

ECONOMIC OVERVIEW

British Columbia maintained less stringent restrictions than many other parts of Canada through most of 2020. This, coupled with soaring commodity prices and high levels of capital investment, limited the severity of the economic shock last year—the provincial economy was among those contracting the least (-3.8%). With vaccination campaigns in full swing rapidly curbing the pandemic curve, BC authorities loosened restrictions in May. We expect this will energize the provincial economy, complementing ongoing strength in the export sector and capital investment. We project growth to rebound to a solid 6.4% this year. Source: *RBC Economics*

SUPPLY AND DEMAND: Mixed Signals – but still a Landlord’s Market

Vacancy continued its upward trajectory reaching 7.9% overall in Metro Vancouver (up from 7.3% in the first quarter). However, our market analysis shows significant interest in available space (tenant mandates) with approximately 60% of that coming from tech-related companies. Some of that interest has translated into completed transactions: Abcellera pre-leased additional space at 130-170 West 4th Avenue (109,490 square feet (sf) *, “confidential tech company” (first U.S. company committed to a new build in Vancouver) pre-leased 27,275 sf at 601 West Hastings Street, and BDC pre-leased 17,000 sf at 1133 Melville Street. Much of this new leasing activity is for new builds – a positive sign. However, there remains some economic uncertainty as companies assess market conditions both locally and globally regarding the residual effects of the pandemic. As a result, sublease space remains on the rise in the Downtown Core but at a much slower pace with 644,000 sf currently available and vacant, making up 34% of all available and vacant space. This is suggestive of many existing tenants taking a “wait-and-see” approach for the near term. Despite this uncertainty, Vancouver remains a precarious landlord’s market. Overall leasing activity in Metro Vancouver has picked up over the past year with 1.4 msf in the second quarter of 2021 compared to 450,000 sf at this point last year.

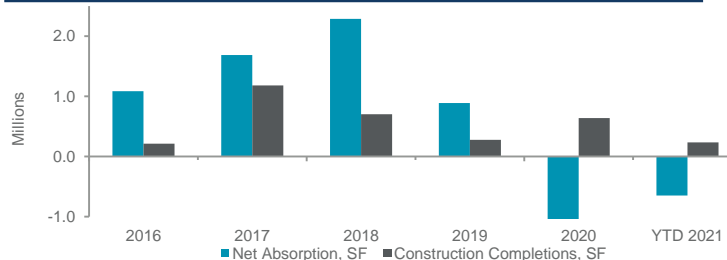
Suburban markets continue to outperform CBD markets in terms of year-to-date (YTD) absorption. For the first half of 2021 the CBD market reached negative 649,448 sf, largely due to downtown move-outs, while the total Suburban YTD absorption was only negative 1,622 sf.

Despite most suburban markets recording a slight increase in vacancy from 7.3% in the first quarter to 7.9% this quarter, buildings close to transit hubs continue to have a tight vacancy and remain important to tenant relocation decisions. Currently, the Skytrain vacancy in Burnaby is at 4.1% versus 6.3% off Skytrain; Surrey - 0.8% (5.7% off Skytrain); Richmond - 6.2% (9.0% off Skytrain); and New Westminster – 3% (5.8% off Skytrain). Consequently, new office development projects such as Kaslo (212,000 sf), Gilmore Place Phase I (83,869 sf), Phase II (656,457 sf) and Capital Point Metrotown (245,000 sf, strata) will undoubtedly benefit from their prime locations near transit. However, this new construction is forecasted to increase vacancy to 5% by 2022 – well within a landlord’s market.

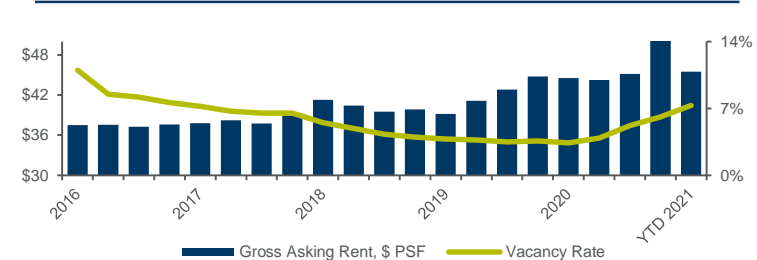
PRICING: Holding Steady

Overall Broadway Corridor/Periphery and Burnaby asking rents recorded a modest increase quarter-over-quarter; primarily the result of new builds coming online with higher-priced space. Downtown Core average asking rents remained stable over the past quarter, averaging \$54.48 Gross per square foot. However, the potential for existing sublease space (644,000) rolling over to head lease availability may put some downward pressure on asking rates going forward.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



7.9%
Vacancy Rate

YoY Chg ▲ 12-Mo. Forecast ▲

-141,004
Net Absorption, SF

YoY Chg ▲ 12-Mo. Forecast ▼

\$46.19
Asking Rent, PSF

YoY Chg ▲ 12-Mo. Forecast ▼

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

1.5M
Vancouver Employment

YoY Chg ▲ 12-Mo. Forecast ▲

7.5%
Vancouver Unemployment Rate

YoY Chg ▼ 12-Mo. Forecast ▼

7.8%
Canada Unemployment Rate

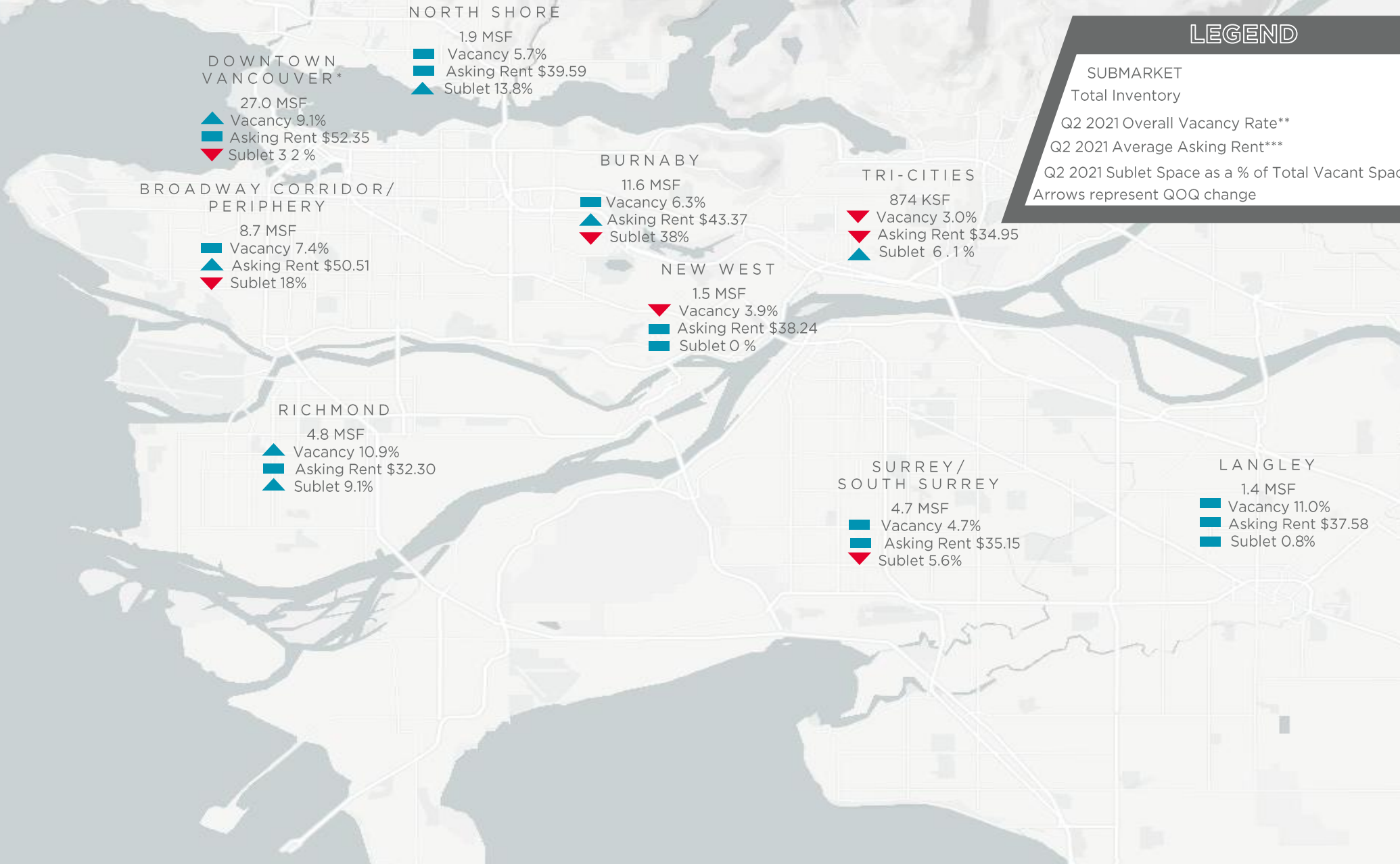
YoY Chg ▼ 12-Mo. Forecast ▼

Source: Statistics Canada

*subject to change pending rezoning application

VANCOUVER AREA

Office Q2 2021



LEGEND

- SUBMARKET
- Total Inventory
- Q2 2021 Overall Vacancy Rate**
- Q2 2021 Average Asking Rent***
- Q2 2021 Sublet Space as a % of Total Vacant Space
- Arrows represent QOQ change

* includes Gastown/Railtown and Yaletown

** Direct and sublease

*** Rental rates reflect full service asking

Office Q2 2021

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 Core	23,120,778	644,093	1,243,039	8.2%	-107,034	-355,852	820,108	3,800,351	\$54.48	\$64.48
Yaletown	2,154,820	83,013	249,062	15.4%	-60,473	-79,346	156,657	22,863	\$53.09	\$56.99
Gastown/Railtown	1,748,762	57,029	176,534	13.4%	-242	-57,710	93,997	86,301	\$43.57	\$49.79
Broadway Corridor	5,922,486	65,477	270,973	5.7%	-998	-55,205	199,864	475,292	\$46.02	\$50.69
Mt. Pleasant	1,615,515	7,197	138,831	5.5%	-8,487	5,323	158,847	899,001	\$44.36	\$54.35
False Creek Flats	1,147,297	23,835	140,573	14.3%*	-14,658	-126,658	23,552	870,211	\$51.62	\$53.87
Broadway Corr./Vancouver Periphery	8,685,298	96,509	550,377	7.4%*	-24,143	-176,540	382,263	2,244,504	\$50.51	\$54.00
Burnaby	11,649,543	254,533	478,013	6.3%	27,526	-20,892	453,798	1,233,859	\$43.37	\$47.32
Richmond	4,862,733	48,318	482,197	10.9%	-57,354	-42,669	403,928	629,128	\$32.69	\$34.01
North Shore	1,968,857	15,649	97,426	5.7%	2,013	-31,715	54,383	0	\$38.94	\$43.18
New Westminster	1,555,997	0	60,339	3.9%	26,085	32,592	68,742	141,860	\$38.24	\$39.22
Langley	1,352,710	1,149	149,973	11.0%	46,426	53,190	43,393	236,146	\$37.58	\$42.73
Surrey	3,586,224	11,860	140,323	4.2%	-6,167	490	125,059	269,382	\$33.63	\$38.88
South Surrey	1,098,201	650	68,737	6.3%	6,200	4,832	41,547	111,406	\$38.74	\$38.74
Surrey/South Surrey	4,684,425	12,510	209,060	4.7%	33	5,322	166,606	380,788	\$35.15	\$37.23
Tri Cities	874,339	1,600	24,452	3.0%	6,159	2,550	30,659	54,995	\$34.95	N/A
VANCOUVER TOTALS	62,658,262	1,214,403	3,718,562	7.9%	-141,004	-651,070	2,674,534	8,830,795	\$45.19	\$51.72

*includes a fully vacant 1077 Great Northern Way (former MEC head office, 112,000 sf)

Renewals not included in leasing statistics

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
130-170 West 4 th Avenue (U/C)	Vancouver	Abcellera	109,490**	New Lease
3777 Kingsway	Burnaby	Evolution Studios	58,904	New Sublease
4321 Still Creek	Burnaby	Phoenix Labs Canada ULC	33,461	Expansion
601 West Hastings Street	Vancouver	"Confidential"	27,275	New Lease
2025 Willingdon Avenue	Burnaby	Skybox Labs Inc	21,941	New Lease

**subject to change pending rezoning application

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KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/ \$ PSF
888 Dunsmuir & 625 Howe St***	Vancouver	Manulife Financial/ Sunnyland Group	255,000	Confidential
815 Hornby Street	Vancouver	Golden Crown Land And Investment (Van.) Canada Inc/ Reliance Properties Ltd	75,000	\$93,000,000/ \$1,240
20385 64 th Street	Langley	Campus Crusade for Christ Foundation/ 1287504 B.C. Ltd	57,327	\$20,500,000/ \$358

***Share Sale

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