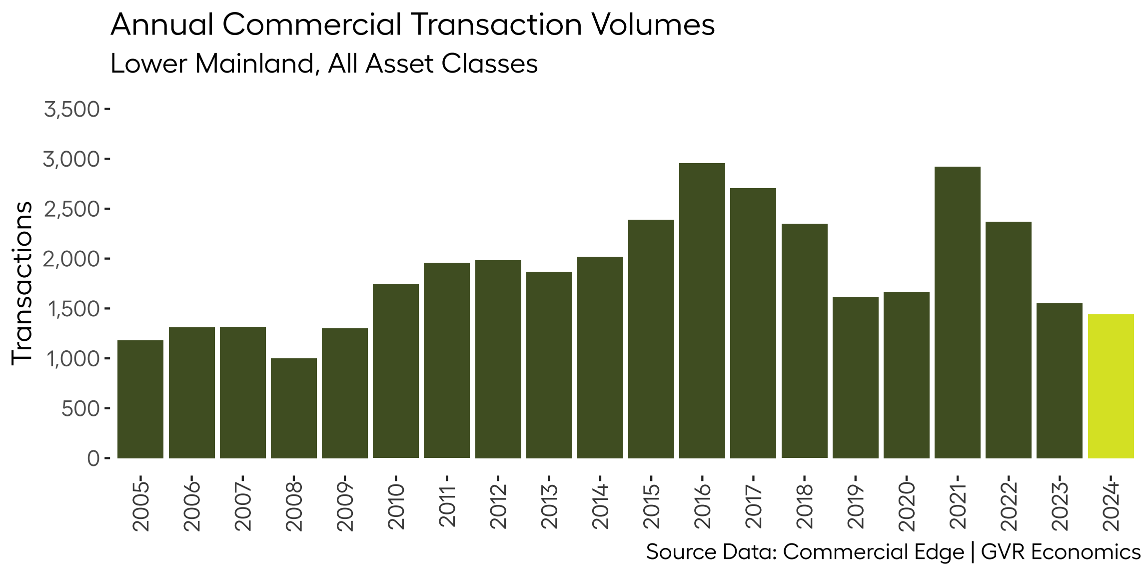
The Greater Vancouver REALTORS®

2025 Commercial Market Forecast

Greater Vancouver REALTOR®'s | Economics
2025 Commercial Market Forecast

Market overview

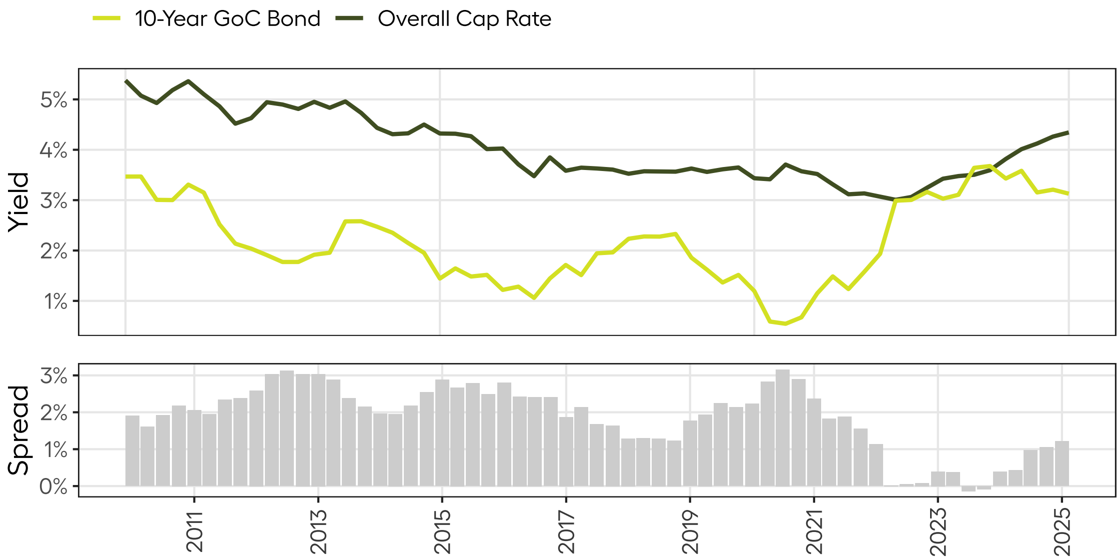
In aggregate, transactions across the Lower Mainland in 2024 finished with the lowest total seen in over a decade, seven per cent lower than in 2023.



Despite an economic environment with significantly lower borrowing costs than were available in 2023, overall transaction volumes didn't rebound as strongly as our modelling suggested might happen in response to lower rates.

Fundamentally, the returns required to attract investment dollars off the sidelines into the commercial market remained too modest relative to risk-free rates throughout the year to spur any significant rebound, particularly amidst the ongoing political and economic uncertainty.

Overall Cap Rate vs. 10-Year Government of Canada Bond Yield
Lower Mainland, Quarterly



Source Data: Commercial Edge, Bank of Canada | GVR Economics

While the figures for the market overall were underwhelming, they mask pockets of resilience, with certain asset classes outperforming others over the course of the year.

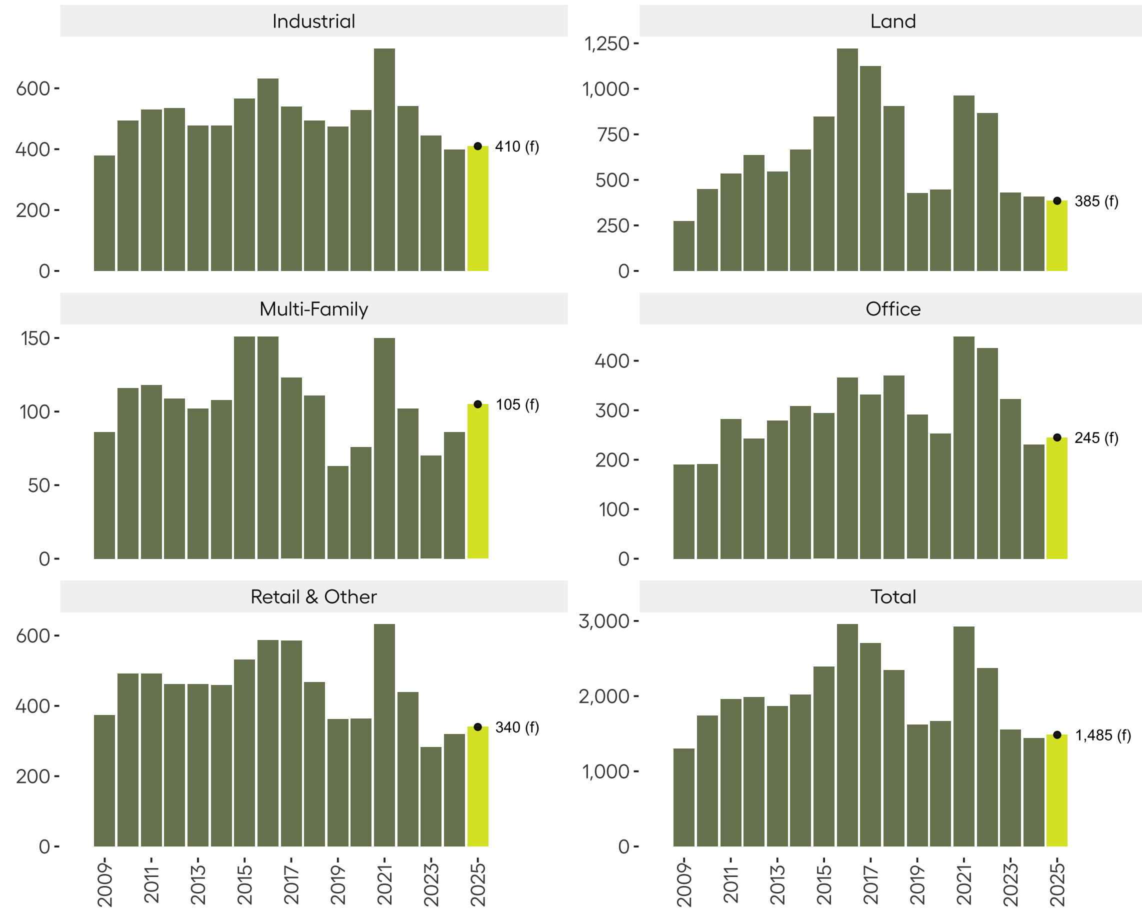
In particular, the multi-family and retail segments saw modest increases in transaction volumes relative to 2023, suggesting capital is available and ready for deployment, but investors were highly selective in their acquisitions and dispositions throughout the year.

2025 sales forecast, by asset class

With the spread between the risk-free returns and yields on commercial real estate assets widening since mid-2024, we anticipate most asset classes will see a modest increase in transaction volumes across the Lower Mainland for 2025, as capital searching for yield returns to the market.

Our forecast is tempered by the considerable ongoing economic uncertainty in the global economy, largely brought about by the new U.S. administration pursuing a mercantilist approach to trade policy, which is expected to persist into 2025.

GVR 2025 Commercial Sales Forecast
Annual Totals, by Product Type



Source Data: Commercial Edge | GVR Economics

The table below summarizes our forecast by asset class:

GVR 2025 Commercial Sales Forecast

Asset Class	2024 Actual	2025 Forecast	% Change	Direction
Industrial	399	410	3%	→
Land	407	385	-5%	↘
Multi-Family	86	105	22%	↑
Office	231	245	6%	↗
Retail & Other	319	340	7%	↗
Total	1,442	1,485	3%	→

Source: GVR Economics

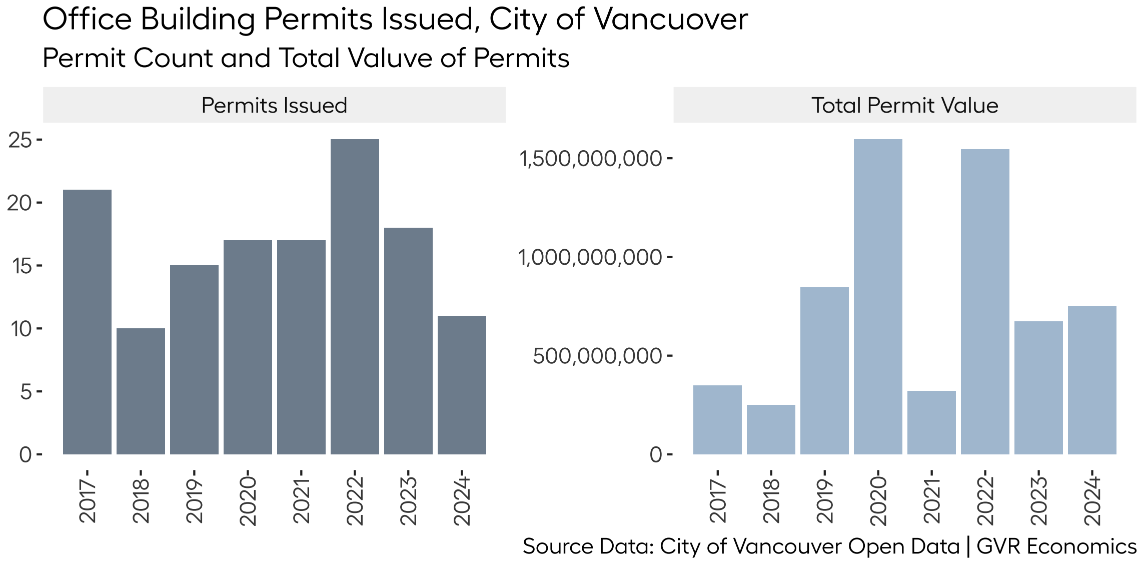
Office

The office market continues the long adjustment process to the evolving post-pandemic space requirements of businesses throughout the Lower Mainland.

While vacancy and leasing for high-quality downtown office space have found some stability over the course of 2024, suburban office markets have seen vacancy rates rise as a result of negative absorption in these regions.

Notably, transaction volumes for the office segment were down approximately 35 per cent year-over-year, suggesting fundamentals need to improve considerably before investors renew their interest in this asset class in a significant way.

Offsetting these headwinds over the longer term however, is the fact that even fewer new office developments were in the pipeline in 2024 versus 2023 in the City of Vancouver, which should support well-located, higher quality office assets in the downtown core over the long-run.



Industrial

Metro Vancouver's industrial market showed continued signs of cooling in 2024, with vacancy rates rising as investors and businesses reassessed their positions in this segment in light of the rapidly shifting economic relationship with Canada's largest trading partner to the south.

Transactions of industrial assets were down approximately ten per cent relative to 2023, which was the lowest total on record for the Lower Mainland region going back to the era of the 2008 financial crisis.

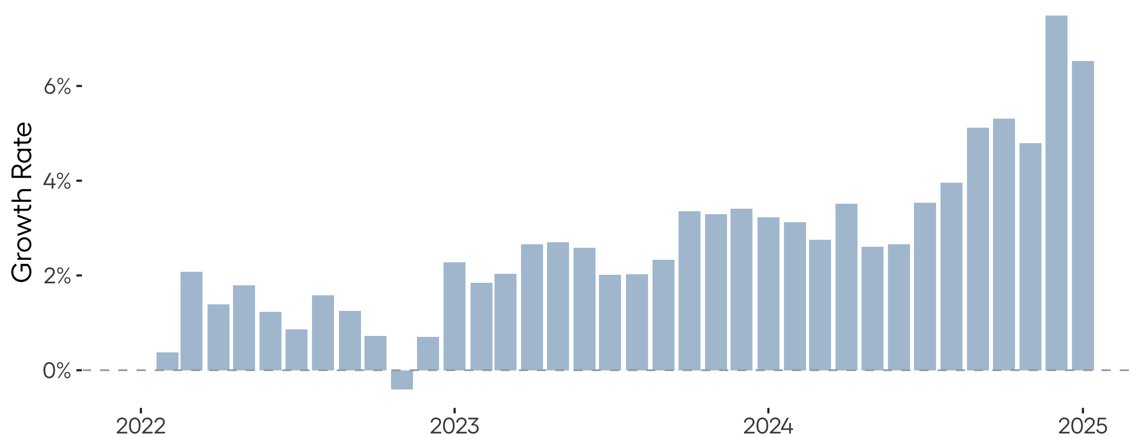
Despite these headwinds, industrial space remains relatively scarce in the region, and with limited new supply in the pipeline, any significant pickup in demand could tighten vacancy and push rents higher in this segment.

Retail

One of the few bright spots in 2024, transaction of retail properties in the Lower Mainland saw an increase of nearly 13 per cent relative to 2023, spurred on by a steady continued recovery in the retail spending throughout the Canadian economy.

Canadian Retail Trade Recovery Continues

Value Indexed to Jan. 2022, Seasonally-Adjusted Monthly Data



Source Data: Statistics Canada | GVR Economics

With limited availability, the retail segment may be better positioned to weather the economic turmoil brought about by the new U.S. administration's tariff war than other asset classes.

With the potential to significantly alter retail spending patterns, these new tariffs may bring opportunity along with turmoil, as Canadians pivot spending to domestic products in the face of rising costs for imported goods.

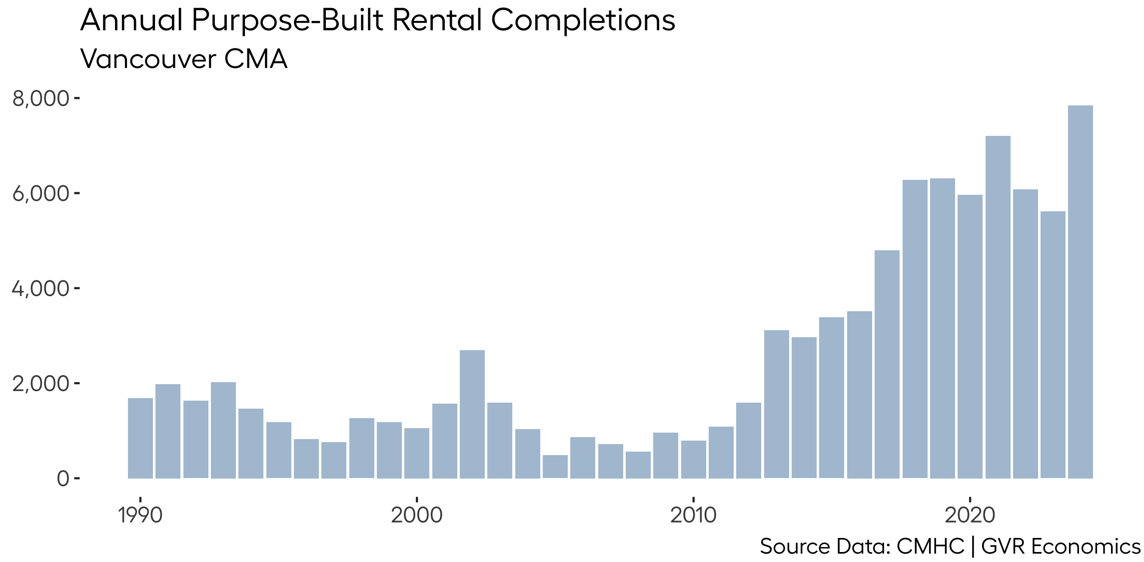
Whether a "support local" movement will be enough to offset the negative impact of these tariffs remains to be seen, but the potential for a national-pride-driven boost to spending, even if temporary, certainly exists.

Multi-family

Among asset classes, the multi-family segment in the Lower Mainland saw the largest increase in transaction volumes over 2023, with transaction volumes up nearly 23 per cent year-over-year.

While part of the increase in transactions was driven by non-profits funded with new provincial dollars making acquisitions, transaction volume for deals without the support of government funding remained strong over the course of the year as well.

With record levels of new purpose-built rental construction completing, and with a policy-induced contraction in non-permanent residents, new multi-family product faces increased competition for tenants at asking rents far exceeding those found in older purpose-built rental product.



We expect this dynamic to continue throughout 2025, which is likely to keep rents for new product from rising over the near-term.

Even with these new additions however, the stock of purpose-built rental throughout the region remains chronically undersupplied, which positions older established multi-family product as an attractive opportunity, with stable vacancy and room to upgrade older buildings to improve revenue.

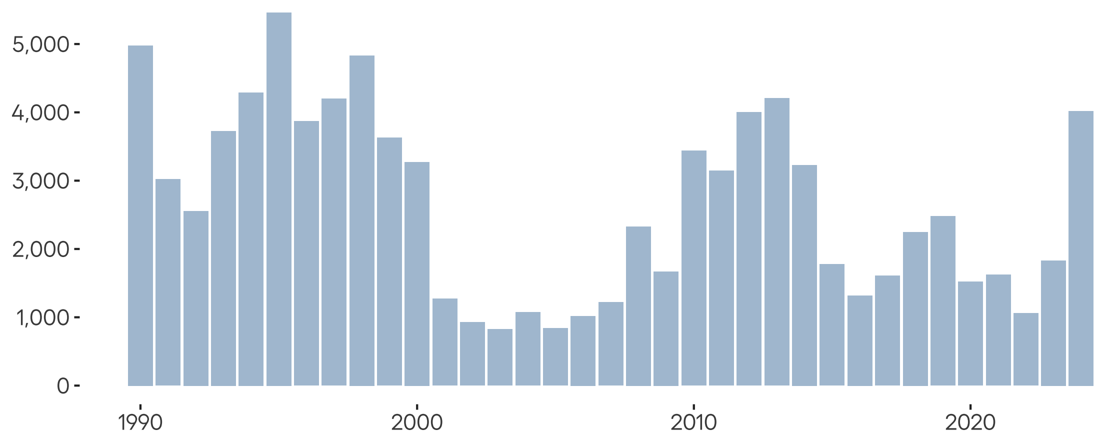
Development Land

While transaction volumes did not finish up on the year, development land deals in the Lower Mainland held relatively steady amidst a turbulent economic environment, particularly for residential development.

While interest rates have decreased significantly since 2023, this improvement to market conditions was not enough to offset flagging pre-sales and worsening feasibility of new rental construction as result of increased construction costs, and limited ability to push rents for newly constructed product higher.

Additionally, developers throughout the region are sitting on the highest levels of completed and unsold inventory seen in over a decade, while inventory in the resale market also continues climbing.

Completed and Unabsorbed Units
Vancouver CMA



Source Data: CMHC | GVR Economics

With feasibility of new projects eroded, various government policies all presently discouraging investment into the segment (despite the ongoing supply shortage), as well as the economic uncertainty brought about by the new U.S. administration's trade policy, we expect transaction volumes for development land to remain subdued in 2025.

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.

As a result, GVR 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.

DISCLAIMER: GVR'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.

AREAS COVERED: Abbotsford, Burnaby, Chilliwack, Coquitlam, Delta, Langley, Maple Ridge, Mission, New Westminster, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, Surrey, Vancouver, West Vancouver, White Rock.

About GVR Economics

Headed by Andrew Lis, Director, Economics and Data Analytics, GVR's Economics team focuses on delivering timely insights to members and the public through the provision of market analyses, forecasts, presentations, and other analytical products

*__Editor's Note:__ Due to the nature of commercial real estate transactions, our statistics typically lag by a quarter. That means our 2024 numbers were not final until the end of Q1, 2025. This report was published as soon as we were able to analyze the final numbers from 2024.

Greater Vancouver REALTORS® is an association representing more than 15,000 REALTORS® and their companies. GVR provides a variety of member services, including the Multiple Listing Service®. For more information on real estate, statistics, and buying or selling a home, contact a local REALTOR® or visit www.gvrealtors.ca.


GREATER
VANCOUVER
REALTORS®