

ECONOMIC OVERVIEW

According to TD Canada, recently released industry GDP data for 2023 showed that British Columbia's (B.C.) economy experienced better-than-expected growth last year, with a GDP growth of 1.6%, aligning with Ontario and Saskatchewan. This upside surprise was driven by the services sector with significant expansions in public services, real estate and professional services. TD Canada has slightly raised B.C.'s GDP growth projection for this year. However, the economy faces pressure from a subdued household sector, uncertain external conditions and weak investment prospects. TD Canada anticipates a pickup in 2025, with B.C. likely regaining its status as an above-average performer.

SUPPLY AND DEMAND – Overall Resilience

Continuously fueled by recent new construction completions and sublease inventory, the downtown Vancouver vacancy rate remained high at 14.1% in the second quarter, maintaining a 30-year high since the last peak in 2003. This represents only a minor 10 basis point (bps) increase quarter-over-quarter (QOQ). This sustains a tenant's market, in contrast to most suburban and Broadway Corridor/Periphery markets where vacancy remains below 10%. The direct vacancy rate for Class A and AAA options in downtown Vancouver increased slightly QOQ, registering at almost 11% (similar to a year ago). This was primarily due to the addition of several available and vacant floors at B6, 1090 West Pender Street which was added to the office inventory this quarter upon completion (77% pre-leased). Alternately, there have been a few significant credit-worthy tenant occupancies this quarter in downtown Vancouver leading to an overall positive absorption of 833k square feet (sf) and positively affecting the vacancy rate. As tenants continue to take occupancy in new builds, large blocks of vacant space will be left behind, many of which have yet to be filled.

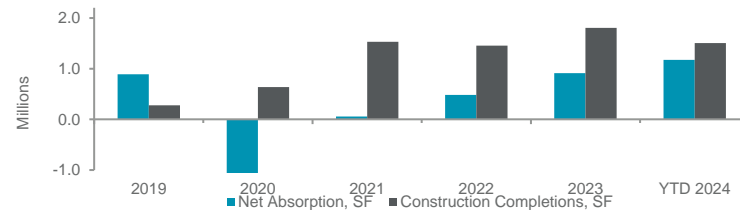
The overall Metro Vancouver market continued to demonstrate stability in the second quarter of 2024 with the vacancy rate increasing only slightly to 10.3%; a modest 20 bps rise from the previous quarter. This continues to be the lowest vacancy rate among major markets in North America with inventory greater than 69 million square feet (msf), showcasing the resiliency of the Metro Vancouver office market and defying the national trend.

New leasing activity in Metro Vancouver increased by 48% QOQ and is the highest since the first quarter of 2023, driven primarily by tech and public sector companies leasing space in higher quality Class A & AAA buildings. The tech sector still represents 40% of all active tenant mandates, after dominating demand pre-pandemic at 55-60% until the fourth quarter of 2022. This aligns with the tech industry remaining the primary contributor to sublease availabilities, accounting for 53% of sublease availabilities over 10k sf in Metro Vancouver and 57% in downtown Vancouver as these occupiers continue to adapt to hybrid work models.

PRICING – Elevated Vacancy Leads to Decrease in Asking Rates in Downtown, Unlike Suburban, Unlike Suburban Markets

As was expected, the elevated vacancy levels in Downtown Vancouver continued to exert downward pressure on asking rates, which had been steadily increasing primarily driven by higher-quality Class AAA new builds. These rates reached a plateau in the fourth quarter of 2023 and the first quarter of 2024. Subsequently, there was a moderate decrease of 2% QOQ, with gross rates now averaging \$60.32 per square foot (psf). Landlords of higher-quality office buildings in downtown Vancouver offer significantly larger tenant improvements (TIs) to maintain higher asking rates. The addition of new builds such as Gilmore Place-Phase I and Brewery District-Building 7, resulted in the overall asking rate to increase this quarter in Burnaby and New Westminster; with a year-over-year increase of 10% and 13%, respectively. The Surrey and Langley markets also registered an increase in asking rates QOQ as vacancy decreased. Looking ahead, potential increases in vacancy rates and uncertain market conditions are expected to exert downward pressure on asking rates, which have been resilient so far.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & DIRECT GROSS ASKING RENT



10.3%
Overall Vacancy Rate

YoY Chg ▲ 12-Mo. Forecast ▲

885K
Overall Net Absorption, SF

YoY Chg ▲ 12-Mo. Forecast ▼

\$54.55
Asking Rent, PSF

YoY Chg ▲ 12-Mo. Forecast —

(Direct Gross Rent, All Property Classes)

ECONOMIC INDICATORS Q2 2024

1.6M
Vancouver Employment

YoY Chg ▲ 12-Mo. Forecast ▲

5.6%
Vancouver Unemployment Rate

YoY Chg — 12-Mo. Forecast ▲

6.4%
Canada Unemployment Rate

YoY Chg ▲ 12-Mo. Forecast ▲

Source: Statistics Canada

VANCOUVER, BC

Office Q2 2024

SUPPLY PRESSURE: Recent Robust New Construction Slowed Dramatically

With the recent wave of new construction completions in downtown Vancouver finally coming to an end with over 3.8 msf added to the inventory since 2021; with 3.3 msf of that total pre-leased/pre-sold despite the pandemic and economic challenges, there are no major office buildings currently under construction and therefore there is no longer a threat of increased vacancy from new builds until at least 2029. However, there is over 4.4 msf in the planning stages with many of those projects currently on hold.

Currently, there is minimal interest in financing office projects. Nevertheless, 3.6 msf of office space is anticipated to be delivered in Broadway Corridor/Periphery and suburban markets between 2024 and 2027 (almost 50% of it is already pre-leased/pre-sold). The Broadway Corridor/Vancouver Periphery and Burnaby markets are leading the way with 1.5 msf (72% pre-leased/pre-sold) and 1.0 msf (11% pre-leased/pre-sold) respectively under construction. There is also a growing trend of converting proposed office developments into hotels or residential properties across Metro Vancouver as well as reducing their size or delaying them due to financing challenges.

However, the 'flight to quality' trend persists with tenants looking to upgrade their premises by leasing space in high-quality new builds attracted by rich amenities, the latest HVAC systems and environmentally friendly features. For example, ICBC just pre-leased 164k sf in the under-construction 2150 Keith Drive, the Hive. Industrial Light and Magic (Disney) also chose to lease 43k sf at the newly built The Stack, moving from Gastown later this year. Lastly, adMare BioInnovations pre-leased 30k sf at the nearly completed Main Alley M4, relocating from UBC. They join other companies that incubated on the UBC campus, grew and then moved off campus.

SUPPLY PRESSURE: Sublease Activity Declined QOQ

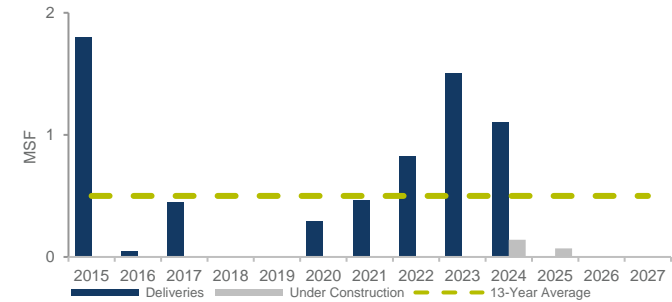
Overall sublease activity in Downtown Vancouver continued to decrease in the second quarter of 2024, reaching 18.7% of all available and vacant space. This is down from 20.8% in the first quarter of 2024 with some sublease spaces going direct upon sublease term expiry and others getting leased. Overall Metro Vancouver sublease activity also decreased in the second quarter of 2024, with overall vacant sublease space accounting for 21.3% of all available and vacant space, down from 24.3% in the first quarter of 2024.

Even though sublease activity decreased, there is still over 1.9 msf of sublease space available in Metro Vancouver (both vacant and occupied), with 1.5 msf of it being vacant. This availability is often driven by tenants looking to downsize with some tenants barely occupying their spaces. This has resulted in Downtown Vancouver having the most available sublease space at 1.0 msf, followed by Burnaby at 328k sf.

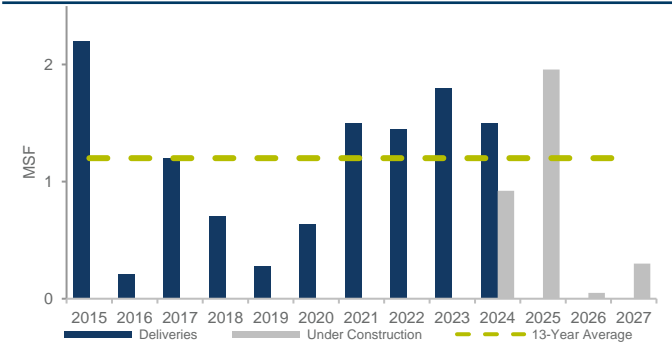
Outlook

- Due to limited financing availability and financing costs, continuation of the working from home model, moderately improving economic conditions, limited tenant growth and increasing construction costs, further announcements are expected regarding proposed office projects converting to residential and other uses.
- After hitting a pause, sublease activity may not be over as tenants reconsider their real estate footprint, capital expenditures and occupancy costs potentially leading to an increase in the overall vacancy rate.
- Upcoming new builds this year, with over 500k sf set to be delivered to the Burnaby market and only 21% pre-leased, the overall vacancy will likely be pushed higher.

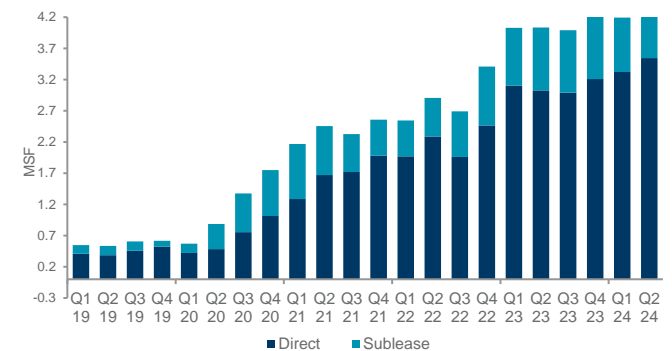
DOWNTOWN VANCOUVER NEW SUPPLY



METRO VANCOUVER NEW SUPPLY



DOWNTOWN VANCOUVER DIRECT VS. SUBLEASE SPACE AVAILABLE (VACANT)





Office Q2 2024

LEGEND

SUBMARKET

Total Inventory

Q2 2024 Overall Vacancy Rate*

Q2 2024 Weighted Average Gross Asking Rent**

Q2 2024 Sublet Space as a % of Total Vacant Space

Arrows represent YOY change

DOWNTOWN VANCOUVER
 30.1 MSF
 ▲ Vacancy 14.1%
 ▼ Asking Rent \$60.32
 ▼ Sublet 18.7%

NORTH SHORE
 2.1 MSF
 ▼ Vacancy 3.2%
 ▲ Asking Rent \$37.84
 ▼ Sublet 3.7%

BROADWAY CORRIDOR/ PERIPHERY
 9.8 MSF
 ▲ Vacancy 7.0%
 ▼ Asking Rent \$49.26
 ▼ Sublet 17.8%

BURNABY
 11.9 MSF
 ▲ Vacancy 9.2%
 ▲ Asking Rent \$49.66
 ▲ Sublet 33.5%

TRI-CITIES
 892 KSF
 ▼ Vacancy 2.0%
 ▲ Asking Rent \$47.32
 ■ Sublet 0 %

NEW WEST
 1.6 MSF
 ▲ Vacancy 5.6%
 ▲ Asking Rent \$43.58
 ▼ Sublet 4.1%

RICHMOND
 5.1 MSF
 ▲ Vacancy 10.4%
 ▼ Asking Rent \$35.04
 ▲ Sublet 31.4%

SURREY/ SOUTH SURREY
 5.2 MSF
 ▼ Vacancy 3.9%
 ▼ Asking Rent \$39.01
 ▼ Sublet 12.2%

LANGLEY
 1.7 MSF
 ▼ Vacancy 2.6%
 ▲ Asking Rent \$46.14
 ▲ Sublet 12.9%

*Direct and sublease; includes leased but not yet occupied space

**Asking rental rates do not take into account tenant inducements; based on all available direct and vacant space

Office Q2 2024

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG DIRECT ASKING RENT (ALL CLASSES)	OVERALL AVG DIRECT ASKING RENT (CLASS A)
Downtown Core	26,653,791	725,119	3,008,263	14.0%	834,160	852,206	1,256,771	74,217	\$62.49	\$68.98
Yaletown	2,292,399	17,090	265,704	12.3%	-10,210	-11,861	160,683	30,000	\$52.36	N/A*
Gastown/Railtown	1,937,315	74,327	270,069	17.8%	8,930	12,218	75,185	36,000	\$45.32	\$55.71
Downtown Vancouver	30,883,505	816,536	3,544,036	14.1%	832,880	852,563	1,492,639	140,217	\$60.32	\$68.37
Broadway Corridor	6,081,902	88,260	401,986	8.1%	90	71	85,866	807,915	\$46.39	\$45.82
Mt. Pleasant	2,361,371	26,425	131,165	6.7%	-2,779	200,728	84,434	388,143	\$59.14	\$63.55
False Creek Flats	1,346,711	7,181	30,851	2.8%	0	-3,200	169,153	346,418	\$46.00	N/A
Broadway Corr./Vancouver Periphery	9,789,984	121,866	564,002	7.0%	-2,689	197,599	339,453	1,542,476	\$49.26	\$49.40
Burnaby	11,936,807	369,353	734,480	9.2%	-10,353	70,417	362,560	1,000,864	\$49.66	\$51.94
Richmond	5,090,220	166,461	362,963	10.4%	-29,234	-54,099	151,717	301,425	\$35.04	\$34.64
North Shore	2,090,889	2,491	65,093	3.2%	13,941	12,947	54,497	32,502	\$37.84	\$41.54
New Westminster	1,586,423	3,663	85,180	5.6%	13,787	5,528	25,569	100,000	\$43.58	\$48.57
Langley	1,720,231	5,838	39,544	2.6%	21,182	40,868	48,335	0	\$46.14	\$52.29
Surrey	3,777,859	0	111,567	3.0%	31,758	53,846	50,140	483,211	\$41.80	\$51.13
South Surrey	1,465,117	24,940	68,738	6.4%	7,993	-10,228	24,433	0	\$34.51	\$34.33
Surrey/South Surrey	5,242,976	24,940	180,305	3.9%	39,751	43,618	74,573	483,211	\$39.01	\$40.52
Tri Cities	892,004	0	18,283	2.0%	5,435	5,434	11,078	126,734	\$47.32	\$49.28
METRO VANCOUVER	69,233,039	1,511,148	5,593,886	10.3%	884,700	1,174,875	2,560,421	3,727,429	\$54.55	\$59.69

Renewals not included in leasing statistics; *Direct Vacancy in A Class is 0%, thus there is no asking rate

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	LEASED SF	TYPE
2150 Keith Drive, the Hive	False Creek Flats	ICBC	164,153	Headlease
1133 Melville Street, The Stack	Downtown Core	Industrial Light and Magic (Disney)	43,066	Headlease
110 East 5 th Avenue, Main Alley-M4	Mount Pleasant	adMare BioInnovations	29,800	Headlease
601 West Hastings Street	Downtown Core	Asana	26,563	Headlease
411 Dunsmuir Street	Downtown Core	BC Ministry of Transportation	24,883	Sublease
4555 Kingsway	Burnaby	IWA Forestry Industry Pension Fund	22,098	Headlease
550 Burrard Street, Bentall V	Downtown Core	Hostway Corporation	17,499	Renewal

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BYER	SF (Total)	PRICE / \$ PSF
460 Nanaimo Street	Broadway Corridor	Nanaimo Enterprises Ltd/ 460 Nanaimo Holdings Limited	26,750	\$15.0M/ \$560
5611 Cooney Road	Richmond	Wesgroup Properties/ TPMG Capital	40,829	Share Sale

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