

VANCOUVER OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Vancouver Employment	1.4 mil	1.5 mil	▲
Vancouver Unemployment	3.9%	4.1%	▼
Canadian Unemployment	5.8%	5.8%	■

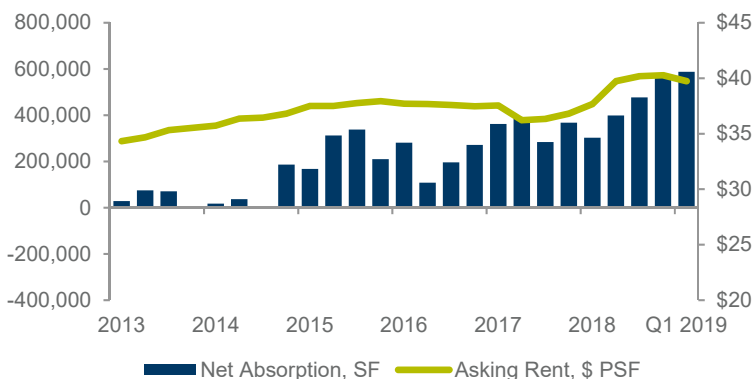
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.5%	3.8%	▼
Net Absorption (sf)	336,154	398,453	▲
Under Construction (sf)	1,977,430	6,702,681	▲
Average Asking Rent*	\$41.29	\$39.16	▲

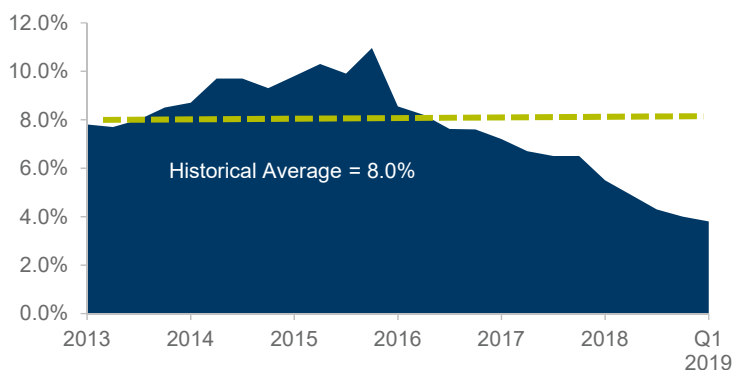
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The correction in British Columbia's housing sector continued through the latter part of 2018. Home sales fell almost 25% in 2018 compared to 2017, and signs do not yet point to the end of this correction. Even though the economy is moving away from relying on the housing market to support growth, the LNG Canada project provides good reason for British Columbians to feel upbeat. Nowhere else in Canada will see as big a capital spending boost this year as B.C., where expenditures will rise 12.9%. It is projected that real GDP growth will reach 2.5% in both 2019 and 2020 in the province. One potential cloud on the horizon is a lack of labour supply. This has been a constraint for employers in all sectors across the province, and that is expected to continue in 2019.

Source: RBC Economics

Market Overview

Despite the overall vacancy rate continuing to decline, from 4.0% in the fourth quarter of 2018 to 3.8% in the first quarter of 2019, several deals in excess of 20,000 square feet (sf) transacted. Two significant new deals were Zymeworks for 70,000 sf at Westbank's Main Alley project currently under construction at 2015 Main Street and Parkland Fuels, who took over a 53,000-square foot sublease at 2025 Willingdon in Burnaby. Asking lease rates remained steady in the first quarter of 2019, at slightly below \$40.00 per square foot (gross) for Metro Vancouver overall.

Notwithstanding high construction costs and the lag time in the municipal approval process, several office projects are currently under construction. The most notable project to have recently broken ground in Vancouver's downtown core is the renovation / expansion / upgrade of the former Canada Post Building on West Georgia Street: Quadreal's development, The Post, will invigorate and transform that area of the city by welcoming a new generation of tenants, including anchor tenant Amazon who committed to 416,000 sf in the North office tower and Loblaw's who committed to 50,000 sf of retail, all while partially retaining the heritage façade of the iconic building.

Outlook

The office market in Metro Vancouver will continue to perform well in 2019 as the technology sector will remain steady, and perhaps is even poised for growth, stabilizing the industry sector where natural resources seem to have fallen out of favour.

Although high tech giants such as Amazon and Microsoft have generated a lot of positive buzz in the city, there also lies the concern that they might absorb Vancouver's best talent which would increase labour constraints even further, putting pressure on small to medium sized businesses and start-ups.

MARKETBEAT

Vancouver, BC

Office Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown Vancouver	239	26,675,983	138,363	407,055	2.0%	158,643	158,643	4,257,384	\$52.52	\$61.92
Broadway Corridor	143	7,509,373	14,079	108,209	1.6%	50,653	50,653	499,963	\$41.34	\$45.37
Burnaby	122	11,092,076	182,592	438,866	5.6%	100,948	100,948	1,275,479	\$40.18	\$44.26
Richmond	74	4,418,727	30,959	336,438	8.3%	39,561	39,561	201,416	\$31.28	\$32.62
North Shore	44	1,817,029	12,203	75,768	4.8%	-3,600	-3,600	0	\$39.77	\$41.01
New Westminister	30	1,465,130	5,827	146,666	10.4%	-3,920	-3,920	0	\$34.06	\$36.99
Langley	23	1,027,137	0	47,363	4.6%	18,161	18,161	130,000	\$27.99	\$31.94
Surrey	78	4,664,018	1,150	282,918	6.1%	38,007	38,007	338,439	\$21.84	\$28.08
VANCOUVER TOTALS	753	58,669,473	385,173	1,843,283	3.8%	398,453	398,453	6,702,681	\$39.16	\$39.66

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2015 Main Street	70,000	Zymeworks	New Lease	Broadway Corridor
SOLO District	52,980	Parkland Fuel Corp.	New Lease	Burnaby
Central City	25,399	7-Eleven Canada Inc.	Renewal	Surrey
Canada Way Business Park – Building 1	25,050	Sequel Naturals	Renewal & Expansion	Burnaby
Westminster Centre South	23,209	Fraser Health Authority	New Lease	New Westminister
Airport Executive Park – Building 6	21,944	Arlo Technologies	New Lease	Richmond
204 6 th Avenue	13,896	Gossamar Threads	Sublease	Broadway Corridor
887 Great Northern Way	12,942	Genevent Science Group	New Lease	Broadway Corridor
Broadway Tech Centre – Building 1	12,416	CWA Engineers Inc.	Renewal	Broadway Corridor

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1075 West Georgia Street *	348,799	Quadreal Property Group / Reliance Properties; Kingsett Capital; Crestpoint Real Estate Investments Ltd.	\$275,000,000 / \$788	Financial Core
Airport Executive Park	707,809	Sun Life Assurance Company of Canada / Fiera Properties	\$208,000,000 / \$294	Richmond
Metrotown Place I & III	250,800	Metro Vancouver / Slate Asset Management	\$95,000,000 / \$379	Burnaby
The Buscombe Building *	21,360	Water Street Holdings Ltd. / Allied Properties REIT	\$19,995,000 / \$936	Financial Core

* Share Sale

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