

Office Q4 2020

6.1%
Vacancy Rate



-584,598
Net Absorption, SF



\$50.38
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

1.4M
Vancouver Employment



7.4%
Vancouver Unemployment Rate



8.6%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMIC OVERVIEW

British Columbia is anticipated to post a middle-of-the-pack 5.3% contraction in GDP in 2020. Barring an unanticipated deterioration in the pandemic situation, the outlook for 2021 is much more encouraging. It is projected there will be strong capital investment and a rebound in major industrial sectors to propel GDP growth to a 33-year high of 5.1%. Access the most recent research on CRE and the state of economy [here](#).
Source: RBC Economics

SUPPLY AND DEMAND: Office Demand Declines After a Strong 2019

As the pandemic persisted, so did its negative impact on office demand. The overall downtown Vancouver vacancy rate in the fourth quarter of 2020 rose to 6.6%, its highest level in the past 18 quarters. An influx of vacant space within all classes in downtown drove already negative absorption further down to negative 450k square feet (sf) in the fourth quarter, resulting in an all-time record negative 1.1 million square feet (msf) for the year. The majority of the negative absorption over the past year was seen in Class B product at negative 604.7k sf, while Class AAA recorded 32.7k sf of positive absorption for the year. In Metro Vancouver overall 2020 absorption reached negative 1.1 msf, a level not seen since the dot-com collapse in 2001. However, on a positive note, three out of seven suburban markets reported positive absorption for the year: Burnaby at 105k sf, Langley at 94k sf, and New Westminster at 81k sf.

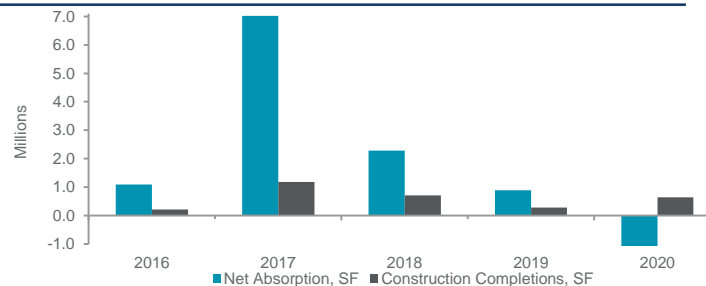
Although nearly 60% of the new supply being delivered in 2021 in Metro Vancouver has been pre-leased/pre-sold, both vacancy and absorption will still likely be negatively impacted over the next four quarters. Without any pre-lease commitments to date, 601 W Hastings and 1280 Burrard may be added to the downtown inventory as vacant upon completion. This, combined with the potential addition of new sublease and co-working space, may drive the year-end 2021 downtown vacancy rate to as high as 10% from the current 6.6%. Presently, however, the overall market statistically continues to remain a landlord's market.

While sublease availability is still on the rise, large blocks of sublease space have yet to be added to the downtown market (average sublease listing size is 5k sf). This may change in the first quarter of 2021 as many companies are still wary of making significant commitments in light of the uncertainty involving remote working and the effective use of office space. Approximately 820k sf of sublease space was added to the downtown availability since the beginning of the second quarter of 2020, with 1.2 msf arriving overall in Metro Vancouver. Sublease vacancy currently accounts for 42% of total vacant space in downtown, up from just 15% one-year-ago, and is expected to continue to rise as the economic uncertainty surrounding the pandemic persists.

PRICING: Asking Rents are Under Pressure

Regardless of the rise in vacancy, most suburban markets including the Broadway Corridor saw a slight to moderate increase in direct asking rents over the past year. This was partially due to the addition of five new high-quality office buildings. Downtown A Class rents remained stable over the same period. The continuing effects of the pandemic will, however, likely lead to more direct and sublet inventory coming to the market which will put increased downward pressure on overall asking rates throughout 2021.

SPACE DEMAND / DELIVERIES



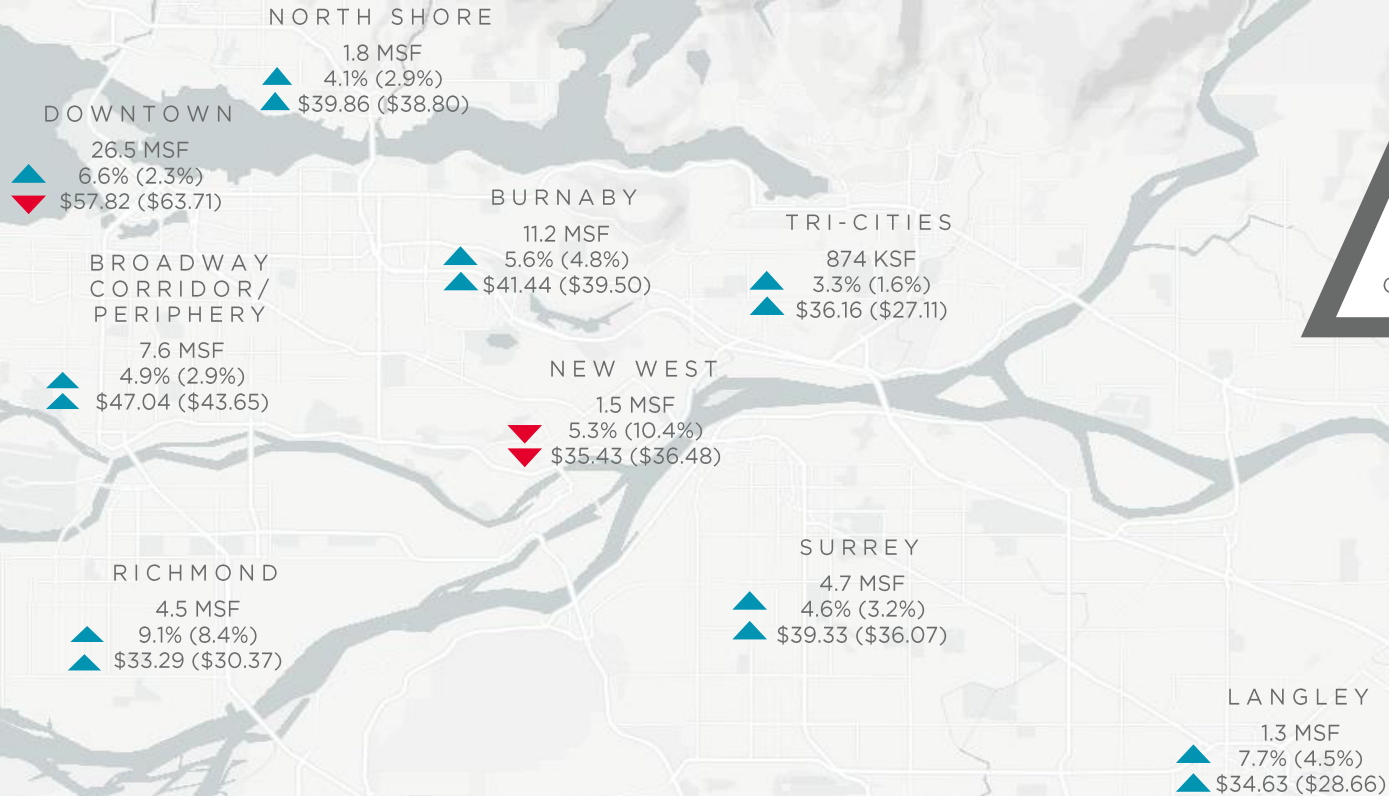
OVERALL VACANCY & ASKING RENT



MARKETBEAT VANCOUVER AREA



Office Q4 2020



LEGEND

- SUBMARKET
- Total Inventory
- Q4 2020 (Q4 2019) Overall Vacancy Rate*
- Q4 2020 (Q4 2019) Average Asking Rent**

YEAR-OVER-YEAR CHANGE

	NORTH SHORE	DOWNTOWN	B. CORR. & PERIPHERY	RICHMOND	BURNABY	NEW WEST	TRI-CITIES	SURREY	LANGLEY
Vacancy (SF)	22,785	1,133,374	157,350	28,266	100,128	-74,710	14,958	65,131	50,835
Avg. Asking Rate PSF (\$)	\$1.06	-\$5.89	\$3.39	\$2.92	\$1.94	-\$1.06	\$9.05	\$3.26	\$5.97

*Direct and sublease **Rental rates reflect full service asking

Office Q4 2020

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	26,522,184	736,018	1,012,575	6.6%	-452,044	-1,107,411	1,068,383	4,145,053	\$57.82	\$63.92
Broadway Corridor	7,577,241	103,245	270,392	4.9%	-98,893	-117,463	406,640	1,484,931	\$47.04	\$55.02
Burnaby	11,247,725	219,280	410,290	5.6%	13,410	104,748	506,603	1,257,405	\$41.44	\$44.28
Richmond	4,516,583	29,096	380,143	9.1%	-41,468	-31,043	327,678	635,231	\$33.29	\$34.49
North Shore	1,817,029	8,198	66,714	4.1%	-6,505	-22,792	50,767	0	\$39.86	\$41.50
New Westminster	1,465,130	0	78,189	5.3%	13,111	80,762	135,822	141,860	\$35.43	\$36.89
Langley	1,271,892	1,339	97,046	7.7%	16,515	93,920	51,671	480,525	\$34.63	\$38.00
Surrey	4,664,018	17,272	195,911	4.6%	-20,766	-69,851	119,515	372,039	\$39.33	\$39.70
Tri Cities	874,339	1,600	27,002	3.3%	-7,958	-14,954	18,411	52,230	\$36.16	\$38.56
VANCOUVER TOTALS	59,956,141	1,116,048	2,538,252	6.1%	-584,598	-1,084,084	2,685,490	8,569,274	\$50.38	\$52.89

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1110 Hamilton Street	Vancouver	Unity Technologies	21,515	Sublease
887 Great Northern Way	Vancouver	MEC	19,000 (est.)	New Lease
8900 Glenlyon Parkway	Burnaby	Symvivo Incorporated	18,607	New Lease
625 Agnes Street	New Westminister	Fraser Crossing Constructors	14,184	New Lease
2985 Virtual Way	Burnaby	Clarius Mobile Health Corp	10,595	Sublease

Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
4321 Still Creek Drive	Burnaby	Spear Street Capital/ Kingswood Capital Corporation	226,519	Confidential
London Plaza, 5951 No. 3 Road	Richmond	Investors Real Property Fund/ 1265493 BC Ltd	27,504**	Confidential
2695 Granville Street	Vancouver	West 1011 Holdings Ltd/ TPMG Capital	27,812	\$28.6M/ \$1,028

**Office portion

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
155 Water Street	Vancouver	Microsoft	74,458	Low Tide Properties
8063 199 th Street	Langley	Willowbrae Academy	51,000	Private Developer
1575 W Georgia Street	Vancouver	Arpeg Holdings & Co-working Operator	44,784	Bosa Properties-Arpeg Holdings

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