

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
11.0% Vacancy Rate	▲	▲
881K YTD Net Absorption, SF	▲	▼
\$54.97 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.6M Vancouver Employment	▬	▲
6.3% Vancouver Unemployment Rate	▲	▬
6.5% Canada Unemployment Rate	▲	▬

Source: Statistics Canada

ECONOMY: “RATE CUTS HEAL WITH TIME”

According to TD Economics, B.C.’s economy will underperform the nation this year due to the impact of 2022-2023 interest rate hikes on consumer spending. However, they expect improvement over the next 12-18 months as the Bank of Canada lowers rates. By Q1 2025, spending is projected to rebound, helping B.C. return to above-average economic performance.

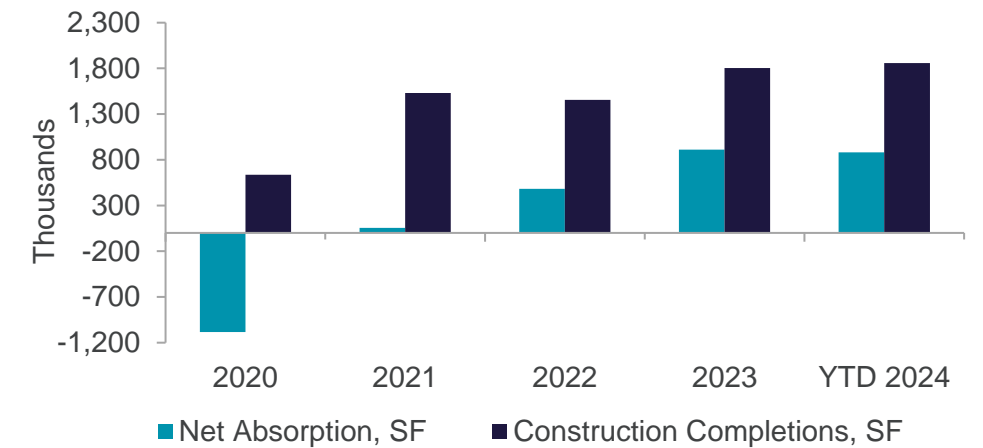
SUPPLY AND DEMAND: RISING VACANCY & SOFTENING DEMAND

The addition of newly built and fully vacant Discovery buildings in Burnaby, along with Soco Phase I in Coquitlam, contributed 346,000 square feet (sf) of vacant space to the market this quarter. These, along with other sizable vacancies, pushed Metro Vancouver’s vacancy rate from 10.3% in the second quarter to 11.0% in the third quarter. Although the volume of office projects under construction has decreased due to many developments either being put on hold or converting to residential or hotel use, a significant 3.2 million square feet (msf) of office space is still under construction, scheduled for delivery between the fourth quarter of 2024 and late 2026. Out of this 3.2 msf, 2.3 msf are projects available for lease with 50% pre-leased. After three consecutive quarters of positive absorption, the market shifted, posting a net negative absorption of 226k sf—the first significant negative absorption since the fourth quarter of 2022—driven by more tenant move-outs than move-ins this quarter. New leasing activity decreased by 35% quarter-over-quarter (QOQ) signaling a softening of tenant demand. There were, nonetheless, a few notable transactions this quarter (details on page 4), with others still under negotiation.

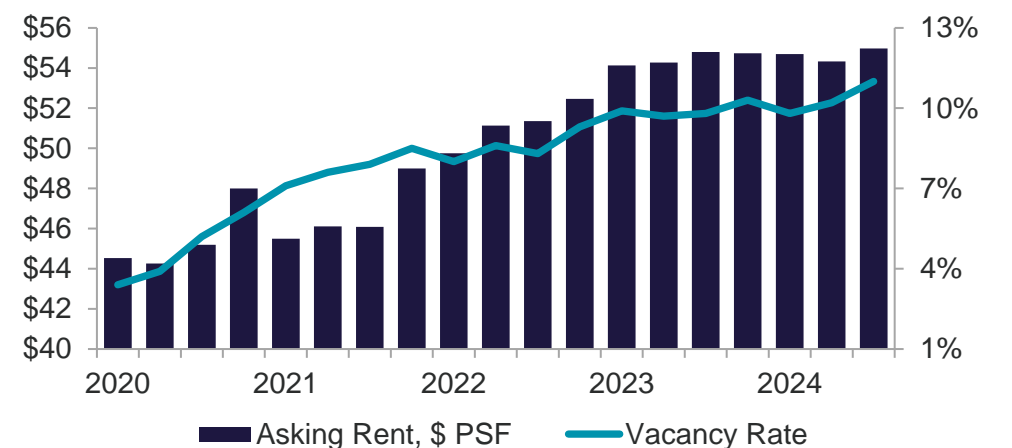
PRICING: RISING ASKING RATES DESPITE VACANCY GROWTH

Despite softening market conditions, overall gross asking rates in Metro Vancouver rose a modest 0.8% to \$54.97 per square foot (psf), though they remain 0.3% below the record-high of \$55.15 psf set in the first quarter of 2024. This increase was largely driven by the addition of new builds and higher-priced direct vacant space, particularly in Burnaby, New Westminister, downtown Vancouver and Surrey.

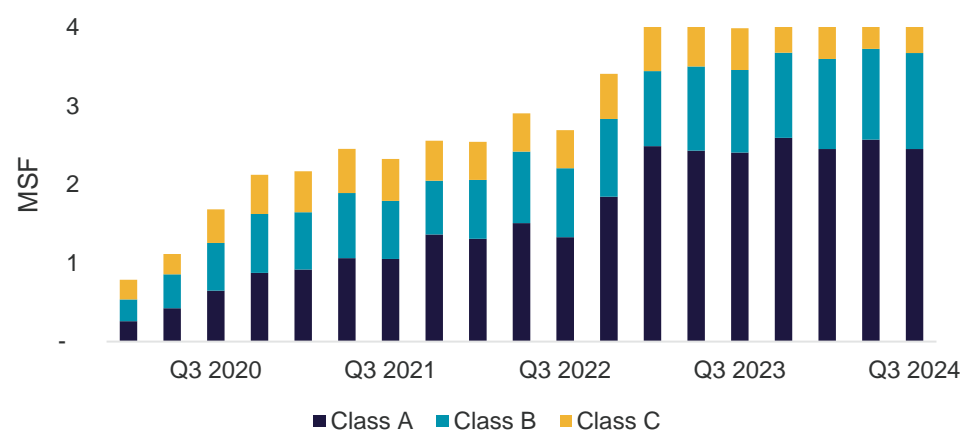
METRO VANCOUVER SPACE DEMAND / DELIVERIES



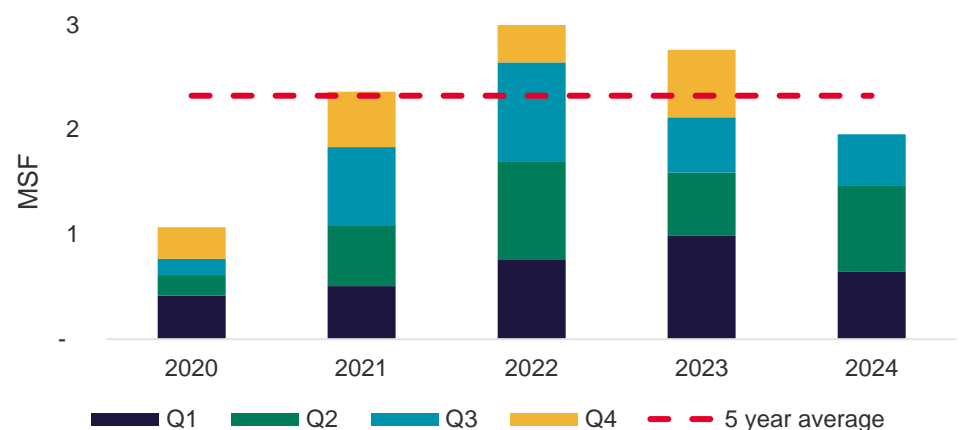
METRO VANCOUVER OVERALL VACANCY & ASKING RENT



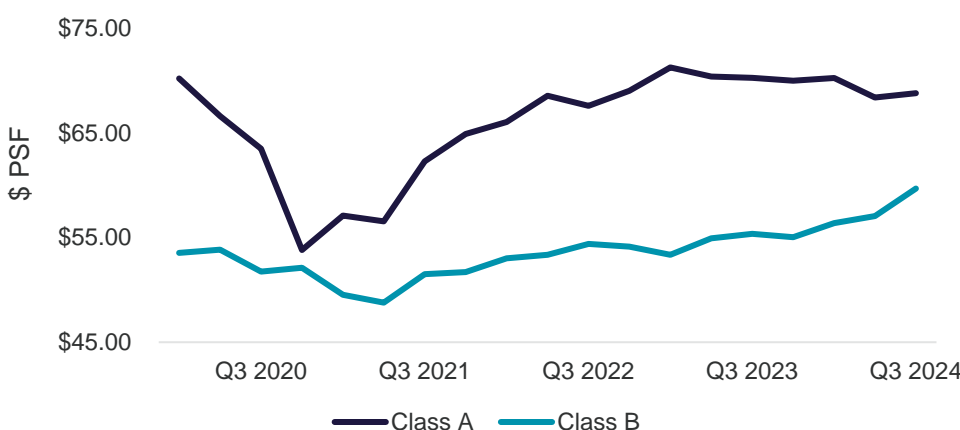
DOWNTOWN VACANT SPACE BY CLASS



DOWNTOWN NEW LEASING ACTIVITY



DOWNTOWN ASKING RENT COMPARISON



SUPPLY: VACANCY PLATEAUED IN DOWNTOWN VANCOUVER

Following an upward trend in vacancy driven by new construction and increased sublease activity, vacancy rates in downtown Vancouver have plateaued, suggesting a more stable market. The overall Downtown vacancy rate has remained steady at 14.1% QOQ. While there has been some movement this quarter, it largely involved tenant shuffling – moving from one space to another. For example, Canaccord relocated from 609 Granville Street (84k sf) to larger premises at The Stack (99k sf). Microsoft further relinquished a significant amount of space at B6, giving back 62k sf on a sub-sublease basis; however, this did not impact overall vacancy or absorption this quarter as this space had been vacant since the building’s completion last quarter. The recent wave of new construction has resulted in Class A & AAA assets having the highest levels of available and vacant space compared to Class B and C assets.

DEMAND: TEMPORARY SLOWDOWN IN LEASING ACTIVITY

New leasing activity in Downtown Vancouver was sluggish in the third quarter, decreasing by 40% QOQ to 492k sf—similar to levels seen in the third quarter of 2023. However, a few large deals are currently under negotiation with existing tenants, particularly in higher-class buildings, indicating the “flight to quality” trend continues. On the other hand, there have been no new large entrants to the market along with some tenants downsizing. Third quarter overall absorption was only 9k sf, with Class B and C assets showing negative absorption of 75k sf and 63k sf, respectively, while Class A and AAA reported positive absorption of 148k sf.

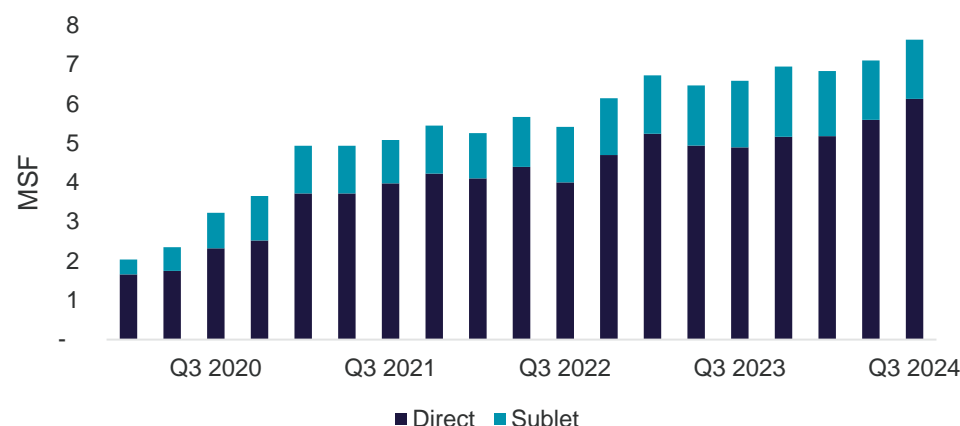
PRICING: OVERALL RESILIENCE

The addition of several large blocks of available direct and vacant space in high-quality downtown office buildings has pushed overall gross asking rates to \$61.21 psf in the third quarter, from \$60.32 in the second quarter. To support and maintain higher asking rates, landlords are offering record-high tenant inducements particularly for long term leases (10-15 years). However, as anticipated, asking gross rates are showing signs of softening with a year-over-year decline from \$61.49 psf in the third quarter of 2023 to \$61.21 psf this quarter, driven by rising vacancy rates. After a dip in 2020 and despite the ongoing economic challenges and persistence of the work-from-home model, asking rates for both Class A, AAA and B buildings have remained steady, demonstrating the resilience, particularly of higher-quality space in the Downtown Vancouver market.

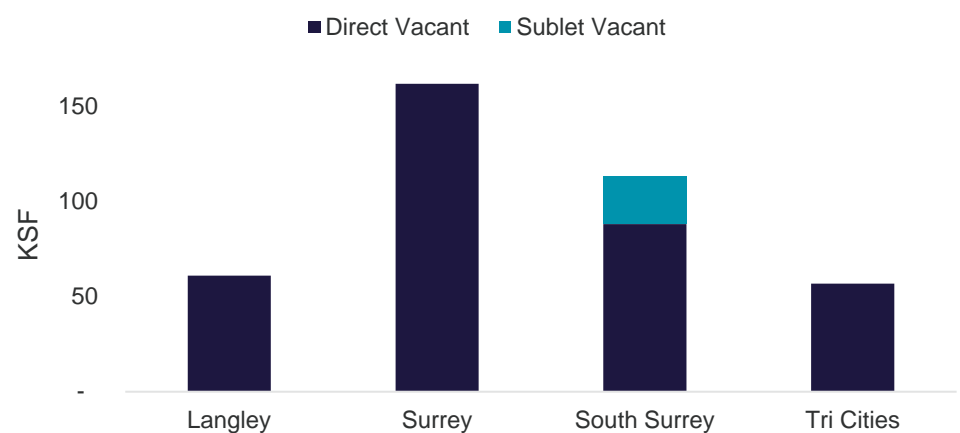
OUTLOOK: DOWNTOWN VANCOUVER

- Vacancy may continue to increase as more companies are downsizing coupled with no new sizable entrants to the market.
- Leasing activity is expected to increase as current negotiations are finalized.
- An anticipated rise in vacancy rates and uncertain market conditions may likely put downward pressure on asking rates, which have continued to remain strong.
- Although interest rate cuts and gradual economic improvement reflect positive signals for Vancouver’s office landlords, the continued prevalence of remote work, stagnant tenant growth and in-migration plus rising construction costs continue to provide uncertainty for future office demand through 2025.

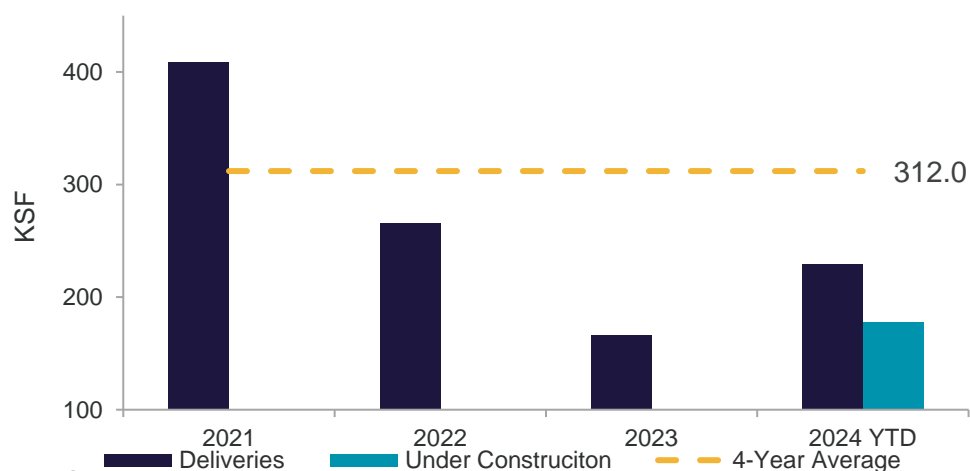
METRO VANCOUVER DIRECT VS. SUBLEASE SPACE AVAILABLE AND VACANT



OUTER MARKETS COMPARISON



NEW SUPPLY - VANCOUVER PERIPHERY†



SUPPLY PRESSURE: METRO VANCOUVER SUBLEASE ACTIVITY DECLINED

Overall Metro Vancouver sublease activity continued to decline this quarter, partially due to several large sublease spaces expiring and transitioning to direct leasing, as well as a few large spaces being leased—such as Sanctuary AI in Mount Pleasant and HTEC in Burnaby. Aspect Biosystems completed one of the largest deals this quarter, subleasing 48k sf from AbCellera in the newly built 2131 Manitoba. Overall sublease space accounted for 19.7% of all available and vacant space this quarter, down from 21.3% in the second quarter of 2024. In contrast, downtown Vancouver experienced an increase in sublease activity, rising from 18.7% to 19.2% QOQ. Several large subleases, including Phoenix Labs’ at Willingdon Park and Canfor’s at Angus Corporate Centre, transitioned to direct availabilities this quarter, contributing to an increase in the overall direct vacancy rate in Metro Vancouver to 8.8% in the third quarter, up from 8.1% in the second quarter.

SUPPLY PRESSURE: VACANCY REMAINS LOW IN SOME MARKETS

While vacancy rates in downtown Vancouver remain elevated, a noticeable trend is emerging in the suburban office markets where vacancy rates remain low. Exceptions to this pattern include Burnaby, which has a vacancy rate of 11.7%—the highest since the second quarter of 2016—and Richmond at 10.9%. More significantly, the outer markets of Langley, Surrey, South Surrey and the Tri-Cities are benefiting from more affordable housing options and shorter commute times making them increasingly attractive to companies and their talent pools. Importantly, there are almost no subleases in these markets indicating that tenants are retaining rather than reducing their space. Additionally, having ready-to-go spaces with show suites and build-out options is an effective strategy for attracting tenants.

SUPPLY PRESSURE: STRATA OFFICE

Strata office sales have been adversely affected by interest rates, lending conditions, back-to-work policies and inflated build-out costs related to buyer improvements. New inventory remains static with slow absorption, yet there is a finite supply in this asset class and we anticipate a resurgence in transactional momentum once the market improves. Resales of office strata are currently trading or listed at diminished values, with reductions of 10% to 20% in some cases. Incentive plans for buyers are common, featuring benefits such as tenant improvement credits, lower deposit structures and reduced purchase prices. We expect these incentives to persist until inventory levels decline. Additionally, many new projects that are entitled or nearing approval have been sidelined as developers await changes in market dynamics. Some developers are considering a shift to residential rentals but the planning process remains complex.

OUTLOOK: METRO VANCOUVER

- Given the current economic conditions and global events, tenant demand may remain subdued in the near term. However, the market outlook is cautiously optimistic, indicating that Vancouver’s vacancy may start a slow decline toward the end of next year. Vancouver’s market has always demonstrated resilience even compared to other markets. Before the pandemic, large tenants were often discouraged by the limited availability of sizable space and sought office leases elsewhere.
- There is still potential for more office space to enter the market as subleases, driven by the continued work-from-home trend and tenants reassessing their real estate needs. This could result in an increase in the overall vacancy rate.
- It is expected that 2025 will see a renewed interest in office strata products as interest rates decrease and office users solidify their back-to-work policies.

† Includes Broadway Corridor, Mount Pleasant and False Creek Flats

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	26,656,483	739,165	2,948,537	13.8%	62,582	844,388	1,628,798	74,217	\$63.52	\$69.32
Yaletown	2,292,400	50,700	273,996	14.2%	-42,016	-53,763	180,177	29,600	\$52.06	N/A
Gastown/Railtown	1,937,315	48,736	298,334	17.9%	-11,761	9,544	123,326	36,000	\$46.94	\$59.17
Downtown Vancouver	30,886,198	838,601	3,520,867	14.1%	8,805	800,169	1,932,301	139,817	\$61.21	\$68.77
Broadway Corridor	6,081,902	86,832	495,086	9.6%	-88,403	-89,204	166,223	790,915	\$47.17	\$47.28
Mt. Pleasant	2,361,368	16,332	121,472	5.8%	19,786	220,514	135,903	388,143	\$59.02	\$61.90
False Creek Flats	1,346,711	7,181	30,851	2.8%	0	-3,200	182,477	358,015	\$46.00	N/A
Broadway Corr./Vancouver Periphery	9,789,981	110,345	647,409	7.7%	-68,617	128,110	484,603	1,537,073	\$49.65	\$50.01
Burnaby	12,239,321	442,059	993,399	11.7%	-95,729	-18,470	500,043	698,350	\$50.04	\$52.02
Richmond	5,090,220	87,542	469,629	10.9%	-23,969	-79,368	218,202	103,425	\$34.99	\$35.98
North Shore	2,090,889	2,491	36,952	1.9%	21,327	34,273	79,554	32,502	\$35.92	\$44.01
New Westminster	1,586,423	0	91,217	5.7%	-1,495	3,154	45,770	100,000	\$46.99	\$47.61
Langley	1,720,231	0	60,949	3.5%	-8,756	34,655	60,932	0	\$46.36	\$48.79
Surrey	3,777,859	0	161,708	4.3%	-50,119	3,705	88,549	483,211	\$46.63	\$54.04
South Surrey	1,465,117	24,940	88,000	7.7%	-16,029	-29,940	26,895	0	\$35.03	\$34.91
Surrey/South Surrey	5,242,976	24,940	249,708	5.2%	-66,148	-25,785	115,444	483,211	\$42.54	\$44.76
Tri Cities	939,081	0	56,728	6.0%	8,632	14,066	25,351	79,929	\$51.68	52.68
METRO VANCOUVER TOTALS	69,585,320	1,505,978	6,126,858	11.0%	-225,950	880,804	3,462,200	3,174,307	\$54.97	\$53.49

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2131 Manitoba Street	Mount Pleasant	Aspect Biosystems	48,026	Sublease
285 West 5 th Avenue	Mount Pleasant	Sanctuary AI	32,288	Sublease
595 Burrard Street	Downtown Core	Glencore Canada	31,112	Headlease
4350 Still Creek Drive	Burnaby	Hub International	30,971	Renewal*
2985 Virtual Way	Burnaby	HTEC	29,231	Sublease
9656 King George Boulevard (U/C)	Surrey	Willowbrae Child Care Academy	28,105	Headlease
200 Granville Street	Downtown Core	Whitelaw Twining	25,293	Renewal*
21 Water Street	Gastown/Railtown	ICON Creative Studio	22,959	Headlease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
114 East 4 th Avenue, M2	Mount Pleasant	Westbank Projects Corp/Spear Street Capital	137,834	TBD
8035 120 th Street	Delta	8035120 ND Holdings Ltd/1495796 BC Ltd	17,338	\$16M / \$923
460 Nanaimo Street	Broadway Corridor	Nanaimo Enterprises Ltd/460 Nanaimo Holdings Limited	26,750	\$15M / \$560
4162 Norland Avenue	Burnaby	Alportunity Development Inc/City of Burnaby	6,668	\$8M / \$1,200

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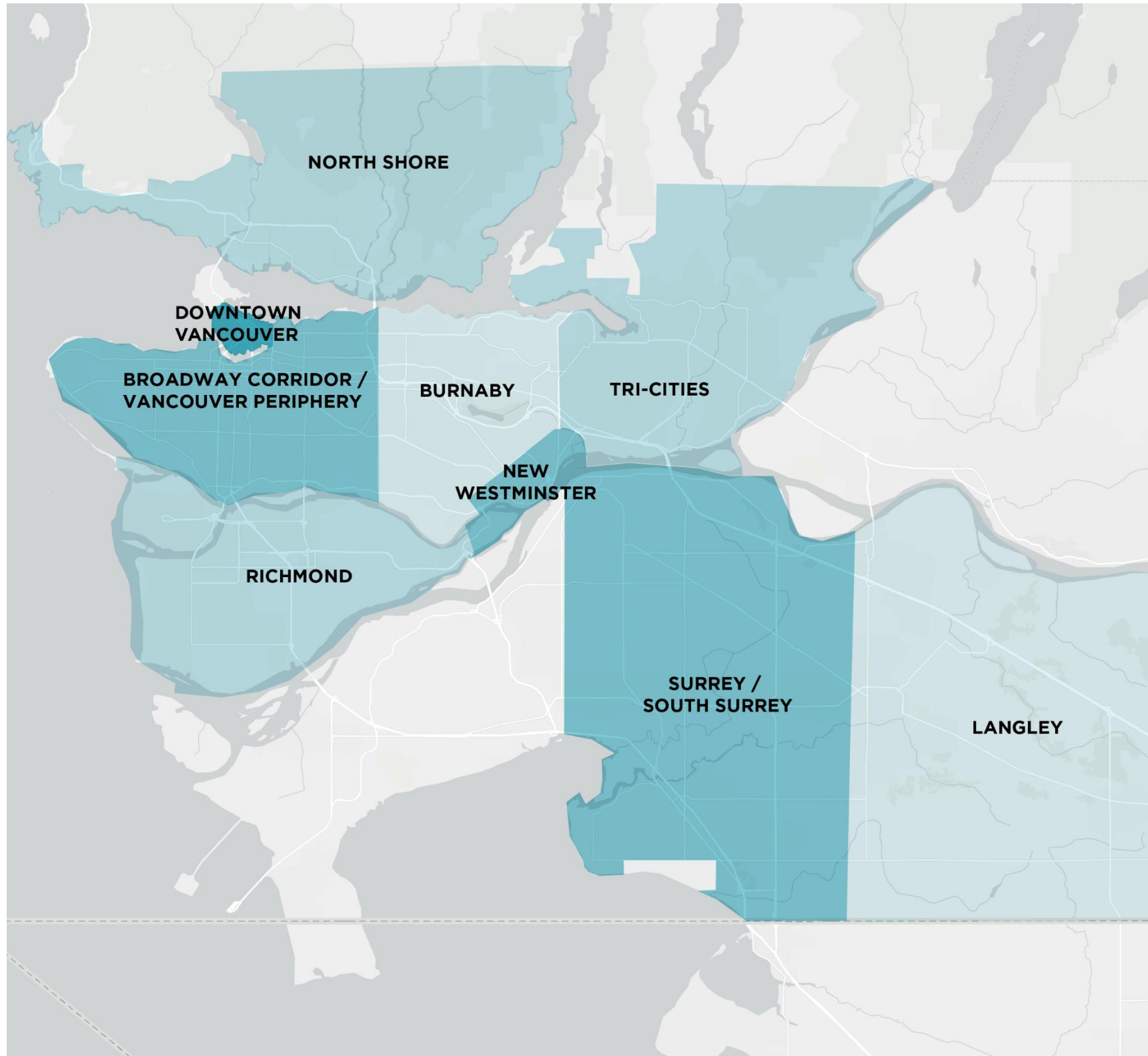
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OFFICE SUBMARKETS



SUBMARKET	INVENTORY	VACANCY	ASKING RENT	SUBLET
North Shore	2.1 MSF	1.9% ▼	\$35.92 ▼	6.3% ▼
Downtown Vancouver	30.9 MSF	14.1% ▲	\$61.21 ▼	19.2% ▼
Vancouver Periphery [†]	9.8 MSF	7.7% ▲	\$49.65 ▼	14.6% ▼
Burnaby	12.2 MSF	11.7% ▲	\$50.04 ▲	30.8% ▼
New Westminster	1.6 MSF	5.7% ▲	\$46.99 ▲	0% ▼
Tri-Cities	939 KSF	6.0% ▲	\$51.68 ▲	0% —
Richmond	5.1 MSF	10.9% ▲	\$34.99 ▼	15.7% ▼
Surrey / South Surrey	5.2 MSF	5.2% ▲	\$42.54 ▲	9.1% ▼
Langley	1.7 MSF	3.5% ▼	\$46.36 ▲	0% ▼

LEGEND

Total Inventory
 Q3 2024 Overall Vacancy Rate*
 Q3 2024 Weighted Average Gross Asking Rent**
 Q3 2024 Sublet Space as a % Total Vacant Space
 Arrows represent YOY change

[†]Includes Broadway Corridor, Mount Pleasant and False Creek Flats
 *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