

## VANCOUVER OFFICE

### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Vancouver Employment	1.4 mil	1.4 mil	▲
Vancouver Unemployment	4.8%	4.7%	▼
Canadian Unemployment	6.2%	6.0%	■

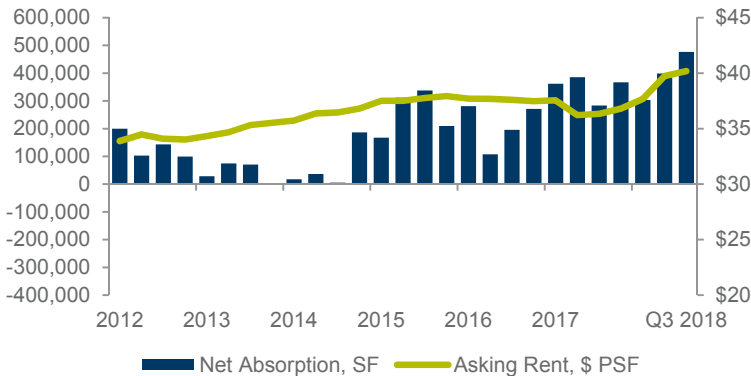
### Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	6.5%	4.3%	▼
Net Absorption (sf)	176,329	487,599	▲
Under Construction (sf)	1,195,814	3,300,978	▲
Average Asking Rent*	\$37.72	\$39.53	▲

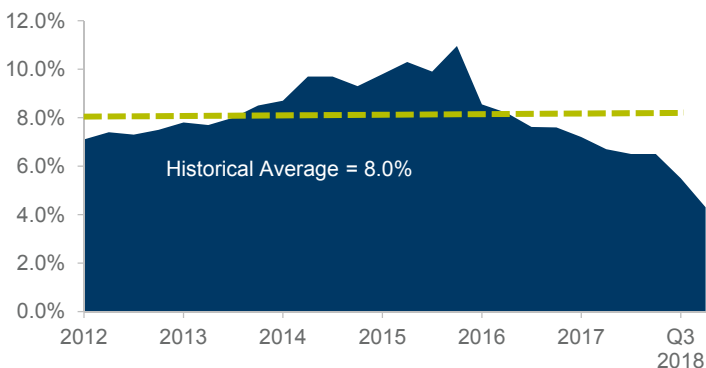
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The labour market in British Columbia is now incredibly tight; almost to a level analysts did not think was achievable in today's day and age. More than 70% of local economic regions boast an unemployment rate of 6.0% and lower. Employers are challenged by both a tight supply of available labour as well as increased wages (in part due to the significant boost to minimum wage over the past year). This is expected to have a negative impact, to some extent, on economic growth as many businesses will be challenged in pursuing growth opportunities.

Source: RBC Economics

## Market Overview

Vacancy rates in the Metro Vancouver area have continued to decline and has now reached an astonishing 4.3%. Overall lease rates have remained steady, although have climbed sharply in markets that have space which is in high demand, rates at which incredibly tenants seem to be willing to pay.

In the downtown core several new lease transactions have been announced at the Westbank project at 400 West Georgia Street, with Spaces (Regus) taking 100,000 square feet (sf) and Deloitte announcing their lease of 120,000 sf. Another 60,000-square foot tenant will soon be announcing their preleasing commitment, which will render the building almost 100% fully leased; demonstrating once again the pent-up demand for quality, efficient space.

The Broadway Corridor is challenged not only by historically low vacancy rates (currently less than 1.0% for Class A space) but also by a recently announced moratorium on residential development along West Broadway proper. This could have a negative impact on commercial development as currently it is not known which properties will be expropriated to make room for Translink's LRT (Light Rapid Transit) Line. Two new buildings were added to the Broadway Corridor inventory this quarter, 565 Great Northern Way and 988 West Broadway; both of which are fully leased.

What was once a viable option for tenants seeking large blocks of space, the Suburban markets are offering little to no relief as the overall Suburban market vacancy rate currently sits at 7.3% and lease rates have continued to escalate at a steady pace over the past several years. New buildings were added in Surrey and Langley this quarter. Langley's 51,000-sf strata property is 100% sold out; whereas Surrey's 67,000-sf speculative building is currently available; however it is expected it will be taken up quickly given demand and growth in that market.

## Outlook

Despite all the recent hype surrounding the tech market, which has had a major influence on vacancy, lease rates and the overall evolution of Metro Vancouver will continue to thrive and grow at a steady (albeit much slower) pace, due to a continued healthy economy and consistent job growth. Leasing activity will taper off due to a lack of space available in the immediate future. Some relief is expected in 2020 when the next phase of construction begins to arrive to the market, however much of this space will not be available until 2022.

MARKETBEAT

## Vancouver, BC

Office Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown Vancouver	238	26,675,983	118,397	521,133	2.4%	14,439	558,197	2,519,461	\$50.53	\$58.62
Broadway Corridor	140	7,415,463	4,844	115,061	1.6%	270,972	212,525	196,685	\$45.90	\$48.58
Burnaby	121	11,033,257	157,523	538,641	6.3%	28,971	322,243	171,176	\$41.32	\$43.32
Richmond	74	4,418,727	39,489	323,695	8.2%	-5,815	-70,307	203,356	\$31.09	\$31.30
North Shore	44	1,817,029	2,203	94,820	5.3%	37,925	44,323	0	\$38.11	\$40.04
New Westminster	30	1,465,130	1,566	157,044	10.8%	50,259	7,340	0	\$37.80	\$39.62
Langley	24	1,027,137	0	76,071	7.4%	53,437	47,022	0	\$28.57	\$31.22
Surrey	77	4,613,718	10,178	369,830	8.2%	37,411	222,484	210,300	\$26.51	\$25.99
<b>VANCOUVER TOTALS</b>	<b>748</b>	<b>58,466,444</b>	<b>334,200</b>	<b>2,196,295</b>	<b>4.3%</b>	<b>487,599</b>	<b>1,343,827</b>	<b>3,300,978</b>	<b>\$39.53</b>	<b>\$39.51</b>

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Marine Gateway (450 SW Marine Drive)	95,046	WeWork	Lease	Broadway Corridor
The Exchange Office Tower (475 Howe Street)	89,827	Amazon	Lease	Financial Core
Fortis BC Centre (1111 West Georgia Street)	70,224	Financial Institution	Lease	Financial Core
Willingdon Park Phase III (4260 Still Creek)	68,375	Electronic Arts	Lease	Burnaby
Telus / Brian Canfield Centre (3777 Kingsway)	43,207	ICBC	Lease	Burnaby
Royal Centre (1055 West Georgia Street)	42,831	BDO	Lease	Financial Core
Park Place (666 Burrard Street)	34,062	Bennett Jones LLP	Lease	Financial Core
Bentall IV (1055 Dunsmuir Street)	33,372	Anthem Properties	Lease	Financial Core
Crestwood Corporate Centre – IV (13551 Commerce Parkway)	32,300	Kabuni	Lease	Richmond

## Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Government House (800 Burrard Street) *	222,032	CPP Investment Board / Crestpoint Real Estate Investments Ltd.	\$227,000,000 / \$1,022	Financial Core
Government House (800 Burrard Street) **	222,032	CPP Investment Board / Crestpoint Real Estate Investments Ltd.	\$113,500,000 / \$1,022	Financial Core
Containers – Phase Two	138,343	Rize Alliance Properties Ltd. / Concert Properties Ltd.	\$92,000,000 / \$665	Broadway Corridor
Shorehill Building (1055 West Pender Street)	83,068	Shorehill Investments Ltd./ Hollyburn Properties Ltd.	\$80,000,000 / \$963	Financial Core

\* Share sale  
 \*\* Between Partners

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