

FIGURES | VANCOUVER OFFICE | Q3 2021

First signs of positive absorption fuels optimism in Vancouver's recovery

▲ 7.4%

Vacancy Rate

▲ 341K

SF Net Absorption

▼ 4.1M

SF Under Construction

▲ \$32.45

PSF Avg. Asking Rental Rate

Note: Arrows indicate change from previous quarter.

Overview

- Vacancy rates for all classes of office product in Metro Vancouver increased 50 basis points (bps) to 7.4% in Q3 2021. Over 600,000 sq. ft. of new office inventory introduced this quarter contributed to the increase of vacancy in the market.
- Suburban vacancy rates witnessed a 10 bps decrease, the first decline since the beginning of the pandemic. The primary driver of this decline comes from the Broadway Corridor, which experienced a 3.0% drop quarter-over-quarter.
- Average net rental rates for Class AAA product in Metro Vancouver witnessed the most significant change. AAA rental rates currently sit at \$35.19 per sq. ft., a 6.7% decrease from Q1; however, remain 10.0% above the Q2 2019 average of \$32.01 per sq. ft.

Metro Vancouver

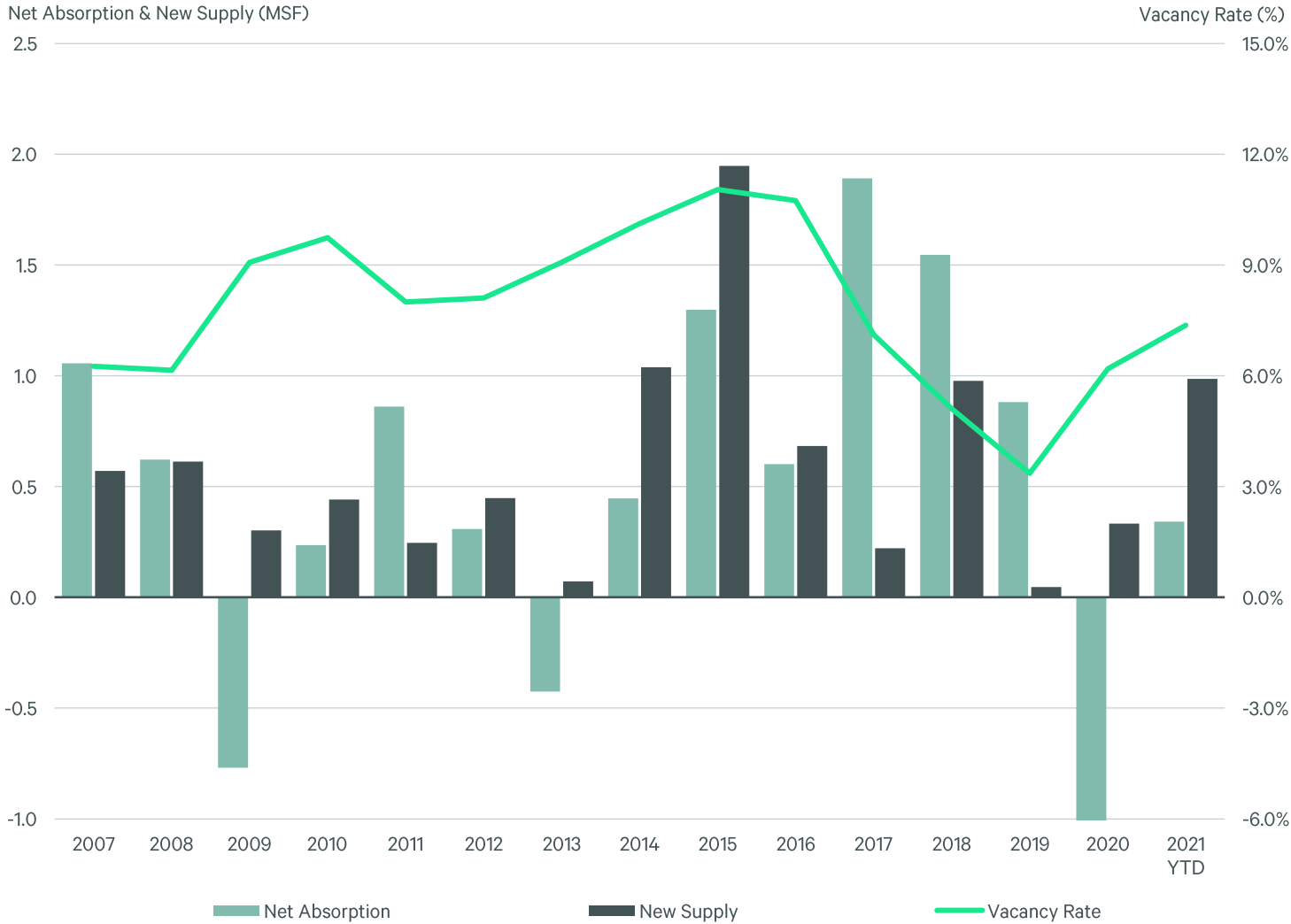
The Metro Vancouver office market witnessed a resurgence of activity in Q3 2021. Shifts in occupier sentiment following a second consecutive quarter of positive net absorption totalling 340,953 sq. ft. has prompted an uptick in shell leasing. Metro Vancouver posted a 50 bps increase this quarter, reaching 7.4% overall; however, this is largely attributed to 70.6% of the 603,944 sq. ft. of new supply delivering vacant.

This quarter brought significant positive absorption for the first time since the beginning of the pandemic, totalling 342,087 sq. ft. Vacancy rates also increased 50 bps to reach 7.4%. This marks the eighth straight quarter of increases, reaching back to Q4 2019.

For the first time in many years, larger occupiers now can immediately secure contiguous blocks of space larger than 50,000 sq. ft. within the CBD. Coupled with optimism flowing back into the market as major occupiers in the tech industry announcing their return to office, landlords can be seen actively investing in their properties by renovating common areas and enhancing amenities to appeal to new tenants and to retain existing ones.

The suburban office market continues to demonstrate its allure through competitive pricing and parking accessibility, most notably backed by Electronic Arts’ leasing of 1077 Great Northern Way. As a result of decreased transit times and reduced congestions, the suburban office also market experienced a 10 bps decrease in overall vacancy rates, reaching 7.2%, the first decline since the beginning of the pandemic.

FIGURE 1: Metro Vancouver Supply & Demand



Source: CBRE Research, Q3 2021.

Downtown Vancouver

The Downtown Vancouver office market experienced a 100 bps increase quarter-over-quarter, driven primarily by spikes in vacancy within the Class AAA and A building segments. This surge in vacancy can be attributed to 391,853 sq. ft. of new office product that entered the market in Q3 2021, of which only 12.8% was pre-leased.

For the first time since the beginning of the pandemic, Downtown Vancouver experienced positive net absorption totaling 122,499 sq. ft. Fueled vacant new supply, the market still witnessed an increase in vacancy rates. Remiss of this new inventory, the resurgence of demand within the Downtown core would push vacancy rates down for the first time since Q1 2020.

Sublets in the downtown market have seen a sharp decrease falling to 28.1% of all vacant space. This is the lowest percentage since the start of COVID in Q2 2020 where numbers peaked at 42.8%. While occupiers were uncertain about their total office footprint and the prevalence of hybrid work models through the pandemic, sublease offerings continue to be removed from the market indicating an artificial inflation of vacancy rates in the Downtown core.

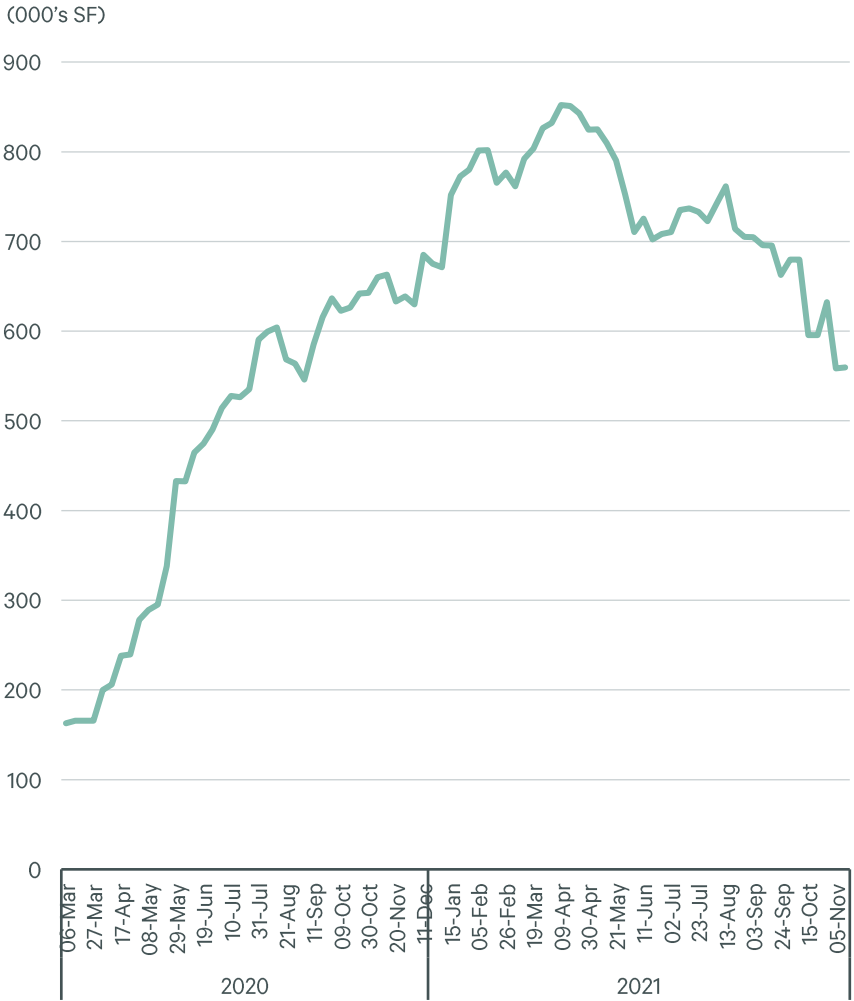
Looking forward through the end of the current construction cycle in 2022, there is 3.3 million sq. ft. under construction, of which 68.4% is pre-leased. Compared to pre-covid circumstances where occupiers struggled to secure larger than 50,000 sq. ft. and met with few to no immediate options, vacant deliveries in the current construction pipeline now offer new near-term opportunities for these same potential occupiers.

Broadway Corridor

The Broadway Corridor continues to lead as Metro Vancouver’s more resilient submarket. In conjunction to deal activity, the construction pipeline remains just as active with 396,999 sq. ft. currently under construction, of which 67.6% is pre-leased. Looking ahead to the end 2024, another 1.1 million square feet is projected to deliver, addressing the ongoing demand to occupy in this growing hub

Vacancy rates along the Broadway Corridor witnessed a decline of 300 bps quarter-over-quarter, falling to 5.5% overall. Market activity is backed by a total 149,681 sq. ft of absorption in both Class AAA and A product through the lease up of 1077 Great Northern Way to Electronic Arts.

FIGURE 2: Total Sublease Availability in the Downtown Core



Source: CBRE Research, Q3 2021.

Burnaby

Burnaby’s overall vacancy rate experienced an increase in vacancy with rates reaching 9.0% overall, a 130 bps jump quarter-over-quarter, also marking the third consecutive quarter of increases. Recent escalations in vacancy can be attributed to the recent competition of Tower 3 at Amazing Brentwood where all 77,571 sq. ft. of space is now available for sublease.

The completion of Tower 3 marks the continuation of the development cycle of this region, totaling 148,301 sq. ft. year-to-date. Looking forward 92,478 sq. ft. is expected to deliver in 2022, all of which is also still available for lease. Average asking lease rates reached a record high of \$27.50 per sq. ft., up 15.3% from Q1 2020 elevated by vacant new supply in Class A product.

Richmond

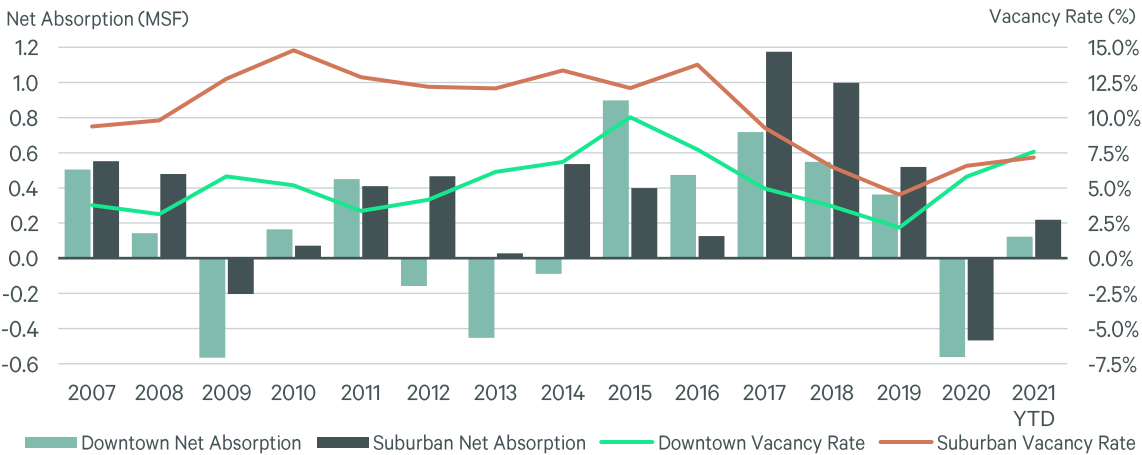
Sitting at 9.1% overall, Richmond’s vacancy rate experienced a 10 bps decline quarter-over-quarter, a 260 bps increase since Q1 2020. Average net rental rates for all product in Richmond currently sits at \$19.40 per sq. ft., a 40 bps lift quarter-over-quarter. Despite being positioned well below pre-pandemic levels, lease rates have marginally begun to rebound, a result primarily driven by Class A product growth, which has seen a 7.2% increase since Q1 2020.

Surrey

For the third consecutive quarter, the Surrey office market witnessed an increase in vacancy. This quarterly 100 bps hike to 6.0% can be attributed to Class A buildings, while the remaining classes held steady. Average net leases experienced their third consecutive pricing increase at \$28.99 per sq. ft., representing a 9.2% increase quarter over quarter.

Q3 2021 saw City Centre 3 109,066 sq. ft. of new inventory to the Surrey market – half of which was subscribed upon completion. One building is set to complete in Q4 2021 at 15303 31 Ave, totalling 50,000 sq. ft., of which 100% is pre leased. This consistent level of absorption in the Surrey office market through the construction pipeline indicates healthy growth for this suburban office market.

FIGURE 3: Regional Supply & Demand



Source: CBRE Research, Q3 2021.

FIGURE 4: Metro Vancouver Top Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Deal Type
119,844	Electronic Arts	1077 Great Northern Way	Broadway Corridor	Tech	New Deal
49,813	Absolute Software	1055 Dunsmuir St	CBD	Tech	Extension
32,410	Tantalus Systems	3555 Gilmore Way	Burnaby	Tech	New Deal
29,258	GCT Global Container Terminals	2925 Virtual Way	Burnaby	Distribution	New Deal
27,300	Workday Inc.	601 W Hastings	CBD	Tech	New Deal

Source: CBRE Research, Q3 2021.

FIGURE 5a: Vancouver Office Market Statistics

	Class	Total Buildings	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Avg. Asking Rate (\$ PSF)	Avg. Additional Rent (\$ PSF)
Metro Vancouver	AAA	60	11,001,627	7.5%	13,106	(48,002)	206,588	3,362,656	\$32.59	\$19.02
	A	151	16,641,999	7.6%	244,003	307,745	397,356	761,689	\$36.68	\$19.03
	B	198	14,396,833	6.7%	75,128	122,996	-	-	\$29.46	\$18.50
	C	182	7,214,546	7.8%	8,716	(40,652)	-	-	\$27.01	\$16.99
	Total	591	49,255,005	7.4%	340,953	342,087	603,944	4,124,435	\$32.43	\$18.52
Suburban	AAA	45	5,300,963	10.7%	(9,635)	18,539	73,599	275,140	\$25.08	\$16.08
	A	114	9,062,190	6.6%	166,700	224,888	138,492	585,542	\$27.70	\$15.03
	B	144	7,600,893	6.6%	48,824	123,142	-	-	\$24.62	\$15.91
	C	102	2,715,512	3.8%	12,565	15,629	-	-	\$22.70	\$15.42
	Total	405	24,679,558	7.2%	218,454	382,198	212,091	860,682	\$25.72	\$15.56
Downtown Vancouver	AAA	15	5,700,664	4.6%	22,741	(66,541)	132,989	3,087,516	\$46.20	\$24.34
	A	37	7,579,809	8.9%	77,303	82,857	258,864	176,417	\$43.37	\$22.01
	B	54	6,795,940	6.8%	26,304	(146)	-	-	\$36.79	\$22.42
	C	80	4,499,034	10.3%	(3,849)	(56,281)	-	-	\$28.21	\$17.43
	Total	186	24,575,447	7.6%	122,499	(40,111)	391,853	3,263,663	\$38.33	\$21.12
Broadway Corridor	AAA	11	1,089,741	3.4%	116,824	211,857	-	140,750	\$38.38	\$22.35
	A	26	1,656,142	3.8%	32,857	60,465	-	373,123	\$32.88	\$19.81
	B	35	1,746,131	8.1%	(2,828)	(29,148)	-	-	\$30.37	\$17.20
	C	38	849,886	5.9%	15,304	13,859	-	-	\$26.58	\$14.22
	Total	110	5,341,900	5.5%	162,157	257,033	-	513,873	\$30.83	\$17.55

Source: CBRE Research, Q3 2021.

FIGURE 5b: Vancouver Office Market Statistics

	Submarket	Class	Total Buildings	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Avg. Asking Rate (\$ PSF)	Avg. Additional Rent (\$ PSF)
Burnaby		AAA	13	2,435,140	15.6%	(150,358)	(171,511)	73,599	-	\$29.34	\$16.26
		A	25	2,348,469	7.6%	60,098	12,012	29,426	149,825	\$33.52	\$18.36
		B	38	3,151,973	6.4%	40,505	140,235	-	-	\$24.21	\$16.37
		C	22	864,679	3.9%	(2,010)	(4,265)	-	-	\$21.83	\$17.16
		Total	98	8,800,261	9.0%	(51,765)	(23,529)	103,025	149,825	\$27.50	\$17.00
Richmond		AAA	21	1,776,082	8.4%	23,899	(21,807)	-	-	\$20.32	\$14.66
		A	24	1,567,642	9.9%	(14,632)	(55,945)	-	-	\$19.56	\$12.49
		B	19	526,886	12.0%	(4,313)	(19,110)	-	-	\$17.47	\$15.67
		C	7	199,849	1.1%	0	6,006	-	-	\$12.00	\$11.67
		Total	71	4,070,459	9.1%	4,954	(90,856)	-	-	\$19.40	\$13.85
North Shore		A	14	821,041	4.9%	18,217	(16,234)	-	-	\$22.77	\$15.66
		B	17	752,877	2.1%	14,379	5,366	-	-	\$20.60	\$11.92
		C	11	236,929	2.9%	0	(774)	-	-	\$19.00	\$15.84
		Total	42	1,810,847	3.5%	32,596	(11,642)	-	-	\$21.11	\$14.15
Surrey		A	18	2,068,029	6.4%	70,160	221,422	109,066	50,000	\$32.42	\$13.49
		B	21	807,730	6.9%	1,081	5,096	-	-	\$21.71	\$13.05
		C	14	288,403	1.1%	0	1,532	-	-	\$11.01	\$9.51
		Total	53	3,164,162	6.0%	71,241	228,050	109,066	50,000	\$28.99	\$13.30
New Westminster		A	7	600,867	4.6%	0	3,168	-	-	\$23.01	\$17.44
		B	14	615,296	4.3%	0	20,703	-	-	\$21.61	\$15.28
		C	10	275,766	2.4%	(729)	(729)	-	-	\$12.16	\$19.69
		Total	31	1,491,929	4.1%	(729)	23,142	-	-	\$21.22	\$16.74

Source: CBRE Research, Q3 2021.

Market Area Overview



Definitions

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all competitive office buildings in Greater Vancouver. Under construction refers to buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Tyler Bains

Research Manager
+1 604 662 5135
tyler.bains@cbre.com

Aaron Seyoum

Research Analyst
+1 604 662 5571
aaron.seyoum@cbre.com

For media related inquiries:

Britainny Hari

Marketing & Communications Manager
britainny.hari@cbre.com

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