



Tenant Profile One

Size Requirement: 1,500 sf to 2,500 sf

Tenant Profile:

- This tenant is a small and growing professional services firm that requires an upgrade in its location in regard to transit and amenities and is seeking to occupy improved space.
- Considering moving to a central location downtown with rapid transit access but wants to minimize occupancy costs and maximize space efficiency.
- Access to a SkyTrain station that is within walking distance (500 metres) is a requirement for employee recruitment and retention.

Competitive Set:

Any class B building in Downtown Vancouver with vacant improved space that is available immediately and within walking distance of a SkyTrain station.

Q3 Relevant Statistics:

Applicable Inventory	5,410,331 sf
Direct Lease	36,946 sf
Sublease	4,290 sf
Total Availability	41,236 sf
Direct Availability Rate	0.68%
Sublease Availability Rate	0.08%
Total Availability Rate	0.76%
Average Base Rent	\$32.91
Average Ops Costs	\$19.76



Record-low vacancy spurring office rental rate increases as opportunities remain highly limited

Record-low vacancy in Downtown Vancouver's office market is severely limiting availabilities for prospective office tenants, according to Avison Young's most recent *Downtown Office Tenant Profile Report*. Tenants are facing very challenging circumstances as rental rates have risen for the few options that do remain available.

The only option available within the next 12 months for large tenants seeking contiguous office space of 30,000 sf or more in a class AAA building is located within **Bentall IV** and is available in December 2019. **Deloitte** is vacating nearly six floors of office space and relocating into swing space offered by a co-working provider as the accounting and professional services firm awaits the completion of the **Deloitte Summit Building** at 410 West Georgia Street. For mid-sized tenants, three full-floor opportunities are available in the next six months at an average asking rate of \$47.74 per square foot (psf) – drastically higher than \$41.87 psf recorded six months ago. Meanwhile, small tenants have more options available to them currently than they did six months previously; however, rental rates have increased to \$32.91 psf from \$29.56 psf since spring 2019. With limited relief in the form of new development, and vacancy expected to remain at historic lows until late 2021, upward pressure on rents is expected to continue for all tenant sizes.

Location, amenities, eco-friendly standards, access to public transit, floorplate size, IT infrastructure and building security along with lease costs are important considerations for tenants reviewing their real estate requirements. However, combinations of these variables can limit the amount of options available to tenants and may have significant implications for overall cost and deal structure. A real

estate professional can significantly help prospective tenants maximize value and find the right option that fits their needs.

To better understand the challenges tenants face when renewing, relocating or entering the Downtown market, Avison Young has created the semi-annual *Downtown Office Tenant Profile Report*, which details the availability rates for three hypothetical office tenants common in the Vancouver market. Each hypothetical company possesses a different set of real estate requirements in the Downtown market that subsequently generates a unique competitive set of buildings that meets the tenant's requirements and aligns to the company's business strategy.

Available options for **Tenant Profile One rose to 14 in the third quarter of 2019 from eight** in the first quarter of 2019 with two sublease options, increasing the total availability rate to 0.76%. The number of available options for **Tenant Profile Two rose to three from two**, which increased the availability rate to 0.62%. **There is one available option for Tenant Profile Three**, a decline from two options six months ago. With availability rates at less than 1% for both small- and mid-sized tenants and only one option for large tenants, businesses of all sizes will need to be proactive and flexible in their office space requirements. Large tenants have the opportunity to prelease or occupy backfill space, but may encounter competition from other tenants with large office space mandates and similar timing considerations. ■

Note: To determine the number of options for a tenant requirement, each availability is only listed once despite the suite size. For example, if the requirement is for 3,000 sf and a suite that is 6,700 sf is demisable, the suite provides only one option rather than two.

Stats are based on tenant requirements as defined by each profile type.



Tenant Profile Two

Size Requirement: 10,000 sf to 15,000 sf

Tenant Profile:

- This tenant would prefer improved space in a high-profile location that is close to amenities and which heightens the company's profile.
- However, overall costs remain a concern for the tenant. Tenant would prefer to reduce costs associated with common areas and be located on a single floor. As a result, the floorplate must exceed 10,000 sf.
- Similar to the first tenant, access to a SkyTrain station within walking distance (500 metres) is a requirement for employee recruitment and retention.

Competitive Set:

Any downtown class A property with the ability to accommodate the tenant and that is available within the next six months.



Tenant Profile Three

Size Requirement: 30,000 sf +

Tenant Profile:

- This tenant is a high-profile, well-established multi-national company that is looking to upgrade its existing offices in a class AAA building.
- To meet the firm's corporate sustainability goals, the building must achieve some level of industry-standard certification.
- Floors must be contiguous and the space may be improved or unimproved.
- Building and location amenities are essential to this tenant as the building must have onsite amenities and access to rapid transit.

Competitive Set:

Any available space that can be occupied within the next 12 months in an existing downtown class AAA property that has an industry-standard sustainability accreditation, onsite amenities and access to SkyTrain.

Q3 Relevant Statistics:

Applicable Inventory	6,833,636 sf
Direct Lease	42,607 sf
Sublease	0 sf
Total Availability	42,607 sf
Direct Availability Rate	0.62%
Sublease Availability Rate	0.0%
Total Availability Rate	0.62%
Average Base Rent	\$47.74
Average Ops Costs	\$22.34



TOTAL # OF BUILDINGS IN DEFINED INVENTORY



EXISTING OPTIONS

Stats are based on tenant requirements as defined by each profile type.

Q3 Relevant Statistics:

Applicable Inventory	4,674,084 sf
Direct Lease	93,200 sf
Sublease	0 sf
Total Availability	93,200 sf
Direct Availability Rate	1.99%
Sublease Availability Rate	0%
Total Availability Rate	1.99%
Average Base Rent	\$55
Average Ops Costs	\$22.60



TOTAL # OF BUILDINGS IN DEFINED INVENTORY



EXISTING OPTIONS

Stats are based on tenant requirements as defined by each profile type.

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