



ECONOMY: DEMOGRAPHIC TAILWINDS TURN TO HEADWINDS

British Columbia's economy is expected to post modest growth of 1.2% next year, lagging the national average. Consumer spending has remained resilient with retail sales up nearly 7.0% year-to-date. It is expected retail sales growth to moderate to 2.8% next year amid weaker demographic growth but improvements in the labour market should keep spending a positive growth driver. *Source: RBC Economics*

SUPPLY AND DEMAND: A TALE OF EXPANSION AND CONTRACTION

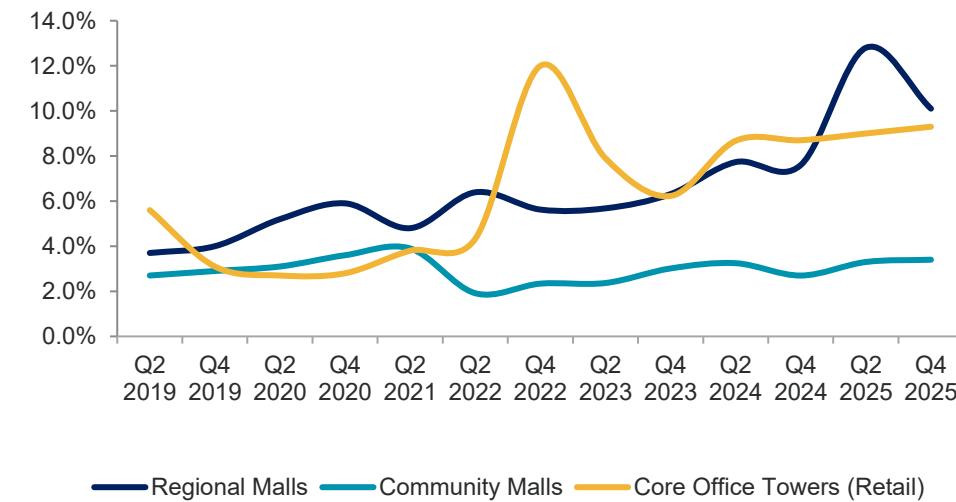
Retail vacancy in downtown Vancouver office towers remained relatively stable over the past year, increasing by 30 basis points (bps) to 9.3% at year-end 2025 and by 60 bps year-over-year (YOY). The largest contributor to the increase in vacancy was the Royal Centre, with approximately 12k square feet (sf) becoming available as lobby and entrance construction nears completion. In addition, Harbour Centre added 6k sf of new vacancy while 999 West Hastings Street contributed 4k sf of available space. Leasing activity was highlighted by new deals at the Bentall Centre (BMO expansion and the upcoming Dante Italian Sandwich) and 1090 West Pender, B6 (Miso Taco), among others.

Overall retail vacancy in Community Malls* rose to 3.4% in the second half of 2025, representing a 10-bps increase from mid-2025 and a 70-bps increase from the 2.7% reported at year-end 2024. Notable new leases were Payworks leasing 8k sf at 19150 Lougheed Highway and Anytime Fitness committing to 7.7k sf at the West Oaks Shopping Centre.

In Regional Malls**, despite the closure of several Hudson's Bay Company and Saks Off 5th locations earlier this year, along with prior big-box retail closures driven by labour costs, high rent, lending challenges, shipment tariffs and notably lower consumer spending, vacancy declined to 10.1% at year-end 2025, down from 12.8% in the first half; supported by increased leasing activity in the second half of the year. Notably, some suburban locations affected by these departures are attracting strong interest from major tenants seeking a presence in these areas, as well as from junior tenants entering the market. Repurposing big-box spaces is a growing trend, with fitness centers, daycares and large medical facilities proving successful, leading to several large transactions and positive absorption of 510k sf in the second half of 2025.

While some retailers are contracting, such as Starbucks and Toys "R" Us, others are expanding, including franchise operators such as Subway which is actively growing its footprint in Western Canada. Other notable expansion examples include The Salvation Army Thrift Store which continues to grow and, most prominently, Aritzia which recently leased 40k sf at Pacific Centre along with other retailers filling the void left by Nordstrom's departure. Despite these expansions, the broader retail and foodservice landscape remains challenging. According to Dalhousie University, as many as 4,000 restaurants could close in Canada in 2026 due to ongoing industry pressures, highlighting the contrasting trends within the sector.

OVERALL VACANCY



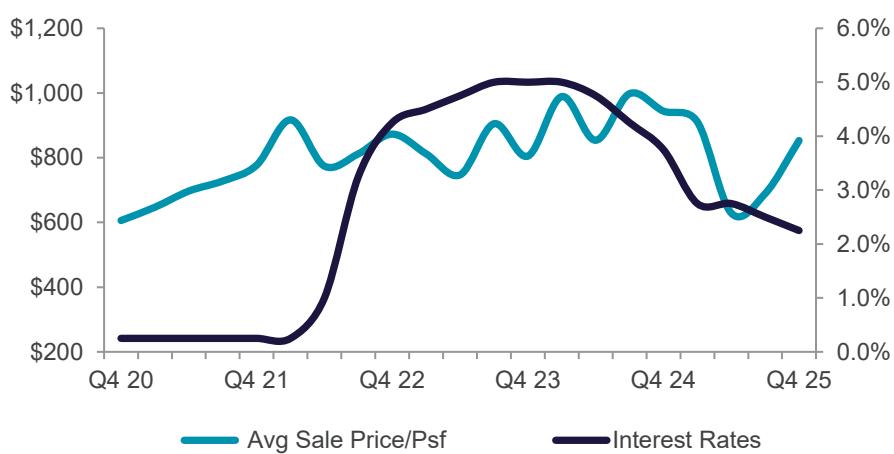
*Community Malls: 68 locations, 110k sf-375k sf

**Regional Malls: 27 locations, 375k sf+

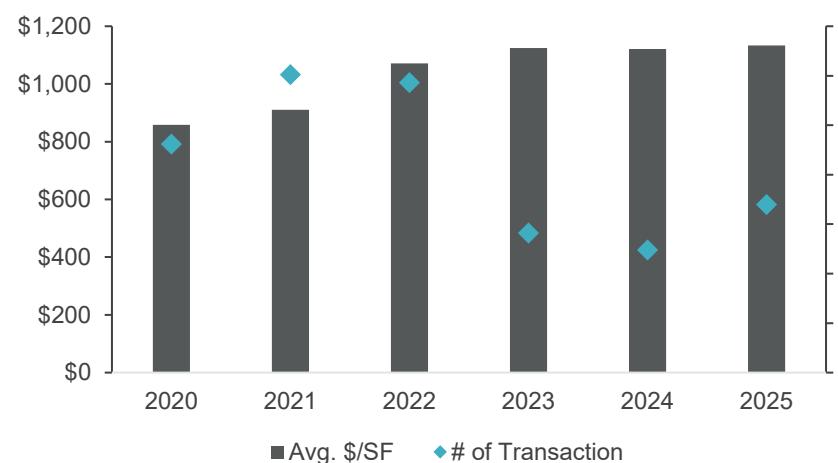
ASKING NET RATES – HIGH STREET RETAIL



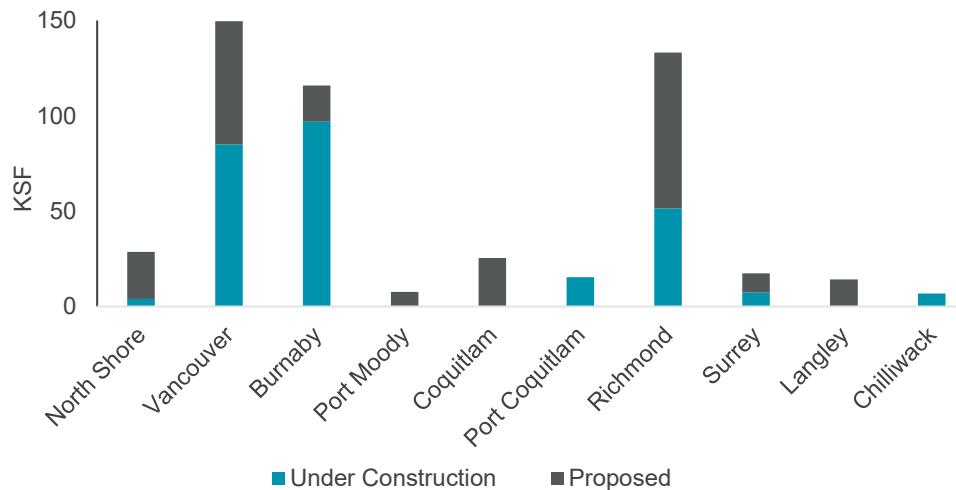
INTEREST RATES VS AVG. SALE PRICE/PSF (Freehold)



STRATA SALES



NEW DEVELOPMENTS – MAJOR PROJECTS



RETAIL SALES: PRICING RESILIENCE AMID SLOWER TRANSACTION ACTIVITY

By late 2024, interest rates declined to 3.75%, supporting average sale pricing of \$944 per square foot (psf) despite affordability constraints. Entering 2025, rates continued to fall, reaching 2.25% by year-end. Pricing softened in the first half of the year as buyers no longer accepted near-peak pricing while vendors largely held to historically elevated levels. This created a significant bid-ask spread and drove average sale prices down to \$629 psf in Q2 2025. In the second half of 2025, transactions in prominent areas, including 3103 and 3093 Woodbine Drive in North Vancouver (average prices of \$1,906 and \$1,439 psf, respectively), lifted the overall average sale price to \$853 psf, while the number of sales transactions exceeded the first half by 17. Despite this increase in activity, total transaction value was 37.6% lower, reflecting a mix of smaller and mid-market properties.

Retail strata sales remained subdued in 2025 as transactions have become increasingly difficult to make financially viable with buyers hesitant amid heightened economic uncertainty. Stricter financing requirements have reduced purchasing capacity, extending transaction timelines. Whereas multiple strata units were previously absorbed quickly, deals now typically require months to close. In 2025, average sale pricing edged higher to \$1,133 psf, marking the highest level in the period analyzed. Transaction volume rebounded modestly to 170 sales, up from 124 in 2024; however, volumes remain well below pre-2023 levels.

RESHAPING MIXED-USE DEVELOPMENTS - A NEW TREND

With most asset types facing softening conditions, developers are increasingly using income-generating components, such as hotels, to make projects financially viable. This approach helps underwrite overall project value and reduces pressure to fully lease or sell the remaining space. A notable example is the Sector One28 project in Surrey where commercial-first development is driving the strategy. Similarly, the Clayton Heights project on 6.5 acres has pivoted from three residential towers to a shopping plaza, sacrificing some development potential but creating a more sellable asset that mitigates risk if only a portion of residential units can be leased or sold.

PRICING: STABLE TO STRONG - MIXED TRENDS ACROSS PRIME HIGH STREETS

Along Robson Street, the number of availabilities doubled over the past six months, with some spaces commanding asking rates above \$300 psf. As a result, the overall average asking rate increased to \$147.76 psf (the highest level since Q2 2023), up 12.0% since mid-year 2025 and 11.4% YOY. This reflects steady tenant demand and Robson Street's role as a key downtown retail corridor. Alberni Street continued to post historically low vacancy with only three availabilities and maintained the highest average asking rate at \$173.33 psf (the second highest level since Q2 2023). This remains the highest among all retail corridors and represents a 9.5% increase from mid-year 2025 and a 2.7% YOY increase. After an uptick in mid-2025, West 4th reported a decline in average asking rents, reaching \$94.00 psf in the second half of 2025, down 13.0% from mid-2025 but still up 17.0% YOY. However, there is a wide-spread across the corridor, with average asking rates ranging from \$56.00 psf between Burrard and Arbutus to as high as \$145.00 psf between Arbutus and Vine, reflecting stronger pricing at the western end of the street. Water Street in Gastown recorded a decline in asking rates to \$47.14 psf in the second half of 2025, down 5.5% from mid-year 2025 and nearly 20.0% YOY, reflecting softer demand in the heritage retail corridor. Meanwhile, Granville Street remained stable over the past year, with asking rates essentially flat YOY. This stability highlights the corridor's resilience amid fluctuations in other downtown retail submarkets.

OUTLOOK

- Leasing activity was strong in 2025 and momentum heading into 2026 is expected to be driven by a lack of available higher-quality product, particularly as many new developments remain stalled, making it increasingly difficult for top tenants to secure suitable locations. However, select developments are moving forward for the “right” tenant.
- Looking ahead to 2026, the sales outlook is more stable and balanced. With limited new inventory delivering in the near term, transaction activity is expected to concentrate on existing product. As pricing resets from recent peaks and interest rate expectations stabilize, buyers are gaining better clarity on financing, while vendor expectations are anticipated to align more closely with current market pricing, supporting a gradual improvement in sales activity.
- New development shifts illustrate a market where developers are reassessing traditional mixed-use models in favour of more flexible, revenue-generating formats.
- Landlords are beginning to offer more tenant incentives similar to those seen in the office market, though to a lesser extent. This reflects the limited availability of retail product and the highly location-driven nature of the sector which continues to support baseline demand.

MARKET STATISTICS

Submarket	Inventory (sf)	Total Buildings	Direct Vacant (sf)	Overall Vacancy Rate	Vacancy Change YOY (bps)	H2 2025 Absorption (sf)	YTD Overall Net Absorption (sf)
Regional Malls	16,242,572	27	1,516,697	10.1%	+250	510,482	-239,306
Community Malls	12,952,206	68	443,527	3.4%	+70	-11,430	-446,417
Core Office Towers (Retail)	1,447,874	71	128,116	9.3%	+60	10,199	-21,209
VANCOUVER TOTALS	30,642,652	166	2,088,340	6.8%	+165	509,251	-706,932

KEY LEASE TRANSACTIONS H2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Seven Oaks Shopping Centre**	Abbotsford	Urban Planet	132,000	Headlease
Pacific Centre, 725 Granville Street**	Downtown	Aritzia	40,000	Headlease
Park Royal**	West Vancouver	O'bounce	34,000	Headlease
Airport Executive Park - Building 3	Richmond	Willowbrae Child Care Academy	33,653	Headlease
560 Seymour Street	Vancouver	The FiveSixty Club	29,459	Headlease
Central City Shopping Centre**	Surrey	IPOP	25,974	Headlease
3550 192 nd Street (u/c)	Surrey	Willowbrae Child Care Academy	23,170	Headlease
32700 S Fraser Way	Abbotsford	Michaels	22,127	Renewal
2885 Barnet Highway	Coquitlam	Royal Bank of Canada	13,072	Renewal
Meadowvale Shopping Centre*	Pitt Meadows	Payworks Inc	7,926	Renewal
8411 200 Street	Langley	RBC Dominion Securities Inc	7,791	Renewal
West Oaks Mall*	Abbotsford	Anytime Fitness	7,639	Headlease
1161 High Street, The Kensington	Coquitlam	Bank of Montreal	6,938	Renewal
Three West Centre	Richmond	Moores The Suit People Corp	6,463	Headlease

KEY SALES TRANSACTIONS H2 2025

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
The Post (retail portion)	Vancouver	QuadReal/ Pontegadea Canada Inc	185,000	\$232.8M / \$1,258
13251 Smallwood Place	Richmond	OpenRoad Group/ Harris Mazda	53,543	\$27.5M / \$514
2876 Rupert Street	Vancouver	2876 R Holdings Ltd/ Trail Appliances	26,285	\$26.8M / \$1,018
20175 Langley Bypass	Langley	Rockcliffe Estates Ltd/ Club 16 Trevor Linden Fitness	47,507	\$26.3M / \$553
1015-1039 Marine Drive	North Vancouver	Hungerford Properties/ Spire Development Corporation	45,455	\$26.0M / \$572
45681 Yale Road	Chilliwack	Daco Holdings Ltd/ 1020094 BC Ltd	25,847	\$16.0M / \$619
10731 King George Highway	Surrey	The Grand on King George GP Ltd/ Anytime Fitness	19,000	\$14.5M / \$763
The Plaza on Scott Road	Surrey	Redeemer Bible Baptist Tabernacle/ 1535596 BC Ltd	25,000	\$12.0M / \$480
20247 Langley Bypass	Langley	Zacharias Investments Ltd	10,000	\$11.2M / \$650

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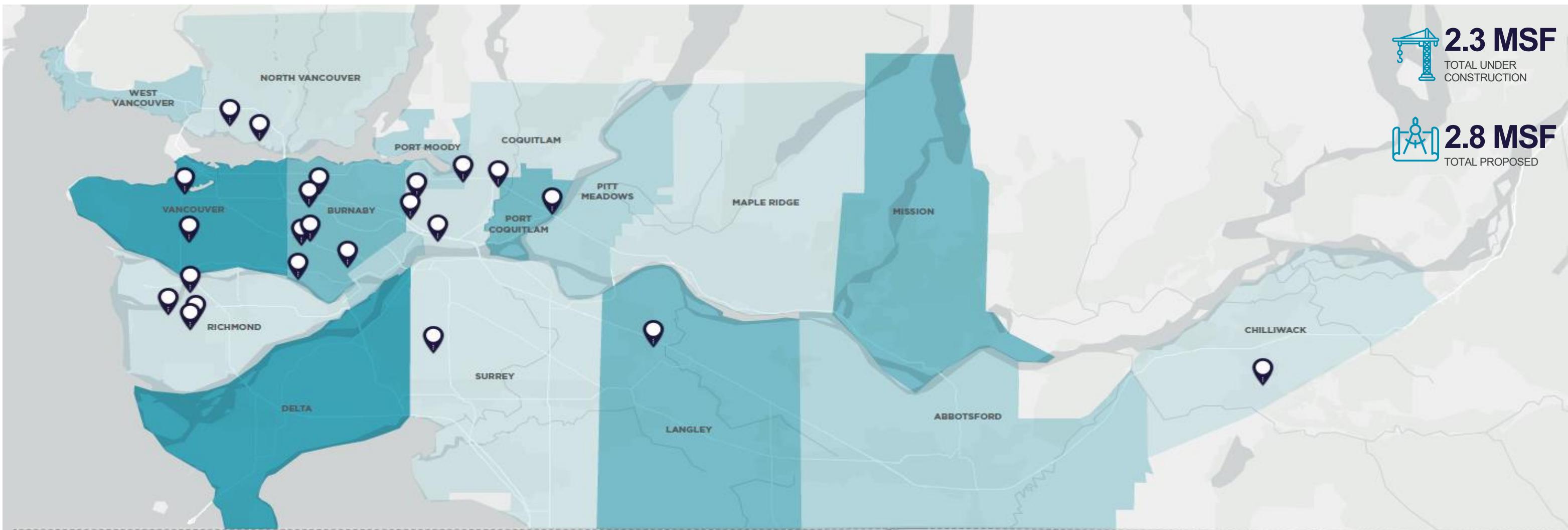
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PROJECT NAME	North Harbour	Oakridge Park	Senákw	Concord Metrotown	Richmond Centre	Andmar	The City of Lougheed	The Amazing Brentwood	Fremont Village	Southgate City	Kwasen Village	ViewStar	Blake Village	Georgetown	The Grove
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Estimated Completion	2026	2026-2027	2026-2033	2027-2030	2026	2026-2027	2028	2028	2028	2028-2035	2030	2030	2032	2032	2035
Total Retail Inventory, sf	40k	850k	106k	500k	500k	68k	121k	60k	153k	116k	135k	14k	47k	74k	51k
Submarket	North Vancouver	Vancouver	Vancouver	Burnaby	Richmond	Chilliwack	Burnaby	Burnaby	Port Coquitlam	Burnaby	Burnaby	Richmond	Burnaby	Burnaby	Burnaby
Project Status	U/C	U/C	U/C	U/C	U/C	U/C	U/C	U/C	U/C	U/C	U/C	U/C	Proposed	Proposed	Proposed
Developer	Concert Properties	Quadreal	Squamish Nation & Westbank	Concord Pacific	CF & SHAPE	Andmar Development	SHAPE	SHAPE	Onni	Ledingham McAllister	Aquilini	Yuanheng	Peterson	Anthem Properties	Aoyuan Property

PROJECT NAME	Sector 128 BP	Burquitlam Plaza	Townline Crossing	Tri-Cities Central	4141 Lougheed	4545 W 10 th Ave	Fraser Mills	Lansdown Centre	Brighouse West BP	Garibaldi at Squamish	Capilano Mall	Jericho Lands
Estimated Completion	2028+	2030+	2030+	2030+	2030+	2030+	2033+	2033+	2033+	2033+	2033+	2033+
Total Retail Inventory, sf	100k	85k	142k	70k	190k	41k	99.6k	700k	118k	250k	202k	250k
Submarket	Surrey	Coquitlam	Langley	Coquitlam	Burnaby	Vancouver	Coquitlam	Richmond	Richmond	Squamish	North Van	Vancouver
Project Status	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
Developer	Alavair Development	Morguard Investments	Lorval Developments	Marcon & Quadreal	Millennium Properties	BentallGreenOak	Beedie	Bosa Properties	Keltic Canada	Aquilini Investments	Quadreal	MST Development