Market Report

MULTIFAMILY 3Q/26

Vancouver Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

2026 FORECAST

EMPLOYMENT
12,000 — Jobs will be created
0.7% — Increase Y-O-Y

CONSTRUCTION
9,000 — Units will be created
17% — Less than last year

VACANCY
5.0% — Vacancy rate
130 — BPS increase Y-O-Y

RENT
$1,985 — Average effective rent by year-end
1.1% — Increase Y-O-Y

Long-Term Fundamentals Remain Intact Amid a Period of Market Normalization

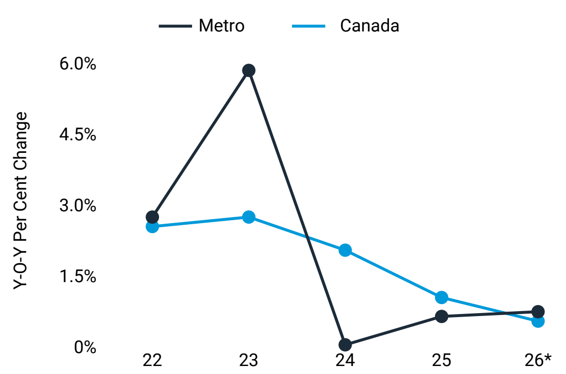
Supply wave reshaping sector conditions. Vancouver's apartment market is becoming more balanced following several years of exceptional growth. Record levels of new supply have pushed vacancy rates higher and reduced pricing power for newly completed properties, particularly in submarkets such as Burnaby, Downtown Vancouver, and Surrey. At the same time, older rental buildings continue to outperform, benefiting from stronger affordability, limited direct competition, and consistently tighter occupancy. With housing starts declining since 2023, the current wave of deliveries is expected to gradually subside, helping ease supply-side pressures over the medium term.

Structural advantages underpin future demand. While lower immigration and ongoing trade uncertainty are expected to weigh on population and employment growth over the near term, Vancouver's long-term apartment demand drivers remain firmly intact. A diversified economy, world-class quality of life, and continued expansion in technology, finance, and professional services are expected to support above-average economic growth through the rest of the decade. As labour markets normalize, the region's ability to attract highly skilled workers and investment should continue to underpin long-term housing demand.

EMPLOYMENT

After a slight rise in jobs last year, employment has fallen 1.6 per cent year-over-year as of June. However, hiring strengthened throughout the second quarter, suggesting the labour market is stabilizing and could yield another year of modest job growth. Payroll gains have been led by natural resource-based industries, the public sector, construction, and seasonal hiring in accommodation and food services amid the FIFA World Cup. The unemployment rate has stabilized around 6.5 per cent, in line with the national average.

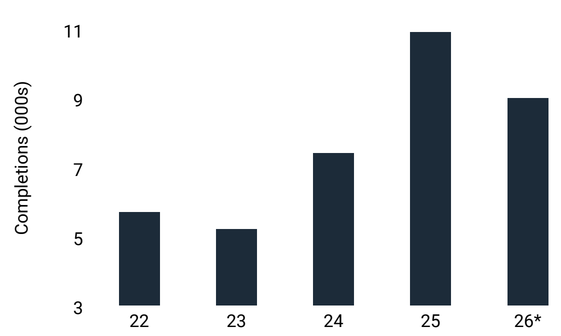
EMPLOYMENT TRENDS



CONSTRUCTION

Supported by strong apartment fundamentals and favourable government incentives, multifamily construction accelerated between 2020 and 2023. This led to record deliveries in 2025, with levels expected to remain near historic highs this year. This supply influx has contributed to higher vacancy and softer rent growth. However, elevated construction costs and moderating fundamentals have pushed housing starts lower since 2023, though activity remains above pre-pandemic levels.

CONSTRUCTION TRENDS



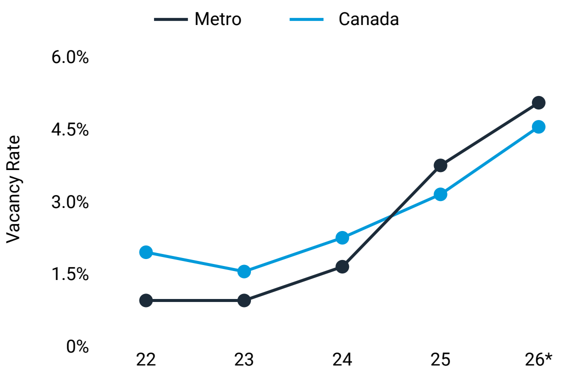
* Forecast

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

VACANCY

Apartment vacancy is expected to rise further this year as the historic development cycle continues. Vacancy has increased most notably in properties built after 2000, reaching 6.8 per cent at the end of last year, while older buildings have maintained tight vacancy in the 2 to 3 per cent range due to greater affordability and less competition from the recent construction wave. Vacancy also remains higher in Burnaby, Downtown Vancouver, and Surrey, where the bulk of apartment deliveries have been concentrated.

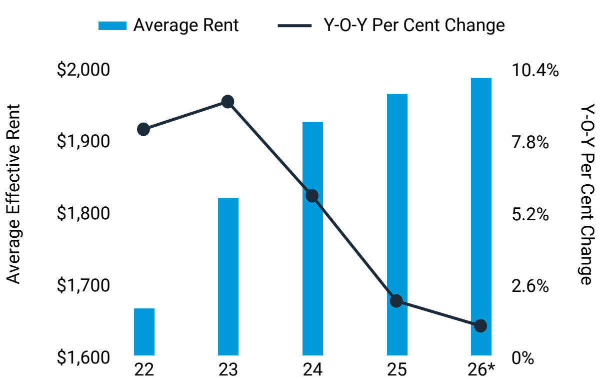
VACANCY TRENDS



RENT

The average rent is expected to remain broadly unchanged in 2026 as elevated deliveries continue to weigh on newer assets. Apartments completed since 2000 recorded a 1.5 per cent decline in average rents last year as operators competed for tenants amid increased supply. In contrast, older properties with more renewals generally saw stable to modest rent growth due to tighter vacancy and greater affordability. This highlights the growing divergence between stabilized legacy assets and recently delivered product.

RENT TRENDS



* Forecast ** Through 2Q

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

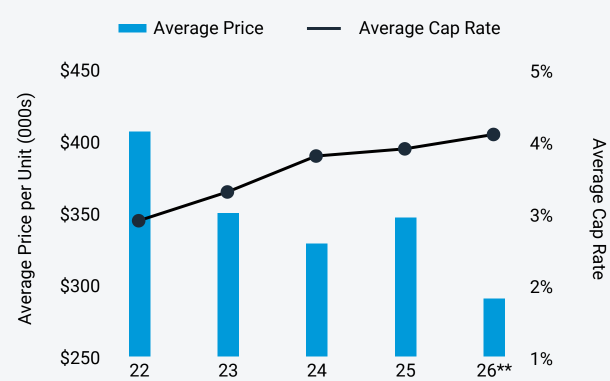
INVESTMENT HIGHLIGHTS

- Multifamily investment appeared to turn a corner in Vancouver over the past yearlong period ended June. The total number of trades rose 26 per cent, while dollar volume jumped 18 per cent amid a surge in higher value transactions. This comes after nearly a year of declining activity, as investor appeal remains despite some recent pricing challenges. Vancouver maintains strong long-term market fundamentals, given widespread homeownership challenges and geographic constraints that contribute to its structural undersupply.

- The average apartment sale price fell below $300,00 per door in the second quarter of 2026 for the first time in roughly a decade amid a more challenging financing environment and greater price recalibration. At the same time, cap rates have widened by roughly 120 basis points from the 2021-2022 lows to just above 4 per cent, reflecting higher borrowing costs and more disciplined underwriting. Sale prices are now more aligned with pre-pandemic levels, which could present further opportunities for investors to reenter the market.

- The long-term outlook for apartment investment in Vancouver is favourable as the metro remains one of Canada's most desirable multifamily markets. Developers are scaling back, which should gradually alleviate the supply-side pressures weighing on market fundamentals. Asset values have also remained resilient despite higher cap rates and some asset repricing, reflecting high barriers to entry, limited land availability, and deep investor demand.

SALES TRENDS



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