

FIGURES | VANCOUVER OFFICE | Q1 2022

# Sustained downward pressure on vacancy despite elevated sublease availability

▼ 6.9%  
Vacancy Rate

▼ 28K  
SF Net Absorption

► 3.7M  
SF Under Construction

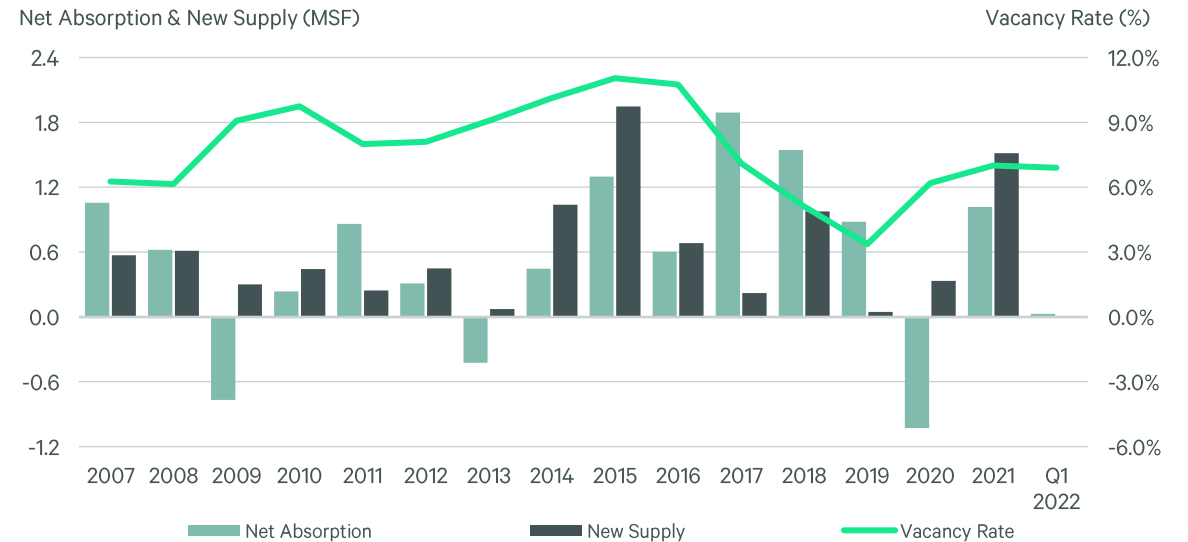
▲ \$34.18  
PSF Avg. Asking Rental Rate

Note: Arrows indicate change from previous quarter.

## Overview

- Vacancy rates of all office product classes throughout Metro Vancouver dropped 10 basis points (bps) quarter-over-quarter to 6.9% in Q1 2022. This is the second consecutive quarterly decline since vacancy peaked at 7.4% in Q3 2021.
- Following consecutive drops in vacancy, coupled with strong market fundamentals, Metro Vancouver’s office rates continue to climb, reaching a record high of \$34.18 per sq. ft., a significant 11.1% increase from Q1 2021.
- Developers continue to try keeping up with demand with 3.7 million sq. ft. of office space under construction. Despite 63.9% of this product having been pre-leased, numerous offers are in play for significant blocks of space which could drive this total upwards.

Figure 1: Metro Vancouver Supply & Demand  
Net Absorption & New Supply (MSF)



Source: CBRE Research, Q1 2022.

## Metro Vancouver

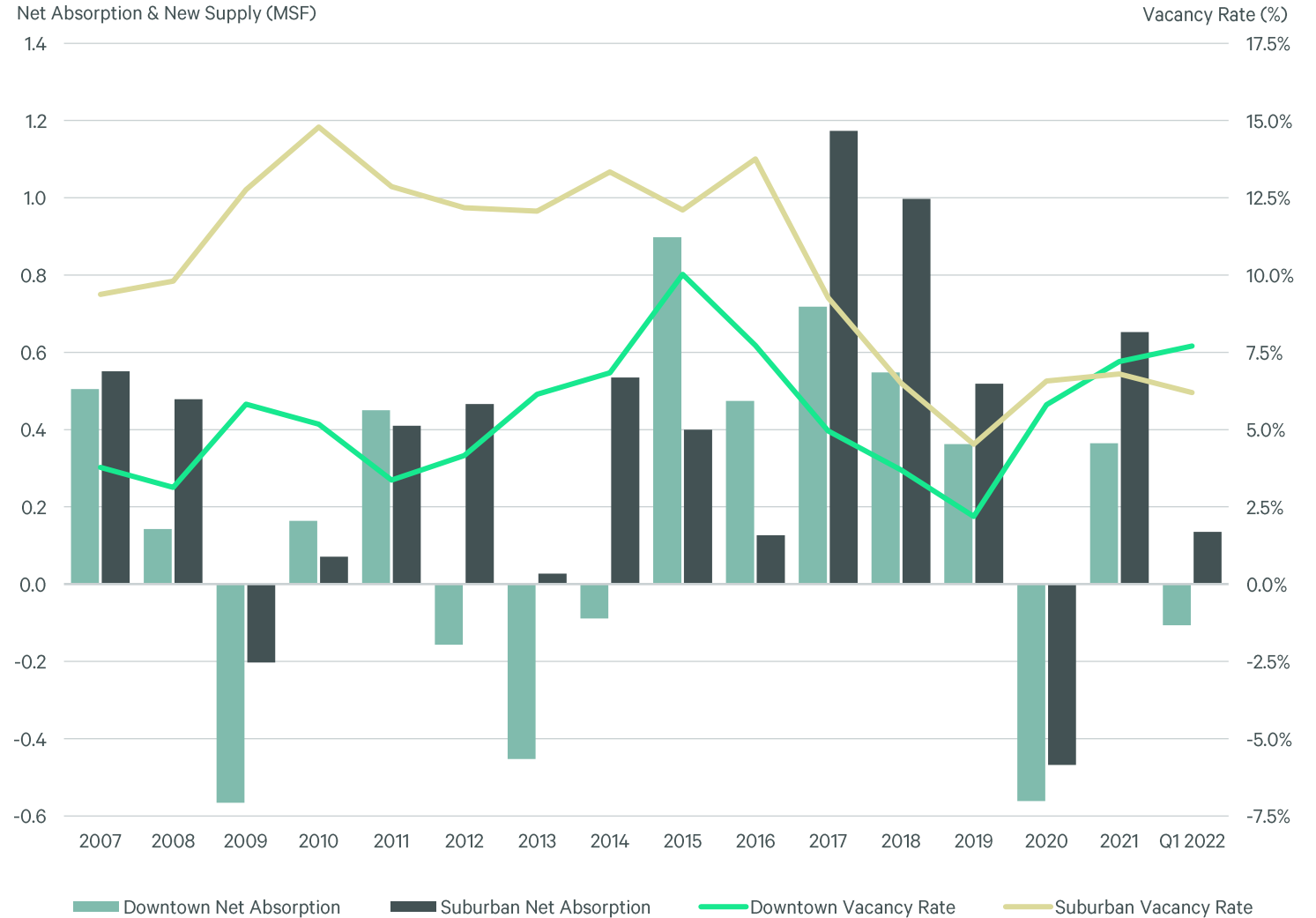
Vacancy rates of office product in all classes throughout Metro Vancouver dropped 10 bps quarter-over-quarter to 6.9% in Q1 2022. This is the second consecutive decline following last quarters 40 bps decline indicating further signs of recovery.

Coupling two consecutive drops in vacancy with strong market fundamentals, Metro Vancouver’s office rates continued to climb, reaching a new high of \$34.18 per sq. ft., a 1.0% increase from Q4 2021. With 3.7 million sq. ft of office space currently under construction, developers continue to try to keep up with demand; the majority of which is already pre-leased, with a significant portion of the balance under offer.

The suburban office market leads the downward trend as vacancy dropped 60 bps from 6.8% in Q4 2021 to 6.2% in Q1 2022. This is compared to the downtown market which experienced a 50 bps increase quarter-over-quarter, inching up to a 7.7% vacancy level. Changes in vacancy throughout the downtown market can be attributed to sublease availability within Class A inventory.

Average asking lease rates experienced little to no change quarter-over-quarter compared to downtown Vancouver, hovering at \$39.48 per sq. ft. in Q1 2022. Suburban inventory experienced a modest 1.7% increase quarter-over-quarter reaching \$27.22 per sq. ft; however, sits 14.0% above the pre-pandemic rate of \$23.88 per sq. ft.

FIGURE 2: Regional Supply & Demand



Source: CBRE Research, Q1 2022.

## Downtown Vancouver

The Downtown Vancouver office market vacancy rate experienced a 50 bps increase quarter-over-quarter, rising from the 7.2% in Q4 2021 to 7.7% in Q1 2022. This increase was driven primarily by vacancy in Class A inventory which increased from 7.8% in Q4 2021 to 9.4% in Q1 2022. The remainder of the classes showed mixed results, with Class AAA and C buildings each dropping 50 bps quarter-over-quarter and Class B increasing 50 bps. The increase in vacancy is also shown through absorption numbers for the quarter which were down in comparison to Q4 2021's net absorption of 373,329 sq. ft. The downtown market experienced 106,685 sq. ft. of net negative absorption in Q1 putting an end to five straight quarters of positive absorption growth; however, it is worth noting that direct vacancy levels remained relatively unchanged and 80.1% of the space brought back onto the market is sublease vacancy.

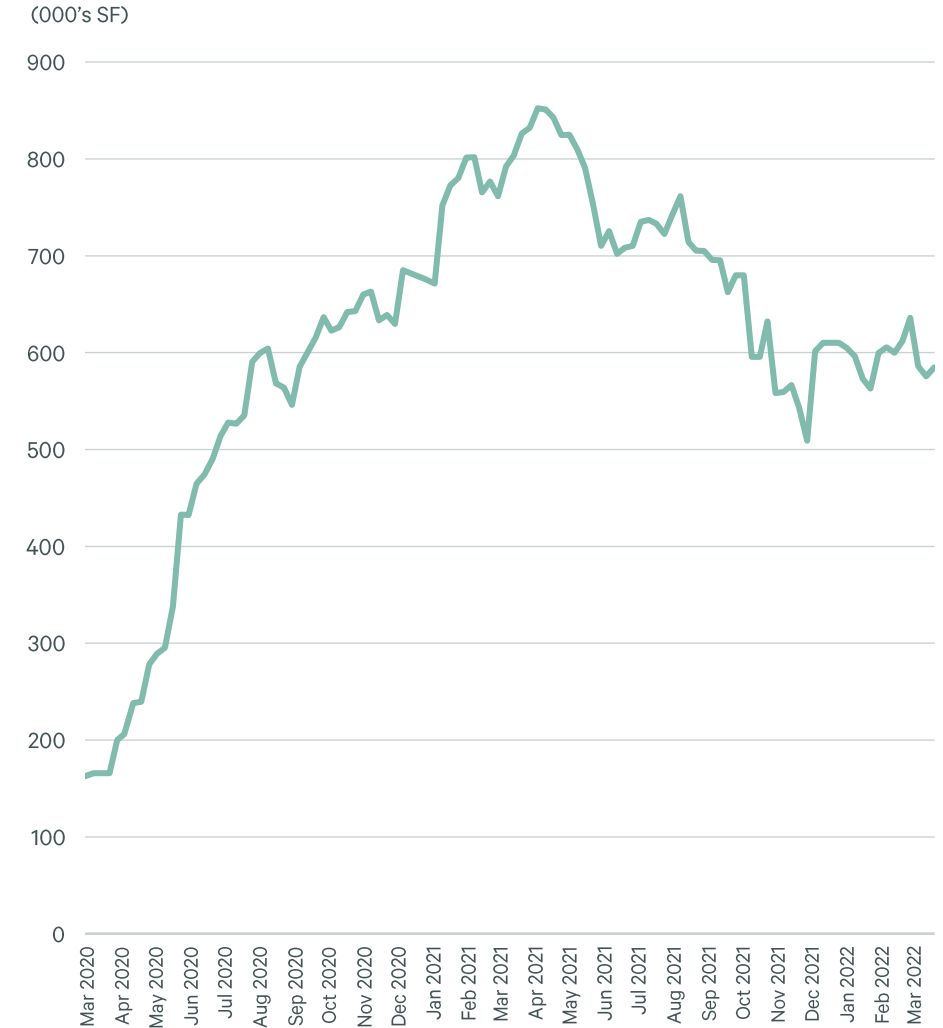
Although vacancy rates throughout all classes increased once again, it is worth noting that over the course of the past year, numerous developments completed construction, which delivered hundreds of thousands of sq. ft. of vacant inventory. With offer activity increasing on pre-lease inventory and the construction pipeline nearly three-quarters pre-committed to, occupiers with larger space requirements have fewer options to consider in the near term.

## Broadway Corridor

With no new supply entering the market and only 1,287 sq. ft. in net negative absorption, the Broadway Corridor market remained steady and held its 6.4% overall vacancy leading to no change quarter-over-quarter. Sublease vacancy records the lowest of any submarket, with 9.2% of the vacant supply currently available for sublease. This is an increase from Q4 2021's 6.9% but still far from the 25.0% recorded during the peak of the pandemic in Q3 of 2020. Overall average asking lease rates grew 2.0% to \$33.01 per sq. ft., marking the third consecutive quarter of lease rate growth and minimizing the gap to the record-high \$34.44 per sq. ft.

The Broadway Corridor remains one of the most active areas for office development with 502,675 sq. ft. of office space currently under construction. All of this space is expected to deliver this year across five buildings including 425 W 6th, home to Best Buy, and Main Alley – M4, home to Animal Logic. With a new Official Community Plan in the works, major developments are in the early planning stages as talks of extending rapid transit to UBC are occurring for the first time since 2019.

FIGURE 3: Total Sublease Availability in the Downtown Core



Source: CBRE Research, Q1 2022.

## Burnaby

Burnaby’s overall vacancy rate experienced a 50 bps increase quarter-over-quarter and now sits at 8.6%. This is 240 bps higher than the suburban average of 6.2% and is currently the highest out of all other suburban markets. Despite an increase in vacancy, tenants are still looking for large blocks of space in Burnaby such as Xenon Pharmaceuticals Inc. who leased 53,023 sq. ft. of office space.

Average asking lease rates have experienced a slight drop of 1.3% quarter-over-quarter, bringing overall asking rates to \$27.63 per sq. ft. This is the first decrease in asking rates in the Burnaby market since Q4 2020 however they still remain well above pre-pandemic levels.

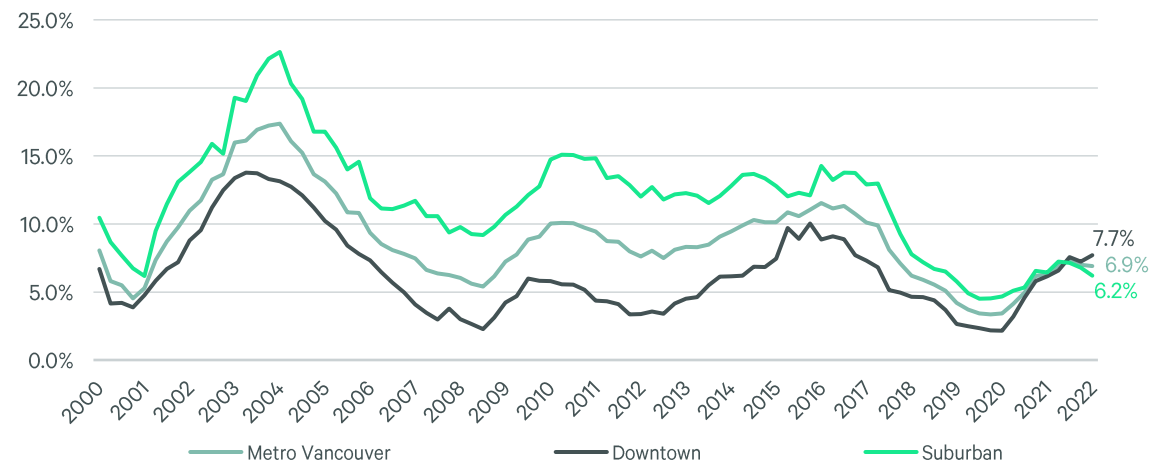
## Richmond

Signs of recovery were seen in the Richmond market as vacancy fell for the third consecutive quarter. Currently sitting at 5.8%, vacancy in the market has dropped 210 bps to a rate not seen since before the pandemic. This is in part due to no new supply being added to the market in recent history. Average asking rental rates continue to rise in Richmond, with asking rates now hitting \$19.76 per sq. ft., making this the second consecutive hike in asking rates. Richmond remains an option for tenants looking for an affordable space in the suburbs as it is the second cheapest submarket behind New West.

## Surrey

The overall vacancy rate has fallen for a second consecutive quarter to 3.9%; this is a 160 bps change from the previous quarter’s 5.5%. This change came with 52,396 sq. ft. of positive net absorption with no new supply added to the market. Even though no competitive major projects are currently under construction plenty are in the planning stages. Examples include Central City Tower 2 that will add approximately 514,000 sq. ft. of office space as well as the City of Surrey’s plans to redevelop 3.4 acres, located at 10275 City Parkway, in three phases which upon completion, will provide the market with over 1.0 million sq. ft. of inventory.

FIGURE 4: Historical Regional Vacancy Rates



Source: CBRE Research, Q1 2022.

FIGURE 5: Metro Vancouver Top Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Deal Type
110,600	Animal Logic Studios	110 E 5 Avenue	Broadway Corridor	Technology	New Deal
63,000	Microsoft	929 Granville St	CBD	Technology	New Deal
53,023	Xenon Pharmaceuticals Inc.	3650 Gilmore Way	Burnaby	Life Sciences	Renewal
33,400	Plenty of Fish	1133 Melville Street	CBD	Business Services	New Deal
30,000	Elmwood Academy	101 Smithe Street	Yaletown	Education	New Deal

Source: CBRE Research, Q1 2022.

FIGURE 6a: Vancouver Office Market Statistics

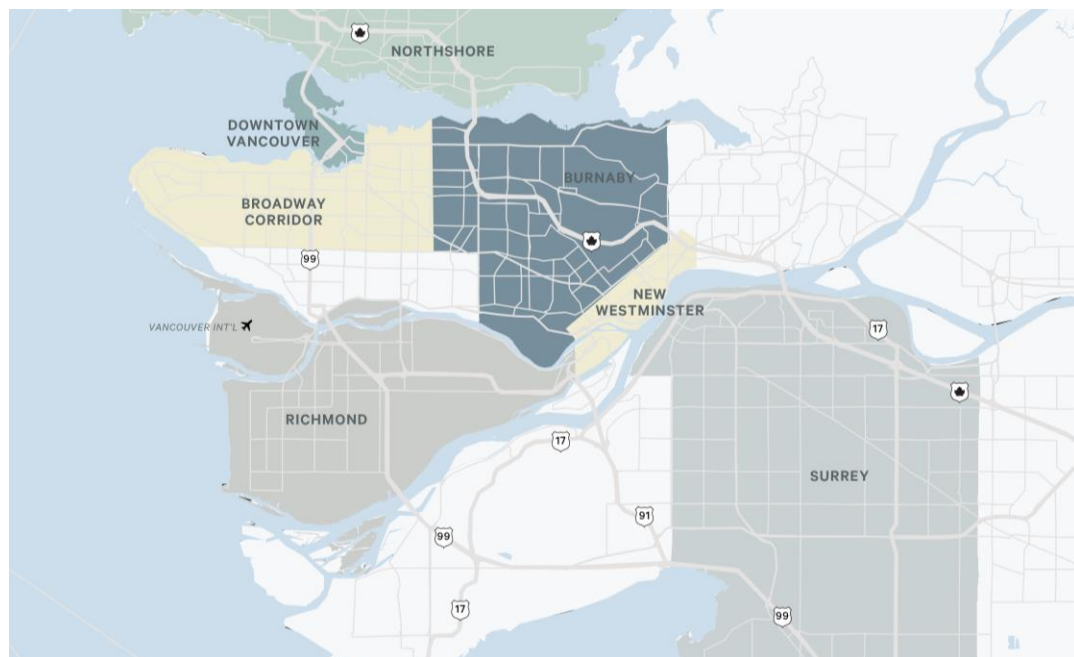
	Class	Total Buildings	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Avg. Asking Rate (\$PSF)	Avg. Additional Rent (\$PSF)
<b>Downtown Vancouver</b>	AAA	16	6,046,510	5.9%	29,612	29,612	-	2,740,400	\$51.88	\$24.79
	A	37	7,578,809	9.4%	-121,164	-121,164	-	176,147	\$44.18	\$22.54
	B	54	6,795,940	7.0%	-34,556	-34,556	-	-	\$34.93	\$22.11
	C	80	4,499,034	8.1%	19,423	19,423	-	-	\$28.30	\$17.42
		<b>187</b>	<b>24,921,293</b>	<b>7.7%</b>	<b>-106,685</b>	<b>-106,685</b>	<b>-</b>	<b>2,916,547</b>	<b>\$39.48</b>	<b>\$21.64</b>
<b>Broadway Corridor</b>	AAA	11	1,087,464	4.5%	5,281	5,281	-	175,250	\$37.29	\$22.24
	A	27	1,779,976	5.1%	-9,591	-9,591	-	327,425	\$38.49	\$19.64
	B	35	1,746,131	9.3%	-11,822	-11,822	-	-	\$31.42	\$17.93
	C	38	849,886	5.5%	14,845	14,845	-	-	\$25.74	\$14.98
		<b>111</b>	<b>5,463,457</b>	<b>6.4%</b>	<b>-1,287</b>	<b>-1,287</b>	<b>-</b>	<b>502,675</b>	<b>\$33.01</b>	<b>\$18.56</b>
<b>Burnaby</b>	AAA	13	2,435,140	14.9%	2,629	2,629	-	-	\$31.20	\$20.34
	A	25	2,348,469	5.5%	4,859	4,859	-	149,825	\$35.21	\$18.46
	B	38	3,151,973	7.5%	-54,831	-54,831	-	-	\$24.70	\$16.72
	C	22	864,679	3.1%	5,761	5,761	-	-	\$21.97	\$18.07
		<b>98</b>	<b>8,800,261</b>	<b>8.6%</b>	<b>-41,582</b>	<b>-41,582</b>	<b>-</b>	<b>149,825</b>	<b>\$27.63</b>	<b>\$17.61</b>
<b>Richmond</b>	AAA	21	1,776,082	3.5%	34,338	34,338	-	134,390	\$20.65	\$14.03
	A	24	1,567,642	7.4%	49,786	49,786	-	-	\$20.42	\$12.68
	B	19	526,886	10.4%	3,116	3,116	-	-	\$17.68	\$15.23
	C	7	199,849	1.1%	0	0	-	-	\$12.00	\$11.67
		<b>71</b>	<b>4,070,459</b>	<b>5.8%</b>	<b>87,240</b>	<b>87,240</b>	<b>-</b>	<b>134,390</b>	<b>\$19.76</b>	<b>\$13.62</b>

Source: CBRE Research, Q1 2022.

FIGURE 6b: 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)
<b>North Shore</b>		A	14	821,041	3.8%	19,669	19,669	-	-	\$23.30	\$15.41
		B	17	752,877	1.5%	8,509	8,509	-	-	\$22.70	\$14.30
		C	11	236,929	1.8%	2,615	2,615	-	-	\$19.75	\$12.83
			<b>42</b>	<b>1,810,847</b>	<b>2.6%</b>	<b>30,793</b>	<b>30,793</b>	<b>-</b>	<b>-</b>	<b>\$22.34</b>	<b>\$14.39</b>
<b>Surrey</b>		A	20	2,177,508	3.3%	52,763	52,763	-	-	\$32.01	\$13.90
		B	21	807,730	6.5%	-367	-367	-	-	\$23.87	\$13.66
		C	14	288,403	1.1%	0	0	-	-	\$10.00	\$8.80
			<b>55</b>	<b>3,273,641</b>	<b>3.9%</b>	<b>52,396</b>	<b>52,396</b>	<b>-</b>	<b>-</b>	<b>\$28.32</b>	<b>\$13.68</b>
<b>New Westminster</b>		A	7	600,867	1.4%	-3,538	-3,538	-	-	\$27.15	\$16.16
		B	14	615,296	3.0%	10,994	10,994	-	-	\$17.84	\$13.31
		C	10	275,766	2.1%	0	0	-	-	\$12.18	\$22.92
			<b>31</b>	<b>1,491,929</b>	<b>2.2%</b>	<b>7,456</b>	<b>7,456</b>	<b>-</b>	<b>-</b>	<b>\$19.18</b>	<b>\$15.77</b>
<b>Total Suburban</b>		AAA	45	5,298,686	9.0%	42,248	42,248	-	309,640	\$28.93	\$18.43
		A	117	9,295,503	4.8%	113,948	113,948	-	477,250	\$29.82	\$15.71
		B	144	7,600,893	7.0%	-44,401	-44,401	-	-	\$25.69	\$16.49
		C	102	2,715,512	3.3%	23,221	23,221	-	-	\$22.38	\$15.97
			<b>408</b>	<b>24,910,594</b>	<b>6.2%</b>	<b>135,016</b>	<b>135,016</b>	<b>-</b>	<b>786,890</b>	<b>\$27.22</b>	<b>\$16.48</b>
<b>Metro Vancouver</b>		AAA	61	11,345,196	7.3%	71,860	71,860	-	3,050,040	\$42.08	\$22.07
		A	154	16,875,312	6.9%	-7,216	-7,216	-	653,397	\$38.61	\$19.89
		B	198	14,396,833	7.0%	-78,957	-78,957	-	-	\$29.56	\$18.85
		C	182	7,214,546	6.3%	42,644	42,644	-	-	\$27.10	\$17.12
			<b>595</b>	<b>49,831,887</b>	<b>6.9%</b>	<b>28,331</b>	<b>28,331</b>	<b>-</b>	<b>3,703,437</b>	<b>\$34.18</b>	<b>\$19.41</b>

## 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.

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