



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	66,557 sf
Sublease	3,701 sf
Total Availability	70,258 sf
Direct Availability Rate	1.23%
Sublease Availability Rate	0.07%
Total Availability Rate	1.30%
Average Base Rent	\$29.12
Average Ops Costs	\$19.62



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

Options for office tenants seeking 30,000 sf or more dwindle to zero as supply constraints push rents up

Vacancy and availabilities in Downtown Vancouver's office market resumed their respective declines after limited relief was temporarily provided in the first quarter of 2018, according to Avison Young's most recent *Downtown Office Tenant Profile Report*. Available opportunities have subsequently dwindled considerably in the past six months across all tenant-size profiles. **The Exchange** at 475 Howe Street, which delivered 138,560 square feet (sf) of available space in a class AAA office building in the fourth quarter of 2017, is now fully leased.

There are currently no options for large tenants seeking immediately available contiguous office space of 30,000 sf or more in a class AAA office building. For mid-sized tenants, full-floor opportunities remain available but with limited options as rates continue to rise. Average asking rates climbed to \$36.15 per square foot (psf) from \$33.57 psf during the past six months. Meanwhile, in addition to contending with fewer options and higher rents (up \$1.29 psf since Q1 2018), small tenants faced a reduction in inventory as 1090 West Pender Street prepares to undergo redevelopment into a class AAA 32-storey office building. With limited new development not being delivered until 2020 – most of which is already preleased – and downtown vacancy expected to tighten further in 2018, upward pressure on rents is likely 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, various 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 a prospective tenant 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 decreased to 22 in the third quarter of 2018 from 29 in the first quarter of 2018 with only two sublease options, reducing the total availability rate to 1.3% from 2.06%. The number of available options for Tenant Profile Two dropped to five from seven, which reduced the availability rate slightly to 1.02% from 1.32%. There are no available options for Tenant Profile Three, a reduction from two options six months ago. Large tenants have to be flexible and plan 24 to 36 months ahead to capitalize on future availabilities either through preleasing or backfilling space in order to secure a suitable option for their upcoming office space requirements. ■

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.



Tenant Profile Two

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

Tenant Profile:

- This tenant requires 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 immediately.



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 LEED accreditation.
- 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 immediately in an existing downtown class AAA property that has LEED accreditation, onsite amenities and access to SkyTrain.

Q3 Relevant Statistics:

Applicable Inventory	6,833,636 sf
Direct Lease	57,935 sf
Sublease	11,450 sf
Total Availability	69,385 sf
Direct Availability Rate	0.85%
Sublease Availability Rate	0.17%
Total Availability Rate	1.02%
Average Base Rent	\$36.15
Average Ops Costs	\$18.46



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	4,366,685
Direct Lease	0 sf
Sublease	0 sf
Total Availability	0 sf
Direct Availability Rate	0%
Sublease Availability Rate	0%
Total Availability Rate	0%
Average Base Rent	NA
Average Ops Costs	NA



TOTAL # OF BUILDINGS IN DEFINED INVENTORY



EXISTING OPTIONS

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

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