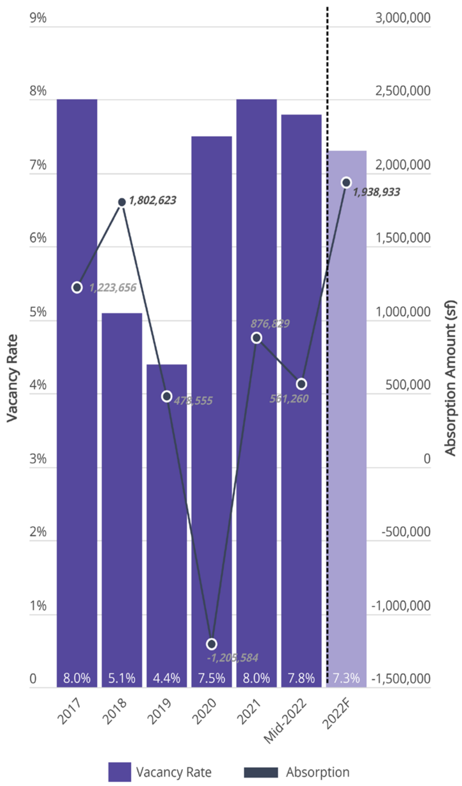
AVISON YOUNG

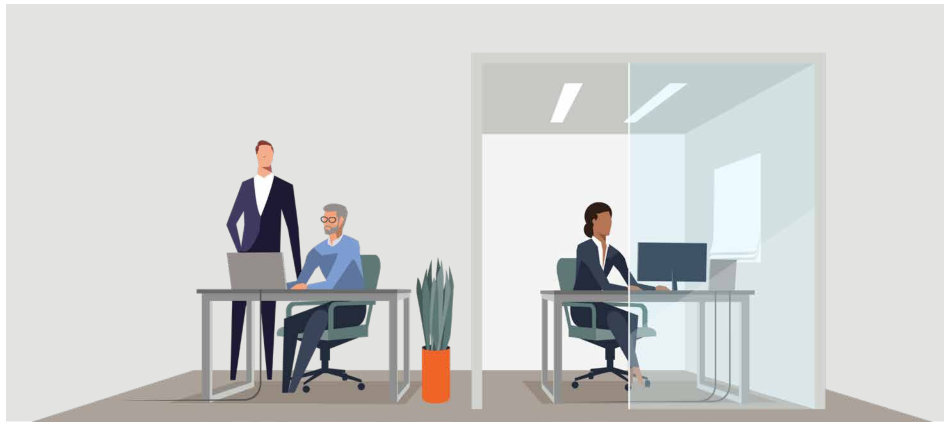
Mid-Year 2022 Office Market Report

Metro Vancouver

Metro Vancouver vacancy and absorption trends



6-month projection based on 10-year average absorption and known net absorption in new inventory



The broad focus of working from home during the pandemic has shifted the demand for office space

The COVID-19 pandemic presented many challenges for Metro Vancouver's office market, but the improvements seen in the second half of 2021 continued to transpire in the first half of 2022. That said, the broad focus of working from home — and the new hybrid model that has reshaped the demand for office space — is expected to remain post-pandemic. In spite of this new reality, absorption in the first half of 2022 was positive for most of the region's core and suburban markets.

Overall vacancy decreased to 7.8% at mid-year 2022 from 8% at year-end 2021 and 8.4% at mid-year 2021. The Downtown market vacancy rate remained stable, dipping only slightly to 8% at mid-2022 from 8.1% at year-end 2021, albeit up from 7% at mid-2021.

Vacancy rates in Vancouver-Broadway, Richmond, Burnaby, North Shore and Langley also declined between year-end 2021 and mid-2022.

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METRO VANCOUVER OFFICE VACANCY SUMMARY (MID-YEAR 2022)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	6 MONTHS ABSORPTION
Downtown	23,810,879	1,436,451	476,105	1,912,556	8.0%	156,173
Yaletown	2,116,994	189,519	56,228	245,747	11.6%	-69,777
Broadway	8,331,969	447,400	260,141	707,541	8.5%	266,422
Burnaby	9,441,637	420,732	232,541	653,273	6.9%	11,065
Richmond	4,215,800	292,697	37,217	329,914	7.8%	102,113
Surrey	3,166,534	165,607	14,332	179,939	5.7%	74,193
New Westminster	1,688,572	78,673	3,700	82,373	4.9%	-9,555
North Shore	1,405,347	57,516	2,758	60,274	4.3%	4,167
Langley	1,228,961	125,965	1,829	127,794	10.4%	26,459
TOTAL	**55,406,693**	**3,214,560**	**1,084,851**	**4,299,411**	**7.8%**	**561,260**

VACANCY RATE JUNE 30, 2022 **7.8%**

VACANCY RATE DECEMBER 31, 2021 **8.0%**

ABSORPTION (DEMAND)	VACANCY (SUPPLY)	RENTAL RATES
↘	↓	⟷

Downtown

Market statistics indicate that vacancy is spread more evenly

VACANCY TRENDS

Downtown vacancy held fairly steady in the first half of 2022, slipping a notch to 8% at mid-2022 from 8.1% at year-end 2021, but increased from 7% at mid-2021, adding 301,381 sf of vacant space. Class AAA space made up the largest increase in vacancy during this 12-month period, increasing by 276,862 sf. Class A space also increased in vacancy by 110,007 sf year-over-year, with decreases in vacancy over the same time period in class B and C space, for a combined 85,488 sf. On the surface, it seems counterintuitive to note increased vacancy of class AAA and A space when a widely accepted theme of flight-to-quality has developed during the pandemic. The two trends are not mutually exclusive and are both occurring due to significant amounts of new supply of class AAA space being delivered. A total of 568,278 sf of new supply of AAA space was added to inventory at year-end 2021, which has been steadily absorbed while this flight-to-quality occurred in class AAA space more than class A space. It is, however, expected that the flight-to-quality will become more noticeable for class A space as AAA space is absorbed. Vacancy in class AAA space decreased during the first half of 2022 from 9.5% at year-end 2021 to 8.4% at mid-year 2022. The total amount of vacancy in class AAA space was largely attributable to three buildings, **Deloitte Summit**, 601 West Hastings Street and **Bentall 4**, the first two of which recently completed construction during the latter half of 2021. Given that **Oxford Properties' The Stack** and **GWL Realty Advisors/ HOOPP**'s **Vancouver Centre II** are set to complete construction in Q3 2022, and both have significant amounts of vacancy, the trend of increasing vacancy in class AAA space will likely continue, although it is not expected to be prolonged. While there are still elevated levels of vacancy relative to pre-pandemic levels, the market is starting to stabilize. It appears that the surge of sublease offerings attributable to COVID-19 are abating and current and emerging vacancies are a result of delivery and lease-up of new inventory. Market statistics indicate that vacancy is spread more evenly among all building classes relative to 12 months ago when vacancy was more concentrated in class B and C buildings. The Downtown office market continues to stabilize and emerge from COVID-19 impacts, and is, overall, in a fairly balanced condition.

CLASS AAA SPACE MADE UP THE LARGEST INCREASE IN VACANCY

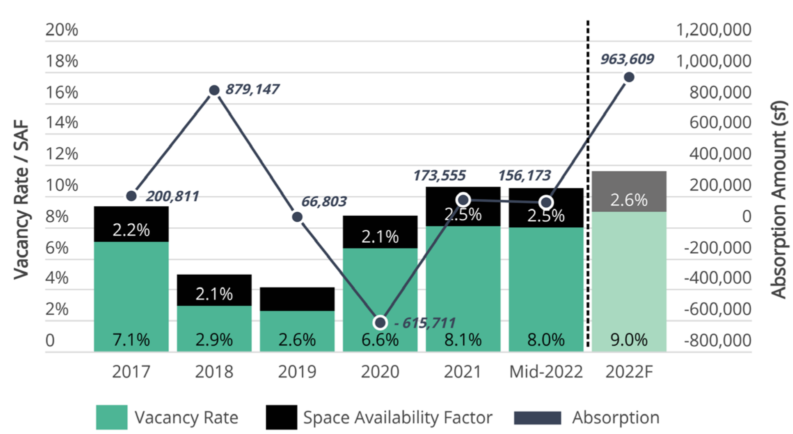
ABSORPTION TRENDS

The Downtown market experienced 156,173 sf of absorption during the first half of 2022, with only the Vancouver-Broadway market registering a greater amount of absorption over the same time period. Although absorption in the first half of 2022 was less than the 260,204 sf recorded in the second half of 2021, first-half 2022 absorption was still notable. Second-half 2018 was the most recent period with a greater amount of absorption over a six-month period. All classes of space in Downtown experienced positive absorption in first-half 2022, which had not occurred since mid-year 2018. There was substantial leasing velocity equating to more than 1.2 million square feet (msf) of lease transactions completed during the first half of 2022. **Lululemon** secured a lease for nearly the entire building at **The Offices at Burrard Place**, which completed construction during the first half of 2022 and contributed significantly to positive absorption. In addition, out of the four floors (27 to 30) being marketed for sublease by **Shopify** at Bentall 4, **Osler LLP** secured a long-term home on floors 29 and 30.

SPACE AVAILABILITY FACTOR

The space availability factor (SAF) refers to head lease space or sublease space that is being marketed but is not physically vacant, and new supply that is near completion and available for lease. SAF was 2.5% at mid-year 2022 – down from 3.2% 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the downtown core is 10.6% (or approximately 2.5 msf). The highest overall availability rate on record occurred mid-year 2015 (13.5% or 3.02 msf).

VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory, and 10-year average SAF

NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Microsoft	B6	405,000
Lululemon	Burrard Place	130,000
Lululemon	1380 Burrard Street	107,000
BMO Financial Group	Bentall III	105,000
Canaccord Genuity	The Stack	85,000
Microsoft	989 Granville Street	63,000
Spaces	Deloitte Summit	40,000
Osler, Hoskin & Harcourt LLP	Bentall IV	36,000
RGN General Partnerships	Park Place	34,332
Sandstorm Gold Royalties	VCII	33,000
West Fraser Timber	HSBC Building	33,000
Marsh Canada	B5	26,000
Noram Engineering & Constructors	Granville Square	25,200
BentallGreenOak	B5	25,000
Mercer International	Pender Place I	19,000
Wesgroup	Bentall III	17,000
TD Bank	TD Tower	16,300
Newcrest Mining/Pretium Resources	Oceanic Plaza	14,200
Strand	Bosa Waterfront	13,500
Masimo	Park Place	13,300
Regus	550 Robson Street	13,000
Cozen O'Connor	B5	12,500
WillowTree	401 West Georgia Street	12,300
Swadden & Company	808 Nelson Street	12,500
Clyde & Co.	Bentall II	10,605
Northeastern University	Deloitte Summit	10,300
Korean Consulate	1090 West Georgia Street	10,000

NEW CONSTRUCTION

The Offices at Burrard Place at 1280 Burrard Street, by **Reliance Properties** and **Jim Pattison Developments**, completed construction in early 2022. Shortly after completion, it was announced that Lululemon would be occupying approximately 120,000 sf of the total 133,000 sf, with **Harrison Healthcare** occupying the remainder. Two major developments are expected to complete construction in Q3 2022: Oxford Properties' The Stack and GWL Realty Advisors/HOOPP's Vancouver Centre II. Both buildings currently have space available; Vancouver Centre II is currently 61% preleased and The Stack is 63% preleased with additional deals in active negotiation. **Bosa Waterfront** is expected to be the last major development to complete in 2022. The strata component of Bosa Waterfront has sold out, but there is still space available for lease, 48% of which is pre-leased. **BentallGreenOak**'s **B6** at 1090 West Pender Street is expected to complete construction in Q4 2023 and is widely rumoured to have **Microsoft** taking 405,000 sf with the remainder of the space occupied by **WeWork**. The development community continues to prepare for the next wave of new developments, which indicates strong confidence in the medium- and long-term future of the Downtown office market.

MARKET FORECAST

The current development cycle for office space in Downtown Vancouver totals slightly more than 3 msf and is currently 80% preleased. 2024 will mark the end of the current development cycle with **The Offices at Landmark on Robson** (strata) and 980 Granville Street slated to complete early that year. Overall, landlords are reasonably well-positioned to defend current rental rates while tenants have more plentiful options, particularly for larger blocks, to aid in their lease negotiations. The outlook over the next six to 12 months is largely stable; however, some landlords with persistent or emerging vacancy issues may be motivated to reduce net effective rent (NER) expectations to compete for credit-worthy tenants and generate leasing momentum. Construction-cost increases and supply chain issues may erode landlords' NER expectations as tenants seek larger leasing inducements (such as tenant-improvement allowances, landlords' work packages and turn-key premises) without corresponding increases in basic/net rents. In addition, delivery of vacant and available new inventory may apply downward pressure on NERs. Tenants are returning to the office and gaining a better understanding of their space needs, which should increase demand for office space and stimulate leasing activity. Further increases in vacancy are likely but will be more attributable to delivery of new buildings on a vacant or largely vacant basis, rather than COVID-19.

>3 MSF IN CURRENT DEVELOPMENT CYCLE, 80% PRELEASED

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
GWL Realty Advisors / HOOPP	Vancouver Centre II, 733 Seymour Street	377,000	230,876	61%	Q3 2022
Oxford Properties	The Stack, 1133 Melville Street	532,000 (office)	264,868	63%	Q3 2022
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (60% strata/ 40% lease)	Strata/Lease	100% sold / 48% leased	Q4 2022
QuadReal Property Group	The Post, 349 West Georgia Street (mixed-use)	1.1 msf plus podium	South tower: 512,000 North tower: 592,000	100%	Q1 2023/ Q3 2023
BentallGreenOak	B6, 1090 West Pender Street	534,000	534,000	100%	Q3 2023
Asia Standard Americas	The Offices at Landmark on Robson, 1438 Robson Street	29,190 (office)	Strata	NA	Q1 2024
Bonnis Properties	980 Granville Street	51,477	17,514	34%	Q1 2024
Uptown Property Group	625 West Hastings Street	125,000	0	0%	Q2 2025
Bonnis Properties	Robson Profile, 807-809 Seymour Street	44,111	Strata	NA	2025
Reliance Properties / Hines	1166 West Pender Street	357,880	0	0%	2026
Westbank / Allied REIT	SAM, 150 West Georgia Street	600,000 (office)	0	0%	2026
Hudson Pacific Properties	Burrard Exchange, 1025 Dunsmuir Street	461,000	0	0%	2027
QuadReal Property Group / PC Urban	534-550 Cambie Street	258,245 (office)	0	0%	2027
Reliance Properties / KingSett Capital	601 West Pender Street	398,500	0	0%	2027
Austeville Properties	450 West Georgia Street	375,554	-	-	Proposed
Cadillac Fairview	The Crystal at Waterfront Square, 555 West Cordova Street	TBD	-	-	Proposed
Bonnis Properties	526 Granville Street	123,193 (office)	-	-	Proposed
Aquilini Development and Construction	Aquilini Centre East, 777 Pat Quinn Way	69,300 (office)	-	-	Proposed
Chard Development	343 West Pender Street (renovation/expansion)	31,500 (office)	-	-	Proposed
Canadian Metropolitan Properties	750-772 Pacific Boulevard (Plaza of Nations)	TBD (office)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)*	GROSS OCCUPANCY COST (PSF)*
AAA	5,695,854	366,261	113,340	479,601	8.4%	62,894	212,555	3.7%	$45-$65	$68-$88
A	8,476,483	316,856	227,826	544,682	6.4%	49,864	307,007	3.6%	$36-$55	$59-$78
B	6,639,398	448,704	101,660	550,364	8.3%	4,932	66,954	1.0%	$28-$43	$48-$63
C	2,999,144	304,630	33,279	337,909	11.3%	38,483	13,896	0.5%	$24-$32	$42-$50
Total	**23,810,879**	**1,436,451**	**476,105**	**1,912,556**	**8.0%**	**156,173**	**600,412**	**2.5%**	**-**	**-**

**Rental rate ranges are based on discussions with owners and brokers' opinions due to limited data points (deals completed)*

Downtown Vancouver development timeline

	VANCOUVER CENTRE II, 733 SEYMOUR STREET	THE STACK, 1133 MELVILLE STREET	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET
			
	Q3 2022	Q3 2022	Q4 2022
DEVELOPER	GWL Reality Advisors / HOOPP	Oxford Properties	Bosa Development
STOREYS	33	37 (rooftop amenity space is 37)	30
OFFICE SF	377,000	550,000	226,790 (strata) / 148,000
TENANTS	121,039 sf - Kabam 40,000 sf - PI Financial 20,741 sf - Owen Bird 15,766 sf*- B2Gold 33,330 sf - Sandstorm Gold	80,000 sf - Blake, Cassels & Graydon 67,000 sf - DLA Piper 66,000 sf - EY Canada 30,168 sf - Plentyoffish Media 16,700 sf - BDC 5,000 sf - Nook 85,000 sf - Canaccord Genuity	23,000 sf - Bosa Development 7,500 sf - Undisclosed tenant 27,000 sf - SKR Consulting 13,500 sf - Strand Development Approx. 60% of the building has been sold as strata office space
OCCUPANCY	61%	63%	100% SOLD / 48%

	980 GRANVILLE STREET	625 WEST HASTINGS STREET	ROBSON PROFILE 807 - 809 SEYMOUR STREET	1166 WEST PENDER STREET
				
	Q1 2024	Q2 2025	2025	2026
DEVELOPER	Bonnis Properties	Uptown Property Group	Bonnis Properties	Reliance Properties / Hines
STOREYS	4	29	13	32
OFFICE SF	51,477	125,000	44,111 (strata)	344,000 sf (plus terraces)
TENANTS	17,514 sf - Cornerstone Community College	No tenants at this time	Sales not provided	No tenants at this time
OCCUPANCY	34%	0%	N/A	0%

Updated as of July 25, 2022

**B2Gold Corp. is offering 16,259 sf of its remaining prelease on a sublease basis.*

THE POST, 349 WEST GEORGIA STREET

Q1 2023

QuadReal Property Group

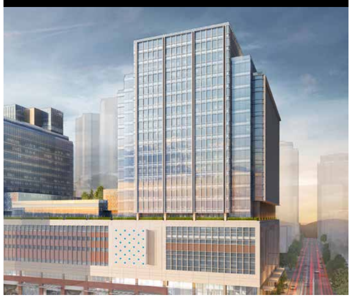
21 (south tower)

512,000

512,000 sf - Amazon

100%

THE POST, 308 DUNSMUIR STREET



Q3 2023

QuadReal Property Group

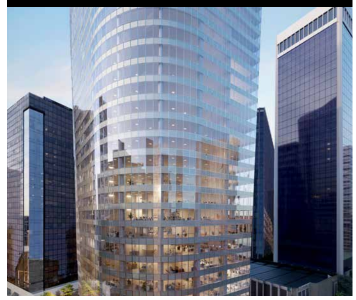
22 (north tower)

592,000

592,000 sf - Amazon

100%

B6, 1090 WEST PENDER STREET



Q3 2023

BentallGreenOak

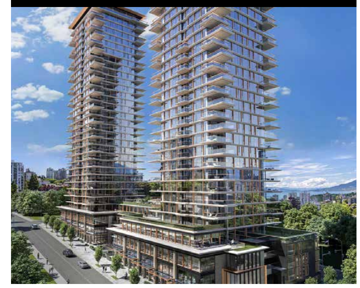
32

534,000

129,000 sf - WeWork
405,000 sf - Microsoft

100%

THE OFFICES AT LANDMARK ON ROBSON, 1438 ROBSON STREET



Q1 2024

Asia Standard Americas

2 floors in podium

29,120 (strata)

Sales not provided

NA

SAM, 150 WEST GEORGIA STREET

2026

Westbank / Allied REIT

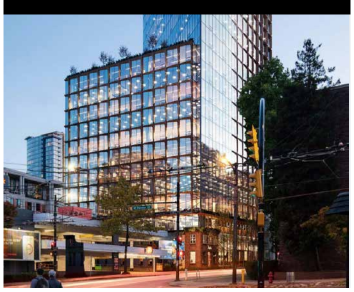
17

600,000

No tenants at this time

0%

534-550 CAMBIE STREET



2027

QuadReal Property Group / PC Urban

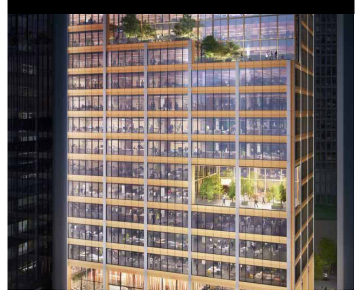
22

258,245

No tenants at this time

0%

BURRARD EXCHANGE, 1025 DUNSMUIR STREET



2027

Hudson Pacific Properties

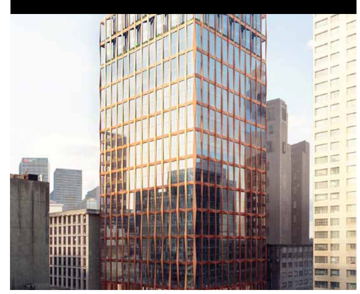
16

461,000

No tenants at this time

0%

601 WEST PENDER STREET



2027

Reliance Properties / KingSett Capital

29

410,000 sf

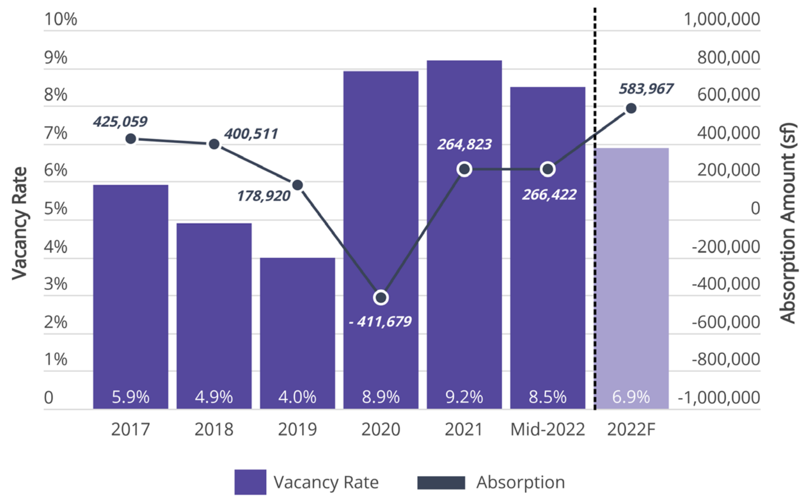
No tenants at this time

0%

Vancouver-Broadway

Overall vacancy is significantly lower

VACANCY AND ABSORPTION (OVERALL)



6-month projection based on a 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

The overall vacancy rate of 8.5% at mid-year 2022 was significantly lower than the 12.4% overall vacancy rate at mid-year 2021. The reduction in vacancy year-over-year was evident in both Mount Pleasant and False Creek Flats, which made up the periphery markets. However, the year-over-year decline in vacancy was most significant in the periphery market, dropping from 16.4% in 2021 to 8.4% in 2022. The year-over-year vacancy decline in the periphery market was driven primarily by a reduction in vacancy in class A and B space. The core market decline in vacancy year-over-year saw a more modest decline, decreasing from 9% in 2021 to 8.6% in 2022 and was due to a reduction in vacancy in class B and C space. The significant decrease in overall vacancy year-over-year was seen across all asset classes and was driven primarily by occupancy activity by several large tenants. Not only was there a reduction in vacancy year-over-year, but also from year-end 2021 to mid-year 2022. The overall vacancy rate for mid-year 2022 was 70 basis points (bps) lower from year-end 2021, driven by slightly higher absorption in B and C class buildings. There was a slight uptick of 10 bps in vacancy in class A space from year-end 2021. A significant vacancy will fill shortly when **Fortinet** moves into its space at **Broadway Tech Centre**, a class A building. Fortinet has not yet occupied the space, which skewed the statistics and caused class A vacancy to appear greater.

ABSORPTION TRENDS

Significant contributions to absorption came from new supply delivered in the first half of 2022, with significant prelease activity. **Cressey's** 425 West 6th was delivered 100% leased, and **The Workshop** at 161 East 4th Avenue was delivered with only 4,127 sf of its 56,501 sf still available. **Focal on 3rd** also completed construction during the first half of 2022 with some prelease activity, but 17,228 sf out of the 27,787 sf was still available at delivery. The last six months of 2021 experienced significant overall absorption and the first six months of 2022 continued that trend for the Vancouver-Broadway market with a massive 746,316 sf of positive absorption over the past 12 months for the overall market.

NEW CONSTRUCTION

During the first half of 2022, 249,171 sf of new supply was delivered, 91% of which was preleased. Projects delivered during the first half of 2022 were Cressey's 425 West 6th, The Workshop at 161 East 4th Avenue and Focal on 3rd. The Vancouver-Broadway corridor continues to see a very active construction pipeline with a wide variety of projects. Lululemon announced that it will proceed with its plan for a new purpose-built headquarters office building in Vancouver's False Creek Flats, totaling nearly 600,000 sf of office space.

MODEST **DECLINE** IN VACANCY **YEAR-OVER-YEAR**

MARKET FORECAST

Current leasing activity in existing inventory was overall muted due to lingering headwinds from COVID-19, as well as the economy facing interest-rate rises and inflation. With speculation of a potential recession from certain economic forecasters, some companies are reluctant to make leasing commitments currently. That said, class A and B markets are expected to remain stable. There is the potential for a slight compression in rates for class B and C space as new product drives a flight to quality. A number of groups could potentially be right-sizing and may produce smaller pockets of vacant space, but there is no indication of upcoming large blocks of space becoming available.

NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Fortinet	Broadway Tech Centre 4	175,546
Westside Montessori School	5550 Fraser Street	20,000
DUER	1476 West 8th	12,419
Sequel Naturals	425 West 6th Avenue	11,172
Trillium Projects	1195 West Broadway	8,039
Zayo Group	2285 Clark Drive	7,000

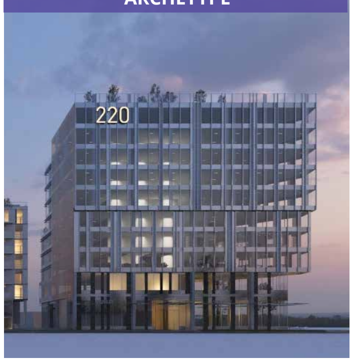
T3 MOUNT PLEASANT

Vancouver-Broadway

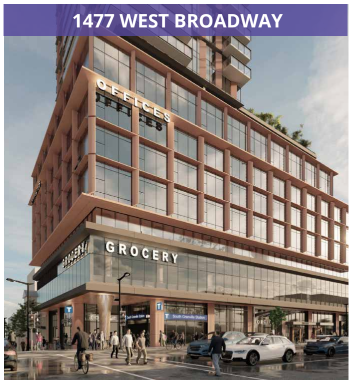
150-170 WEST 4TH AVENUE

375 EAST 1ST AVENUE

ARCHETYPE



1477 WEST BROADWAY



DEVELOPER	BUILDING	SF	PRELEASE %	COMPLETION
Porte Communities	Aristotle, 1308 Adanac Street	54,221 (office/light industrial)	30%	Q3 2022
Niels Bendtsen/BenSen	411 Railway Street (I-4 zoning)	111,934 (office/creative industrial)	100%	Q3 2022
Nicola Wealth	Fifth + Columbia, 2055 Columbia Street	25,207 (office/light industrial)	0%	Q4 2022
Dayhu Group / AbCellera Biologics	150-170 West 4th Avenue & 2004 Columbia Street	170,000 (office/lab space)	100%	Q2 2023
Formwerks Boutique Properties	Ofiswerks, 234 West 3rd Avenue	47,347 (office/light industrial)	Strata: 74%	Q3 2023
The Molnar Group	Kaslo at Renfrew District, 2710 Kaslo Street	218,350	50%	Q3 2023
Conwest	Riverworks, 1550 West 75th Avenue	North Building: 36,616 (office/industrial) South Building: 82,679 (office/industrial)	Strata	Q4 2023
Beedie / AbCellera Biologics	110 West 4th Avenue	211,380 (office/lab space)	100%	Q1 2024
Westbank / Hootsuite	Main Alley (M4), 108 East 5th Avenue	204,800 (office/light industrial)	46%	Q2 2024
Alliance Partners	Frameworks, 1221 East 2nd Avenue	171,862 (office/light industrial)	Strata: 80% (phase 1)	Q2 2024
Rendition Developments	37-45 West 7th Avenue	48,000 (office/light industrial)	0%	Q2 2024
BentallGreenOak	2150 Keith Drive	159,000	28%	Q4 2024
Wesbild	Marine Landing, 8188 & 8232 Manitoba Street (two buildings)	340,000 (office/industrial)	Strata: 50% (buildings 1 and 2)	Q4 2024
QuadReal Property Group / Westbank	660 & 668 West 41st Avenue (phase one of Oakridge Park redevelopment)	175,440 (office/medical)	Strata: 75% sold	Q4 2024
QuadReal Property Group / Westbank	Creative_Space at the Woodlands (phase one of Oakridge Park redevelopment)	90,000 (office)	Strata: 35% sold	Q4 2024
Onni Group	375 East 1st Avenue	129,207	0%	Q4 2024
Strand Development	360 West 2nd Avenue	113,548	0%	Q1 2025
PC Urban / Hines	T3 Mount Pleasant, 123 East 6th Avenue	196,000	NA	Q2 2025
Chard Development	8-24 East Broadway	125,400	0%	Q2 2025
QuadReal Property Group / Westbank	650 West 41st Avenue (phase one of Oakridge Park redevelopment)	160,000	0%	Q3 2025
QuadReal Property Group / Hungerford Properties	Archetype, 220 East 1st Avenue	121,445 (office/creative industrial)	Strata: 20% sold	Q3 2025
PCI Group	1477 West Broadway	100,000 (office)	0%	Q3 2025
Low Tide Properties	Lab 29, 1629 Scotia Street	218,000 (light industrial/lab space)	0%	Q1 2026
Strand Development	456-496 Prior Street	246,192 (office)	-	Approved
Champion Development Group	151 West 5th Avenue	53,877 (office/light industrial)	0%	Proposed
Yuanheng Holdings	FairView Tower, 1395 West Broadway	273,442 (office)	-	Proposed
Westbank / Crombie REIT	1780 East Broadway	55,253 (office)	-	Proposed
Keltic Canada Development	Nexus, 220 Prior Street	102,000 (medical/light industrial)	Strata	Proposed
Three Putt Investments	855-865 West 10th Avenue	76,580 (office/retail)	-	Proposed
PCI Group	Marine Gateway 2, 8530 Cambie Street	280,000 (office)	-	Proposed
QuadReal Property Group	Broadway Tech Centre II, 3030 East Broadway	962,300	0%	Awaiting prelease
Omicron/Rendition Developments	Maker Exchange, 488 Railway Street (I-4 zoning)	152,000 (office/creative industrial)	0%	Awaiting prelease
GWL Realty Advisers	False Creek Station, 1296 Station Street	261,400 (office)	0%	Awaiting prelease

CORE

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,805,120	162,009	29,788	191,797	6.8%	207,668	\$24-\$48	\$40-\$67
B	1,453,968	105,945	25,932	131,877	9.1%	15,511	\$20-\$39	\$37-\$53
C	493,627	82,866	0	82,866	16.8%	17,692	\$16-\$23	\$35-\$42
Total	**4,752,715**	**350,820**	**55,720**	**406,540**	**8.6%**	**240,871**	**-**	**-**

PERIPHERY

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,368,445	60,397	203,134	263,531	11.1%	-2,513	\$24-\$40	\$46-\$62
B	668,564	13,538	0	13,538	2.0%	30,263	\$16-\$35	\$28-\$59
C	542,245	22,645	1,287	23,932	4.4%	-2,199	\$15-\$24	\$25-\$39
Total	**3,579,254**	**96,580**	**204,421**	**301,001**	**8.4%**	**25,551**	**-**	**-**

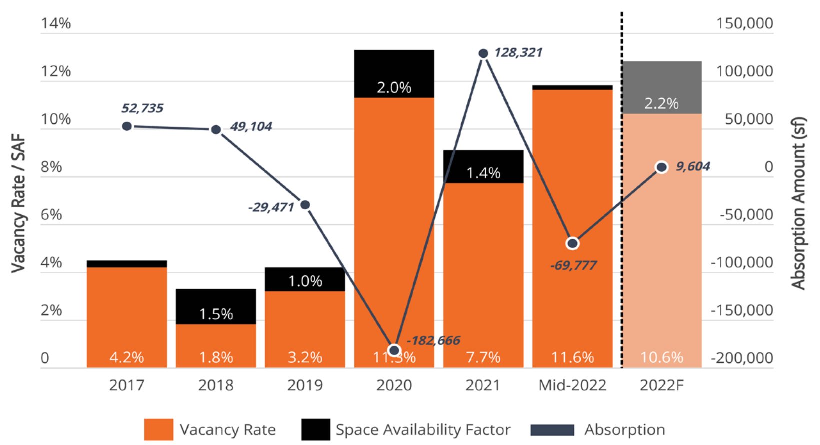
OVERALL

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	5,173,565	222,406	232,922	455,328	8.8%	205,155	\$28-\$40	\$44-\$60
B	2,122,532	119,483	25,932	145,415	6.9%	45,774	\$20-\$29	\$31-\$42
C	1,035,872	105,511	1,287	106,798	10.3%	15,493	\$15-\$24	\$28-\$36
Total	**8,331,969**	**447,400**	**260,141**	**707,541**	**8.5%**	**266,422**	**-**	**-**

Yaletown

Rental rates are forecasted to remain stagnant through 2022

VACANCY AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory, and 10-year average SAF

VACANCY TRENDS

Vacancy in Yaletown increased nearly four percentage points from 7.7% at the end of 2021 to 11.6% by mid-2022. The increase was primarily due to a large spike in vacancy for class C space. Class C vacancy increased from 9.8% at year-end 2021 to 28.3% at mid-year 2022 — an increase of 84,962 sf of vacant space. Nearly one third of the vacant space came from 101 Smithe's return to market — a brick- and-beam office building typical of the Yaletown market, comprising 30,000 sf. **The Smithe**, located at 225 Smithe Street, completed construction in mid-2021 and continues to remain fully available with 28,630 sf listed for lease. Although class C space registered an increase in vacancy, it makes up the smallest amount of Yaletown's total inventory at 22%. The majority of Yaletown's office inventory comprises class B space, which accounts for 48% of total inventory. In the same half-year time span, class B space experienced a slight increase in vacancy of 6,356 sf. Class A space accounts for 30% of Yaletown's inventory and saw a decline of 9,026 sf in vacancy during the first half of 2022.

ABSORPTION TRENDS

The first half of 2022 experienced negative absorption of 69,777 sf, much of which was attributed to 30,000 sf at 101 Smithe Street coming back to market. Construction of 1290 Homer Street completed during the first half of 2022, delivering 31,194 sf of new space that was fully pre-leased. However, the tenant has since listed 16,007 sf of that space for sublease. In some spaces, fixturing is being absorbed slower than usual due to the current climate of supply chain issues and high construction costs. A large international animation firm fully leased 1132 Hamilton, taking 42,000 sf off the market.

NEW CONSTRUCTION

Reliance Properties received its development permit for 837 Beatty Street — currently a two-storey heritage-style character building of brick and heavy timber construction. The development permit is for a four-storey mass timber addition featuring cross-laminated timber (CLT) and nail-laminated (NLT) systems. The development, once complete, will have retail uses on the ground and lower levels, office uses on levels two to five and rooftop amenity space. Completion is scheduled for 2024, totaling 38,115 sf. No other new supply is scheduled for delivery in the near term in Yaletown.

CONFIDENTIAL TENANT LEASES APPROXIMATELY **40,000 SF OF SPACE** IN 1132 HAMILTON STREET

MARKET FORECAST

Rental rates are forecasted to remain stagnant through 2022 as the market continues to grapple with higher-than-average vacancy. However, quality improved space continues to lease quickly for asking rate to groups who are seeking to relocate to the popular office node.

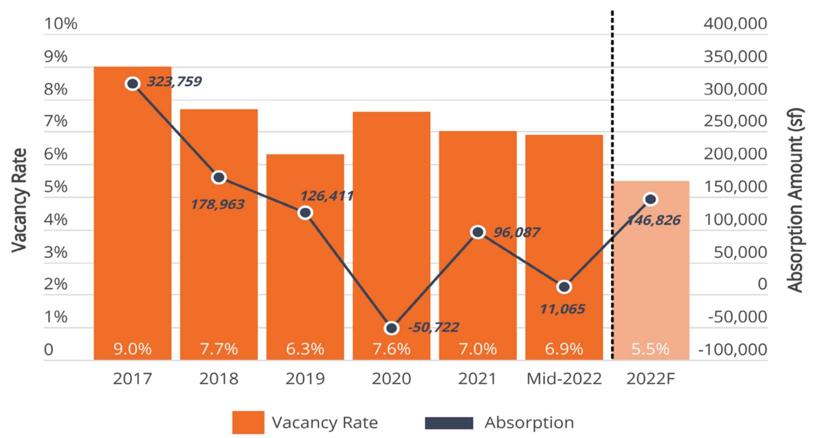
NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Confidential Tenant	1132 Hamilton Street	40,000
Take-Two Interactive	1168 Hamilton Street	6,800
Theory and Practice Business Intelligence	1168 Hamilton Street	3,218

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties	837 Beatty Street (renovation/expansion)	29,386 (office)	0	0%	2024

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	636,752	52,728	17,197	69,925	11.0%	9,026	0	0.0%	$36.69 - $40.85	$54.19 - $58.35
B	1,021,065	37,102	8,702	45,804	4.5%	-6,356	1,100	0.1%	$28.58 - $32.58	$46.34 - $50.34
C	459,177	99,689	30,329	130,018	28.3%	-72,447	2,743	0.6%	$24.61 - $27.81	$41.22 - $44.42
Total	**2,116,994**	**189,519**	**56,228**	**245,747**	**11.6%**	**-69,777**	**3,843**	**0.2%**	**-**	**-**

VACANCY AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory

LEASING ACTIVITY REMAINS STABLE

MARKET FORECAST

Given the modest amount of new supply anticipated to be delivered in the near term, combined with reasonably strong demand, rental rates are expected to remain relatively steady through 2022.

VACANCY TRENDS

Vacancy edged down from 7% at year-end 2021 to 6.9% at mid-year 2022, marking the lowest vacancy rate since mid-year 2020 at 5.4%. Leasing activity remained stable — several significant renewals occurred during the first half of 2022 in conjunction with several new lease deals. The slight reduction in vacancy from year-end 2021 was due to modest positive absorption of class B space in conjunction with no new supply delivered. As a result, there was slight positive absorption overall for the first half of 2022 and a small reduction in vacancy. Three large subleases accounted for one third of the overall vacancy or about 2% of the total vacancy rate for Burnaby.

ABSORPTION TRENDS

With no new supply delivered during the first half of 2022, absorption was dictated by activity in existing inventory in Burnaby. Almost 70% of Burnaby's inventory comprises class A space, which saw a slight increase in negative absorption during the first half of 2022. However, this was more than offset by the increase in absorption of class B space, which accounts for 22% of Burnaby's office inventory. Overall, deal velocity remained steady.

NEW CONSTRUCTION

Two new office spaces will be delivered to the Burnaby market in the fourth quarter of 2022. The first is 42,478 sf in phase six of **Beedie** and **Anthem**'s **Station Square** development, which is currently fully available. The second is 50,715 sf in phase three of **Kingswood**'s 3555 Gilmore Way, which is 67% preleased.

NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Xenon	3650 Gilmore	53,023
Fortinet	4370 Still Creek Drive	26,250
Clearpoint Health	3555 Gilmore Way	18,668
Securiguard	3292 Production Way	17,460
TELUS	3500 Gilmore	16,985
Moneris	4259 Canada Way	13,858
RBC Dominion Securities	4720 Kingsway	13,611
Kiewit Corporation	6450 Roberts	11,462
Undisclosed	4190 Lougheed	10,750
Great Pacific Media	1901 Rosser	10,472
Emerald City Games	4295 Canada Way	10,000
Changepain	3605 Gilmore Way	8,390

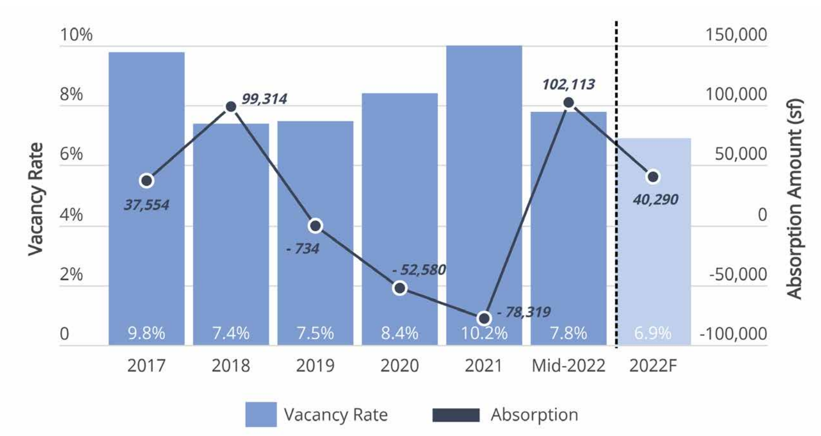
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Anthem Properties/ Beedie	Station Square (phase 6), 6023 Silver Drive	42,478	0	0%	Q4 2022
Kingswood Capital	3555 Gilmore Way (phase 3)	50,715	33,810	67%	Q4 2022
Shape Properties	The City of Lougheed (phase 1)	21,000 (office)	7,000	33%	Q1 2023
Slate Asset Management	Capital Point, 4330 Kingsway & 5495 Kathleen Avenue (two renovated office buildings)	160,000 (19 storey)	60,000 (10 storey)	NA	Q2 2023
Kingswood Capital	4455 Sanderson Way	180,000	180,000	100%	Q2 2024
Kingswood Capital	4499 Sanderson Way	120,000	0	0%	Q2 2024
Onni Group	Gilmore Place (phase 1)	83,870 (office)	0	0%	Q2 2024
Appia Developments	SOLO District (phase 4), 2088 Skyline Drive	145,000 (office)	-	-	Q4 2025
Shape Properties	The Amazing Brentwood (phase 2)	TBD	-	-	Planning
Onni Group	Gilmore Place (phase 2)	695,614 (office)	-	-	Proposed
Beedie	The Avenue on Sumner, 3133 Sumner Avenue	170,680 (office/light industrial)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,490,928	234,053	209,960	444,013	6.8%	-7,501	$26-$32	$42-$48
B	2,081,671	153,754	14,319	168,073	8.1%	22,393	$20-$24	$36-$40
C	869,038	32,925	8,262	41,187	4.7%	-3,827	$17-$20	$33-$36
Total	**9,441,637**	**420,732**	**232,541**	**653,273**	**6.9%**	**11,065**	**-**	**-**

Richmond

Strata office development continues to dominate

VACANCY AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Vacancy in Richmond fell to 7.8% at mid-year 2022 from 10.2% at year-end 2021. After years of declining vacancy prior to the pandemic, the Richmond office market started registering steady increases in vacancy at mid-year 2020 as COVID-19 containment measures began impacting office tenants. Vacancy rates in Richmond began to trend downward again in 2022 with a 2.4% decrease in vacancy over the last 6 months. Class A office space continued to hold the highest vacancy rate (8.3%) across the three classes at mid-year 2022. Class C vacancy increased from 1.2% at year-end 2021 to its current rate of 7.4% at mid-year 2022.

ABSORPTION TRENDS

Richmond experienced negative annual absorption of 78,319 sf in 2021—the most negative absorption registered in any Metro Vancouver market in 2021, and the most negative annual absorption recorded in Richmond since 2010. In the first six months of 2022, the Richmond office market registered 102,113 sf of positive absorption. Richmond's shift from negative to positive absorption was predominately focussed on class A properties, which recorded 107,230 sf of positive absorption in first-half 2022. This was a significant change from the 79,673 sf of negative absorption recorded at year-end 2021 for class A buildings. These absorption trends were likely due to a combination of strong return-to-office results over the last three quarters, corresponding with a lack of new supply in the office market.

NEW CONSTRUCTION

Strata office development continues to dominate Richmond's office development timeline with just a single project, **Pinnacle Centre** at Capstan Village, under construction for lease. This 12-storey, 200,000-sf office tower will be part of a three-tower mixed-use development that also includes a hotel and condominiums.

MARKET FORECAST

Rental rates increased slightly during the first half of 2022 and this trend is anticipated to continue through the second half of 2022 as vacancy rates and quality class A options continue to decrease. With the completion of Richmond's Canada Line SkyTrain extension expected in late 2023 or early 2024, the increased ease of transportation should also cause upward pressure on rental rates. Richmond remains a strong suburban option for less capitalized groups as the average rental rate of $18.90 per sf is the lowest of all secondary markets in Metro Vancouver. Much of the new supply coming to the market is in the form of smaller strata office units. The new supply should not have a large impact on leasing activity as the majority of Richmond's office product comprises office parks that attract larger tenants. One cautionary tale would be that if the anticipated economic downturn proceeds, tenants will be quick to bring their space back to the market, much like what has been witnessed previously in the Richmond market.

LEASING ACTIVITY REMAINS ACTIVE

NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Undisclosed	13911 Wireless Way	23,063
General Fusion	3600 Lysander Lane	17,030
Rivian	13551 Commerce Parkway	16,668
Rothewood Academy	13575 Commerce Parkway	15,368
Undisclosed	13799 Commerce Parkway	12,651
Undisclosed	13353 Commerce Parkway	11,715
Artron	13551 Commerce Parkway	10,494
Premium Brands	10991 Shellbridge Way	10,219
Undisclosed	10271 Shellbridge Way	7,760
Kids Jump Gym and Physio	13571 Commerce Parkway	7,314
Cogent	13353 Commerce Parkway	5,843

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Pinnacle International	Pinnacle Centre at Capstan Village, 3211 Carscallen Road & 3200 No. 3 Road	204,205 (office)	0	0%	Q2 2023
Park Village Investments & Grand Long Holdings Canada	One Park by Grand Long, 8119 Park Road	47,106 (office)	Strata	NA	Q3 2023
Townline / Canderel	Offices at Luxe, 5671 No. 3 Road	87,050 (office)	Strata	65%	Q2 2025
Thind Properties	Minoru Square, 5740 Minoru Boulevard	161,800 (office)	-	-	Approved
CIBT Education Group Inc.	GEC CyberCity, 7760, 7780, 7800, 7810, 7820 and 7840 River Road (two 8-storey office buildings)	TBD	-	-	Proposed
New Continental Developments	8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way	98,952 (office)	-	-	Proposed
Vanprop Investments	Lansdowne Centre (redevelopment)	251,878 (office)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	205,976	33,449	239,425	8.3%	107,230	$14.95 - 26.00	$20.10 - $42.12
B	972,346	60,959	3,768	64,727	6.7%	16,423	$14.50 - 23.00	$28.21 - $44.71
C	348,198	25,762	0	25,762	7.4%	-21,540	$18.00	$23.42
Total	**4,215,800**	**292,697**	**37,217**	**329,914**	**7.8%**	**102,113**	**-**	**-**

VACANCY AND ABSORPTION

6-month projection based on a 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

From year-end 2021 to mid-year 2022, overall vacancy rose slightly from 5.3% to 5.7%. However, year-over-year vacancy was down from 8.5% at mid-year 2021. At mid-year 2022, Surrey continued to be the third tightest market in Metro Vancouver with only the North Shore and New Westminster having lower vacancy rates. The decrease in overall vacancy year-over-year was primarily driven by tenants occupying space in new construction, while the increase in vacancy over the first half of 2022 was primarily in class B space. Despite the increase in vacancy, there were some smaller new lease deals across the market and some new occupancies in **HUB 9850**, which was delivered partially vacant in the first half of 2021. Of HUB 9850's 170,000 sf, only 2,902 sf remains vacant. Overall, leasing is active but has not returned to pre-pandemic levels.

ABSORPTION TRENDS

First-half 2022 marked the third consecutive six-month period of positive absorption. Although the first half of 2022 did not register as much absorption as the latter half of 2021, first-half 2022 absorption still claimed the largest amount of absorption aside from the latter half of 2021 since mid-year 2018. Class A space witnessed the largest amount of positive absorption as tenants continued to occupy newly constructed space.

NEW CONSTRUCTION

The only project to complete construction for lease during the first half of 2022 was **The Professional Centre at South Point** located at 3231 152 Street, which was 65% preleased at the time of delivery. There are numerous planned office developments, none of which are currently under construction. The **GTC Professional Building** located at 10189 153 Street is close to commencing construction with completion expected two years after breaking ground and will deliver 101,169 sf over five floors.

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Avondale Development/ Monark Group	The Professional Centre @ South Point, 3231 152nd Street	71,780	46,657	65%	Q1 2022
Maple Leaf Homes / Kooner Construction	Cambridge Business Centre, 15315 66th Avenue	60,000 (office)	Strata	75% sold	Q1 2022
Lark Group	City Centre 4	352,985 (office/retail)	-	-	2024/2025
Century Group	Holland Parkside, 9905 King George Boulevard	190,000 (office)	-	-	Approved
Guildford Brook Estates Development	10731 King George Boulevard	47,780 (office)	-	-	Approved
Landview Construction	GTC Professional Building, 10189 153rd Street	101,169 (office / retail)	-	-	Proposed
Westland Living	10294-10302 City Parkway	124,000 (office)	-	-	Proposed
BlueSky Properties	Parkway, 13583 104th Avenue	202,150 (office)	-	-	Proposed
City of Surrey	Centre Block (West Tower), University Drive @ Central Avenue	452,000 (office)	-	-	Proposed
City of Surrey	Centre Block (East Tower), 10275 City Parkway	926,000 (office)	-	-	Proposed
Nicola Wealth / Blackwood Partners	Tower 2 at Central City, 10145 King George Boulevard	514,000 (office)	-	-	Awaiting prelease commitment

RENTAL RATES EXPECTED TO INCREASE MODERATELY OVER THE NEXT 12 MONTHS

MARKET FORECAST

With a lack of new supply in the near term and steady, albeit muted, demand, rental rates are expected to increase moderately over the next 12 months. Overall, vacancy in the market is expected to remain tight for the remainder of the year.

NOTABLE LEASE DEALS (MID-YEAR 2022)

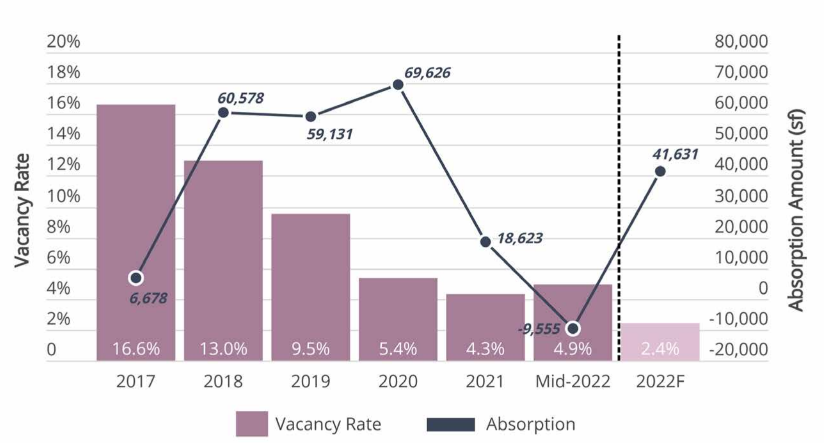
TENANT	BUILDING	SF
KGI Logistics	9850 King George Boulevard	8,300
Winners Chapel International Vancouver Fellowship	13483 108 Avenue	6,000
Anderson College	10362 King George Boulevard	5,200
Metis Nation British Columbia	9900 King George Boulevard	5,200
Pediatric Speech and Development	5455 152nd Street	2,100

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,334,895	83,838	10,990	94,828	4.1%	89,333	$28 - $38	$45 - $55
B	626,010	72,802	3,342	76,144	12.2%	-15,140	$18 - $25	$32 - $39
C	205,629	8,967	0	8,967	4.4%	0	$14 - $20	$27 - $33
Total	**3,166,534**	**165,607**	**14,332**	**179,939**	**5.7%**	**74,193**	**-**	**-**

New Westminster

Rental rates are projected to remain flat

VACANCY AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Mid-year 2018 marked a five-year high for overall office vacancy rate in New Westminster at 18.1%. At the time, the vacancy rate for class A space sat at 27.7%, accounting for the majority of the overall vacancy. Since mid-year 2018, the overall vacancy rate has been trending downward, reaching a record low of 4.3% at year-end 2021. However, mid-year 2022 saw overall vacancy edge up slightly to 4.9%. This increase was driven primarily by a slight increase in class A vacant space, with class B contributing to a lesser extent. That said, the class A market remains tight with vacancy at a mere 3.4% at mid-year 2022.

ABSORPTION TRENDS

There was minor activity during the first half of 2022 with 9,555 sf of negative absorption, representing 0.6% of total inventory. With no new supply delivered during the first half of 2022, negative absorption was a result of several small spaces being returned to the market.

NEW CONSTRUCTION

Wesgroup's Building 7 at the **Brewery District** offers the only new project under construction, containing notable office space in New Westminster. With completion scheduled for fall 2023, Building 7 will offer 34,500 sf of office space for lease in the podium of a mixed-use development. The Brewery District's final building, Building 8, has substantially sold the condo units in the tower and the podium will add 100,000 sf of office/commercial space, with completion scheduled for 2026. There have been no updates on **QuadReal**'s master-planned **Sapperton Green** mixed-use transit-oriented development, which is presently occupied by **Amazon** as a distribution centre.

MARKET FORECAST

Rental rates are projected to remain flat in older buildings with some upside for newly constructed class A space. Overall, activity is expected to remain muted and the market offers limited opportunities for tenants.

ON COMPLETION IN 2023, WESGROUP'S BUILDING 7 AT THE BREWERY DISTRICT WILL PROVIDE RELIEF IN OTHERWISE TIGHT MARKET.

NOTABLE LEASE DEALS (MID-YEAR 2022)

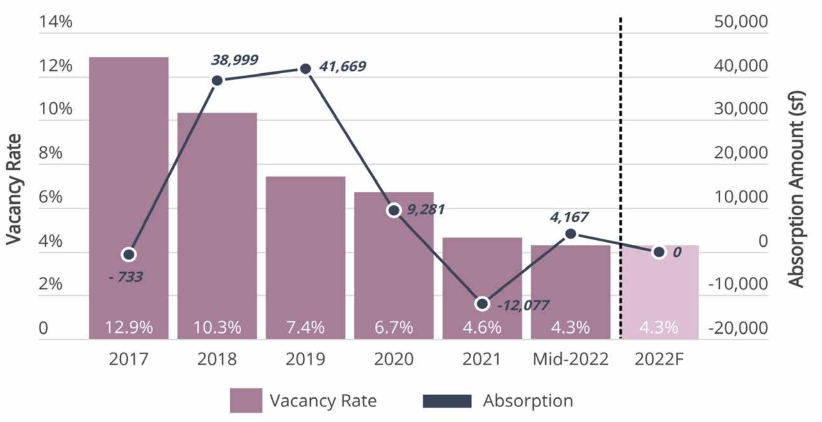
TENANT	BUILDING	SF
Cambria College	88 6th Street	14,000
Little Footprints Early Learning Academy	Lattitude Uptown	9,300
AJ Insurance	610 6th Street	5,300
Credit Counselling Society	625 Agnes Street	4,700

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Wesgroup Properties	Building 7 @ Brewery District, 268 Nelson's Court	34,500	0	0%	Q3 2023
Wesgroup Properties	Building 8 @ Brewery District, 230 Keary Street	100,000	Strata/Lease	0%	Q2 2026
QuadReal Property Group	97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site	200,000	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	780,114	22,893	3,700	26,593	3.4%	-6,838	$24 - $38	$39 - $53
B	700,684	55,780	0	55,780	8.0%	-2,717	$16 - $24	$30 - $38
C	207,774	0	0	0	0.0%	0	$12 - $15	$25 - $31
Total	**1,688,572**	**78,673**	**3,700**	**82,373**	**4.9%**	**-9,555**	**-**	**-**

North Shore

VACANCY AND ABSORPTION



6-month projection based on a 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Overall vacancy edged down from 4.6% at year-end 2021 to 4.3% at mid-year 2022 — a near-record low. The North Shore currently has the lowest overall office vacancy rate of any market in Metro Vancouver, after having the second lowest rate at year-end 2021. Of the total office inventory on the North Shore, 93% is class A or B with class C making up the remainder at 97,690 sf of inventory. Given the minimal amount of class C inventory, there is more exposure to vacancy-rate volatility. Class C space saw a spike in vacancy from 6.2% at year-end 2021 to 15.4% at mid-year 2022. However, this was only an increase of 9,016 sf. Class A space comprises 62% of the total inventory and, for the past two and a half years, has consistently experienced low vacancy. At mid-year 2022, class A vacancy dropped to 3.2% from 3.7% at year-end 2021. Class B space saw a significant decrease in vacancy from 6.1% at year-end 2021 to 3.9% at mid-year 2022.

ABSORPTION TRENDS

There continues to be steady activity in the leasing market across all classes with stable deal velocity. During the first half of 2022, most of the absorption occurred at 221 West Esplanade with additional significant absorption at 1111 Lonsdale and **Capilano Business Park**. Most of the negative absorption was due to **ICBC** vacating 132 West Esplanade. In addition, there was some absorption resulting from tenants vacating the **Northmount Medical Centre**, which has now been demolished, and leasing space in other locations on the North Shore.

NEW CONSTRUCTION

The only two active construction projects for office space on the North Shore are **Millennium's Central Lonsdale** development and **Cascadia Green's** East 3rd strata project, **The Blok**, which are slated to be delivered mid-2024 and late 2024, respectively. However, there are a number of other projects in various planning stages including several strata projects as well as the recently approved mixed-use development proposed by Cascadia Green at 800 Marine Drive. The office component of **Concert Properties**' **North Harbour** phased development is still in the planning stages with no recent updates. The North Shore Innovation District development continues to be in the 'Addition to Reserve' (ATR) process.

NORTH VANCOUVER VACANCY RATES ARE AT THEIR LOWEST IN OVER A DECADE AND CENTRAL LONSDALE IS LEADING THE PACK WITH THE LOWEST VACANCY RATE EVER RECORDED

MARKET FORECAST

It is anticipated that there will be continued strong leasing activity, but the challenge will be dwindling leasing options. Given the existing tight market conditions and lack of new supply in the short term, rental rates are expected to remain stable with the possibility of upward pressure. With respect to strata office sales, a lack of new supply and upward pressure on lease rates are expected to continue to create strong demand for the strata office segment of the market, albeit the current rising-interest-rate environment may have a negative impact on presale activity.

NOTABLE LEASE DEALS (MID-YEAR 2022)

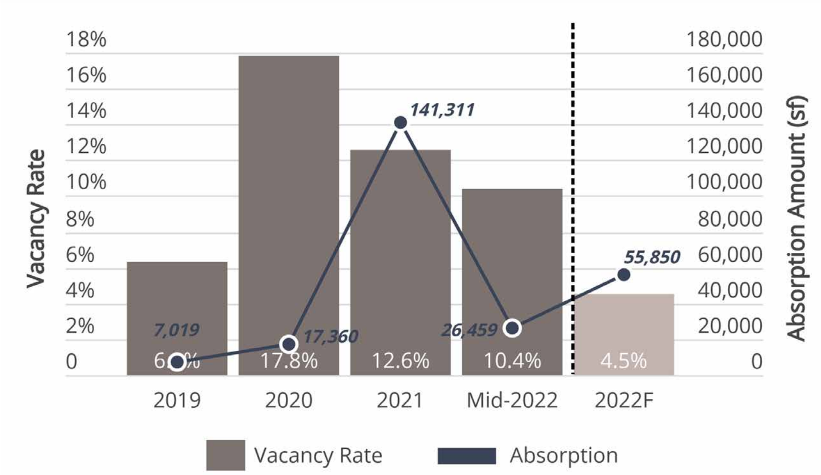
TENANT	BUILDING	SF
Ratcliff LLP	221 West Esplanade	17,757
Tallbridge Investments	138 East 13th Street	7,262
Acciona Infrastructure	930 West 1st Street	5,110
Yocale Network Corporation	889 Harbourside Drive	4,987
iScope Concussion and Pain Clinics Inc.	1111 Lonsdale Avenue	4,678
Pasman Smith & Company	221 West Esplanade	2,444
Elomatic Consulting Inc.	930 West 1st Street	2,135

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Millennium Development	Millennium Central Lonsdale, 123-145 East 13th Street	34,000 (office)	0	0%	Q2 2024
Concert Properties	North Harbour, 801, 889 & 925 Harbourside Drive and 18 Fell Avenue	200,000 (office/retail)	-	-	Proposed
Cascadia Green	800 Marine Drive	22,745 (office/retail)	0	0	Proposed
Tsleil-Waututh First Nation & Darwin Properties	North Shore Innovation District, 2420 Dollarton Highway	TBD	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUB-LEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	871,813	28,186	0	28,186	3.2%	3,715	$24 - $35	$40 - $50
B	435,844	14,277	2,758	17,035	3.9%	9,468	$17 - $23	$26 - $38
C	97,690	15,053	0	15,053	15.4%	-9,016	$17 - $19	$25 - $33
Total	**1,405,347**	**57,516**	**2,758**	**60,274**	**4.3%**	**4,167**	**-**	**-**

Vacancy is forecasted to steadily tighten

VACANCY AND ABSORPTION



6-month projection based on a 3-year average absorption and known net absorption in new inventory

THE FIRST PHASE OF **CARVOLTH BUSINESS PARK** WILL BE DELIVERED IN THE FIRST HALF OF 2024

Avison Young initiated coverage of the Langley office market in 2019, and for the purposes of this report, combines Langley City and Langley Township.

VACANCY TRENDS

Overall vacancy decreased from 12.6% at year-end 2021 to 10.4% at mid-year 2022. The decline in vacancy was driven by continued leasing activity for class A space with no new supply delivered in the first half of 2022. Vacancy decreased across all building classes but was most significant in class A. There were multiple new lease transactions at the **Xchange**, which remains 37% vacant. The Xchange, which completed construction during the latter half of 2021, added 94,000 sf of office space to the market. Lingering vacancies remain in the **First West Credit Union** building and the **Langley Business Centre**, both of which completed construction in 2020. Most of the Langley market's vacant class A space is located in buildings that were delivered from 2020 onwards.

ABSORPTION TRENDS

Although the 26,459 sf of positive absorption recorded in the first half of 2022 was significantly lower than the positive absorption experienced in the first and second halves of 2021, first-half 2022 absorption exceeded total annual absorption in 2020 and in 2019. Class A space accounted for 94% of total absorption during first-half 2022. The Xchange was responsible for 20,700 sf of new lease deals, contributing significantly to the 26,459 sf of total positive absorption.

NEW CONSTRUCTION

No new construction is expected to come to market until the delivery of **Mitchell Group**'s **Carvolth Business Park's** east office tower (phase one), which will total 207,740 sf and is targeting the fourth quarter of 2024 for occupancy. Establishment of a construction schedule for the second (west) tower is reliant on the lease-up of phase one. With the 16-kilometre-long Surrey-Langley SkyTrain extension receiving full provincial and federal approval, mixed-use densification is anticipated along the corridor, which would provide more office supply. However, major construction is not anticipated to begin until 2024, as the SkyTrain extension is not scheduled to open until late 2028.

MARKET FORECAST

With no new supply on the immediate horizon, vacancy is forecasted to tighten through to year-end. Rental rates are expected to remain flat, with potential for some upward pressure if vacancy continues to decline.

NOTABLE LEASE DEALS (MID-YEAR 2022)

TENANT	BUILDING	SF
Morning Star	Xchange Building A	8,500
EB Horsman	9440 202 Street	7,000
Hardwood Distributors	Xchange Building B	6,000
Klondike Lubricants	Xchange Building A	4,900
Magellan Law	6470 201 Street	3,700
Forensic League	Xchange Building B	1,300

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Mitchell Group	Carvolth Business Park (phase 1), 86th-88th Avenue & 200th Street	207,740 (east building)	-	-	Q4 2024
Mitchell Group	Carvolth Business Park (phase 2), 86th-88th Avenue & 200th Street	207,740 (west building)	-	-	Proposed
Mitchell Group	Langley 216 Business Park (lot E3), 80th Avenue & 216th Street	94,400	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST PSF)
A	508,182	87,712	0	87,712	17.3%	24,796	\$26 - \$36	\$41 - \$51
B	594,464	34,693	1,829	36,522	6.1%	278	\$18 - \$26	\$31 - \$39
C	126,315	3,560	0	3,560	2.8%	1,385	\$13 - \$16	\$26 - \$30
Total	**1,228,961**	**125,965**	**1,829**	**127,794**	**10.4%**	**26,459**	**-**	**-**

The emerging significance of sustainable office space

SPECIAL FEATURE

Increasingly, businesses are considering environmental, social and governance (ESG) criteria in assessing their new office spaces. Clients are aware of the importance of sustainable design on a multitude of levels. From serving as a recruitment tool for value-based firms and their respective employees, to meeting current and projected government regulations around emissions, keeping sustainability in mind is top priority for many companies. One of the most impactful ways organizations are able to achieve their ESG objectives is by selecting the right office space that aligns with their goals.

What is ESG

ESG criteria are used to measure how sustainable a company is through the lens of social responsibility. Organizations who are committed to having a positive impact on the people and places where they do business are considered to be more sustainable. ESG measures consider long-term implications that a business will have on any operational touchpoint, including its environmental footprint, the way employees and customers are treated, and how the organization is structured.

Why ESG matters for office space

Office space has a strong relationship with ESG, where many ESG principles can be executed through the right space. For example, considering ESG in designing an office can boost productivity and morale for employees, reduce energy consumption, meet modern standards for emissions expectations, and bolster trust among stakeholders.

The environmental portion of ESG criteria is particularly important in considering office space. One of the most impactful ways an environmentally-minded organization can walk its talk is by occupying a sustainable space. Construction is one of the largest producers of carbon emissions, meaning the space a company occupies can go a long way in meeting or missing environmental targets. The benefit extends beyond showing off green credentials, however; there are also long-term cost saving opportunities to be gained through reduced energy bills, tax benefits, and through foresight — the requirements for office space are changing, and those in both old and new buildings will be required to meet evolving regulatory requirements.

Legislation around office building emissions

The government is imposing increasing requirements that consider environmental sustainability, and office space is no exception. Recently, the **City of Vancouver** introduced a plan to reduce carbon emissions of existing office and retail space by 40% by 2030, and by 2040 the plan is to reach zero emissions. For new builds as of 2025, there will be a zero-emission mandate. In order to achieve these targets, city council has imposed new legislation to monitor emissions, building materials and filtration systems. Beginning in 2024, operators will be required to start reporting their energy use, and by 2026 they will be required to meet the new standards. The legislation is detailed across four **Climate Emergency Action Plan** reports, and will be imposed on office and retail buildings of 100,000 square feet (sf) or larger. Buildings will be required to meet a specific greenhouse gas (GHG) intensity limit that is determined by multiplying the amount of natural gas and district energy that each unit of floor area consumes by the amount of carbon pollution those energy sources produce.

ESG office space case studies

There are already many examples of buildings doing it right when it comes to keeping office space sustainability in mind. **The Stack** by **Oxford Properties**, for example, offers 550,000 sf of office tower space in downtown Vancouver and is targeting **Leadership in Energy and Environmental Design (LEED)** Platinum status. The tower is one of five properties in Canada to meet the target set by the **Canada Green Building Council**'s **(CaGBC) Zero Carbon Building Pilot**.

Meeting new standards for sustainability is not a feat achieved only by new buildings. The **Brian Cranfield** towers in Burnaby, for example, were built in 1976 and 1986 and offer 650,000 sf of leasable office space. **H&R REIT** acquired the complex in 2006 and began improvements to its energy efficiency. In 2021, it was awarded **Energy Star Commercial Building of the Year** due to improvements made through extensive sub-metering and building automation system analytics (BAS). The improvements have resulted in energy savings of 16% and $1 psf utility costs.

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Vancouver-Broadway declined from 9.2% to 8.5%. Richmond decreased from 10.2% to 7.8%. Burnaby saw a minor decrease from 7% to 6.9%. North Shore's vacancy dipped from 4.6% to 4.3%, and Langley registered a decrease from 12.6% to 10.4%

In Yaletown, vacancy climbed from 7.7% at year-end 2021 to 11.6% at mid-year 2022. Surrey registered the smallest increase of all markets, from 5.3% at year-end 2021 to 5.7% at mid-2022. While vacancy in New Westminster rose from 4.3% at year-end 2021 to 4.9% at mid-2022, this increase represented a change of just 9,555 sf.

Several markets experienced the largest amount of absorption since 2018, with Vancouver-Broadway leading the way with 266,422 sf of positive absorption in first-half 2022. The Downtown market saw positive absorption in all classes of space, with a total of 156,173 sf of absorption in the first half of 2022. All submarkets recorded positive absorption during this same time period, with the exception of Yaletown and New Westminster.

Lack of new tenancies and muted leasing activity resulted in negative absorption in New Westminster and Yaletown. With limited new supply delivered during the first half of 2022 in many of the markets, much of the deal absorption was dictated by activity in existing inventory. Overall, deal velocity remained fairly steady.

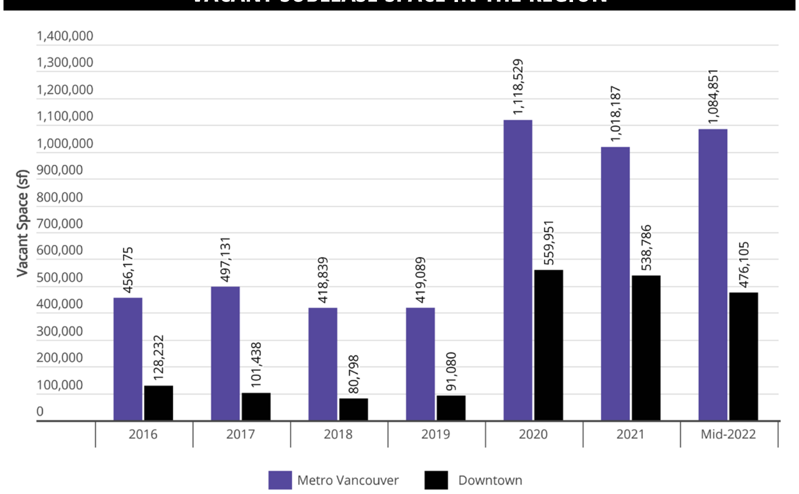
Rental rates in Burnaby, Yaletown, Langley, North Shore and Vancouver-Broadway are expected to remain steady, with Surrey seeing an increase within the next 12 months.

Metro Vancouver's office market overall is still on the path to recovery. The market is expected to continue to show progress for the remainder of the year, as leases gradually reach expiry, prompting tenants to execute on their return-to-office plans. A number of groups could potentially be right-sizing and may produce smaller pockets of vacant spaces, but there are no indications of upcoming larger blocks of space becoming available.

While the full impact of the hybrid office space is yet to be realized, there are positive signs of recovery, and altered demands from downtown business occupants are expected. Tenants will likely be desiring options such as flex-space and the ability to modify office space without requiring a large renovation.

Avison Young will continue to monitor traditional market metrics — and how variations impact the office rental market in Metro Vancouver — to support the return-to-office trends through 2023.

VACANT SUBLEASE SPACE IN THE REGION



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