strong demographics stemming from population growth amid affordability advantages. Neighbourhood, grocery-anchored retail with intensification potential is generating positive sentiment, as the build-format will benefit from these evolving demand dynamics.
- Vancouver's average retail sale price largely stabilized in 2024 and has since increased by 5.6 per cent over the first half of 2025. This could reflect a more friendly lending environment bringing some buyers off the sidelines, but it may also be a result of higher-quality properties, such as grocery-anchored assets with redevelopment potential, trading hands.

Price: $250

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for $1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

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