

MARKETBEAT VANCOUVER, BC



Office Q4 2019

YoY
Chg

12-Mo.
Forecast

3.6%

Vacancy Rate



93,905

Net Absorption, SF



\$44.79

Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY
Chg

12-Mo.
Forecast

1.5M

Vancouver
Employment



4.9%

Vancouver
Unemployment Rate



5.9%

Canada
Unemployment Rate



Source: Statistics Canada

ECONOMY: Positive Outlook

B.C.'s economic outlook is positive according to RBC Economics that reports "in both 2020 and 2021, B.C. will lead the provinces in terms of growth at 2.4% and 2.7%. It tops the leader board in both employment and labour force growth (2.8%) and population growth is tracking the fastest increase in 10 years."

SUPPLY AND DEMAND: Challenging Times

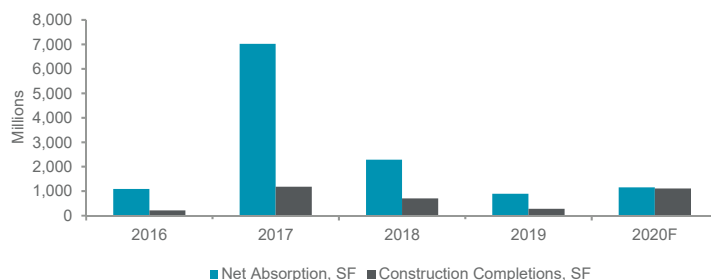
Supply cannot keep up with the continued demand for office space in Vancouver. The fourth quarter overall vacancy rate was 3.6% and a mere 2.3% for Downtown Vancouver. This pressure is not expected to be relieved in the near term, even though there is a total of approximately 9.8 million square feet (msf) under construction in the Metro Vancouver area. Most new projects being delivered in 2021-2024 will be largely pre-leased/pre-sold by completion. While there may be some short-lived pockets of available space, vacancy options greater than 25,000 square feet (sf) do not exist in Downtown Vancouver and no major large blocks of space are anticipated to come back to the market in the near future. Overall, only 276,026 sf of new supply was added to the office inventory in 2019 (with no new supply in downtown Vancouver), and every square foot is fully preleased/presold (pl/ps).

The tech sector continues its impressive growth, driving unprecedented demand for office space, particularly in the CBD area. More than 60% of tenants actively looking for office space are related to the tech sector. Amazon alone is a significant driving force behind this demand. In addition to its existing space at Telus Garden (156,000 sf) and recently preleased space at 402 Dunsmuir (146,000 sf), Amazon has committed to leasing both towers at the Post on Georgia (currently under construction) totaling an astounding 1.1 msf. Demand in suburban markets continues to grow due to the tech industry, as well as other strong sectors such as government and engineering. As expected, with limited existing space there was limited activity in the fourth quarter. Notable transactions included Investors Group (22,065 sf) at Metrotower III, BMO (25,143-sf renewal) at 4710 & 4720 Kingsway and VCH (20,618-sf sublease) at 2025 Willingdon. Currently there is a total of 4.0 msf under construction in Downtown Vancouver with 65% already pl/ps. For the Broadway Corridor and Periphery, it is 2.0 msf at 30% pl/ps, Burnaby at 1.5 msf with 17% pl/ps, Surrey & Langley at 1.7 msf with 12% pl/ps and finally Richmond at 600,000 sf with 15% pl/ps.

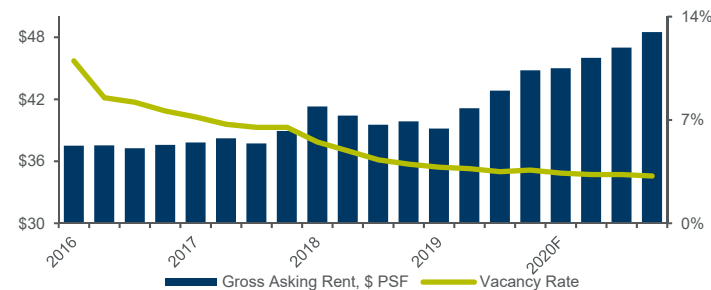
PRICING: Asking Rents Continue to Rise with Limited Supply

The supply crunch for space has resulted in steadily increasing gross asking rates over the past two years, reaching \$44.79 per square foot (psf) for Metro Vancouver in the fourth quarter of 2019, up from \$38.93 psf in the fourth quarter of 2017. CBD asking rents are at \$59.36 psf - up from \$45.81 psf posted two years ago. Vancouver's office market has now reached vacancy levels not seen since 2000 - before the "tech meltdown" in 2001. With the positive economic outlook and the increasing demand for office space outpacing supply, rents will inevitably continue to rise (more so for downtown Vancouver) and vacancy will likely continue to decline. As a result, Downtown Vancouver tenants will be under increasing pressure to either renew short-term or consider suburban markets.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown Vancouver	26,431,197	92,690	522,529	2.3%	-31,144	138,621	1,746,072	4,257,384	\$63.71	\$64.15
Broadway Corridor	7,588,724	13,895	202,392	2.9%	38,164	160,748	354,316	720,103	\$43.65	\$53.52
Burnaby	11,092,076	150,131	379,311	4.8%	17,180	181,927	709,186	1,252,435	\$39.50	\$42.88
Richmond	4,516,583	30,283	350,690	8.4%	2,420	118,392	279,598	395,950	\$30.37	\$30.37
North Shore	1,817,029	984	51,143	2.9%	-213	36,208	77,815	0	\$38.80	\$39.00
New Westminster	1,465,130	0	152,889	10.4%	-29,560	12,378	149,108	0	\$36.48	\$38.15
Langley	1,067,137	4,086	43,464	4.5%	37,859	57,974	68,191	421,905	\$28.66	\$31.72
Surrey	4,664,018	14,728	133,324	3.2%	61,195	177,587	257,240	362,975	\$36.07	\$37.57
Tri Cities	874,339	0	13,644	1.6%	-1,996	5,838	42,926	52,230	\$27.11	N/A
VANCOUVER TOTALS	59,516,233	306,797	1,849,386	3.6%	93,905	889,717	3,684,452	7,462,982	\$44.79	\$42.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4710 & 4720 Kingsway	Burnaby	BMO	25,143	Renewal*
4730 Kingsway	Burnaby	Investors Group	22,065	New Lease
2025 Willingdon Avenue	Burnaby	Vancouver Coastal Health	20,618	Sublease
1455 West Georgia Street	Vancouver	Nexii	17,927	New Lease

*Renewal – not included in Leasing Activity Statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3605 – 3680 Gilmore Way	Burnaby	Sun Life Assurance Company of Canada / Redstone Enterprises Ltd	95,041	\$38.2M/ \$402
620 Royal Avenue	New Westminster	Sagewood Holdings / YMCA of Greater Vancouver Foundation	44,150	\$15.5M/ \$351
5660 – 5680 192 nd Street	Surrey	Dowco Holdings / 450617 BC Ltd	29,149 (est.)	\$9.5M/ \$327 (est.)
1502 – 1508 West 2 nd Avenue	Broadway Corridor	Bridgegate Enterprises Ltd / Hynes Developments Inc	13,909	\$12.6M/ \$908

KEY CONSTRUCTION COMPLETIONS 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
8451 Bridgeport Road	Richmond	N/A (Strata)	97,856	MYIE
6060 Silver Avenue	Burnaby	WeWork	58,819	Anthem / Beedie
285 West 5 th Avenue	Broadway Corridor	Relic Entertainment	42,846*	PC Urban

*Office portion

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