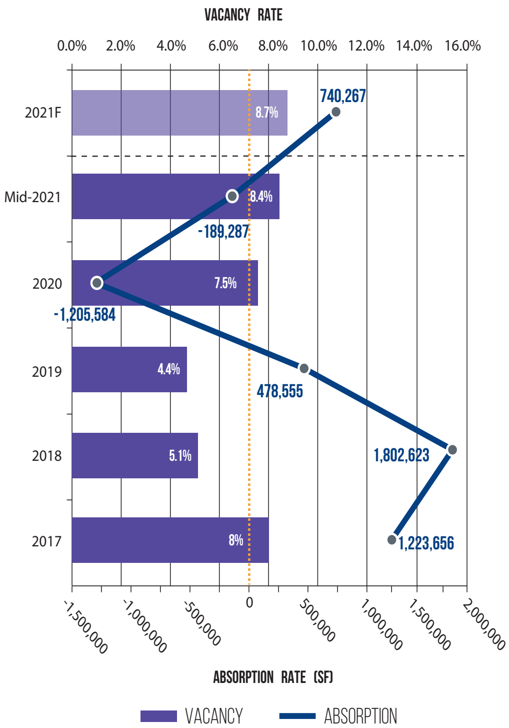
AVISON YOUNG

Mid-Year 2021 Office Market Report

# Metro Vancouver

## Metro Vancouver Vacancy & Absorption Trends




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## Downtown office market stabilizing as suburbs remain balanced in extended shift to post-COVID environment

While the impacts of the COVID-19 global pandemic continued to reverberate through Metro Vancouver's economy during the first half of 2021, signs of recovery had already begun taking root in the region's core and suburban office markets. While the overall office vacancy captured at mid-year 2021 had risen notably year-over-year (basically at the onset of the pandemic), the increase in regional vacancy recorded since year-end 2020 was much more circumscribed and will likely come to represent the full extent of COVID-19's opening impact on the regional office market. This slowing pace of rising vacancy was also matched by a substantial decline in the volume of negative absorption in the first half of 2021. Both indicators point to a more generalized stabilization of the regional office market that will continue trending towards recovery, albeit with certain markets lagging others.

Vacancy in the 54-million-square-foot (msf) regional market increased to 8.4% at mid-year 2021 from 4.7% a year earlier due primarily to increases in vacancy in the three Vancouver markets of Downtown, Yaletown and Vancouver-Broadway. Despite the substantial increase in vacancy in the city of Vancouver in the first half of 2021 due to the COVID-19 pandemic, regional vacancy remained comparatively tight and was still less than the 9.1% posted just four years earlier at mid-year 2017. While regional vacancy is expected to rise slightly through 2021, a balanced market is still expected.

A robust provincial vaccination campaign through the first half of 2021 has helped fuel optimism and a widely forecasted resumption in economic activity as the implementation of return-to-office protocols has stimulated real estate decision-makers to action. While the second half of 2021 will likely see vacancy rise in most office markets within Metro Vancouver (particularly within Vancouver due to new supply), a further curtailing of pandemic-related precautions is anticipated to further solidify activity in the second half of the year with a corresponding improvement in metrics such as vacancy and absorption through 2022.

After six years of positive annual absorption in Metro Vancouver came to an end in 2020 with negative 1.2-msf of annual absorption, first-half 2021 absorption of negative 189,287 sf marked a substantial drop in the

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### METRO VANCOUVER OFFICE VACANCY SUMMARY (MID-YEAR 2021)

| DISTRICT | INVENTORY (SF) | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | VACANCY RATE (%) | 6-MONTH ABSORPTION (SF) |
|---|---|---|---|---|---|---|
| Downtown | 23,093,121 | 1,112,567 | 498,608 | 1,611,175 | 7.0% | -86,649 |
| Yaletown | 2,085,800 | 202,875 | 42,728 | 245,603 | 11.8% | 14,989 |
| Vancouver-Broadway | 7,849,688 | 638,477 | 333,099 | 971,576 | 12.4% | -199,425 |
| Burnaby | 9,441,066 | 484,837 | 249,226 | 734,063 | 7.8% | 25,791 |
| Richmond | 4,215,800 | 367,489 | 29,403 | 396,892 | 9.4% | -43,184 |
| Surrey | 3,076,607 | 250,470 | 9,835 | 260,305 | 8.5% | 48,405 |
| New Westminster | 1,688,572 | 76,094 | 15,260 | 91,354 | 5.4% | 87 |
| North Shore | 1,450,898 | 97,638 | 15,936 | 113,574 | 7.8% | -15,659 |
| Langley | 1,134,961 | 134,057 | 1,149 | 135,206 | 11.9% | 66,358 |
| **Total** | **54,036,513** | **3,364,504** | **1,195,244** | **4,559,748** | **8.4%** | **-189,287** |

| | |
|---|---|
| **VACANCY RATE JUNE 30, 2021** | **8.4%** |
| **VACANCY RATE DECEMBER 31, 2020** | **7.5%** |

**ABSORPTION (DEMAND)** ↘ **VACANCY (SUPPLY)** ↗ **RENTAL RATES** ↔

# Downtown

## Increases in vacancy slowing as office market stabilizes

### VACANCY TRENDS

Downtown vacancy rose to 7% at mid-year 2021 from 3.5% a year earlier, but increased only modestly from 6.6% at year-end 2020 as the market recovery took hold. Overall vacancy doubled in the past 12 months with head lease vacancy rising 116% in that period while sublease vacancy increased by 71%. Class AAA vacancy was virtually unchanged during that period, while class A vacancy more than doubled to 5.2% (from 2.3%) – a combination of increases in both head lease and sublease vacancy. Class B vacancy increased the most since mid-year 2020, moving to 8.8% from 3.1% while class C vacancy also increased. While the impact of pandemic containment measures remained concentrated in class B buildings during the past 12 months, other building classes were affected. However, in the first half of 2021, while overall head lease vacancy downtown increased, overall sublease vacancy decreased. Class AAA and A vacancy rates were virtually unchanged. And while class B and C vacancy rates recorded larger percentage increases from year-end 2020, the aggregate square footage was less significant. Head lease vacancy increased in all classes except AAA, which decreased. Interestingly, while class B head lease vacancy recorded the largest square footage and percentage increase in the first half of 2021, class B sublease vacancy recorded the largest square footage and percentage decrease. With the most serious effects of COVID-19 pandemic behind us, class B and C buildings will lag most in terms of recovery. Leasing velocity remained muted but pre-transaction activity seemed to be on the rise in the first half of 2021, while notable transactions recorded during that period were predominantly renewals. While there were only two transactions in new or under-construction inventory during the first six months of 2021, there was only one notable termination/cancellation of a prelease commitment (**Spaces** in 410 West Georgia) in a new/under-construction building Overall sublease vacancy decreased by approximately 11% since year-end 2020 and declined from 37% to 31% of total vacancy in that same period. The largest decrease occurred in class B buildings, but class B buildings still contain the most sublease offerings in the market (followed by class A). The overall decrease in sublease space, particularly in class B buildings, suggests smaller format and likely discounted sublease offerings are stimulating leasing activity and/or tenants are reconsidering their initial inclination to shed office space.

MORE THAN **3.3 MSF** OF NEW CONSTRUCTION UNDERWAY

### ABSORPTION TRENDS

First-half 2021 absorption of negative 86,649 sf represented a significant slowing in the amount of space being returned to the market after absorption of negative 555,125 sf was recorded in the second half of 2020. While negative absorption was recorded in all building classes except class AAA in the first half of 2021, the availabilities largely comprised smaller-format spaces in mid-market buildings. It still remained somewhat difficult to distinguish between spaces that were vacant because they were surplus, and spaces that were vacant due to work-from-home protocols, but which may be re-occupied in the near term.

### SPACE AVAILABILITY FACTOR

The space availability factor, or SAF, refers to head lease space or sublease space that is being marketed but is not physically vacant, and new supply that is near completion and available for lease. SAF was 3.2% at mid-year 2021 – up from 1.9% 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the downtown core is 10.2% (or approximately 2.35 msf). The highest overall availability rate on record occurred at mid-year 2015 (13.5% or 3.02 msf).

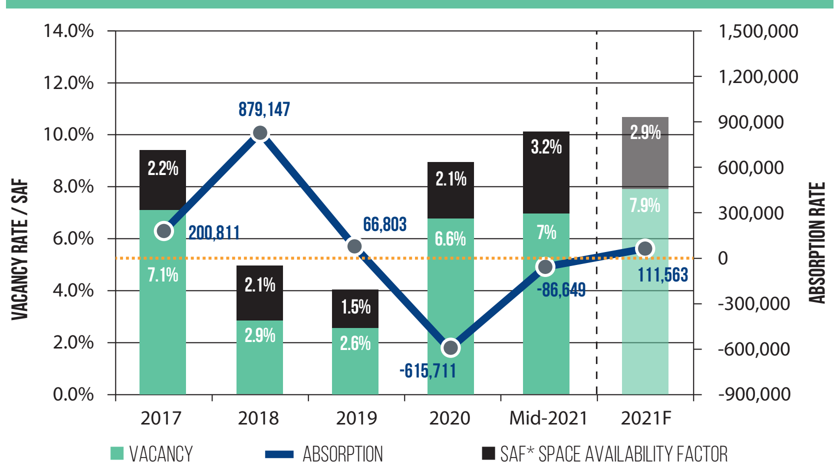
### NEW CONSTRUCTION

With the construction of more than 3.3 msf of new office space underway and an additional 3.1 msf currently proposed, the downtown development pipeline is set to remain active through 2023. Four new buildings totalling more than 787,000 sf are scheduled to be delivered in the back half of 2021. While one of the buildings contains strata office space (100% sold), one of the other buildings totalling 133,000 sf remained 100% available at mid-year 2021 while another building totalling 215,000 sf was 87% available. The remaining building registered a moderate amount

### NOTABLE LEASE DEALS (MID-YEAR 2021)

| TENANT | BUILDING | SF |
|---|---|---|
| Wood (renewal) | 111 Dunsmuir | 108,400 |
| Bell Canada (renewal) | 969 Robson Street | 56,700 |
| Absolute Software (renewal) | Bentall 4 | 49,800 |
| Ernst & Young | Oceanic Plaza | 31,500 |
| Harris & Company (renewal) | Bentall 5 | 29,600 |
| Canadian Western Bank | Grosvenor Building | 28,000 |
| Workday | 601 West Hastings Street | 27,360 |
| Microsoft Canada (expansion /sublease) | 725 Granville Street | 20,000 |
| GE Canada (renewal) | Bentall 4 | 17,500 |
| BDC | The Stack | 16,700 |
| Concord Pacific (renewal) | Manulife Place | 12,700 |
| InFocus Film School | 550 Seymour Street | 12,000 |
| Smoking Gun Interactive (sublease) | 333 Seymour Street | 11,365 |
| Japanese consulate (renewal) | 1177 West Hastings Street | 11,300 |
| Metrie Canada Ltd. (renewal) | Bentall 4 | 10,300 |
| Klue (sublease) | 777 Hornby Street | 10,070 |

### VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION




*12-month projection based on 5-year average absorption and known net absorption in new inventory, and 10-year average SAF.*

of preleasing (68%), but still offered more than 100,000 sf of available space. The development pipeline will slow in 2022 with four new projects offering a mix of strata office space and space for lease. While substantial preleasing and presales has occurred, more than 445,000 sf of space still remained available in **The Stack** and **Bosa Waterfront Centre** at mid-year 2021. The south tower of **The Post**, which is scheduled for delivery in late 2022, is 100% preleased to **Amazon**. Four more new buildings will follow in 2023, including a small strata office component in a mixed-use tower; the north tower of The Post (which is also 100% preleased to Amazon); a new 6-storey office building on Granville Street; and **B6**, which had 276,000 sf of space available at mid-year 2021. Of the estimated 3.35 msf of office space for lease currently under construction to the end of 2023, almost 2.05 msf (or 61%) was preleased at mid-year 2021. Construction had yet to commence by mid-year 2021 on buildings scheduled to complete in 2024.

## MARKET FORECAST

Downward pressure on rental rates has been diminishing as the overall market stabilizes, but the rental-rate dynamics in new developments remain opaque due to an absence of deal activity. Discounted sublease offerings are still present in the market, but do not represent a widespread competitive presence for landlords; however, well-improved (and possibly furnished) sublease offerings with meaningful lease term remaining will garner attention as leasing activity returns to the market. A stable rental-rate environment is anticipated in the back half of 2021 and into 2022 with landlords of higher quality buildings with minimal existing (or future) vacancy potentially positioned to increase rental rates. Landlords of mid-market buildings will find it more challenging to increase rental rates with small-format spaces still relatively plentiful. Landlords with new buildings under construction will likely be motivated to reconsider rental-rate expectations to stimulate leasing activity, particularly those nearing completion with no/minimal prelease commitments. A reasonably stable market is forecasted for the next 12 months as tenants start to return to their offices through the second half of 2021 and into 2022 and as some tenants reconsider their decision to sublease all or a portion of their premises. A further increase in vacancy is likely but attributable to the delivery of new buildings on a vacant or largely vacant basis, not COVID-19. The market has stabilized and the worst of COVID-19 effects on the downtown office market seem to have passed. Leasing velocity remains well below normal levels but activity is resuming as vaccination rates increase and tenants return to the office. Despite a significant increase in vacancy, the overall market performed quite well through the pandemic with very few tenant defaults/lease terminations or developers abandoning development projects. An increase in new supply may actually provide a short-term benefit for the market and stimulate leasing activity and accelerate the recovery.

VACANCY TO REMAIN **ELEVATED** THROUGH 2021

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Reliance Properties/ Jim Pattison Developments | The Offices at Burrard Place, 1280 Burrard Street (mixed use) | 133,000 (office tower) | 0 | 0% | Q3 2021 |
| Westbank / Allied REIT | Deloitte Summit building, 410 West Georgia Street | 340,160 (office) | 231,765 | 68% | Q3 2021 |
| PCI Group / TD Greystone | 601 West Hastings Street | 215,000 | 27,360 | 13% | Q3 2021 |
| Reliance Properties/ Jim Pattison Developments | The Offices at Burrard Place, 1281 Hornby Street (mixed use) | 99,000 (office podium) | Strata | 100% sold | Q4 2021 |
| GWL Realty Advisors / HOOPP | Vancouver Centre II, 733 Seymour Street | 377,000 | 198,040* | 52%* | Q1 2022 |
| Bosa Developments | Bosa Waterfront Centre, 320 Granville Street | 374,790 (60% strata/ 40% lease) | Strata/ Lease | 100% sold / 15% leased | Q2 2022 |
| Oxford Properties | The Stack, 1133 Melville Street | 532,000 (office) | 229,700 | 43% | Q3 2022 |
| QuadReal Property Group | The Post, 349 West Georgia Street (mixed-use) | South tower: 510,000 North tower: 560,000 | 1.07 msf plus podium | 100% | Q3 2022/ Q2 2023 |
| Asia Standard Americas | The Offices at Landmark on Robson, 1438 Robson Street | 29,190 (office) | Strata | NA | Q1 2023 |
| BentallGreenOak | B6, 1090 West Pender Street | 534,000 | 268,000 | 50% | Q3 2023 |
| Bonnis Properties | 980 Granville Street | 74,217 | 18,174 | 25% | Q3 2023 |
| Reliance Properties | 837 Beatty Street (3-storey addition) | 29,386 (office) | 0 | 0% | Q2 2024 |
| Uptown Property Group | 625 West Hastings Street | 120,000 | 0 | 0% | Q3 2024 |
| Reliance Properties / Hines | 1166 West Pender Street | 357,880 | 0 | 0% | Q2 2025 |
| Bonnis Development | The Seymour, 807 Seymour Street | 61,670 (office) | Strata | 12% sold | Marketing for presale |
| Westbank / Allied REIT | 720 Beatty Street | 583,243 (office) | - | - | Proposed |
| Reliance Properties / KingSett Capital | 601 West Pender Street | 398,500 | - | - | Proposed |
| Austeville Properties | 450 West Georgia Street | 375,554 | - | - | Proposed |
| Cadillac Fairview | The Crystal at Waterfront Square, 555 West Cordova Street | 350,000 (office) | - | - | Proposed |
| QuadReal Property Group / PC Urban | 534-550 Cambie Street | 258,245 (office) | - | - | Proposed |
| Bonnis Properties | 526 Granville Street | 123,193 (office) | - | - | Proposed |
| Hudson Pacific Properties | Bentall Centre (expansion) | 450,000 (office) | - | - | Proposed |
| Aquilini Development and Construction | Aquilini Centre East, 777 Pat Quinn Way | 69,300 (office) | - | - | Proposed |
| Canadian Metropolitan Properties | 750-772 Pacific Boulevard (Plaza of Nations) | TBD (office) | - | - | Proposed |

**B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, has subsequently been made available on a sublease basis.*

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | SAF (SF) | SAF (%) | NET RENTAL RATE RANGE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|---|---|
| AAA | 5,127,576 | 137,107 | 65,632 | 202,739 | 4.0% | 8,071 | 129,963 | 2.5% | $40 - $60 | $63 - $83 |
| A | 8,342,465 | 282,521 | 152,154 | 434,675 | 5.2% | -5,793 | 331,339 | 4.0% | $34 - $50 | $57 - $73 |
| B | 6,639,398 | 384,903 | 200,784 | 585,687 | 8.8% | -46,129 | 180,385 | 2.7% | $24 - $43 | $44 - $63 |
| C | 2,983,682 | 308,036 | 80,038 | 388,074 | 13.0% | -42,798 | 102,419 | 3.4% | $18 - $32 | $36 - $50 |
| **Total** | **23,093,121** | **1,112,567** | **498,608** | **1,611,175** | **7.0%** | **-86,649** | **744,106** | **3.2%** | **-** | **-** |

# Downtown Development Timeline

| | THE OFFICES AT BURRARD PLACE, 1280 BURRARD STREET | 601 WEST HASTINGS STREET | DELOITTE SUMMIT BUILDING, 410 WEST GEORGIA | THE OFFICES AT BURRARD PLACE, 1281 HORNBY STREET | VANCOUVER CENTRE II, 733 SEYMOUR STREET |
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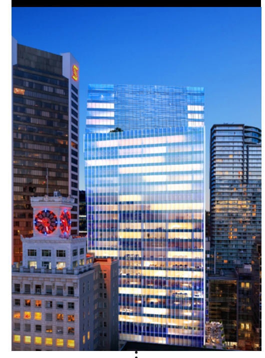
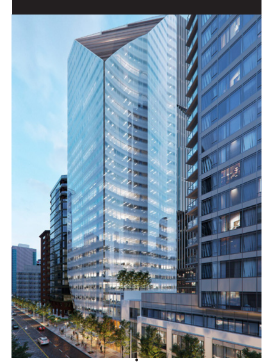
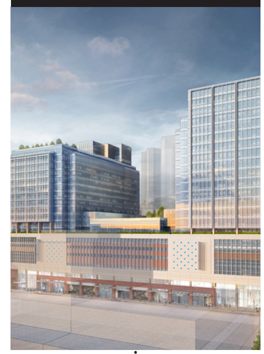
| |  |  |  |  |  |
| | Q3 2021 | Q3 2021 | Q3 2021 | Q4 2021 | Q1 2022 |
| DEVELOPER | Reliance Properties / Jim Pattison Developments | PCI Group / TD Greystone | Westbank /Allied REIT | Reliance Properties / Jim Pattison Developments | GWL Realty Advisors / HOOPP |
| STOREYS | 13 | 25 | 24 | 7-storey podium (3 floors) | 33 |
| OFFICE SF | 133,000 | 215,000 | 340,160 | 99,000 | 377,000 |
| TENANTS | No tenants at this time | 27,362 sf - Workday | 132,380 sf - Deloitte Canada<br>58,920 sf - Apple<br>40,465 sf - Northeastern University | Sold (phase 1& 2 - 99,000 sf) | 121,039 sf - Kabam Inc.<br>40,000 sf - PI Financial<br>37,000 sf* - B2Gold |
| OCCUPANCY | 0% | 13% | 68% | 100% sold | 52% |

| | B6, 1090 WEST PENDER STREET | 980 GRANVILLE STREET | 837 BEATTY STREET | 625 WEST HASTINGS STREET | 1166 WEST PENDER STREET |
|---|---|---|---|---|---|
| |  |  |  |  |  |
| | Q3 2023 | Q3 2023 | Q2 2024 | Q3 2024 | Q2 2025 |
| DEVELOPER | BentallGreenOak | Bonnis Properties | Reliance Properties | Uptown Property Group | Reliance Properties / Hines |
| STOREYS | 32 | 6 | 3-storey addition | 28 | 32 |
| OFFICE SF | 534,000 | 74,217 | 29,386 (office) | 120,000 | 357,880 |
| TENANTS | 170,000 sf - WeWork<br>51,000 sf - Colliers<br>47,000 sf - BentallGreenOak | 18,174 sf - Crossmedia Group | No tenants at this time | No tenants at this time | No tenants at this time |
| OCCUPANCY | 50% | 25% | 0% | 0% | 0% |

**B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, has subsequently been made available on a sublease basis.*

| | BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET | THE STACK, 1133 MELVILLE STREET | THE POST, 349 WEST GEORGIA STREET | THE OFFICES AT LANDMARK ON ROBSON, 1438 ROBSON STREET | THE POST, 308 DUNSMUIR STREET |
|---|---|---|---|---|---|
| |  |  |  |  |  |
| | Q2 2022 | Q3 2022 | Q3 2022 | Q1 2023 | Q2 2023 |
| DEVELOPER | Bosa Development | Oxford Properties | QuadReal Property Group | Asia Standard Americas | QuadReal Property Group |
| STOREYS | 30 | 36 | 21 (south tower) | 2 floors in podium | 22 (north tower) |
| OFFICE SF | 226,790 (strata) / 148,000 | 532,000 | 510,000 | 29,190 (strata) | 560,000 |
| TENANTS | 23,000 sf - Bosa Development<br>Approx. 60% of the building has been sold as strata office space | 80,000 sf - Blake, Cassels & Graydon<br>67,000 sf - DLA Piper<br>66,000 sf - EY Canada<br>16,700 - BDC | 510,000 sf - Amazon | Sales not provided | 560,000 sf - Amazon |
| OCCUPANCY | 100% sold / 15% | 43% | 100% | NA | 100% |

# Proposed Downtown Developments

534-550 CAMBIE STREET DEVELOPED BY QUADREAL PROPERTY GROUP / PC URBAN

STOREYS / OFFICE AREA
22 /258,245 SF

The rezoning application for this project was filed in November 2020. The application calls for 258,245 sf of office in a 22-storey office tower with retail at grade. The facade of the historic Cleland-Kent Building at 534 Cambie Street, which was built in 1925, will be retained as part of the redevelopment. A meeting with the Vancouver Heritage Commission occurred March 15, 2021 and with the UDP on March 31 2021, which supported the application with recommendations.

601 WEST PENDER STREET DEVELOPED BY RELIANCE PROPERTIES / KINGSETT CAPITAL

STOREYS / OFFICE AREA
29 / 398,500 SF

The rezoning application for this project was approved in June 2020. The application calls for 398,500 sf of office space in a 29-storey mixed-use development that would replace the existing six-storey parkade currently on the site. The new building would include retail space at grade with the top two floors of the tower set aside as amenity space for the building's occupants. The development permit application was scheduled to be submitted in July 2021.

THE CRYSTAL AT WATERFRONT SQUARE, 555 WEST CORDOVA STREET DEVELOPED BY CADILLAC FAIRVIEW

STOREYS / OFFICE AREA
26 / 350,000 SF

Cadillac Fairview's development permit application for The Crystal at Waterfront Square, a 26-storey, 350,000-sf office tower, was resubmitted in late 2019 after the initial design generated substantial public criticism in 2015. A series of delays, first due to COVID-19 and then again towards the end of 2020, extended the project's development permit application process likely until mid-2022. Construction is contemplated to start in 2023 and complete in 2026.

450 WEST GEORGIA STREET DEVELOPED BY AUSTEVILLE PROPERTIES

STOREYS / TOTAL AREA
23 / 375,554 SF

A rezoning application was filed in December 2019 to redevelop the existing surface parking lot and a low-rise commercial building at 450 West Georgia into a 23-storey office building with retail space at grade totalling 375,554 sf. The development permit application went to public hearing in June 2021 and was subsequently approved (with conditions) by City Council on June 29, 2021. A construction schedule has not been confirmed.

720 BEATTY STREET & 701 EXPO BOULEVARD DEVELOPED BY WESTBANK / ALLIED REIT

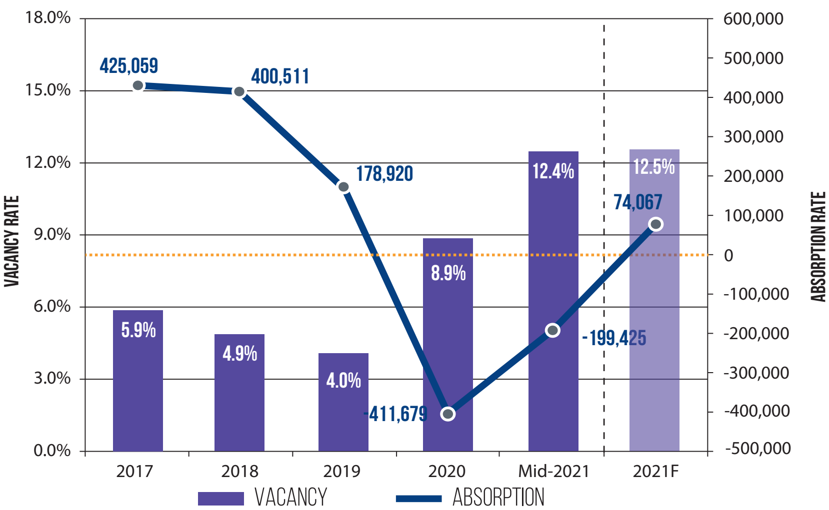
STOREYS / OFFICE AREA
17 / 583,243 SF

The rezoning application for this project was approved in October 2020. The proposed office building at 720 Beatty would include 17 floors of office space (583,243 sf) for lease as well as minimal retail (12,410 sf) at grade. A six-storey commercial building would also be built at 701 Expo Boulevard. While a delivery date was not confirmed at mid-year 2021, a completion date in 2025 had been previously suggested.

# Vancouver-Broadway

Core class A properties on the rebound

VACANCY AND ABSORPTION (OVERALL)




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## VACANCY TRENDS

Overall vacancy in the Vancouver-Broadway office market spiked to a record-high 12.4% at mid-year 2021 from 3.8% a year earlier and up notably from the 8.9% recorded at year-end 2020. The volume of overall sublease vacancy has increased substantially since mid-year 2020 – climbing to more than 330,000 sf at mid-year 2021 from just 44,800 sf a year earlier. The impacts of COVID-19 containment measures have been quite pronounced in the Vancouver-Broadway market; however, that impact has differed in various submarkets such as the Broadway Corridor and within the emerging Mount Pleasant and False Creek Flats micro markets. Vacancy in the core Vancouver-Broadway corridor rose to 9% from 4.8% a year earlier (but only from 8.6% at year-end 2020) with the majority of that vacancy located in class B and C buildings, including 1195, 1212, 1665, 2145 and 2165 West Broadway along with a handful of smaller buildings in Mount Pleasant. Vacancy in the peripheral Vancouver-Broadway market, which was already elevated, spiked to 16.4% at mid-year 2021 from 1.8% just a year earlier (and up from 9.1% at year-end 2020) due to **MEC** vacating its former head office at 1077 Great Northern Way in the second half of 2020 and **HSBC** deciding in the first half of 2021 to sublease its substantial commitment at **Broadway Tech Centre** as part of a global reorganization. Other notable vacancies also emerged in south Vancouver at **Marine Gateway** and **Airport Square**.

## ABSORPTION TRENDS

First-half overall absorption of negative 199,425 sf was overwhelmingly due to HSBC's decision to sublease its space at Broadway Tech Centre, which contributed to first-half absorption in the Vancouver-Broadway periphery submarket totalling negative 265,297 sf, all of which was in class A premises. This substantial sublease availability in the periphery unfortunately offset the positive absorption of 65,872 sf recorded in the core Vancouver-Broadway corridor submarket, which had started to see a recovery in class A leasing activity as pent-up demand after 12 months of very limited activity started to manifest. The likely occupancy of 1077 Great Northern Way by **Electronic Arts** in the second half of 2021 will contribute substantial positive absorption in the peripheral Vancouver-Broadway submarket and is expected to notably reduce the vacancy rate.

## NEW CONSTRUCTION

Vancouver-Broadway remains the busiest market in Metro Vancouver in terms of the number of projects underway and/or proposed with nine developments scheduled to complete by 2022. Most new construction is located in five nodes: Mount Pleasant, the emerging City Hall District, Railtown, False Creek Flats and Oakridge. New office development in the former industrial areas of Mount Pleasant, False Creek Flats and Railtown includes light industrial/creative manufacturing space as required by zoning regulations. A number of new office projects were announced in the first half of 2021, including **Kaslo at Renfrew District** and **Fairview Tower**, both located on Broadway, as well as **Frameworks** and **T3 Mount Pleasant**.

VACANCY LIKELY TO REMAIN ELEVATED IN 2021

## MARKET FORECAST

Rental rates largely remained stable in the first half of 2021 despite rising vacancy, and limited deal velocity although inducements did rise slightly. Rates are forecasted to remain flat through 2021 and into 2022 in the Vancouver-Broadway market with the potential for a slight increase in Mount Pleasant in 2021. A resumption in leasing activity is anticipated to stabilize vacancy and drive absorption, particularly in class A and B properties, through 2021 with vacancy likely declining in 2022 despite a lag in leasing activity in class C buildings. Delivery of the City of Vancouver's Broadway Plan by year-end 2021 should improve market confidence and serve as a catalyst for additional activity and spur a more rapid recovery.

## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| Electronic Arts | 1077 Great Northern Way | 119,840 |
| LaSalle College | 2710 Kaslo Street | 91,655 |
| Best Buy | 425 West 6th Avenue | 72,000 |
| Undisclosed tenant | 411 Railway Street | 70,000 |
| Mark Anthony Group | 565 Great Northern Way | 38,768 |
| Bensen | 411 Railway Street | 31,930 |
| Blackbird Interactive (sublease) | 565 Great Northern Way | 29,000 |
| Notch Therapeutics | 887 Great Northern Way | 25,200 |
| NYIT (sublease) | 2925 Virtual Way | 17,400 |
| VACFSS | 2020 Yukon Street | 15,280 |
| Alpha-9 Theranostics | 27 East 7th Avenue | 11,350 |
| Transportation Investment Corp. | 575 W 8th Avenue | 8,770 |
| Hammerberg Lawyers (sublease) | 2233 Columbia Street | 8,000 |

# Vancouver-Broadway

## Mount Pleasant Employment Area (I-1, I-1A Zoning)

Office vacancy was 15.7% at mid-year 2021 in Mount Pleasant – up significantly from 4.1% at mid-year 2020, but down slightly from 15.9% at year-end 2020. Three of the largest lease deals concluded in Mount Pleasant in the first half of 2021 included **Best Buy**, **Transportation Investment Corp.** and **Alpha-9 Theranostics**. Overall leasing activity has been slowed by COVID-19 pandemic containment measures since mid-2020 with many of the new deals being completed in new developments. Large pockets of vacancy emerged at 56 East 2nd Avenue, 111 East 5th Avenue, 30 East 6th Avenue and 120 West 3rd Avenue. The addition of 114 East 4th Avenue (M2) and 425 West 6th Avenue to inventory in the back half of 2021 will contribute additional vacancy as both are only partially preleased. Sublease vacancy did not play a role in the first half of 2021. Rental rates remained stable with existing good-quality space leasing in the low to mid-$30s psf on a NER basis in the first half of 2021 with new product achieving low to mid $40s. Older product is likely to achieve mid to high $30s moving into 2022 thanks to the resumption in demand taking shape. Three new developments for lease are scheduled to be completed in 2022.

| DEVELOPER | BUILDING | SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|
| Vanlux Development | CityLink, 525 West 8th Avenue | 62,657 (office) | 64% | Q3 2021 |
| Westbank / Hootsuite | Main Alley (M2), 114 East 4th Avenue | 170,543 (office/light industrial) | 47% | Q3 2021 |
| Conwest Group | HOUSS, 63 West 6th Avenue | 47,165 (office/light industrial) | Strata: 60% | Q3 2021 |
| Cressey Development | 425 West 6th Avenue | 164,883 (office) | 44% | Q4 2021 |
| Mondivan | The Workshop, 161 East 4th Avenue | 56,501 (office/light industrial) | 16% | Q1 2022 |
| TG Group of Companies | Focal, 107 East 3rd Avenue | 30,984 (office/light industrial) | 10% | Q1 2022 |
| Union Allied Capital Corp. | 1308 Adanac Street | 46,255 (office/light industrial) | Strata: 18% | Q2 2022 |
| Niels Bendtsen | 411 Railway Street (I-4 zoning) | 111,934 (office/creative industrial) | 100% | Q2 2022 |
| Nicola Wealth | Fifth + Columbia, 2055 Columbia Street | 25,207 (office/light industrial) | 0% | Q4 2022 |
| Dayhu Group / AbCellera Biologics | 150-170 West 4th Avenue & 2004 Columbia Street | 128,000 (office/lab space) | 100% | Q1 2023 |
| Formwerks Boutique Properties | Ofiswerks, 234 West 3rd Avenue | 47,347 (office/light industrial) | Strata: 43% | Q2 2023 |
| The Molnar Group | Kaslo at Renfrew District, 2710 Kaslo Street | 218,350 | 50% | Q2 2023 |
| Alliance Partners | Frameworks, Clark & 1st Avenue | 171,862 (office/light industrial) | Strata: 0% | Q2 2023 |
| Beedie / AbCellera Biologics | 110 West 4th Avenue | 211,380 (office/lab space) | 100% | Q1 2024 |
| BentallGreenOak | 2150 Keith Drive | 168,000 | ~33% | Q1 2024 |
| PCI Group | 1477 West Broadway | 60,000 (office) | 0% | Q2 2024 |
| Wesbild | Marine Landing, 8188 & 8232 Manitoba Street (two buildings) | 320,000 (office/industrial) | Strata: 44% sold (building 1) | Q4 2024 |
| QuadReal Property Group / Westbank | 660 & 668 West 41st Avenue (phase one of Oakridge Centre redevelopment) | 175,440 (office/medical) | Strata: 75% sold | Q4 2024 |
| QuadReal Property Group / Westbank | 650 West 41st Avenue (phase one of Oakridge Centre redevelopment) | 170,000 | 0% | Q4 2024 |
| QuadReal Property Group | Broadway Tech Centre II, 3030 East Broadway (five buildings) | 962,300 | 0% | Awaiting prelease |
| Champion Development Group | 151 West 5th Avenue | 53,877 (office/light industrial) | 0% | Awaiting prelease |
| Omicron/Rendition Developments | Maker Exchange, 488 Railway Street (I-4 zoning) | 152,000 (office/creative industrial) | 0% | Awaiting prelease |
| Westbank / Hootsuite | Main Alley (M4), 100 East 5th Avenue | 204,800 (office/light industrial) | 0% | Awaiting prelease |
| GWL Realty Advisers | False Creek Station, 1296 Station Street | 261,400 (office) | 0% | Awaiting prelease |
| QuadReal Property Group / Hungerford Properties | Archetype, 220 East 1st Avenue | 121,445 (office/creative industrial) | Strata | Awaiting presales |
| Yuanheng | Fairview Tower, 1395 West Broadway | 273,442 (office) | 0% | Proposed |
| Strand Development | 456-496 Prior Street | 243,964 (office) | 0% | Proposed |
| PC Urban / Hines | T3 Mount Pleasant, 123 East 6th Avenue | 196,000 | 0% | Proposed |
| Slate Asset Management | 339 East 1st Avenue | TBD | - | Proposed |
| Strand Development | 302, 328 & 336 West 2nd Avenue | TBD | - | Proposed |
| Onni Group | 375 East 1st Avenue | TBD | - | Proposed |
| Value Property Group | 24 East Broadway & 2520 Ontario Street | 107,755 (office) | - | Proposed |
| Keltic Canada Development | Nexus, 220 Prior Street | 102,000 (medical/light industrial) | Strata | Proposed |
| Gryphon Development | 6409, 6434, 6459 & 7497 Cambie Street | 27,286 (office) | - | Proposed |
| Wave Developments | 315-319 East 2nd Avenue | 26,321 (office) | - | Proposed |

**CORE**

| CLASS | INVENTORY | HEADLEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 2,322,839 | 68,806 | 42,062 | 110,868 | 4.8% | 71,183 | $24 - $48 | $40 - $67 |
| B | 1,453,968 | 164,257 | 3,711 | 167,968 | 11.6% | -8,441 | $20 - $39 | $37 - $53 |
| C | 493,627 | 105,925 | 0 | 105,925 | 21.5% | 3,130 | $16 - $23 | $35 - $43 |
| **Total** | **4,270,434** | **338,988** | **45,773** | **384,761** | **9.0%** | **65,872** | **-** | **-** |

**PERIPHERY**

| CLASS | INVENTORY | HEADLEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 2,368,445 | 215,354 | 246,080 | 461,434 | 19.5% | -273,128 | $24 - $40 | $46 - $62 |
| B | 668,564 | 60,650 | 41,246 | 101,896 | 15.2% | 1,760 | $16 - $35 | $28 - $59 |
| C | 542,245 | 23,485 | 0 | 23,485 | 4.3% | 6,071 | $15 - $24 | $25 - $39 |
| **Total** | **3,579,254** | **299,489** | **287,326** | **586,815** | **16.4%** | **-265,297** | **-** | **-** |

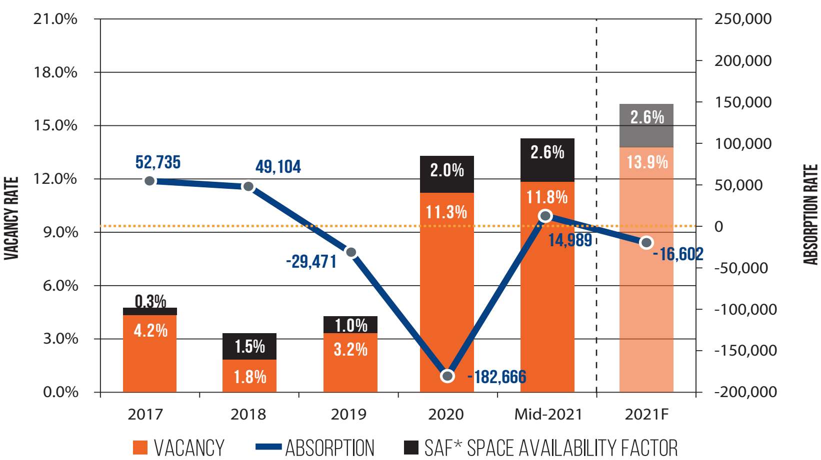
**OVERALL**

| CLASS | INVENTORY | HEADLEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 4,691,284 | 284,160 | 288,142 | 572,302 | 12.2% | -201,945 | $28 - $40 | $44 - $60 |
| B | 2,122,532 | 224,907 | 44,957 | 269,864 | 12.7% | -6,681 | $20 - $29 | $31 - $42 |
| C | 1,035,872 | 129,410 | 0 | 129,410 | 12.5% | 9,201 | $15 - $24 | $28 - $36 |
| **Total** | **7,849,688** | **638,477** | **333,099** | **971,576** | **12.4%** | **-199,425** | **-** | **-** |

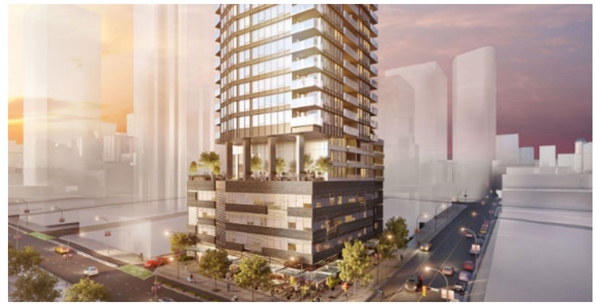
# Yaletown

First-half 2021 absorption marks first step on road to recovery

VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and 10-year average SAF*



DELIVERY OF **THE SMITHE** MARKED THE FIRST NEW SPACE BUILT IN YALETOWN SINCE 2011

## VACANCY TRENDS

While vacancy climbed to 11.8% at mid-year 2021 from 9.2% a year earlier, there was little change from the 11.3% recorded at year-end 2020. While vacancy has remained elevated due to the impact of COVID-19 containment measures, the market appears to have stabilized with quality improved space being leased by groups new to the market as well as those relocating to the popular market. The increase in vacancy in the first half of 2021 was largely attributable to the vacant delivery of **The Smithe** as deal velocity has improved and tour activity increased since year-end 2020.

## ABSORPTION TRENDS

First-half absorption of 14,989 sf was a remarkable achievement as Yaletown was the only office market in Vancouver to record positive absorption during the first half of 2021 after being heavily affected by COVID-19 in 2020. Positive absorption in class A and B – in large part due to **Rivian Automotive** – offset negative absorption in class C properties, which was mostly a mix of both small vacancies and new occupancies that skewed slightly negative.

## SPACE AVAILABILITY FACTOR

The space availability factor (SAF) refers to head lease and/or sublease space that is being marketed, but is not physically vacant. The SAF climbed to 2.6% (54,346 sf) at mid-year 2021 from 0.9% (18,304 sf) 12 months earlier. Hence, the amount of available space currently being marketed at mid-year 2021 (occupied and vacant) in Yaletown is 14.4%, or 299,949 sf.

## NEW CONSTRUCTION

Extensive renovations to 1290 Homer Street, now known as **Homer@Drake**, will be completed in the third quarter of 2021 and had no preleasing activity at mid-year 2021. No further new construction is currently proposed in Yaletown.

## MARKET FORECAST

Rental rates are forecasted to remain flat through 2021 as the market continues to grapple with elevated vacancy, including at least three entire buildings that remain vacant: 888 Cambie Street, 1132 Hamilton Street and 101 Smithe Street along with the addition of The Smithe, which was delivered 100% vacant. However, Yaletown's recovery has slowly taken root as firms begin to come back to the office and is expected to accelerate through 2021 and may contribute to a slight increase in rents by mid to late 2022 as the market stabilizes and vacancy tightens. The Yaletown office market has historically recovered quickly after facing adversity as evidenced in both 2009/2010 and 2004/2005 when vacancy declined by more than half within a year of peaking. Lease opportunities for larger tenants that have typically had trouble being accommodated on the smaller floorplates common in Yaletown currently have more options than they have had in more than a decade.

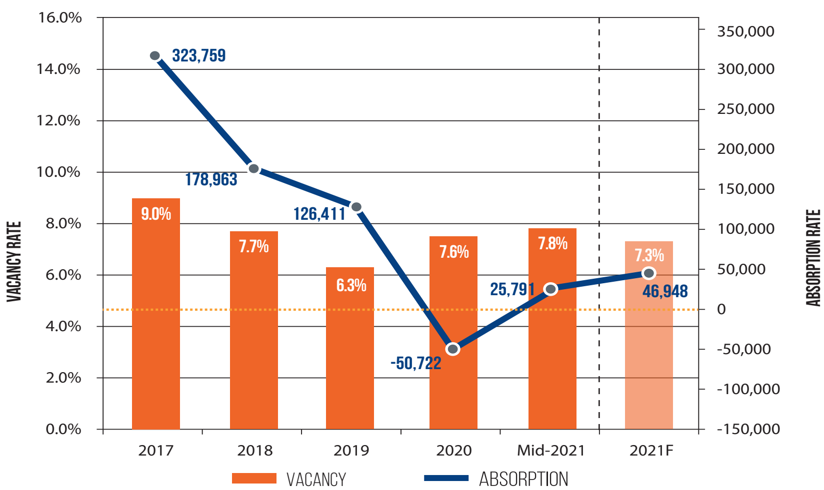
## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| Rivian Automotive Canada | 1050 Homer Street | 10,030 |
| Vessi Footwear (sublease) | 1085 Homer Street | 8,080 |
| Rivian Automotive Canada (sublease) | 1038 Homer Street | 6,600 |
| Vancouver Whitecaps FC | 788 Beatty Street | 5,670 |
| Owl.co | 1286 Homer Street | 5,110 |
| Alteri Insurance | 1110 Hamilton Street | 2,370 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Private developer | Homer@Drake, 1290 Homer Street (renovation & 3-storey addition) | 22,863 (office); 8,331 (office/retail) | 0 | 0% | Q3 2021 |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | SAF (SF) | SAF (%) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 605,558 | 74,965 | 2,615 | 77,580 | 12.8% | 3,088 | 10,425 | 1.7% | $35.75 - $40.50 | $53.50 - $58 |
| B | 1,021,065 | 66,783 | 12,553 | 79,336 | 7.8% | 22,246 | 27,194 | 2.7% | $27.75 - $31.75 | $45 - $49 |
| C | 459,177 | 61,127 | 27,560 | 88,687 | 19.3% | -10,345 | 16,727 | 3.6% | $23.75 - $27 | $40.25 - $43.50 |
| **Total** | **2,085,800** | **202,875** | **42,728** | **245,603** | **11.8%** | **14,989** | **54,346** | **2.6%** | **-** | **-** |

## VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## VACANCY TRENDS

Vacancy rose to 7.8% at mid-year 2021 from 5.4% a year earlier and was up slightly from 7.6% at year-end 2020 as vacancies that emerged during the COVID-19 pandemic started being filled by new entrants to the market and expansions by existing tenants. With many companies in Burnaby seemingly implementing a return-to-office strategy for the back half of 2021, it appears that many of the necessary real estate decisions were taken in the first half of the year. Deal velocity remained steady in the first half of 2021, including a number of large transactions. Sublease vacancy in Burnaby – home to much of Metro Vancouver's sublease availability in recent years prior to COVID-19 – remained elevated at mid-year 2021 (249,226 sf) compared with a year ago (149,846 sf), but declined notably from year-end 2020 (319,802 sf) as large and small companies absorbed sublease options in the first half of 2021.

## ABSORPTION TRENDS

Burnaby's office market recorded first-half absorption of 25,791 sf, the only inner suburban market in Metro Vancouver to do so in the first-half of 2021. Slight negative absorption in class A space, which was the result of a couple of mid-sized vacancies that opened up in **Willingdon Park**, was largely offset by a series of small- to mid-sized occupancies in Willingdon Park, **SOLO District** and **Glenlyon Business Park**. Absorption of class C space, which is typically more affordable, provided Burnaby's office market with leasing momentum in the first half of 2021.

## NEW CONSTRUCTION

New supply remains highly constrained with just 63,478 sf in two projects scheduled for delivery prior to 2023. While later phases of **The Amazing Brentwood**, **City of Lougheed** and **Gilmore Place** are proposed to include substantial amounts of office use, just phase one of Gilmore Place is scheduled to be delivered by mid-2024.

## MARKET FORECAST

Rental rates were stable through the first half of 2021 and will remain so through 2021 as tightening vacancy and a lack of new supply applies upward pressure on rates through the first half of 2022 as expected demand increases. While pockets of vacancy remain in some business parks and in select properties located off transit, deal velocity will remain stable and lead to a decrease in vacancy as Burnaby workers head back to the office.

**VACANCY LIKELY TO TREND BACK DOWN**

## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| Svante | 8800 Glenlyon Parkway | 141,000 |
| Phoenix Labs (expansion/renewal) | 4321 Still Creek Drive | 62,650 |
| Evolution Gaming | 3777 Kingsway | 50,000 |
| Trans Mountain | 4401 Still Creek Drive | 24,370 |
| Skybox Labs (sublease) | 2025 Willingdon Avenue | 21,940 |
| Loop Energy (sublease) | 2700 Production Way | 15,000 |
| Canadian Food Inspection Agency (renewal) | 3001 Wayburne Drive | 14,260 |
| Guardteck Security | 4445 Lougheed Highway | 10,750 |
| Earth's Own Food Co. | 4445 Lougheed Highway | 10,740 |
| Procom Mining & Tunnelling | 4445 Lougheed Highway | 8,910 |
| Fraser Health Authority | 4445 Lougheed Highway | 6,720 |
| Sobeys | 4445 Lougheed Highway | 5,680 |

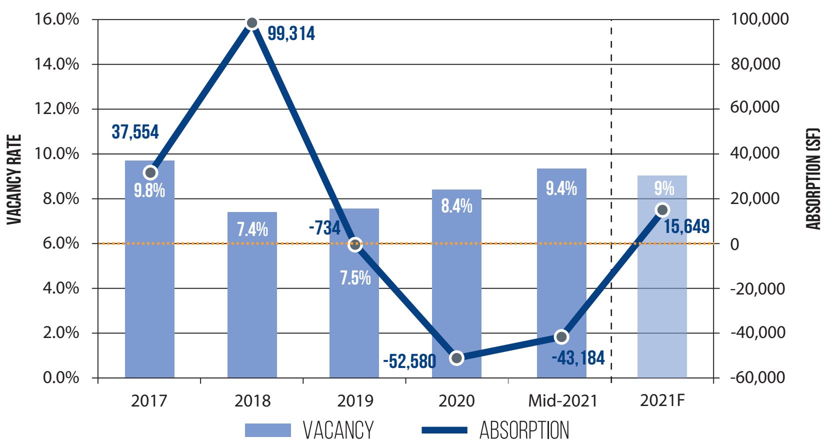
| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Anthem/Beedie | Station Square (phase 6), 6023 Silver Drive | 42,478 (office) | 0 | 0% | Q1 2022 |
| Shape Properties | The City of Lougheed (phase 1) | 21,000 (office) | 7,000 | 33% | Q2 2022 |
| Slate Asset Management | Capital Point, 4330 Kingsway & 5495 Kathleen Avenue (two renovated office buildings) | 160,000 (19 storey); 60,000 (10 storey) | Strata | NA | Q2 2023 |
| Onni Group | Gilmore Place (phase 1) | 83,870 (office) | 0 | 0% | Q2 2024 |
| Shape Properties | The Amazing Brentwood (phase 2) | TBD | - | - | Planning |
| Shape Properties | The City of Lougheed (phase 2) | 100,000 (office) | - | - | Proposed |
| Onni Group | Gilmore Place (phase 2) | 695,614 (office) | - | - | Proposed |
| Nicola Wealth/ Blackwood Partners | 3100 Production Way (two office buildings) | 178,390 (10 storey); 159,860 (9 storey) | - | - | Proposed |
| Beedie | 3133 Sumner Avenue | 111,779 (office/light industrial) | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 6,490,357 | 326,079 | 216,738 | 542,817 | 8.4% | -10,084 | $26 - $30 | $42 - $46 |
| B | 2,081,671 | 145,606 | 32,488 | 178,094 | 8.6% | 2,613 | $20 - $24 | $36 - $40 |
| C | 869,038 | 13,152 | 0 | 13,152 | 1.5% | 33,262 | $17 - $20 | $33 - $36 |
| **Total** | **9,441,066** | **484,837** | **249,226** | **734,063** | **7.8%** | **25,791** | **-** | **-** |

# Richmond

## Balanced market remains despite increase in vacancy

VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

### VACANCY TRENDS

Vacancy rose to 9.4% at mid-year 2021 from 7.1% a year earlier and up from 8.4% at year-end 2020 as the impacts of COVID-19 continue to reverberate through the market. Deal velocity remained low with vacancy increasingly spreading into class A buildings in 2021 after initially impacting class B properties in 2020. The majority of vacancies in class A were typically smaller spaces in a range of buildings with the departure of **Bootlegger Jeans** at **Fraserwood Corporate Centre** one of the largest vacancies to emerge in Richmond in the first half of 2021. Despite the increase in overall vacancy, sublease vacancy remained limited, restricted to class A buildings and mostly located in two properties.

### ABSORPTION TRENDS

First-half 2021 absorption of negative 43,184 sf was overwhelmingly situated in class A premises and was only slightly offset by positive absorption in class B properties, which was a reversal of the pattern noted in Richmond's first-half 2020 absorption. A mix of small- to mid-sized spaces emerged throughout the market following the departure and/or downsizing of tenants such as Bootlegger Jeans and **Innovative Travel Solutions** and became available on a mostly head lease basis in the first half of 2021. Larger-block opportunities were available at **Crestwood Corporate Centre** in buildings 4, 5 and 6 with the largest contiguous space of ~32,000 sf available at 13551 Commerce Parkway.

### NEW CONSTRUCTION

While new office construction has largely been limited to strata office space in recent years, there are several new projects in the works that could change that trend. While **The Paramount**, a strata office project that is 80% sold, is set for completion in early 2022, there are two projects scheduled for completion in 2023 that would add a substantial amount of new office space for lease: **Pinnacle International's Pinnacle Centre at Capstan Village** and **South Street Development's Atmosphere**. Marketing for office presales at **Townline** and **Canderel's** new mixed-use development, **Luxe Lansdowne**, will kick off in the second half of 2021.

DELIVERY OF NEW DEVELOPMENT REMAINS LIMITED

### MARKET FORECAST

Rental rates have remained flat to date in 2021 and that trend is anticipated to continue through the second half of 2021 and into 2022 as vacancy is likely to remain largely unchanged, resulting in a balanced market. With no new office space for lease being delivered until at least 2023, Richmond tenants will continue to enjoy a range of size options in existing premises to meet their requirements and some of the most affordable average office rental rates in Metro Vancouver.

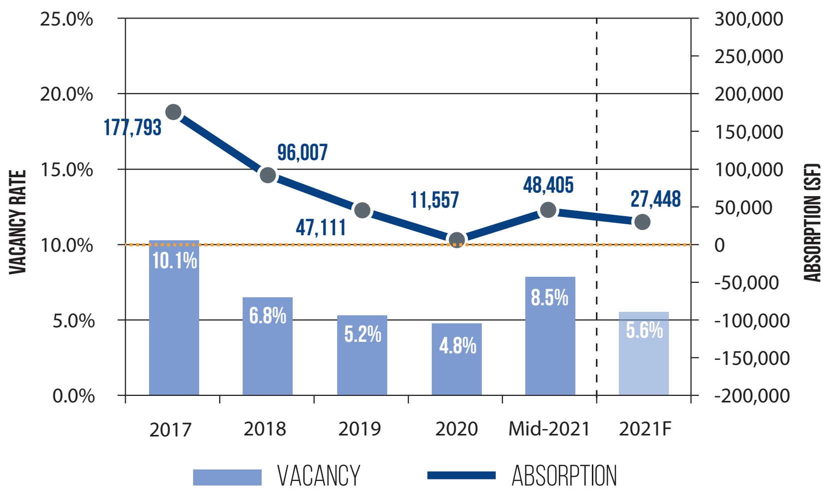
### NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| Bird Construction | 13700 International Place | 27,790 |
| Vancouver Coastal Health | 5811 Cooney Road | 8,020 |
| Vancouver Coastal Health | 4671 No. 3 Road | 7,520 |
| CNS Law | 5811 Cooney Road | 2,650 |
| Angus Consulting Management | 13777 Commerce Parkway | 1,910 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Keltic Canada Development | The Paramount, 6340 No. 3 Road | 103,560 (office) | Strata | 80% sold | Q1 2022 |
| Pinnacle International | Pinnacle Centre at Capstan Village, 3211 Carscallen Road & 3200 No. 3 Road | 204,205 (office) | 0 | 0% | Q2 2023 |
| South Street Development Group | Atmosphere, 7960 Alderbridge Way | 132,900 (office) | 10,000 | 7.5% | Q3 2023 |
| Townline / Canderel | Luxe Lansdowne, 5671 No. 3 Road | 87,050 (office) | Strata | NA | Approved |
| Bene Group | Times Square Richmond, 6560-6700 No. 3 Road | 33,000 (office) | Strata | NA | Approved |
| Bene Group | The Landmark, 4700 No. 3 Road | 66,213 (office) | - | - | Approved |
| Park Village Investments & Grand Long Holdings Canada | 8071 & 8091 Park Road | 58,780 (office) | - | - | Approved |
| Thind Properties | Minoru Square, 5800 Minoru Boulevard | 161,800 (office) | - | - | Proposed |
| CIBT Education Group Inc. | GEC CyberCity, 7760, 7780, 7800, 7810, 7820 and 7840 River Road (two 8-storey office buildings) | 77,233 (north), 63,275 (south) | - | - | Proposed |
| New Continental Developments | 8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way | 98,952 (office) | - | - | Proposed |
| Vanhome Properties Inc. | 9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road | 51,020 (office) | - | - | Proposed |
| Vanprop Investments | Lansdowne Centre (redevelopment) | 252,952 (office) | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 2,895,256 | 288,911 | 29,403 | 318,314 | 11% | -51,332 | $14 - $25 | $25 - $45 |
| B | 972,346 | 69,765 | 0 | 69,765 | 7.2% | 9,759 | $14 - $24 | $24 - $42 |
| C | 348,198 | 8,813 | 0 | 8,813 | 2.5% | -1,611 | $12 - $14 | $17.75 - $19.75 |
| **Total** | **4,215,800** | **367,489** | **29,403** | **396,892** | **9.4%** | **-43,184** | **-** | **-** |

VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## VACANCY TRENDS

Overall vacancy climbed to 8.5% at mid-year 2021 from 4.6% a year earlier (and up from 4.8% at year-end 2020) largely due to the delivery of **PCI Group's** partially occupied **HUB 9850 at King George Hub** in the first half of 2021. This increase in vacancy is temporary as the other anchor tenant for HUB 9850 is set to take occupancy in the fall and will likely help offset delivery of the substantially preleased **The Professional Centre @ South Point** in the back half of 2021. While class A vacancy remained balanced at 7.8% at mid-year 2021 even after the addition of HUB 9850 to inventory (thanks to additional occupancies in class A space), a number of smaller vacancies in a range of class B buildings helped increase vacancy in that building class to its highest point since mid-2019.

## ABSORPTION TRENDS

First-half absorption of 48,405 sf was largely the result of class A occupancies in HUB 9850 at King George Hub. While small pockets of vacancy did emerge at **Central City** and **Ocean Pointe**, first-half class A absorption remained positive. A handful of spaces that came back to market in class B buildings – the building class In Metro Vancouver found to be most impacted by pandemic containment measures – contributed minimal first-half negative absorption that was largely offset by occupancies in class A buildings.

## NEW CONSTRUCTION

While a significant amount of new supply is proposed in Surrey, there is very limited new space actually under construction. The delivery of The Professional Centre @ South Point in the second half of 2021 is expected to have a minimal impact on vacancy as it is almost two-thirds preleased. A prelease commitment is necessary to kick off construction of **Tower 2 at Central City**, which would take approximately 36 months to complete from commencement. The massive **Centre Block** development proposed in Surrey City Centre would likely be the largest and tallest office development in the province with the 926,000-sf, 47-storey East Tower accompanied by the 19-storey West Tower, which provides an additional 452,000 sf. Both towers combined add more than 1.37 msf of new office space.

RENTAL RATES STABLE DESPITE REDUCED ACTIVITY

## MARKET FORECAST

Rental rates remained stable through the first half of 2021 and will likely remain flat through 2021. Upward pressure on rates generated by tightening vacancy and limited new options may manifest in 2022. Vacancy is anticipated to tighten through 2021 and into 2022 as suburban office markets in Metro Vancouver were found to have been impacted less by COVID-19 containment measures. Leasing activity will remain muted in 2021 due to limited options for tenants and little relief coming from new construction in 2021, all of which have substantial prelease commitments.

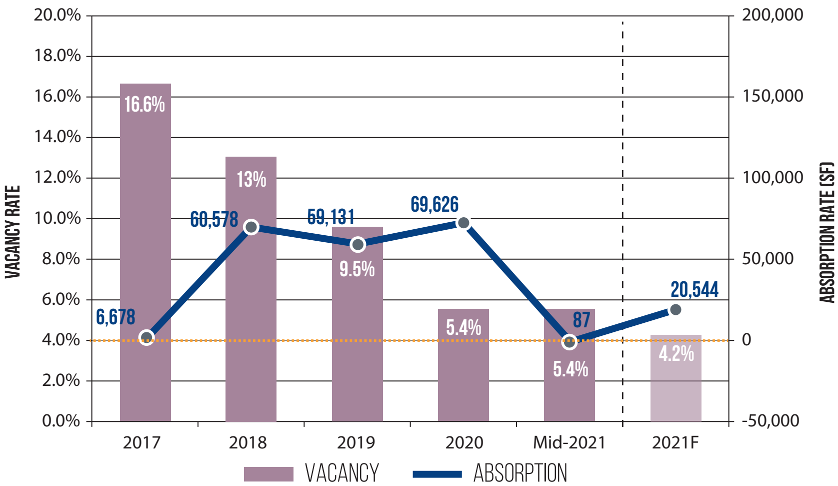
## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| PWC (renewal) | 13450 102 Avenue | 17,400 |
| Axium | 10172 152A Street | 8,700 |
| SPI Logistics | 9850 King George Boulevard | 5,000 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Avondale Development / Monark Group | The Professional Centre @ South Point, 3231 152nd Street | 71,780 | 46,657 | 65% | Q3 2021 |
| Maple Leaf Homes / Kooner Construction | Cambridge Business Centre, 15315 66th Avenue | 60,000 (office) | Strata | 75% sold | Q1 2022 |
| Century Group | Holland Parkside, 9905 King George Boulevard | 190,000 (office) | 0 | 0% | Q3 2026 |
| Nicola Wealth / Blackwood Partners | Tower 2 at Central City, 10145 King George Boulevard | 514,000 (office) | - | - | Awaiting prelease commitment |
| Surrey City Development Corp. | Centre Block (West Tower), University Drive @ Central Avenue | 452,000 (office) | - | - | Proposed |
| Surrey City Development Corp. | Centre Block (East Tower), 10275 City Parkway | 926,000 (office) | - | - | Proposed |
| BlueSky Properties | Brightside, 13583 104th Avenue | 202,150 (office) | - | - | Proposed |
| Landview Construction | GTC Professional Building, 10189 153rd Street | 100,550 | - | - | Proposed |
| Guildford Brook Estates Development | 10731 King George Boulevard | 47,780 (office) | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 2,244,968 | 167,132 | 8,600 | 175,732 | 7.8% | 63,532 | \$28 - \$38 | \$45 - \$55 |
| B | 626,010 | 74,871 | 1,235 | 76,106 | 12.2% | -16,433 | \$18 - \$25 | \$32 - \$39 |
| C | 205,629 | 8,467 | 0 | 8,467 | 4.1% | 1,306 | \$14 - \$20 | \$27 - \$33 |
| **Total** | **3,076,607** | **250,470** | **9,835** | **260,305** | **8.5%** | **48,405** | **-** | **-** |

VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## VACANCY TRENDS

Vacancy dropped to a record-low 5.4% at mid-year 2021 from 8.3% a year earlier but remained unchanged from the 5.4% first recorded at year-end 2020. New Westminster has the distinction of posting the tightest office vacancy in Metro Vancouver at mid-year 2021 and the lowest on record since Avison Young started tracking the market in 1998. Deal velocity remained muted in the first half of 2021 with most vacancy located in class B buildings. A slight uptick in sublease vacancy was also noted, but was minimal and of note because the market historically has little to no sublease availabilities. A lack of options due to historically tight market conditions combined with pandemic containment measures limited leasing activity in the first half of 2021.

## ABSORPTION TRENDS

First-half 2021 absorption of 87 sf reflected an overall lack of activity in the office market. While a number of smaller deals at 601 Sixth Street contributed some positive absorption, it was mostly offset by a mid-sized tenant and handful of other small tenants giving back space at 625 Agnes Street. With limited leasing activity in first half of 2021, absorption is unlikely to increase in the second half, but could turn negative if tenants give back more space or remain uncommitted to expansion or relocation.

## NEW CONSTRUCTION

New office construction remains limited to **Wesgroup Properties** continuing to build out its well-known **Brewery District** in New Westminster. Building 7, a mixed-use development at 268 Nelson's Court that includes two floors of office space for lease in the podium of the building, commenced construction in the first half of 2021 and is scheduled for completion in the back half of 2023. Construction of building 8 at 230 Keary Street has yet to commence, but will include about 100,000 sf of office space for sale/lease over five floors in the podium of the building when completed by mid-2025. **QuadReal's** proposed **Sapperton Green** development remains in for rezoning with the first phase including a 200,000-sf office building and two mixed-use buildings featuring retail/residential uses. A prelease commitment is required to commence construction.

BUILDINGS 7 AND 8 AT **THE BREWERY DISTRICT** WILL ADD MORE THAN 130,000 SF OF OFFICE SPACE

## MARKET FORECAST

Rental rates remained flat in the first half of 2021 due to a lack of leasing activity. The absence of new deals made it challenging to determine whether or not the tight market is placing upward pressure on rental rates. With no new office space delivering for the next 24 months and the market already registering historically low vacancy, any resumption in leasing activity and subsequent upswing in demand in the next 12 months may result in potential rate increases manifesting by mid-2022.

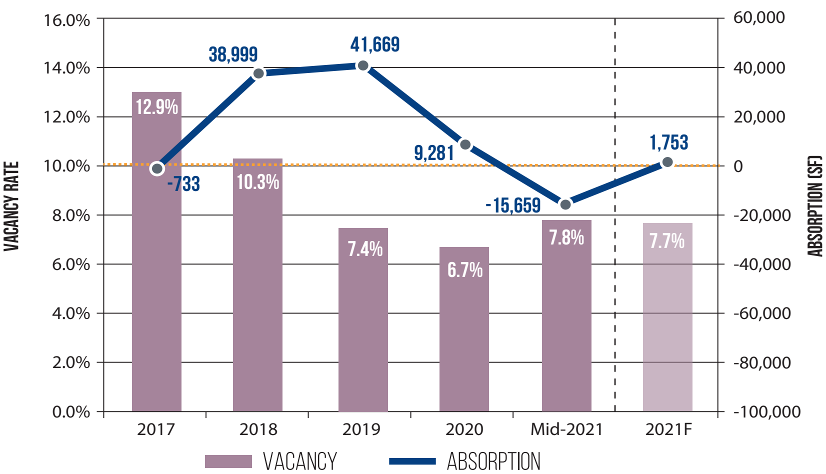
## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| BCCSA (renewal) | 625 Agnes Street | 8,600 |
| Offworld Defence Simulations (renewal/expansion) | 625 Agnes Street | 4,000 |
| PGS Law (renewal) | 625 Agnes Street | 3,300 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Wesgroup Properties | Building 7 @ Brewery District, 268 Nelson's Court | 30,000 | 0 | 0% | Q3 2023 |
| Wesgroup Properties | Building 8 @ Brewery District, 230 Keary Street | 100,000 | Strata/Lease | 0% | Q2 2025 |
| QuadReal Property Group | 97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site | 200,000 | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 780,114 | 15,474 | 0 | 15,474 | 2.0% | 8,199 | $24 - $34 | $39 - $49 |
| B | 700,684 | 46,119 | 15,260 | 61,379 | 8.8% | -8,112 | $15 - $21 | $29 - $35 |
| C | 207,774 | 14,501 | 0 | 14,501 | 7.0% | 0 | $12 - $15 | $25 - $31 |
| **Total** | **1,688,572** | **76,094** | **15,260** | **91,354** | **5.4%** | **87** | **-** | **-** |

VACANCY AND ABSORPTION




*12-month projection based on 10-year average absorption and known net absorption in new inventory*

## VACANCY TRENDS

Vacancy rose to 7.8% at mid-year 2021 from 7% a year ago, reversing direction after vacancy fell to 6.7% at year-end 2020. The increase in the first half of 2021 was the result of sublease vacancies at 111 Forester Street and 1111 Lonsdale Avenue combined with the downsizing of a tenant at 221 West Esplanade, which contributed much of the head lease vacancy. The total amount of sublease space available on the North Shore reached its highest point since 2016, but it primarily consisted of two large blocks. Smaller spaces for sublease would be in higher demand given the market's typical tenant size. Deal velocity was flat for much of the first half of 2021; however, activity picked up in May and June, which will likely help set the tone for the remainder of 2021.

## ABSORPTION TRENDS

First-half absorption of negative 15,569 sf was the first time that negative absorption was recorded in the first half on the North Shore since 2017. The vast majority of negative absorption was recorded in class A buildings in the first half of 2021 with most coming as a result of a single tenant downsizing. First-half 2021 occupancies in the Harbourside area helped offset the overall negative absorption recorded in the rest of the market.

## NEW CONSTRUCTION

New office construction activity remains highly constrained on the North Shore with no new office space being delivered until the completion of **Millennium Central Lonsdale** at the end of 2023. **Concert Properties' North Harbour** phased development proposes 290,000 sf of office and retail in future phases; however, the first phase does not include any office.

## MARKET FORECAST

Rental rates have remained relatively consistent with rates for premium product being pushed up and landlords offering more inducements in order to lease more challenging space. Rental rates are anticipated to remain flat, but with any uptick in leasing activity in the back half of 2021, rents are likely to start to escalate given there is no new space being delivered for the next 30 months. The relaxation of pandemic-related measures due to rising vaccination rates will result in people returning to the office this fall, which will likely contribute to a resumption of leasing activity and resultantly positive absorption and a subsequent reduction in vacancy in the first half of 2022. While options remain available for mid-sized tenants, larger tenants are likely to have few choices, and this trend is not expected to change in the next 18 to 24 months. Provided that interest rates remain low, a strong demand for strata office space on the North Shore is expected to be sustained.

**NORTH HARBOUR** WILL OFFER 290,000 SF OF OFFICE/RETAIL SPACE WHEN COMPLETED

(FIRST PHASE PICTURED)

## NOTABLE LEASE DEALS - MID-YEAR 2021

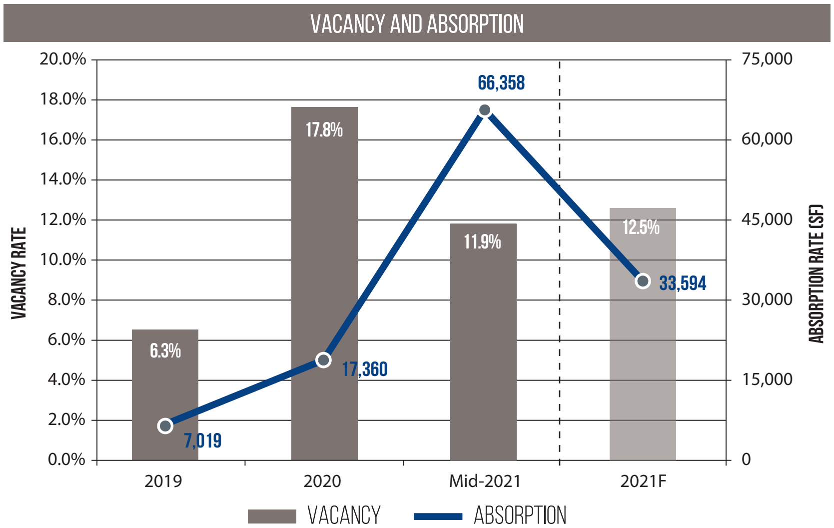
| TENANT | BUILDING | SF |
|---|---|---|
| Hatfield Consultants (renewal) | 850 Harbourside Drive | 15,480 |
| NSA North Shore Academy | 55 Gostick Place | 6,450 |
| PCL Constructors Westcoast | 788 Harbourside Drive | 5,230 |
| Accord Small Business Leasing (sublease) | 889 Harbourside Drive | 4,650 |
| Team Technikel Solutions | 171 West Esplanade | 3,640 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Millennium Development | Millennium Central Lonsdale, 123-145 East 13th Street | 34,000 (office) | 0 | 0% | Q4 2023 |
| Concert Properties | North Harbour, 801, 889 & 925 Harbourside Drive and 18 Fell Avenue | 290,000 (office/retail) | - | - | Proposed |
| Tsleil-Waututh First Nation & Darwin Properties | North Shore Innovation District, 2420 Dollarton Highway | TBD | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST (PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 871,813 | 27,884 | 10,826 | 38,710 | 4.4% | -15,352 | \$24 - \$35 | \$40 - \$50 |
| B | 481,395 | 61,790 | 5,110 | 66,900 | 13.9% | -1,182 | \$17 - \$23 | \$26 - \$38 |
| C | 97,690 | 7,964 | 0 | 7,964 | 8.2% | 875 | \$15 - \$19 | \$24 - \$33 |
| **Total** | **1,450,898** | **97,638** | **15,936** | **113,574** | **7.8%** | **-15,659** | **-** | **-** |

# Langley

Most absorption recorded in Metro Vancouver in first half of 2021




*12-month projection based on 3-year average absorption and known net absorption in inventory*

*Avison Young initiated coverage of the Langley office market in 2019 and, for the purposes of this report, combines Langley City and Langley Township.*

## VACANCY TRENDS

Vacancy rose to 11.9% at mid-year 2021 from 2.6% a year earlier, but dropped significantly when compared with the vacancy rate of 17.8% at year-end 2020. Vacancy spiked in the second half of 2020 due to the completion of a number of new buildings that were delivered fully or partially vacant. The subsequently steep decline in vacancy in the first half of 2021 was the result of tenants taking occupancy in those new buildings, most notably **First West Credit Union (FWCU)** moving in to its new head office. Deal velocity remained steady through the first half of 2021 with office leasing activity busy in new and existing space. Sublease space was not a factor in the Langley office market. Class A vacancy remained the highest at 15.5% due in part to the recent delivery of new supply, while vacancy in class B and C buildings represented a mix of balanced and tight market conditions.

## ABSORPTION TRENDS

Positive first-half absorption of 66,358 sf was largely the result of FWCU occupying 19933 88th Avenue, which helped offset the credit union's departure from its previous space at 6470 201st Street. A number of mid-sized occupancies in existing class A, B and C buildings in the first half of 2021 indicated that leasing activity was not just occurring within new class A premises and that market momentum is anticipated to continue through the back half of 2021. Langley recorded the most absorption in Metro Vancouver in the first half of 2021.

## NEW CONSTRUCTION

Completion of the two-building development, **theXchange**, is scheduled for the second half of 2021 with the delivery of buildings A and B staggered by three months. Small mixed-use strata developments typically including office and retail space have also proven popular with the recently completed **Township Commons** nearly 90% presold and the upcoming **West 200** almost 98% presold. The first phase of **Carvolth Business Park** is anticipated to break ground in spring 2022.

**THEXCHANGE** WILL BE DELIVERED IN THE BACK HALF OF 2021 AND WAS 40% PRELEASED AT MID-YEAR 2021

## MARKET FORECAST

Rental rates remained relatively flat in the first half of 2021 and that is expected to continue through 2021. Additional new supply will temper upward pressure on rates despite strong activity. Although reasonably well preleased at 40%, delivery of theXchange will temporarily increase vacancy in the Langley market by year-end 2021. Some small business owners are gravitating towards acquiring strata office space, which is a relatively new option in the market that has proven popular.

## NOTABLE LEASE DEALS - MID-YEAR 2021

| TENANT | BUILDING | SF |
|---|---|---|
| Carvolth Developments | theXchange | 12,800 |
| RCMP | theXchange | 8,600 |
| Odlum Brown | 19933 88th Avenue | 8,600 |
| Langley Community Services Society | 6470 201st Street | 5,700 |
| Undisclosed tenant | theXchange | 5,000 |
| BFL Insurance (expansion) | 9440 202nd Street | 3,400 |

| DEVELOPER | BUILDING | SF | PRELEASE SF | PRELEASE % | COMPLETION |
|---|---|---|---|---|---|
| Infinity Properties / Benchmark Group | theXchange, 20161 86th Avenue | 83,550 (two office buildings: A & B) | 33,000 | 40% | Q3 2021 (building A); Q4 2021 (building B) |
| Orion Construction | West 200, 19923 80A Avenue | 46,822 | Strata | 98% sold | Q3 2021 |
| Mitchell Group | Carvolth Business Park (phase 1), 86th-88th Avenue & 200th Street | 207,740 (east building) | - | - | Q1 2024 |
| Mitchell Group | Carvolth Business Park (phase 2), 86th-88th Avenue & 200th Street | 207,740 (west building) | - | - | Proposed |
| Mitchell Group | Langley 216 Business Park (lot E3), 80th Avenue & 216th Street | 94,400 | - | - | Proposed |

| CLASS | INVENTORY | HEAD LEASE VACANCY (SF) | SUBLEASE VACANCY (SF) | TOTAL VACANCY (SF) | TOTAL VACANCY (%) | 6-MONTH ABSORPTION (SF) | AVERAGE NET RENTAL RATE (PSF) | GROSS OCCUPANCY COST PSF) |
|---|---|---|---|---|---|---|---|---|
| A | 414,182 | 64,026 | 0 | 64,026 | 15.5% | 73,468 | \$26 - \$36 | \$41 - \$51 |
| B | 594,464 | 64,107 | 0 | 64,107 | 10.8% | -15,191 | \$17 - \$24 | \$30 - \$37 |
| C | 126,315 | 5,924 | 1,149 | 7,073 | 5.6% | 8,081 | \$13 - \$16 | \$26 - \$30 |
| **Total** | **1,134,961** | **134,057** | **1,149** | **135,206** | **11.9%** | **66,358** | **-** | **-** |

# Sublease threat fading as recovery takes root

SPECIAL FEATURE

A rising tide of office sublease availability triggered by the initial COVID-19 containment measures introduced in early 2020 started to recede by mid-year 2021 in downtown and Metro Vancouver and likely will continue declining as workers return to the office and tenants roll out work-from-home policies that will shape their space requirements moving forward.

An examination of both the amount of sublease vacancy as well as the number of sublease listings in downtown Vancouver and Metro Vancouver since the second quarter of 2020 revealed a number of key insights into tenant behaviour during this challenging period that should be explored.

- **Sublease space as a percentage of overall vacancy**: Sublease vacancy as a percentage of overall vacancy downtown spiked to 36.1% at mid-year 2020 from 15.2% at year-end 2019 as a result of COVID-19, marking the highest percentage since mid-2009, which remains the record high at 47% (followed by year-end 2008 at 39%). While sublease vacancy as a percentage of overall vacancy downtown ticked up to 36.7% at year-end 2020, by mid-year 2021 it had fallen to 30.9% and had not come close to approaching the levels recorded downtown during the Great Recession of 2007-2009. On a regional basis, sublease vacancy as a percentage of overall vacancy in Metro Vancouver climbed to 22.4% at mid-year 2020 – the highest since mid-year 2009 (28%); and while the metric inched higher to 27.7% at year-end 2020, the percentage of sublease vacancy of overall vacancy has since fallen to 26.2% at mid-year 2021.

- **Total amount of downtown sublease vacancy:** Sublease vacancy started reaching record lows in 2016 and, by 2018-19, was regularly less than 100,000 sf in a downtown market of 23 msf. However, the impact of COVID-19 resulted in an initial spike to more than 290,000 sf of vacant sublease space at mid-year 2020 – a trend that continued through the year with a record high of 559,951 sf at year-end 2020, a volume which even surpassed the previous record set in 2009 on a total square footage basis. But by mid-year 2021, the total amount of vacant sublease space in downtown Vancouver had fallen to 498,608 sf.

- **Number of sublease listings in Metro Vancouver and Downtown**: Reviewing the number of listings to sublease space in Metro Vancouver and downtown since the second quarter of 2020 revealed a number of insights.

**i) Two markets emerged based on size of offering:** There were 96 listings for sublease space in Metro Vancouver in the second quarter of 2020, including 52 for premises greater than 4,500 sf and 44 for those less than 4,500 sf. Through the pandemic, the quarterly volume in the two size ranges fluctuated independently of each other. For listings of sublease space greater than 4,500 sf, the peak (71) came in the first quarter of 2021; however, the fewest number of listings (21) followed in the second quarter of 2021. For listings of sublease space less than 4,500 sf, the peak (81) was in the fourth quarter of 2020 followed by the fewest number of listings in the first quarter of 2021 (23). In both cases, the peak in the number of listings immediately preceded the fewest. The peak occurred first in units less than 4,500 sf and then declined notably. A similar pattern, albeit a quarter later, was noted in units greater than 4,500 sf. The peak in the number of listings for all sublease space (127) occurred in the fourth quarter of 2020 and had subsequently dropped by 60% by mid-year 2021 (51).

**ii) Unique factors at play in downtown's sublease market:** There were 81 listings for sublease space in the second quarter of 2020, including 44 listings for premises greater than 4,500 sf and 37 for those less than 4,500 sf. This marked the peak number of sublease listings downtown during the pandemic. While there was an uptick in the number of sublease listings downtown in Q1 2021 (63), that figure plunged 64% to 23 by mid-year 2021. In the beginning there were more listings for sublease space less than 4,500 sf than for those greater than 4,500 sf – a pattern that held until Q1 2021 when the number of listings for spaces greater than 4,500 sf spiked to 49 (compared with just 14 for spaces less than 4,500 sf). However, the number of listings for downtown sublease space greater than 4,500 sf had plummeted 82% by mid-year 2021.

**Sublease Listings During the Pandemic***

| | |
|---|---|
| Q2 2020 | 81 |
| Q3 2020 | 51 |
| Q4 2020 | 53 |
| Q1 2021 | 63 |
| Q2 2021 | 23 |

**in Downtown Vancouver*

*Source: Avison Young research*

continued from page 1

volume of space being offered back to the market (and marked a small increase from the negative 26,019 sf of absorption recorded in first-half 2020). The region's negative absorption was almost entirely located in Vancouver-Broadway (-199,425 sf) with slight negative absorption registered in Downtown and Richmond as well as the North Shore. Positive absorption was recorded in Yaletown, Burnaby, Surrey, New Westminster and Langley.

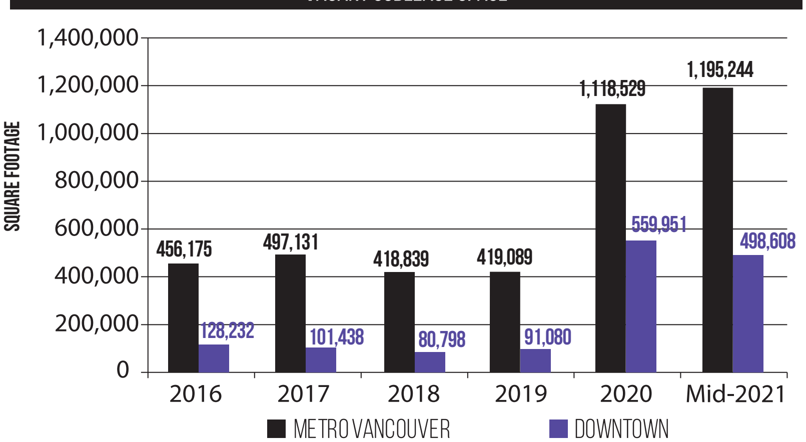
Vacancy in Downtown Vancouver rose slightly to 7% at mid-year 2021 as many businesses kept offices closed with a return to office delayed by many employers until the second half of 2021 as vaccination rates improved. Vacancy in Yaletown remained elevated at 11.8%; however, a resumption in leasing activity and positive absorption in first-half 2021 marked a shift in the market's fortunes. Vacancy in Vancouver-Broadway jumped to 12.4% - a record high for the market and the highest vacancy rate in Metro Vancouver at mid-year 2021. These three core markets continued to bear the brunt of the impact of COVID-19 in the first half of 2021. Inner suburbs such as Burnaby (7.8%) and Richmond (9.4%) only noted slight increases in vacancy from year-end 2020, while vacancy in outer suburban markets such as New Westminster (5.4%), Langley (11.9%) and the North Shore (7.8%) remained stable or decreased in first-half 2021. Vacancy in Surrey, which was the tightest market in Metro Vancouver at year-end 2020 at 4.8%, rose to 8.5% due in large part to the delivery of new supply.

At mid-year 2021, there was 653,908 sf of vacant sublease space outside of Downtown Vancouver, while vacant Downtown sublease space (including Yaletown) amounted to 541,336 sf for a total of 1,195,244 sf or 26.2% of the overall vacancy region-wide – down from 27.7% at year-end 2020. This decrease in vacant sublease space was almost entirely attributable to reductions in the Downtown core along with Burnaby, which together made up 66% of the regional sublease vacancy total. While vacant sublease space remained very limited in Richmond, Surrey, New Westminster, Langley and the North Shore, a massive surge in sublease availability in Vancouver-Broadway offset declines in sublease space in other markets.

The impacts of COVID-19 on Metro Vancouver's office market will likely linger for the next 12 to 18 months as a recovery takes hold; however, the form that recovery takes remains in process as tenants start deciding whether or not to adjust their space requirements as a result of lessons learned from the pandemic. With more traditional market metrics already returning to the fore, particularly around the impact of new supply delivered Downtown, the longer-term impacts of COVID-19 remain uncertain as businesses gradually adjust to a post-COVID environment, leaving the legacy of the global pandemic of 2020 on the regional office market largely undefined at this time.

*The spread of COVID-19 and the containment policies being introduced are changing rapidly. While information is current as of the date written or otherwise noted, the views expressed herein are subject to change and may not reflect the latest opinion of Avison Young. Avison Young relies on government and related sources for information on the COVID-19 outbreak. The content provided herein is not intended as investment, tax, financial or legal advice and should not be relied on as such.*

VACANT SUBLEASE SPACE

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