Vancouver Office - Q3 2023

Market Report

Third-quarter data demonstrates Metro Vancouver's office market shows further signs of moderating with availabilities up – again. After showing a degree of stability in 2022, the office market has taken another step down. Like office markets across North America, Vancouver's office market is seeing little net new demand as companies shed excess space and remain highly conservative about future growth. At quarter-end, the Metro Vancouver office market saw availabilities increase by 50 basis points (bps) to register 11.3%, up materially from year-ago levels. Of note, the bell weather downtown market saw total available space exceed 4.6 million square feet, or 14.2%. After nearly 18 months of monetary tightening, including the highest interest rates in over 20 years, many businesses appear to be "battening down the hatches". Third quarter office leasing activity was also noteworthy for again recording an exceptionally sluggish three-month period.

Metro Availability	Class A Rent (Net)	Occupied Space	Under Construction
11.3%	$29.56/SF	452,057 SF	4.2 M SF

*arrows indicate absolute change from prior quarter

Rental and Availability Rates

Net Rent* (Per Square Foot)	Availability Rate (09/31/2023)		QoQ Change/ Availability
$40.70	Downtown Core | Class A	15.0%	▲ 0.9%
$30.00	Broadway Corridor | Class A	14..6%	▲ 0.4%
$31.80	Vancouver City | Class A	35.0%	▲ 9.0%
$29.00	Burnaby | Class A	13.7%	▼ 0.2%
$24.00	Richmond | Class A	18.6%	▲ 2.7%
$26.00	Surrey | Class A	18.3%	▼ 0.0%
$27.00	North Shore | Class A	11.9%	▼ 3.4%
$27.00	New Westminster | Class A	6.2%	▼ 0.0%
$26.00	Langley | Class A	8.9%	▼ 6.2%

*Class A average asking rent CAD QoQ [quarter-over-quarter]

Recent Transactions (3rd Quarter 2023)

	Occupier	Size	Submarket	Type	Address
1	Learnwise Education Ltd.	90,000 SF	Downtown	Sublease	1090 West Pender Street
2	Sandstorm	50,000 SF	Downtown	Sublease	1090 West Pender Street
3	Paladin Security	24,523 SF	Burnaby	Renewal	3001 Wayburne Drive
4	Cushman & Wakefield	16,235 SF	Downtown	New	700 West Georgia Street
5	Charest Legal Solutions	14,889 SF	Downtown	Renewal	885 West Georgia Street

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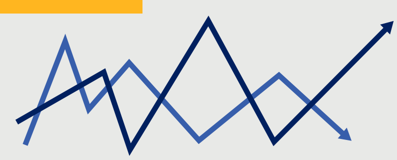
Occupier's Perspective

Many tenants appear to be deeply unhappy with their existing premises. Often the wrong configuration for today's workplace trends and desperately in need of upgrading.

More traditional drivers of office demand (legal/accounting/engineering) are back to pre-COVID levels, while tech has become a significant drag.

In an attempt to attract tenants (to good quality space), an increasing number of landlords are offering show-suites in move-in condition.

Market Trends



Sublet space remains a dominant feature of the market, particularly downtown, where sublease space exceeds 1.14 million square feet.

In the latest quarter it became obvious the market has taken on a more negative undertone, with forecasts showing higher vacancy and sublease space a viable alternative.

Perhaps small consolation to office owners, the development pipeline is now firmly shut, with all anticipated developments now on hold - indefinitely.