

## VANCOUVER OFFICE

### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Vancouver Employment	1.4 mil	1.5 mil	▲
Vancouver Unemployment	4.2%	4.1%	▼
Canadian Unemployment	5.7%	5.6%	■

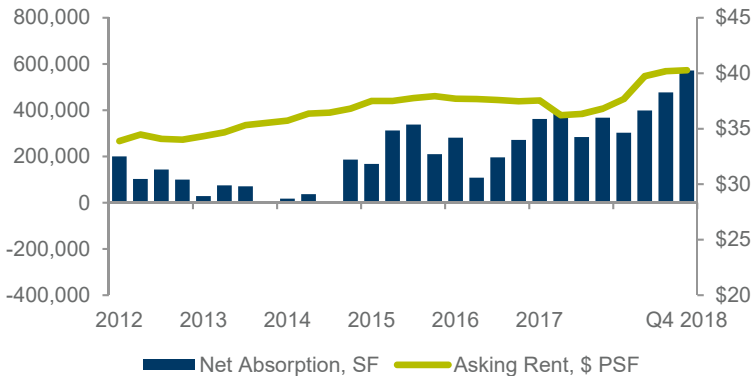
### Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	6.5%	4.0%	▼
Net Absorption (sf)	561,981	942,705	▲
Under Construction (sf)	1,736,307	4,913,877	▲
Average Asking Rent*	\$39.50	\$39.85	▲

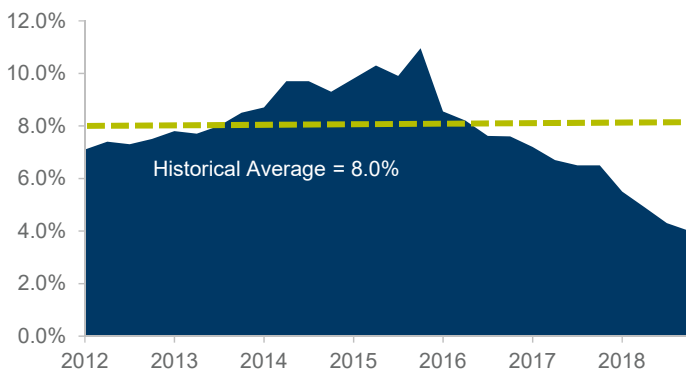
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The housing market in British Columbia was a drag on the economy in 2018 and will likely continue to do so into 2019 due to continued housing unaffordability and an unsustainable pace of growth. On a more positive note the recently announced LNG project in Kitimat got the green light and is anticipated to boost GDP growth in the province to 2.6% in 2019 and even higher in 2020. Construction of the export terminal and associated pipeline will generate an estimated 10,000 jobs. LNG Canada has indicated that it will spend \$18 million in Canada in its first five-year phase, with the majority of that spending located in British Columbia.

Source: RBC Economics

## Market Overview

Overall vacancy rates in 2018 continued to decrease and in the fourth quarter 2018 reached 4.0%, a low not seen in Metro Vancouver since 2000. Several tenants who had leased space in previous quarters have now taken occupancy which helped push overall absorption to just shy of 943,000 square feet (sf). Some of the more notable occupants this quarter were WeWork at Marine Gateway for 95,000 sf, BC Liquor Distribution Branch for 146,000 sf at 4200 Canada Place Way in Burnaby; ICBC for 43,000 sf at Brian Canfield Centre, also in Burnaby, and finally Regus/Spaces at 929 Granville Street for 50,000 sf.

In this continuing supply-constrained environment mid-sized tenants have few options, and larger tenants looking to move into new space are having to wait for the next wave of new construction which is not anticipated until 2021 and beyond. Deloitte Management Services was the most notable transaction this quarter, committing to 117,000 sf at Westbank's new project at 400 West Georgia Street, which is slated for completion in 2021.

In the Suburban market, Burnaby has proven to be the most active. As is the case with most submarkets in Metro Vancouver, Burnaby's vacancy rates are well below "equilibrium" or balanced levels, especially along the SkyTrain transit system where vacancy rates are hovering around 3.8%. Demand is driven by tenants of various sizes in the technology, engineering, and public sectors. Apart from Shape's "the Amazing Brentwood", which will introduce approximately 50,000 sf of new office space to the market, of which 100% is preleased to WeWork, very little new construction is underway. The next anticipated major project to be delivered is Anthem's Station Square at 125,000 sf. Onni's Gilmore Station, which will total more than 750,000 sf when all phases are complete, will soon follow.

WeWork and Spaces, the two most prominent co-working providers in Metro Vancouver, continue to have a significant impact on availability across the entire market. As previously announced, WeWork has leased more than 350,000 sf in both the Central Business District and Suburban markets; Spaces (Regus' community space catering to technology) has also committed to leasing prominent premises on Granville Street and throughout Metro Vancouver.

## Outlook

Although 2018 was a strong year for Vancouver's office leasing market, it is anticipated that 2019 will have its challenges due to lack of space; particularly for tenants seeking larger blocks of space. Lease rates are expected to increase as demand continues its upward trajectory.

MARKETBEAT

# Vancouver, BC

Office Q4 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	239	26,675,983	152,586	468,266	2.3%	281,474	839,671	3,711,132	\$54.52	\$61.74
Broadway Corridor	143	7,509,373	24,899	117,839	1.9%	183,925	396,450	109,592	\$40.58	\$46.50
Burnaby	121	11,033,257	139,830	439,964	5.3%	307,554	629,797	521,154	\$39.15	\$43.59
Richmond	74	4,418,727	40,495	322,462	8.2%	-6,004	-76,311	103,560	\$30.29	\$31.58
North Shore	44	1,817,029	2,203	94,161	5.3%	3,309	47,632	0	\$39.59	\$41.19
New Westminster	30	1,465,130	1,566	169,753	11.7%	17,304	24,644	0	\$35.11	\$39.08
Langley	23	1,027,137	3,702	61,822	6.4%	10,547	57,569	130,000	\$28.23	\$31.11
Surrey	78	4,664,018	11,653	282,968	6.3%	144,596	367,080	338,439	\$26.79	\$26.88
<b>VANCOUVER TOTALS</b>	<b>752</b>	<b>58,610,654</b>	<b>376,934</b>	<b>1,957,235</b>	<b>4.0%</b>	<b>942,705</b>	<b>2,286,532</b>	<b>4,913,877</b>	<b>\$39.85</b>	<b>\$39.75</b>

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

## Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1138 Melville Street	155,000	Government of Canada	Renewal	Financial Core
400 West Georgia Street	117,247	Deloitte Management Services LP	Lease	Financial Core
10851 Shellbridge	21,994	Arlo Technologies Inc.	Lease	Richmond
Marine Gateway	21,585	RBC Dominion Securities	Lease	Broadway Corridor
200 Granville Street	18,000	Allocadia Software Inc.	Lease	Financial Core
13775 Commerce Parkway	17,202	Ellis Don	Lease	Richmond
6400 Roberts Street	17,087	Smith + Andersen	Lease	Burnaby
1111 West Georgia Street	14,257	MCW Consultants Ltd.	Lease	Financial Core
609 Granville Street	13,472	Insight Global	Lease	Financial Core
1055 West Hastings Street	12,396	Ledcor Group of Companies	Lease	Financial Core

## Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Ormidale Block (151-155 West Hastings Street)	38,511	Century Group / Allied Properties REIT	\$40,000,000 / \$1,039	Financial Core
1220 Homer Street	21,708	O'Conner Galloway Investments Ltd. / Allied Properties REIT	\$17,500,000 / \$806	Financial Core
Oakwood Terrace (5930 East Boulevard)	4,997	Private Individual / Matchpoint Development Ltd.	\$6,300,000 / \$1,261	Broadway Corridor
Arista Professional Centre (Strata)	7,770	Earth King Investments / A & G Dhaliwal Holdings Ltd.	\$3,883,306 / \$500	Surrey

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