

Downtown Vancouver, BC

Tenant Profile Report
Q1 2022



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.

Q1 Relevant Statistics:

Applicable Inventory	5,915,088 sf
Direct Lease	54,885 sf
Sublease	7,041 sf
Total Availability	61,926
Direct Availability Rate	0.93%
Sublease Availability Rate	0.12%
Total Availability Rate	1.05%
Average Base Rent	\$29.86
Average Ops Costs	\$19.13

66
TOTAL # OF
BUILDINGS IN
DEFINED
INVENTORY

33 ↓
EXISTING
OPTIONS

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

Office rental rates remain stable as Downtown recovery continues as new supply set to be delivered

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 with the company's business strategy.

Tight vacancy conditions in downtown Vancouver's office market have largely persisted despite the ongoing impact from COVID-19 containment measures on the leasing market. Rental rates for applicable spaces in class AAA, A and B buildings appear to have plateaued and availabilities continue to be constrained for small- and mid-sized tenants, though a considerable number of options exist for larger tenants due to the continued delivery of new class AAA buildings to the Vancouver market.

Available options for Tenant Profile Three are primarily due to the expected delivery of three office development projects within the next 12 months that are currently under construction and have not been fully leased, including 733 Seymour Street, 320 Granville Street, and 1133 Melville Street. (1280 Burrard Street is not included due to its location.) In addition, 601 West Hastings Street and 410 West Georgia Street, both delivered in Q4 2021, also have significant space remaining that had not been leased. While the overall availability rate for Tenant Profile Three has declined slightly during the last six months due to rising leasing activity, more than 560,000 sf of office space that has not been preleased will be added to inventory in the next year as new construction projects are delivered. For the most part, large corporate office tenants continue to hold on to their office space as only three suitable sublease spaces were available for Tenant Profile Three (Shopify's space at 1055 Dunsmuir Street that is available for sublease is counted twice because of its significant size.) At this time, many large tenants are still evaluating their return-to-office policies and determining how their workforce will operate going forward before making long-term leasing decisions on office space requirements. Major U.S. companies locating in downtown Vancouver could spark additional leasing activity in these class AAA buildings.

On the contrary, availabilities for small- and mid-sized tenants remain considerably more limited than for larger groups. For Tenant Profile One, sublease availability was virtually unchanged, falling slightly to 0.12% in Q1 2022 from 0.15% as of Q3 2021. Direct availability rates for smaller tenants were similarly unaffected, falling only slightly to 0.93% from 1.00% during the same period. The market for mid-sized office tenants has been more uneven, with direct availability increasing to 1.62% from 0.95% during the last six months and the sublease availability rate rising to 1.31% from 0.38% in the same period as several mid-sized spaces came to the market.

Average net asking rates (which are a blend of head lease and sublease asking rates in this report) remained fairly steady for availabilities across all building types during the last six months. Tenant Profile One registered a modest decrease in average rent in the last six months, with rents falling to \$29.86 psf in March 2022 from \$30.19 psf in September 2021; however, Tenant Profile Two recorded an even larger shift in average asking rents with rates falling to \$42.88 psf in Q1 2022 from \$45.29 psf in Q3 2021. This shift was primarily due to several discounted sublease offerings in class A buildings coming to market as asking rates for head lease space remained stable. Conversely, average asking rates for large tenants rose slightly during the same period to \$53.72 psf from \$53.12 psf as the market continues to recover.

Available options for Tenant Profile One fell to 33 in the first quarter of 2022 from 36 in the third quarter of 2021 (including four sublease options), decreasing the total availability rate to 1.05%. The number of available options for Tenant Profile Two increased to 16 (seven of which are sublease options) with the availability rate rising to 2.92%. For Tenant Profile Three, there are approximately 13 possible contiguous configurations available with three sublease options for a total availability rate of 12.59%.

Overall, the impacts of COVID-19 on Vancouver's Downtown office market continue to manifest themselves; however, availabilities generally remain limited for small and medium occupiers, with market impact largely constrained to large corporate tenants seeking contiguous office space of 30,000 sf or more in a class AAA building.

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 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.

Q1 Relevant Statistics:

Applicable Inventory	7,089,298 sf
Direct Lease	114,663 sf
Sublease	92,543 sf
Total Availability	207,206 sf
Direct Availability Rate	1.62%
Sublease Availability Rate	1.31%
Total Availability Rate	2.92%
Average Base Rent	\$42.88
Average Ops Costs	\$23.35



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



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.

Q1 Relevant Statistics:

Applicable Inventory	7,378,190 sf
Direct Lease	809,991 sf
Sublease	119,058 sf
Total Availability	929,049 sf
Direct Availability Rate	10.98%
Sublease Availability Rate	1.61%
Total Availability Rate	12.59%
Average Base Rent	\$53.72
Average Ops Costs	\$23.99



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

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