REAL ESTATE BOARD
OF GREATER VANCOUVER

The Real Estate Board of Greater Vancouver

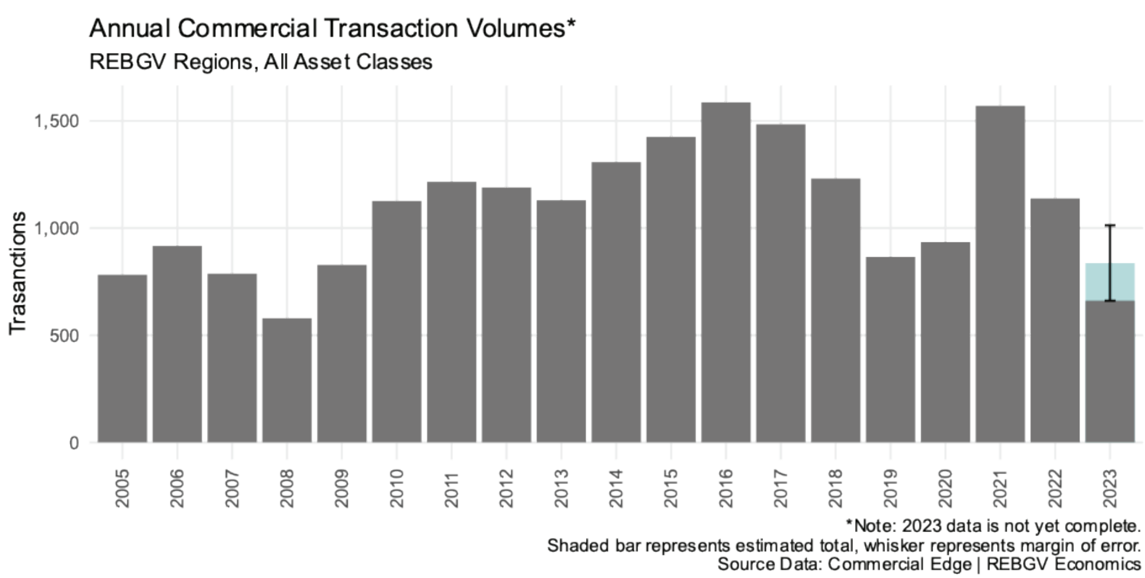
2024 Commercial Forecast

REBGV 2024 Commercial Forecast

Market overview

There's no sugar-coating it.

At the aggregate level, 2023 is likely to finish with transaction volumes among the lowest levels seen in over ten years across the Real Estate Board of Greater Vancouver's (REBGV) regions[1].



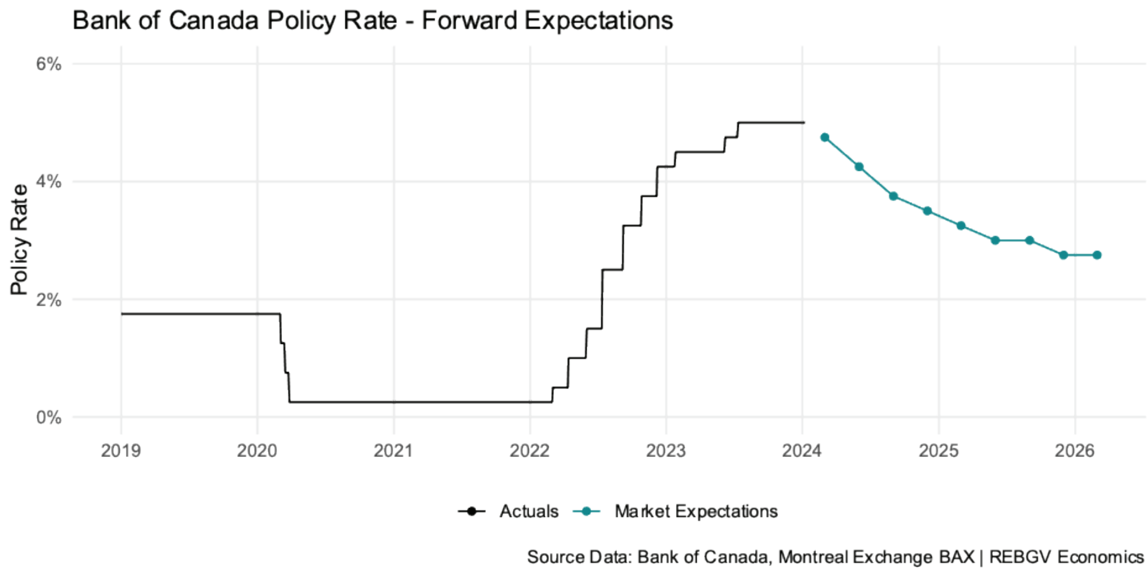
The Bank of Canada's aggressive monetary policy response to the most worrisome levels of inflation seen in over 40 years has had a pronounced dampening effect on commercial market activity.

But while transaction volumes have languished in 2023, our outlook for 2024 offers reasons to be optimistic.

Key among these is the possibility of materially lower borrowing costs, particularly toward the back-half of 2024.

At the time of writing, markets are pricing in over 100bps (one per cent) of cuts to the Bank of Canada's policy rate in 2024.

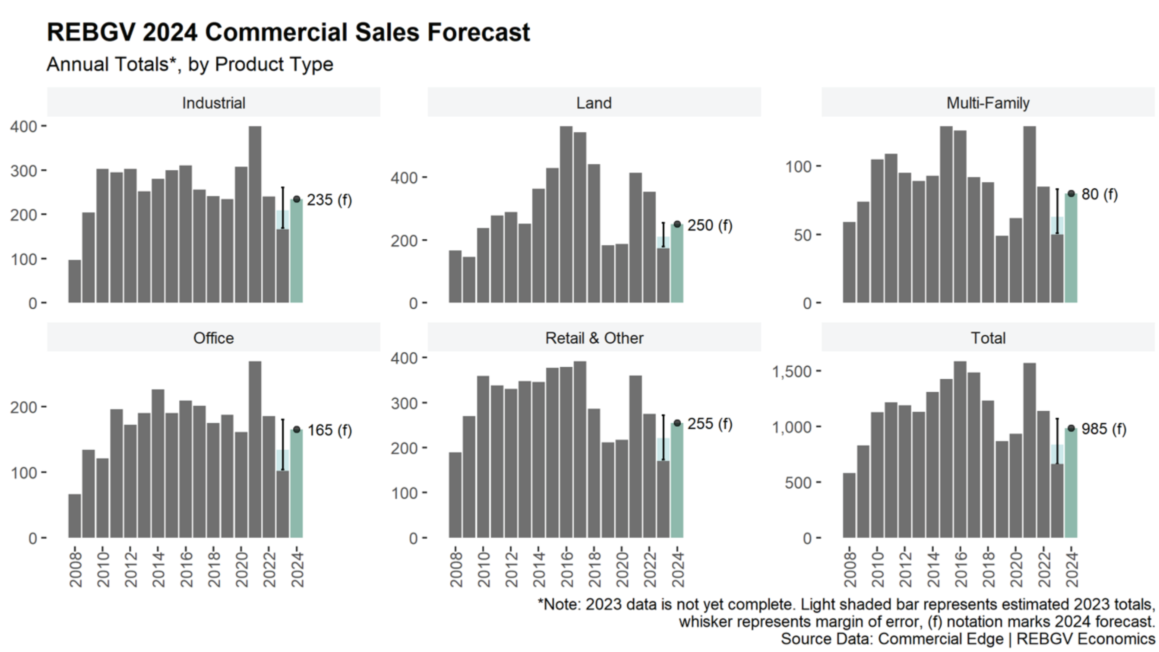
[1] REBGV regions presently covered by Commercial Edge data are: Burnaby, Coquitlam, Maple Ridge, New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, Squamish, Vancouver, West Vancouver, and Whistler. As data coverage expands over time, further areas may be added.



Despite the positive outlook for interest rates, the market remains constrained by high-borrowing costs at present, and our 2024 outlook treats this mitigating factor with the gravitas it deserves.

2024 sales forecast, by asset class

While we don't expect transaction volumes to rebound aggressively in 2024, we do expect increases in transaction volumes relative to 2023, with larger increases weighted toward the latter half of the year as lower interest rates prevail.



The table below summarizes our forecast by asset class:

REBGV 2024 Commercial Sales Forecast

Asset Class	2022 Actual	2023 Estimate*	2024 Forecast	% Change	Direction
Industrial	240	209	235	12%	↗
Land	353	210	250	19%	↗
Multi-Family	85	63	80	27%	↑
Office	185	134	165	23%	↑
Retail & Other	275	221	255	15%	↗
Total	1,138	837	985	18%	↗

*Note: 2023 figures are estimated totals, as data is not yet complete.

Source: REBGV Economics

Office

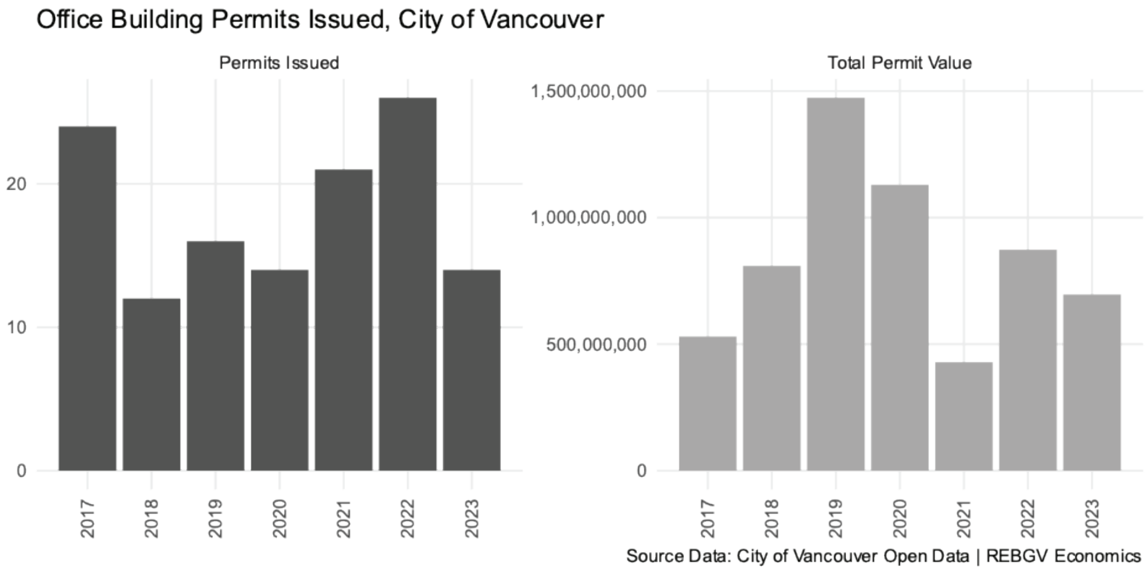
With a number of major new construction projects[2] nearing, or having been completed over the past few years in Metro Vancouver, office vacancy has risen substantially relative to typical historical levels.

Even so, class-A office in downtown locations such as Vancouver remain in-demand by savvy (and deep-pocketed) investors who appear confident that "the office is not over".

As this newly released office product leases-up, vacancy for office space in Metro Vancouver is expected to peak within the next few years.

And with very few new office projects in the development pipeline, any renewed strength in demand is likely to translate to higher lease rates and lower vacancy.

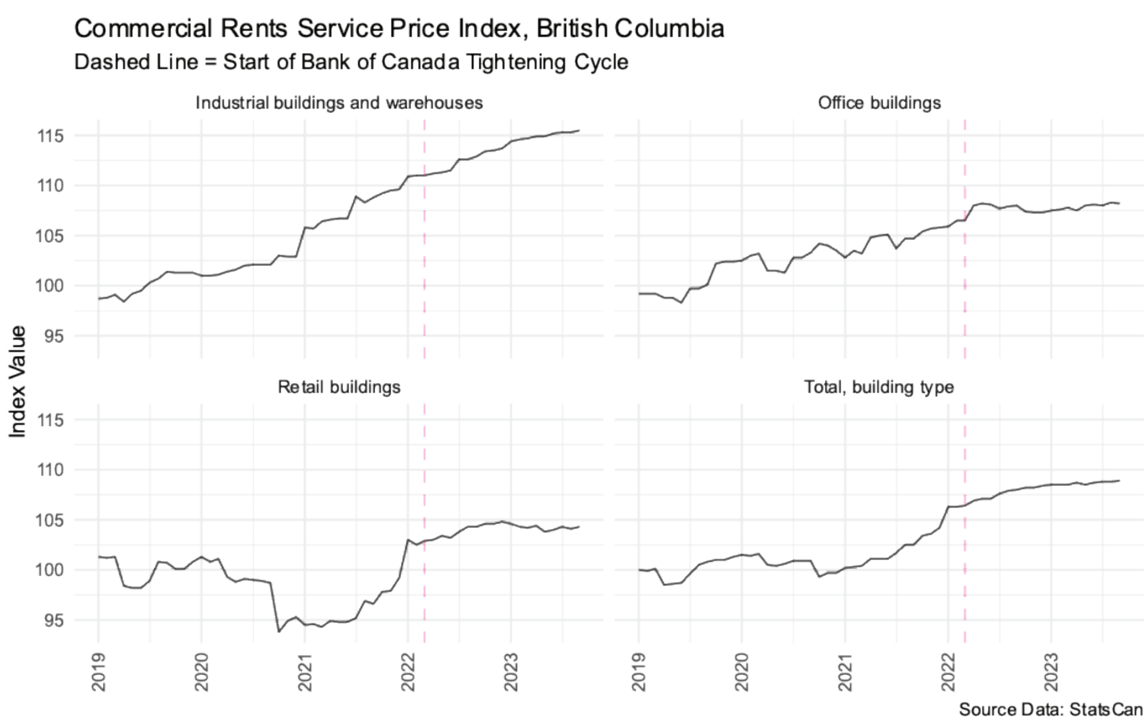
[2] Examples include: Oakridge Park by Westbank and QuadReal, The Post by QuadReal, Bentall 6 by BentallGreenOak.



Industrial

The industrial segment has been a somewhat unexpected bright spot in the commercial market.

With the surge in demand for e-commerce and related services, distribution facilities, processing hubs, and other logistics centres with access to major population centres have seen strong demand among investors.



As one might expect, the strength in demand for this asset class has translated to record-low vacancy rates, which have driven lease rates substantially higher relative to other asset classes, particularly for well-located product.

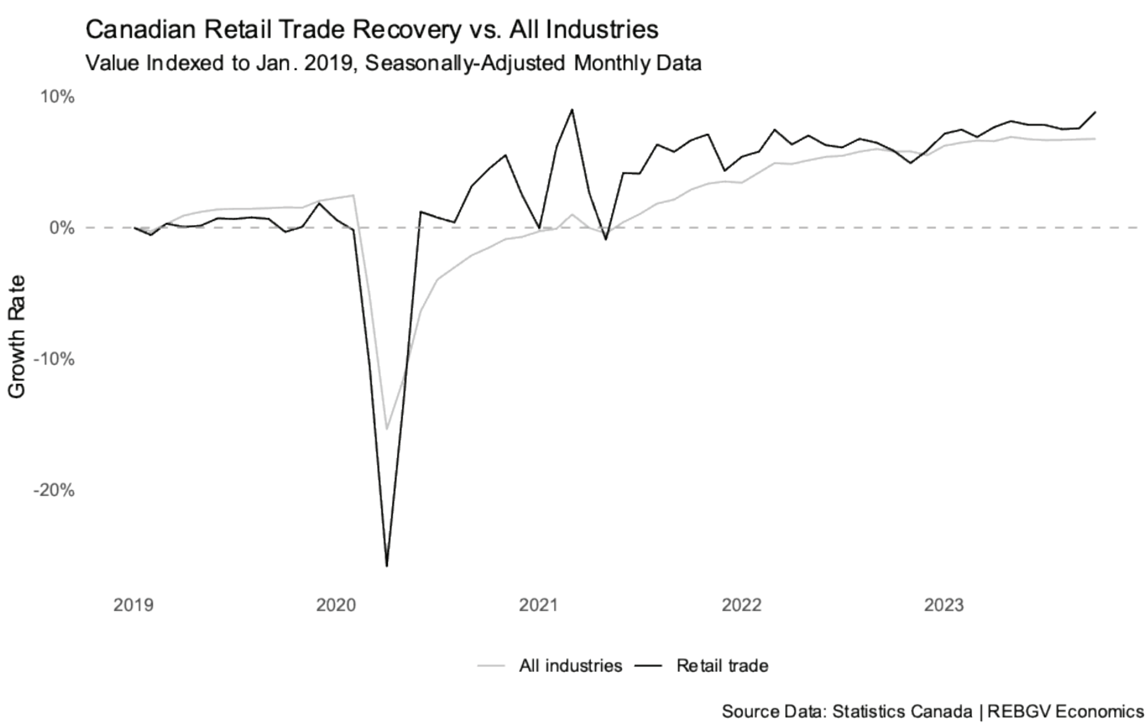
This is a trend we expect to continue in 2024, though at a slightly more moderate pace than the recent past.

Retail

Retail leasing in Metro Vancouver has remained fairly stable in 2023, with redevelopment projects like Oakridge, The Post, and Brentwood reportedly attracting strong pre-leasing demand.

Challenges remain in this segment however, as evidenced by the closure of Nordstrom in the downtown core, and more recently the exit of Victoria's Secret Robson street location, though it is reported that Adidas will be the new tenant of this 35,000 square foot space.

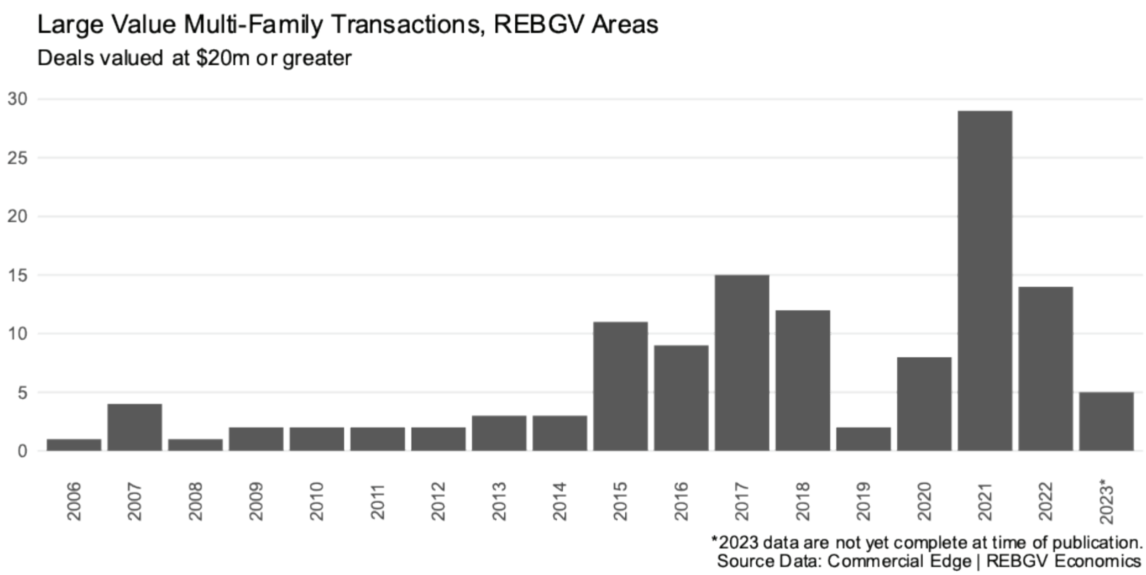
Nonetheless, the post-pandemic economic recovery in this segment remains in line with the aggregate of all industries, which is an encouraging sign of confidence for this sector.



Multi-family

Despite a marked decrease in sales of multi-family properties in 2023 compared to 2022, well-located and well-priced properties remain actively sought after.

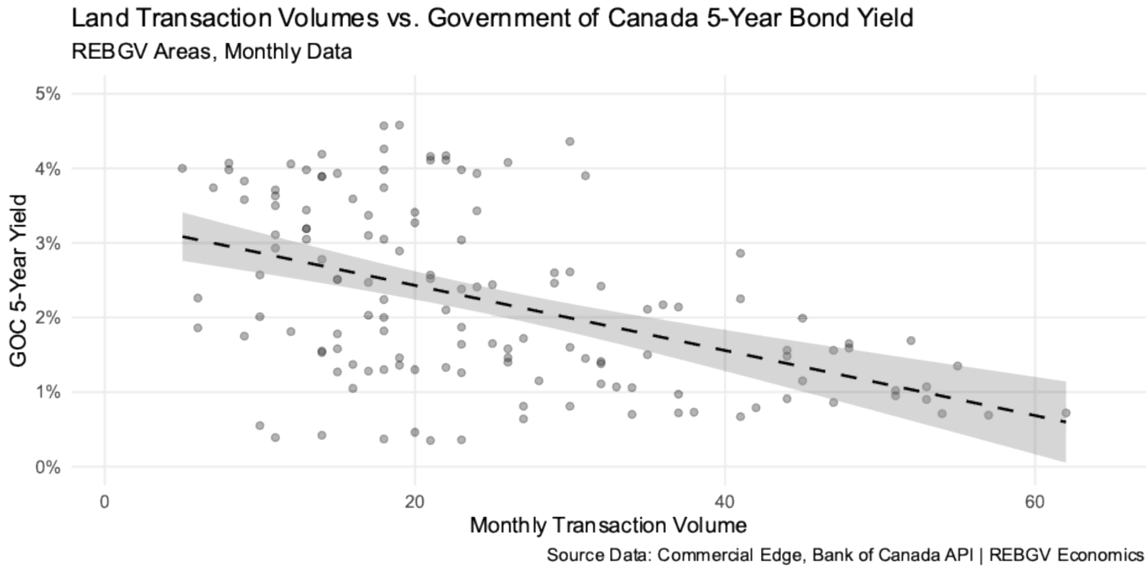
Stricter lending rules and higher equity requirements have constrained large value transactions however, with only five transactions surpassing $20 million in the data for 2023 so far, well-below volumes in 2022 and 2021 respectively.



Development land

Land transactions posted among the lowest deal counts seen since 2018 and 2019, respectively.

Given that land transactions are quite sensitive to interest rates, this is not an entirely surprising result.



When paired with the current policy-induced uncertainty about future (re)development opportunities brought about by the BC NDP's mass upzoning, we expect land deals to rebound once policy guidelines are firmly established, and municipalities have adjusted to accommodate new development proposals.

In the meantime however, the fact land transactions are so low suggests that fewer development projects will enter the pipeline over the near-term, which may result in lower levels of new housing starts over the next few years.

End notes

Forecasting commercial market activity is a complicated task due to small sample sizes and extreme heterogeneity in transaction prices and volumes.

These factors, among others, frustrate modelling efforts significantly. The point estimates and wide confidence intervals in our statistical modelling reflect this uncertainty.

As a result, REBGV aims to be “directionally correct” in our commercial forecasting efforts, and we urge readers to use caution when interpreting our point estimates and associated year-over-year forecasted percentage changes.

REBGV’s commercial forecast is provided on a best-effort basis and does not represent professional investment advice. Investing in commercial real-estate may involve significant risk, and users of our report should always seek appropriate professional and legal advice prior to transacting in commercial property. This report and its contents should only be used to supplement own due diligence, but should never replace it

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