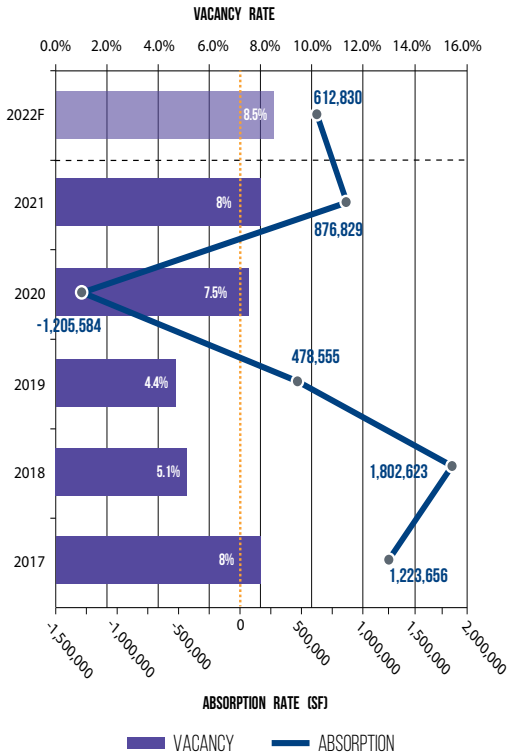


Metro Vancouver

Metro Vancouver Vacancy and absorption trends



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

Downtown office recovery taking root as suburbs thrive amid rising concerns around new supply or lack thereof

The largest issue facing Metro Vancouver's office market is no longer the COVID-19 global pandemic that upended how, where and when office workers performed their jobs, but it is instead an issue of supply. While downtown Vancouver is well-positioned with new office towers in the short- to mid-term, suburban office markets that recovered quickly (if impacted at all) from COVID-19 containment measures find themselves desperately short of new office space. This is occurring as more people have vacated city cores to suburban/secondary markets in the search for more space for their families and home offices, while also looking to employers for greater flexibility in terms of where they can work. These recent population shifts may come to illustrate a need for new suburban office space in the years to come.

While Downtown vacancy reached 8.1% at year-end 2021 – the highest since year-end 2015 – all indicators point to the worst impacts of COVID-19 having likely passed although vacancy in the core will continue to rise in 2022. This is due to the delivery of several new buildings with

substantial vacancy that were launched when downtown vacancy was less than 5% for three years running from 2018 to 2020. This continued rise in vacancy is not a mid-term concern as the anticipated resumption of leasing activity expected through 2022/23 will ensure these buildings are mostly occupied before too long. But more importantly, this trend is not the story of what is happening in the rest of Metro Vancouver's 55-million-square-foot (msf) office market.

Metro Vancouver's office vacancy of 8% at year-end 2021, while higher than the vacancy of 7.5% recorded a year earlier, was only the highest regional vacancy recorded since year-end 2017 and is a rate that typically hovered between 7% and 10% for at least the past decade. Annual regional absorption of 876,829 sf in 2021 was the most absorption registered in Metro Vancouver since 2018 and the fourth highest in more than a decade, trailing only the annual absorption recorded during the regional growth spurt that occurred from 2015 to 2018, driven largely by Vancouver.

[continued on back page](#)

METRO VANCOUVER OFFICE VACANCY SUMMARY (YEAR-END 2021)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	12-MONTH ABSORPTION (SF)
Downtown	23,661,399	1,380,463	538,786	1,919,249	8.1%	173,555
Yaletown	2,116,994	133,839	29,616	163,455	7.7%	128,321
Vancouver-Broadway	8,082,798	675,609	64,829	740,438	9.2%	264,823
Burnaby	9,441,637	390,045	274,293	664,338	7.0%	96,087
Richmond	4,215,800	341,777	90,250	432,027	10.2%	-78,319
Surrey	3,076,607	153,580	10,625	164,205	5.3%	144,505
New Westminster	1,688,572	72,818	0	72,818	4.3%	18,623
North Shore	1,405,347	54,653	9,788	64,441	4.6%	-12,077
Langley	1,228,961	154,253	0	154,253	12.6%	141,311
Total	54,918,115	3,357,037	1,018,187	4,375,224	8.0%	876,829

VACANCY RATE DECEMBER 31, 2021 **8.0%**
VACANCY RATE JUNE 30, 2021 **8.4%**

ABSORPTION (DEMAND)
↑

VACANCY (SUPPLY)
↘

RENTAL RATES
↔

VACANCY TRENDS

Downtown vacancy rose to 8.1% at year-end 2021 from 6.6% a year earlier but the increase has less to do with the fallout from COVID-19 containment measures than it does about the delivery of mostly vacant class AAA buildings at the end of the year. While COVID-19 and its variants, particularly Delta and Omicron in 2021, have hampered return-to-office plans, tenant activity has started to return and deals are getting completed. As overall vacancy increased by 26% during 2021, the overall inventory also increased by 2.5%. Overall head lease vacancy increased by 43% in 2021 in all building classes, but class AAA recorded the most significant increase (155%). There was a modest decrease in overall sublease vacancy of 3.8% in 2021 (including a substantial decrease in class B sublease vacancy of 37%) despite a significant increase (164%) in class AAA class sublease vacancy (thanks in part to **Shopify** opting to sublease its unoccupied space in **Bentall 4**). While class AAA vacancy more than doubled in 2021, there were negligible changes in vacancy in other building classes during the same period. Class B buildings continued to contain the most



ALMOST
3.3 MSF
OF NEW
CONSTRUCTION
UNDERWAY

overall vacant space in the market in 2021, a stark contrast to 2019 when they contained the least amount of vacant space downtown. However, it is the delivery of almost 570,000 sf of new inventory at Deloitte Summit and 601 West Hastings Street, both with significant vacancy, that impacted class AAA vacancy and the overall market. While the market has continued to stabilize and emerge from the impacts of COVID-19, the downtown market is now being affected by the delivery of new supply in 2021, a trend that will intensify in 2022 unless substantial preleasing occurs within the next six to eight months. Signs are promising that an increase in preleasing could occur as a number of prelease deals transacted in the second half of 2021, including **Workday** in 601 West Hastings and **Harrison Healthcare** in **Burrard Place**. While most notable transactions downtown in the first six months of 2021 were predominantly renewals, moderate leasing activity in the second half of 2021 marked a return to more normalized activity levels and the market remained in a relatively balanced condition despite the global pandemic.

in 2020. 2021 also marked the most positive annual absorption registered downtown since 2018. All of the positive absorption in 2021 occurred within class AAA space and easily offset the moderating levels of negative absorption registered within class A, B and C buildings. Activity in class A space downtown held up relatively well through the first two years of COVID-19 as activity and deal velocity in class B and C premises had started to noticeably diminish by mid-2020. Negative absorption in class A space increased through 2021 while it was decreasing in class B and C buildings. A reason for this slight amount of negative absorption in class A space may have been tenant space rationalization programs after more than 18 months of working from home and the implementation of return-to-office policies.

SPACE AVAILABILITY FACTOR

The space availability factor, or 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 year-end 2021 – up from 2.1% 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 at mid-year 2015 (13.5% or 3.02 msf).

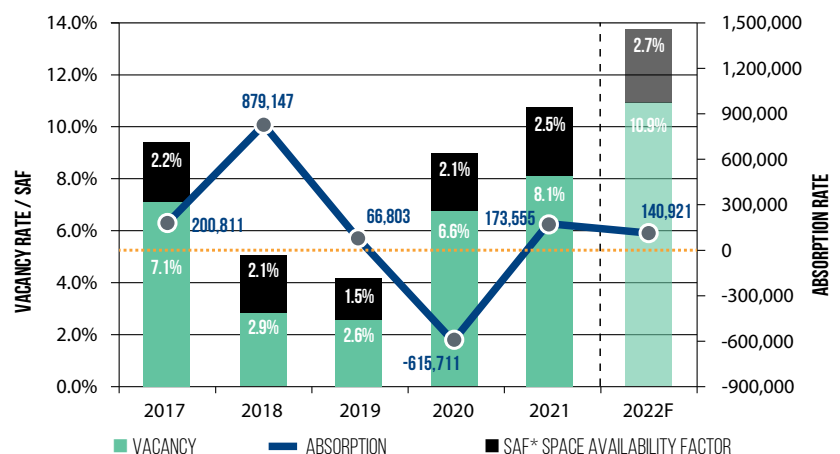
ABSORPTION TRENDS

Annual absorption of 173,555 sf in 2021 – the second most in Metro Vancouver – marked a remarkable reversal of fortune in the downtown office market after it recorded negative 615,711 sf of absorption

NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Dentons (renewal)	PwC Place	51,650
Microsoft Canada (expansion)	725 Granville Street	48,000
Economical Insurance	Royal Centre	30,200
Plentyoffish Media	The Stack	30,170
Bosa Commercial	MNP Tower	29,560
Miller Thomson	TD Bank Tower	27,470
Tipalti	One Bentall Centre	26,990
Colliers International (renewal)	Granville Square	25,000
NORAM (renewal)	Granville Square	25,000
Bosa Development	Bosa Waterfront Centre	23,000
Owen Bird Law Corp.	Vancouver Centre II	20,740
Nexii Building Solutions (renewal)	1455 West Georgia Street	20,650
Thorsteinssons	B6	20,050
Anthem Properties	Four Bentall Centre	17,830
Insurance Council of BC (sublease)	745 Thurlow Street	17,570
Cornerstone Community College	980 Granville Street	17,510
Masimo (sublease)	666 Burrard Street	16,370
Harrison Healthcare	Burrard Place	14,450
Vancouver Coastal Health Authority	750 Cambie Street	11,600
ERM Consultants Canada	Sun Life Building	11,400
Reliance Properties	Burrard Place	10,590
Northeastern University (expansion)	Deloitte Summit	10,330
Kaseya	Sun Tower	10,000

VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION



12-month projection based on 5-year average absorption and known net absorption in new inventory, and 10-year average SAF.

NEW CONSTRUCTION

With the construction of almost 3.3 msf of new office space under way and an additional 2.1 msf currently proposed for 2026, the downtown development pipeline is set to remain active through 2023. Four new buildings totalling more than 980,000 sf are scheduled to be delivered in the first half of 2022. While one of the buildings contains strata office space (100% sold), 1280 Burrard Street, which totals 133,000 sf remained 81% available at year-end 2021 while Vancouver Centre II, which totals 377,000 sf was 48% available. Two more buildings are scheduled to be delivered in the back half of 2022, including the first of two office towers at **The Post**, which is 100% preleased to **Amazon**, as well as **The Stack**, which remained 51% available at year-end 2021. Three more office buildings, including **B6**, which is already 46% preleased, are to follow in 2023, effectively marking the end of this development cycle, which had started in 2021. After a two-year break from new deliveries downtown, five new office buildings totalling almost 2.1 msf are currently proposed to be completed in 2026.

MARKET FORECAST

A stable rental-rate environment was maintained in 2021 as the market continued to shift to a balanced condition and is forecasted to remain so through 2022. Developers with buildings completing or nearing completion with meaningful availability will remain motivated to secure lease commitments from credit-worthy tenants. Relatively cost-effective large-block alternatives may emerge in existing buildings as tenants potentially relocate to the five new developments

with vacancy that are delivering in 2022. Well-improved (and possibly furnished) sublease offerings with meaningful lease term remaining will continue to garner attention as leasing activity returns to the market, which is anticipated to hold reasonably stable over the next six to 12 months. As tenants return to the office in 2022 and gain a better understanding of longer-term space needs, demand for office space is anticipated to increase and stimulate leasing activity. Further increases in vacancy are highly likely in 2022, but are attributable to



VACANCY TO REMAIN ELEVATED THROUGH 2022











the delivery of new buildings on a largely vacant basis, not COVID-19. It is not expected that COVID-related workplace strategies will result in a notably reduced demand for downtown office space. With market stabilization taking root in 2022, leasing velocity will resume as tenants return to the office. Despite the significant increase in the vacancy rate since year-end 2019, the overall market performed quite well through the pandemic with very few tenant defaults or lease terminations or any developers abandoning development projects.











DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties	The Offices at Burrard Place, 1280 Burrard Street (mixed use)	133,000 (office tower)	25,093	19%	Q1 2022
Reliance Properties / Jim Pattison Developments	The Offices at Burrard Place, 1281 Hornby Street (mixed use)	99,000 (office podium)	Strata	100% sold	Q1 2022
GWL Realty Advisors / HOOPP	Vancouver Centre II, 733 Seymour Street	377,000	198,040*	52%*	Q2 2022
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (60% strata/40% lease)	Strata/Lease	100% sold / 21% leased	Q2 2022
Oxford Properties	The Stack, 1133 Melville Street	532,000 (office)	259,868	49%	Q3 2022
QuadReal Property Group	The Post, 349 West Georgia Street (mixed-use)	South tower: 512,000 North tower: 592,000	1.1 msf plus podium	100%	Q3 2022 / Q2 2023
Asia Standard Americas	The Offices at Landmark on Robson, 1438 Robson Street	29,190 (office)	Strata	NA	Q2 2023
BentallGreenOak	B6, 1090 West Pender Street	534,000	247,050	46%	Q3 2023
Bonnis Properties	980 Granville Street	74,217	35,688	48%	Q3 2023
Uptown Property Group	625 West Hastings Street	120,000	0	0%	Q3 2024
Hudson Pacific Properties	Burrard Exchange, 1025 Dunsmuir Street	461,000	0	0%	2026
Reliance Properties / Hines	1166 West Pender Street	357,880	0	0%	2026
Reliance Properties / KingSett Capital	601 West Pender Street	398,500	0	0%	2026
Westbank / Allied REIT	SAM, 150 West Georgia Street	600,000 (office)	0	0%	2026
QuadReal Property Group / PC Urban	534-550 Cambie Street	258,245 (office)	0	0%	2026
Bonnis Development	The Seymour, 807 Seymour Street	61,670 (office)	Strata	NA	In presales
Austeville Properties	450 West Georgia Street	375,554	-	-	Proposed
Cadillac Fairview	The Crystal at Waterfront Square, 555 West Cordova Street	350,000 (office)	-	-	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

*B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, has subsequently been partially preleased to another new tenant.

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)	GROSS OCCUPANCY COST (PSF)
AAA	5,695,854	394,426	148,069	542,495	9.5%	236,593	107,895	1.9%	\$40 - \$60	\$63 - \$83
A	8,342,465	290,391	170,137	460,528	5.5%	-31,646	332,870	4.0%	\$34 - \$50	\$57 - \$73
B	6,639,398	384,051	171,245	555,296	8.4%	-15,738	131,193	2.0%	\$24 - \$43	\$44 - \$63
C	2,983,682	311,595	49,335	360,930	12.1%	-15,654	14,939	0.5%	\$18 - \$32	\$36 - \$50-
Total	23,661,399	1,380,463	538,786	1,919,249	8.1%	173,555	586,897	2.5%	-	-

Downtown development timeline

	THE OFFICES AT BARRARD PLACE, 1280 BARRARD STREET	THE OFFICES AT BARRARD PLACE, 1281 HORNBY STREET	VANCOUVER CENTRE II, 733 SEYMOUR STREET	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET	THE STACK, 1133 MELVILLE STREET
					
					
DEVELOPER	Reliance Properties	Reliance Properties / Jim Pattison Developments	GWL Realty Advisors / HOOPP	Bosa Development	Oxford Properties
STOREYS	13	7-storey podium (3 floors)	33	30	36
OFFICE SF	133,000	99,000	377,000	226,790 (strata) / 148,000	532,000
TENANTS	14,500 sf - Harrison Healthcare 10,593 sf - Reliance Properties	Sold (phase 1 & 2 - 99,000 sf)	121,039 sf - Kabam Inc. 40,000 sf - PI Financial 20,740 sf - Owen Bird 16,620 - B2Gold*	23,000 sf - Bosa Development 7,500 sf - undisclosed Approx. 60% of the building has been sold as strata office space	80,000 sf - Blake, Cassels & Graydon 67,000 sf - DLA Piper 66,000 sf - EY Canada 30,168 sf - Plentyoffish Media 16,700 - BDC
OCCUPANCY	19%	100% sold	52%	100% sold / 21%	49%

	625 WEST HASTINGS STREET	BARRARD EXCHANGE, 1025 DUNSMUIR STREET	534-550 CAMBIE STREET	SAM, 150 WEST GEORGIA STREET	1166 WEST PENDER STREET
					
					
DEVELOPER	Uptown Property Group	Hudson Pacific Properties	QuadReal Property Group / PC Urban	Westbank / Allied REIT	Reliance Properties / Hines
STOREYS	28	16	22	17	32
OFFICE SF	120,000	461,000	258,245	600,000	357,880
TENANTS	No tenants at this time	No tenants at this time	No tenants at this time	No tenants at this time	No tenants at this time
OCCUPANCY	0%	0%	0%	0%	0%

*B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, and has subsequently been partially preleased to another new tenant.

	THE POST, 349 WEST GEORGIA STREET	THE OFFICES AT LANDMARK ON ROBSON, 1438 ROBSON STREET	THE POST, 308 DUNSMUIR STREET	B6, 1090 WEST PENDER STREET	980 GRANVILLE STREET
					
	Q3 2022	Q2 2023	Q2 2023	Q3 2023	Q3 2023
DEVELOPER	QuadReal Property Group	Asia Standard Americas	QuadReal Property Group	BentallGreenOak	Bonnis Properties
STOREYS	21 (south tower)	2 floors in podium	22 (north tower)	32	6
OFFICE SF	512,000	29,190 (strata)	592,000	534,000	74,217
TENANTS	512,000 sf - Amazon	In presales	592,000 sf - Amazon	129,000 sf - WeWork 51,000 sf - Colliers 47,000 sf - BentallGreenOak 20,050 sf - Thorsteinssons	18,174 sf - Crossmedia Group 17,514 sf - Cornerstone Community College
OCCUPANCY	100%	NA	100%	46%	48%

Proposed Downtown developments

343 WEST PENDER STREET
DEVELOPED BY
CHARD DEVELOPMENT
STOREYS / OFFICE AREA
7 / 31,500 SF

The development permit application for this project was filed in December 2021. The application calls for 31,500 sf of office space on floors 2 to 7 in a 7-storey office building with retail at grade. The redevelopment of the historic Hartney Chambers Building, which was built in 1909, will involve the addition of three floors to the heritage structure and construction of a 7-storey building on the portion of the site currently occupied by an old 3-storey office building.

601 WEST PENDER STREET
DEVELOPED BY
RELIANCE PROPERTIES /
KINGSETT CAPITAL
STOREYS / OFFICE AREA
29 / 398,500 SF

The rezoning application for this project was approved in June 2020. The application calls for 398,500 sf of office space in a 29-storey mixed-use development that would replace the existing six-storey parkade currently on the site. The new building would include retail space at grade with the top two floors of the tower set aside as amenity space for the building's occupants. Demolition of the existing building is set for end of 2022 with a new building completed in early 2026.

THE CRYSTAL AT
WATERFRONT SQUARE,
555 WEST CORDOVA STREET
DEVELOPED BY
CADILLAC FAIRVIEW
STOREYS / OFFICE AREA
26 / 350,000 SF

Cadillac Fairview's development permit application for The Crystal at Waterfront Square, a 26-storey, 350,000-sf office tower, was resubmitted in late 2019 after the initial design generated substantial public criticism in 2015. A series of delays, first due to COVID-19 and then again towards the end of 2020, extended the project's development permit application process likely until mid-2022. Construction is contemplated to start in 2023 and complete in 2026.

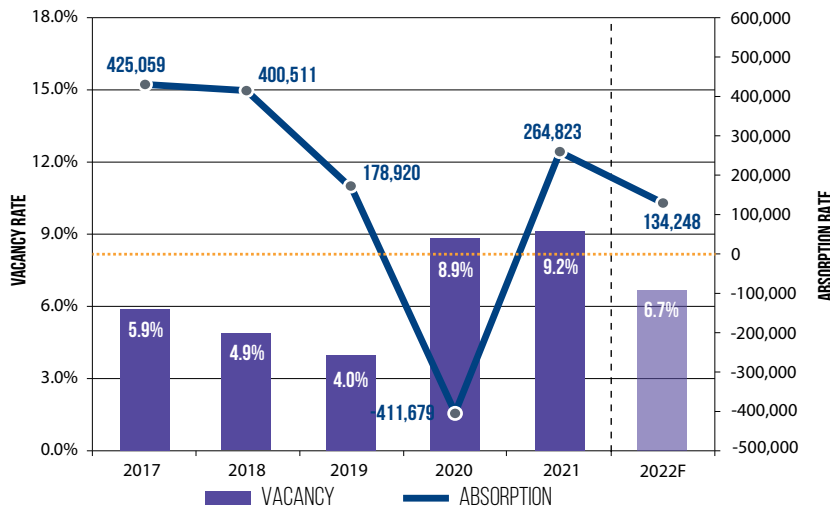
450 WEST GEORGIA STREET
DEVELOPED BY
AUSTEVILLE PROPERTIES
STOREYS / TOTAL AREA
23 / 375,554 SF

A rezoning application was filed in December 2019 to redevelop the existing surface parking lot and a low-rise commercial building at 450 West Georgia into a 23-storey office building with retail space at grade totalling 375,554 sf. The development permit application went to public hearing in June 2021 and was subsequently approved (with conditions) by City Council on June 29, 2021. A construction schedule has not been confirmed.

526 GRANVILLE STREET
DEVELOPED BY
BONNIS PROPERTIES
STOREYS / OFFICE AREA
24 / 123,193 SF

A rezoning application was filed in October 2020 for this proposed 24-storey office tower located at the corner of Granville Street and West Pender. The building will incorporate the facade of the three-storey heritage Leckie Block Building currently on site, which was built in 1899. The proposed office building was supported with recommendations in a 7-0 vote by the Vancouver UDP in March 2021. The building proposal has yet to have a public hearing.

VACANCY AND ABSORPTION (OVERALL)



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

VACANCY TRENDS

Overall vacancy rose slightly to 9.2% at year-end 2021 from 8.9% a year earlier, but declined notably from 12.4% at mid-year 2021 and likely marked the first step in the market's recovery from COVID-19. The Vancouver-Broadway office market had bore the brunt of the impacts of COVID-19 containment measures more so than other markets in part because class B and C premises – and the businesses that typically occupy those spaces – make up much of the market's inventory and tended to be most impacted by work-from-home orders. Vacancy in class A and B buildings trended towards more historical levels at year-end 2021 while class C vacancy remained elevated as employees began heading back into work as return-to-office strategies were developed. Accompanying the decline in head lease vacancy, the overall square footage of vacant sublease space also declined notably – dropping an astounding 80% since mid-year 2021 (and 46% from a year ago). Vacancy in the core Vancouver-Broadway corridor remained slightly higher at 9% at year-end 2021 from 8.6% a year earlier thanks mostly to continued elevation in vacancy in class C premises. Vacancy in the peripheral Vancouver-Broadway market also remained stable at 9.3% at year-end 2021 from 9.1% a year earlier. While

class A space remained elevated in the periphery at 11.3%, class B space dropped 57% to 6.6% at year-end 2021 from 15.5% a year earlier.

ABSORPTION TRENDS

Annual absorption of 264,823 sf in Vancouver-Broadway led Metro Vancouver in 2021 and was a significant factor in the regional recovery from the impacts of COVID-19 and represented the most annual absorption recorded in Vancouver-Broadway since 2018. Virtually all the annual absorption in 2021 occurred along the Broadway corridor, particularly in class A premises. Slight negative annual absorption in the periphery arose as a result of notable negative absorption in class A properties that offset small gains in class B and C premises. Deal velocity increased in the second half of 2021 but remained below pre-pandemic levels. Leasing activity is expected to continue to rise through the first half of 2022.

NEW CONSTRUCTION

Vancouver-Broadway remains the busiest market in Metro Vancouver in terms of the number of projects underway and/or proposed, with six developments scheduled to complete by 2022. Most construction is located in five nodes: Mount Pleasant, in the emerging City Hall District, Raintown, False Creek Flats and Oakridge.



VACANCY
LIKELY TO
DECLINE
SLOWLY
IN 2022

MARKET FORECAST

Rental rates mostly remained stable through 2021 despite heightened vacancy, with some upward pressure on rates for well-located and improved space manifesting in the back half of the year. This trend is expected to continue through 2022 as vacancy is forecasted to continue tightening. Most new office supply scheduled for 2022/23 remains substantially preleased/presold, offering little relief in the coming 18 to 24 months. A number of new projects scheduled for delivery in 2024 offers substantially more options and the long-awaited delivery of the City of Vancouver's Broadway Plan in 2022 may unlock further development and/or the expansion/renovation of existing properties in the core Broadway corridor. The ongoing construction of the Millennium Line SkyTrain rapid transit extension along Broadway until 2025 will continue to fuel additional development pressures in the market.

NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Animal Logic	Main Alley (M4)	110,300
Precision Nanosystems	Evolution Block	75,000
Canfor	161 East 4th Avenue	46,310
Trulioo	Main Alley (M2)	41,000
Bell Canada (renewal)	2980 Virtual Way	30,000
GCT Global Container Terminals	Broadway Tech Centre 1	29,260
Undisclosed tenant	Main Alley (M4)	26,700
Sanctuary AI	425 West 6th Avenue	24,750
DDS Wireless (sublease)	450 SW Marine Drive	21,585
Bardel Entertainment	425 West 6th Avenue	20,700
Hydrogen Technology & Energy Corp.	Broadway Tech Centre 6	17,230
Krahn Engineering	Broadway Tech Centre 6	11,440
Nimbus School of Recording	1490 West Broadway	11,210
Undisclosed tenant	425 West 6th Avenue	11,150
Numinus Wellness	169 West 7th Avenue	9,750

Most annual absorption in the region

Vancouver-Broadway



425 WEST 6TH AVENUE



THE WORKSHOP



MAIN ALLEY (M4)



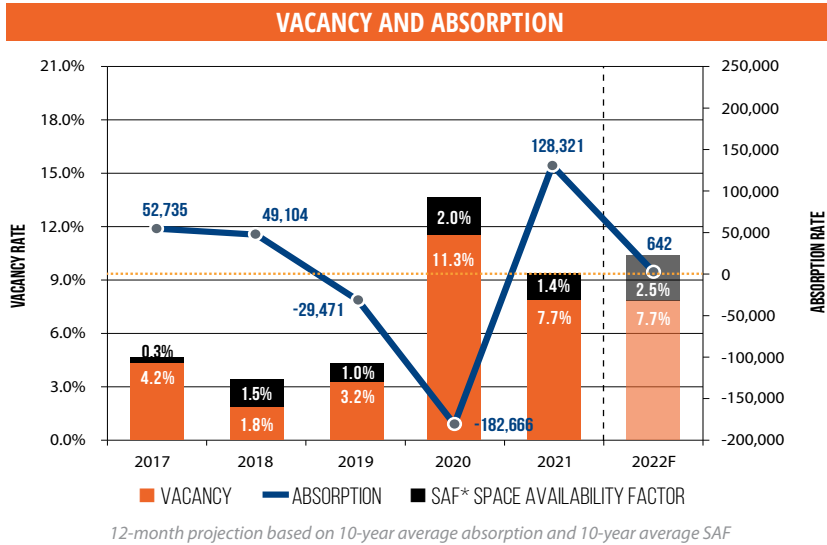
37-45 WEST 7TH AVENUE

DEVELOPER	BUILDING	SF	RELEASE %	COMPLETION
Cressey Development	425 West 6th Avenue	164,883 (office)	78%	Q1 2022
Mondivan	The Workshop, 161 East 4th Avenue	56,501 (office/light industrial)	93%	Q1 2022
TG Group of Companies	Focal, 107 East 3rd Avenue	30,984 (office/light industrial)	10%	Q1 2022
Union Allied Capital Corp.	1308 Adanac Street	46,255 (office/light industrial)	0%	Q2 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: 70%	Q2 2023
The Molnar Group	Kaslo at Renfrew District, 2710 Kaslo Street	218,350	50%	Q3 2023
Westbank / Hootsuite	Main Alley (M4), 108 East 5th Avenue	204,800 (office/light industrial)	67%	Q4 2023
Alliance Partners	Frameworks, 1221 East 2nd Avenue	171,862 (office/light industrial)	Strata: NA	Q1 2024
Beedie / AbCellera Biologics	110 West 4th Avenue	211,380 (office/lab space)	100%	Q1 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)	320,000 (office/industrial)	Strata: 72% sold (building 1)	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
Strand Development	360 West 2nd Avenue	113,548	0%	Q1 2025
Westbank / Crombie REIT	1780 East Broadway	55,253 (office)	0%	Q1 2025
PC Urban / Hines	T3 Mount Pleasant, 123 East 6th Avenue	196,000	NA	Q2 2025
Chard Development / AIMCo	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	1628 Station Street	220,000 (light industrial/lab space)	0%	Q4 2025
QuadReal Property Group	Broadway Tech Centre II, 3030 East Broadway (five buildings)	962,300	0%	Awaiting release
Champion Development Group	151 West 5th Avenue	53,877 (office/light industrial)	0%	Awaiting release
Omicron/Rendition Developments	Maker Exchange, 488 Railway Street (I-4 zoning)	152,000 (office/creative industrial)	0%	Awaiting release
GWL Realty Advisers	False Creek Station, 1296 Station Street	261,400 (office)	0%	Awaiting release
Yuanheng Holdings	FairView Tower, 1395 West Broadway	273,442 (office)	-	Proposed
Strand Development	456-496 Prior Street	246,192 (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	-	Proposed
PCI Group	Marine Gateway 2, 8530 Cambie Street	280,000 (office)	-	Proposed

CORE	CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
	A	2,555,949	133,346	25,648	158,994	6.2%	256,167	\$24 - \$48	\$40 - \$67
B	1,453,968	142,741	4,647	147,388	10.1%	12,139	\$20 - \$39	\$37 - \$53	
C	493,627	100,558	0	100,558	20.4%	8,497	\$16 - \$23	\$35 - \$43	
Total	4,503,544	376,645	30,295	406,940	9.0%	276,803	-	-	

PERIPHERY	CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
	A	2,368,445	233,430	34,534	267,964	11.3%	-79,658	\$24 - \$40	\$46 - \$62
B	668,564	43,801	0	43,801	6.6%	59,855	\$16 - \$35	\$28 - \$59	
C	542,245	21,733	0	21,733	4.0%	7,823	\$15 - \$24	\$25 - \$39	
Total	3,579,254	298,964	34,534	333,498	9.3%	-11,980	-	-	

OVERALL	CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
	A	4,924,394	366,776	60,182	426,958	8.7%	176,509	\$28 - \$40	\$44 - \$60
B	2,122,532	186,542	4,647	191,189	9.0%	71,994	\$20 - \$29	\$31 - \$42	
C	1,035,872	122,291	0	122,291	11.8%	16,320	\$15 - \$24	\$28 - \$36	
Total	8,082,798	675,609	64,829	740,438	9.2%	264,823	-	-	



MASS TIMBER OFFICE EXPANSION FOR 837 BEATTY STREET WILL DELIVER IN 2024

NEW CONSTRUCTION

New supply remains limited in Yaletown and is typically delivered via the extensive renovation and expansion of existing buildings. Three floors will be added to 837 Beatty – a two-storey heritage building that will offer almost 30,000 sf of office space when completed in early 2024.

MARKET FORECAST

While rental rates remained fairly steady in 2021 in some class B and most class C buildings, upward pressure on rates for select well-improved space did manifest and is anticipated to continue through 2022 as vacancy tightens further and tenant demand for improved space grows. Yaletown is likely to return to pre-pandemic times in fairly short order as the once-in-a-decade opportunities to expand or relocate in the market that emerged from COVID-19 are taken up by enterprising tenants capitalizing on the brief downturn in 2020.

VACANCY TRENDS

Vacancy in Yaletown fell to 7.7% at year-end 2021 – a sharp decline from 11.3% recorded a year earlier and an indication of the ongoing resiliency of this unique office market. While vacancy in Yaletown spiked drastically during the global financial crises of 2008 (Great Recession) and 2002 (Dot-com bubble), the market generally recovers rapidly within 12 months, and this appears to be the case with COVID-19. While class A vacancy remained elevated in 2021, the majority of the office space in this heritage neighbourhood is typically located in class B and C buildings, which have seen vacancy decline substantially since year-end 2020. A combination of smaller transactions and the lease up of 888 Cambie Street and 101 Smithe has led to the decrease in vacancy as deal velocity improved due to groups returning to the office and larger organizations taking on additional space in a market where that option is not typically available.

ABSORPTION TRENDS

Annual absorption of 128,321 sf in 2021 marked the most annual absorption recorded in Yaletown since 2010. A combination of smaller tenants taking space along with the lease up of 888 Cambie Street and 101 Smithe Street – two buildings that were previously vacant – pushed absorption to its strongest performance in more than a decade. The delivery of 1290 Homer Street fully preleased to **PayByPhone** prior to completion also contributed to the market's resurgence.

SPACE AVAILABILITY FACTOR

The space availability factor (SAF) refers to head lease and/or sublease space that is being marketed, but is not physically vacant. The SAF fell to 1.4% (29,013 sf) at year-end 2021 from 2% (40,636 sf) 12 months earlier. Hence, the amount of available space currently being marketed at year-end 2021 (occupied and vacant) in Yaletown is 9.1%, or 192,468 sf.

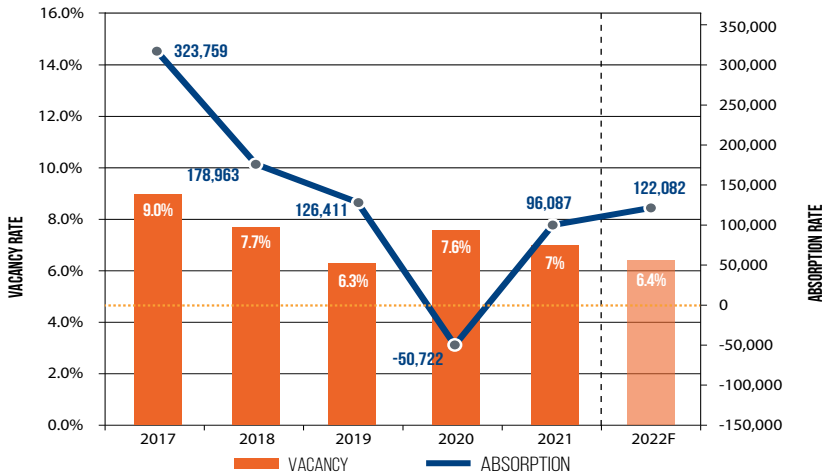
NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Elmwood Academy	101 Smithe Street	31,000
PayByPhone	1290 Homer Street	22,865
Animal Logic	888 Cambie Street	28,020
Pixieset Media	1085 Homer Street	8,080

DEVELOPER	BUILDING	SF	RELEASE SF	RELEASE %	COMPLETION
Reliance Properties	837 Beatty Street (renovation/expansion)	29,386 (office)	0	0%	Q1 2024

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	636,752	78,951	0	78,951	12.4%	32,911	0	0.0%	\$36.75 - \$40.75	\$54 - \$58
B	1,021,065	31,792	7,656	39,448	3.9%	62,134	14,682	1.4%	\$28.50 - \$32.50	\$46 - \$50
C	459,177	23,096	21,960	45,056	9.8%	33,276	14,331	3.1%	\$24 - \$28	\$41 - \$44
Total	2,116,994	133,839	29,616	163,455	7.7%	128,321	29,013	1.4%	-	-

VACANCY AND ABSORPTION



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



**NEW SUPPLY
REMAINS
SPARSE IN
ACTIVE
MARKET**

include substantial amounts of office use, only phase one of Gilmore Place is scheduled to be delivered by mid-2024 along with a new office building from **Kingswood Capital**.

MARKET FORECAST

While rental rates remained steady in class A properties through 2021, upward pressure on rents for class B and C space materialized as strong demand persisted and rapid transit-oriented options were unavailable. Rental rates are likely to increase through 2022 as vacancy tightens further from ongoing demand and with no new substantial supply scheduled to arrive for at least the next 24 months.

NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Electronic Arts	4455 Sanderson Way	180,000
Xenon Pharmaceuticals (renewal/expansion)	3650 Gilmore Way	53,020
Delta-Q Technologies	3555 Gilmore Way	36,000
Tantalus Systems (renewal)	3555 Gilmore Way	32,410
EXP Services (renewal)	3001 Wayburne Drive	28,640
Fortinet	4370 Still Creek Drive	26,250
Fortis BC (renewal)	4370 Still Creek Drive	26,040
Fraser Health Authority	4940 Canada Way	24,350
Cymax Group Technologies	4621 Canada Way	19,660
CADmakers 3D Printing (sublease)	4333 Still Creek Drive	18,410
Loop Energy (sublease)	2700 Production Way	14,970
ADP Canada	4720 Kingsway	13,610
Kiewit	6450 Roberts Street	11,500
Fraser Health Authority (sublease)	3480 Gilmore Way	11,040
Great Pacific Media	1901 Rosser Avenue	10,500

VACANCY TRENDS

Vacancy slipped to 7% at year-end 2021 from 7.6% earlier as ongoing leasing activity in the region's largest suburban office market appeared largely unaffected by COVID-19 containment measures in 2021 and continued making up ground after registering a brief increase in vacancy in the back half of 2020. Increased demand from the **Fraser Health Authority** as well as number of sizeable expansions contributed to the decline in vacancy. Leasing activity in class A premises was extremely active as both existing tenants and new entrants to the market secured space. Outside the downtown core, Burnaby remains home to the majority of the region's sublease space. Strong tenant demand for premises along rapid transit lines spilled over into Burnaby business parks as availabilities close to SkyTrain diminished.

ABSORPTION TRENDS

Annual absorption of 96,087 sf in 2021 marked a substantial swing back from the negative annual absorption of 55,772 sf recorded in Burnaby in 2020 as the market found its footing and resumed a

business-as-usual approach. Sizeable renewals provided market stability while both new and existing tenants expanded and/or entered the market.

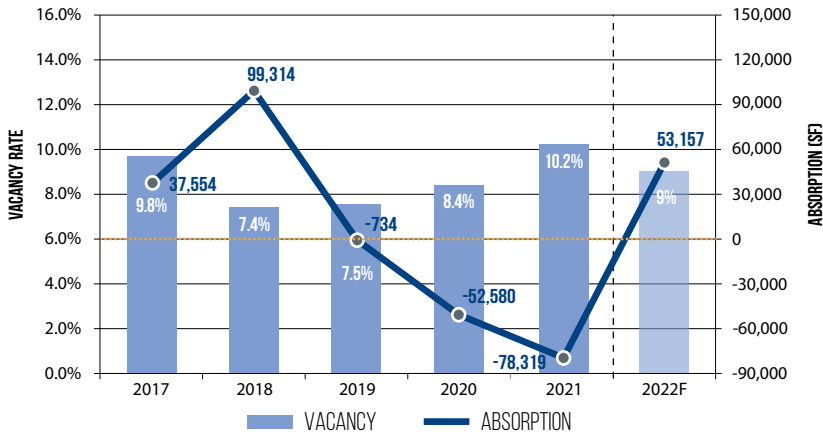
NEW CONSTRUCTION

New supply remains highly constrained. With just 113,478 sf of new space set for delivery in 2022 (38% preleased), there is virtually no more new supply scheduled to be delivered until mid-2024. While later phases of **The Amazing Brentwood, City of Lougheed** and **Gilmore Place** are proposed to

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Anthem Properties/ Beedie	Station Square (phase 6), 6023 Silver Drive	42,478	0	0%	Q1 2022
Shape Properties	The City of Lougheed (phase 1)	21,000 (office)	7,000	33%	Q2 2022
Kingswood Capital	3555 Gilmore Way (phase 3)	50,000	36,000	72%	Q4 2022
Slate Asset Management	Capital Point, 4330 Kingsway & 5495 Kathleen Avenue (two renovated office buildings)	160,000 (19 storey); 60,000 (10 storey)	Strata	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
Shape Properties	The Amazing Brentwood (phase 2)	TBD	-	-	Planning
Shape Properties	The City of Lougheed (phase 2)	100,000 (office)	-	-	Proposed
Appia Developments	SOLO District (phase 4), 2088 Skyline Drive	180,000 (office)	-	-	Proposed
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 (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,490,928	197,057	239,455	436,512	6.7%	96,792	\$26 - \$30	\$42 - \$46
B	2,081,671	163,890	25,576	190,466	9.1%	-9,759	\$20 - \$24	\$36 - \$40
C	869,038	29,098	8,262	37,360	4.3%	9,054	\$17 - \$20	\$33 - \$36
Total	9,441,637	390,045	274,293	664,338	7.0%	96,087	-	-

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy in Richmond rose to 10.2% at the conclusion of 2021, up from 8.4% a year earlier, giving the market the distinction of having the highest office vacancy in Metro Vancouver. After years of declining vacancy, the Richmond office market started registering steady increases in vacancy at mid-year 2020 as COVID-19 containment measures began impacting office tenants. Despite the moderate increase in vacancy to its highest point since mid-year 2017, leasing activity in Richmond remained active with tenants continuing to make deals even as other tenants vacated space. However, unlike most other markets in Metro Vancouver, class A buildings were impacted the most by heightened vacancy (12%) whereas class B and C buildings in other markets typically bore the brunt of elevated vacancy since the onset of COVID-19.

ABSORPTION TRENDS

Annual absorption was negative 78,319 sf in 2021—the most negative absorption registered in Metro Vancouver in 2021 and the most negative annual absorption recorded in Richmond since 2010. Negative annual absorption was overwhelmingly located in class A properties in contrast to most

other Metro Vancouver markets where negative absorption typically occurred in class B and C properties with class A buildings impacted to a lesser extent. However, the Richmond office market may soon be turning a corner as the amount of negative absorption recorded in the last half of 2021 was less than what occurred in the first half of 2021. Substantial amounts of space were vacated in **Crestwood Corporate Centre** and **Commerce Court International** in the back half of 2021. Occupancies, such as **General Fusion** taking 16,970 sf at 3600 Lysander and Uni Express leasing 9,360 sf at 10851 Shellbridge in **Airport Executive Park**, helped to somewhat offset the rise in negative absorption.



NEW OFFICE DEVELOPMENT REMAINS LIMITED TO STRATA

NEW CONSTRUCTION

Strata office development continues to dominate Richmond's office market. Just a single project, **Pinnacle Centre at Capstan Village**, is under construction for lease.

MARKET FORECAST

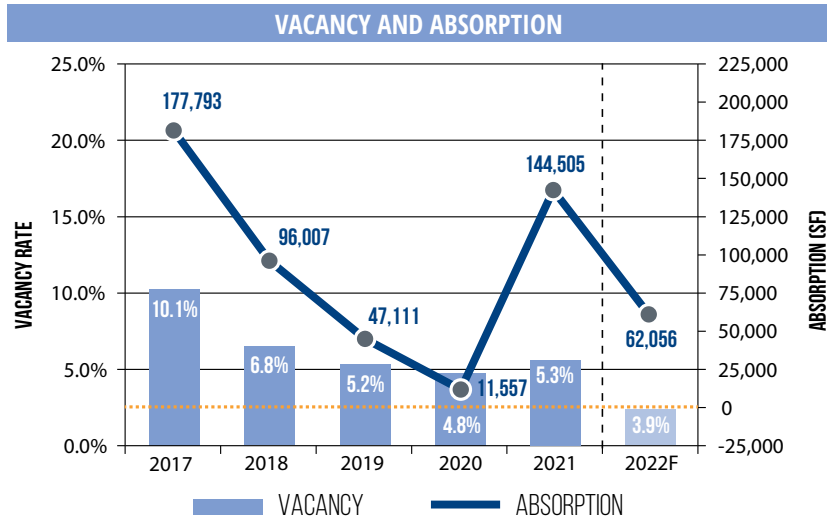
Rental rates remained stable through 2021 with landlords sharpening their pencils to retain existing tenants with more flexible terms and working to attract new ones with some of the most competitive rental rates in Metro Vancouver and a wide range of size options. Leasing activity is expected to remain stable through 2022 with early indications the worse may have passed as the market comes to grips with the fallout of COVID-19. The lack of new supply for lease does not yet appear to be weighing on market fundamentals.

NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
General Fusion Canada	6020 & 6082 Russ Baker Way	60,000
Broadcom Canada (renewal)	13711 International Place	51,150
Premium Brands Operating LP (renewal/expansion)	10911 Shellbridge Way	34,740
General Fusion Canada	3600 Lysander Lane	16,970
Undisclosed tenant	13551 Commerce Parkway	16,670
Rothewood Academy	13575 Commerce Parkway	15,370
Uni Express	10851 Shellbridge Way	9,360
Undisclosed tenant	7080-7100 River Road	6,760
505 Ventures	13955 Bridgeport Road	5,520

DEVELOPER	BUILDING	SF	RELEASE SF	RELEASE %	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	NA	In presales
Bene Group	Times Square Richmond, 6560-6700 No. 3 Road	33,000 (office)	Strata	NA	Approved
Bene Group	The Landmark, 4700 No. 3 Road	66,213 (office)	-	-	Approved
iKOR Group	Glitz, 8051 Anderson Road	105,420 (office)	-	-	Proposed
Thind Properties	Minoru Square, 5800 Minoru Boulevard	161,800 (office)	-	-	Proposed
CIBT Education Group Inc.	GEC CyberCity, 7760, 7780, 7800, 7810, 7820 and 7840 River Road (two 8-storey office buildings)	77,233 (north), 63,275 (south)	-	-	Proposed
New Continental Developments	8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way	98,952 (office)	-	-	Proposed
Vanhome Properties Inc.	9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road	51,020 (office)	-	-	Proposed
Vanprop Investments	Lansdowne Centre (redevelopment)	252,952 (office)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	266,470	80,185	346,655	12.0%	-79,673	\$14 - \$25	\$19.10 - \$47.30
B	972,346	71,085	10,065	81,150	8.3%	-1,626	\$13 - \$23	\$23.80 - \$45.30
C	348,198	4,222	0	4,222	1.2%	2,980	\$13.50 - \$14	\$19.30 - \$19.85
Total	4,215,800	341,777	90,250	432,027	10.2%	-78,319	-	-



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



RENTAL RATES LIKELY TO RISE FROM DECREASE IN VACANCY

to deliver office space for lease in 2022. While substantial amounts of new space remain in the permitting/planning process, no new office projects commenced in 2021 that could be delivered within the next 18 to 24 months. Limited new strata office options remain available.

MARKET FORECAST

Rental rates remained flat through 2021 but with tightening vacancy and lack of new supply for at least the next 18 to 24 months, upward pressure on rates is expected – particularly in class B space, which largely remains the only option for tenants in Surrey. Market conditions are expected to continue to tighten as vacancy grinds lower with no immediate relief on the horizon as the market increasingly tilts in the landlords' favour.

VACANCY TRENDS

Overall vacancy rose slightly to 5.3% at year-end 2021 from 4.8% a year earlier, but was down notably from 8.5% at mid-year 2021 due largely to the occupation of **HUB 9850** that was delivered partially vacant in the first half of 2021. Surrey has one of the tightest office vacancy rates in Metro Vancouver with only New Westminster and the North Shore lower at year-end 2021 despite both markets being notably smaller than Surrey. Vacancy in Surrey has hovered around 5% since year-end 2019 as leasing velocity has been strong and delivery of new supply for lease remained limited. Sublease space is not a factor in Surrey where class A and C vacancy at 4.2% and 4.4%, respectively, are among the lowest in the region. Class B properties have typically recorded the highest vacancy in Surrey, a trend that existed prior to the onset of COVID-19 in early 2020.

ABSORPTION TRENDS

Annual absorption of 144,505 sf in 2021 marked the greatest annual absorption registered in Surrey since 2017 and was the third-most absorption in Metro Vancouver in 2021. Surrey's office market continued to tighten with very

limited large-block options through 2021 with COVID-19 appearing to have had limited impact on market activity. **Westland Insurance** occupying its new space in Hub 9850 was the key driver of absorption in the second half of 2021 along with notable absorption in **Surrey Central Business Park** and **Benchmark Business Centre**.

NEW CONSTRUCTION

New office construction remains limited with just **TPC@South Point**, which is two-thirds preleased, set

NOTABLE LEASE DEALS (YEAR-END 2021)

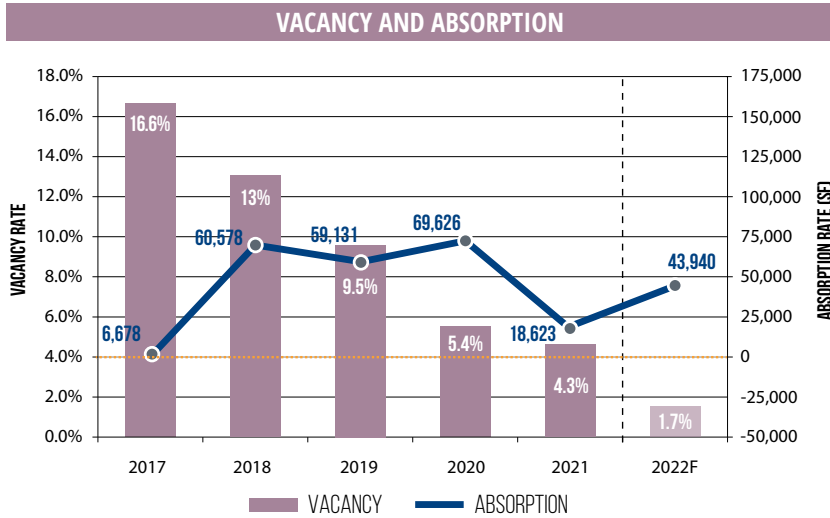
TENANT	BUILDING	SF
Service BC (renewal)	10470 152nd Street	23,600
Hamilton, Duncan, Armstrong & Stewart Law	13401 108th Avenue	22,610
Monark Group	3211 152nd Street	16,000
Associa	7445 132nd Street	14,500
GBL Management dba Crossroads Management	7455 132nd Street	9,520
Casa Health	5477 152nd Street	7,000
Albion Management	15117 101st Avenue	5,300
Coast Capital	1688 152nd Street	5,000
Metro-Can Construction (renewal)	10470 152nd Street	3,300

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
Nicola Wealth / Blackwood Partners	Tower 2 at Central City, 10145 King George Boulevard	514,000 (office)	-	-	Awaiting prelease commitment
Century Group	Holland Parkside, 9905 King George Boulevard	190,000 (office)	-	-	Approved
Surrey City Development Corp.	Centre Block (West Tower), University Drive @ Central Avenue	452,000 (office)	-	-	Proposed
Surrey City Development Corp.	Centre Block (East Tower), 10275 City Parkway	926,000 (office)	-	-	Proposed
BlueSky Properties	Brightside, 13583 104th Avenue	202,150 (office)	-	-	Proposed
Westland Living	10294-10302 City Parkway	124,000 (office)	-	-	Proposed
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	-	-	Proposed
Guildford Brook Estates Development	10731 King George Boulevard	47,780 (office)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,244,968	83,609	10,625	94,234	4.2%	145,030	\$28 - \$38	\$45 - \$55
B	626,010	61,004	0	61,004	9.7%	-1,331	\$18 - \$25	\$32 - \$39
C	205,629	8,967	0	8,967	4.4%	806	\$14 - \$20	\$27 - \$33
Total	3,076,607	153,580	10,625	164,205	5.3%	144,505	-	-

New Westminster

Lowest vacancy in Metro Vancouver hindering activity



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

VACANCY TRENDS

Office vacancy in New Westminster fell to an all-time low of 4.3% at year-end 2021 from 5.4% a year ago. Avison Young has tracked the market since 1998. Vacancy has been steadily tightening since year-end 2017 with leasing velocity remaining stable during that time – despite the arrival of COVID-19 in early 2020 – due to the completion of several significant lease deals that saw tenants occupying improved space. A lack of new supply has also contributed to vacancy reaching record lows in 2021. Vacant sublease space is not available; however, sublease opportunities are possible in spaces that remain partially occupied. There was no vacant space in class C properties at year-end 2021 and vacancy in class A buildings was at a miniscule 2.5%.

ABSORPTION TRENDS

Annual absorption of 18,623 sf in 2021 marked the fifth year of positive absorption recorded in New Westminster after three years of historically strong levels of leasing activity. Despite a slow start in the first half of 2021, tenants subsequently

occupied a majority of office space in the back half of the year. Video game developer, **Offworld Industries**, occupied 14,500 sf at 713 Columbia Street and was one of the primary drivers of positive absorption in New Westminster in 2021. Tenants occupying space at 301-321 Sixth Street and the BC government taking space at 625 Agnes Street also contributed towards positive absorption in 2021 and helped offset the impact of the office space vacated by **Cactus Credit** at 960 Quayside Drive.

NEW CONSTRUCTION

New office construction in New Westminster is currently limited to **Wesgroup's Brewery District**. Building 7, which is currently under construction and scheduled for completion in late 2023 and will offer 35,000 sf of office space for lease on two floors in the podium of the mixed-use development. While

construction on building 8 has yet to commence, the developer has proposed that the project would include 100,000 sf of office space on five floors in the building's podium. **QuadReal's** master-planned **Sapperton Green** mixed-use transit-oriented development remains in permitting.

MARKET FORECAST

Rental rates were relatively flat in 2021 despite tightening vacancy and limited options for tenants. Lingering uncertainty around COVID-19 along with a lack of availability will likely hinder leasing activity into 2022, which may work to offset the upward pressure on rates that would typically emerge when vacancy is at a record low and the delivery of new office supply is more than 18 months out. Vacancy is forecasted to tighten further in 2022.

BUILDINGS 7 AND 8 AT THE BREWERY DISTRICT WILL ADD 135,000 SF OF OFFICE SPACE

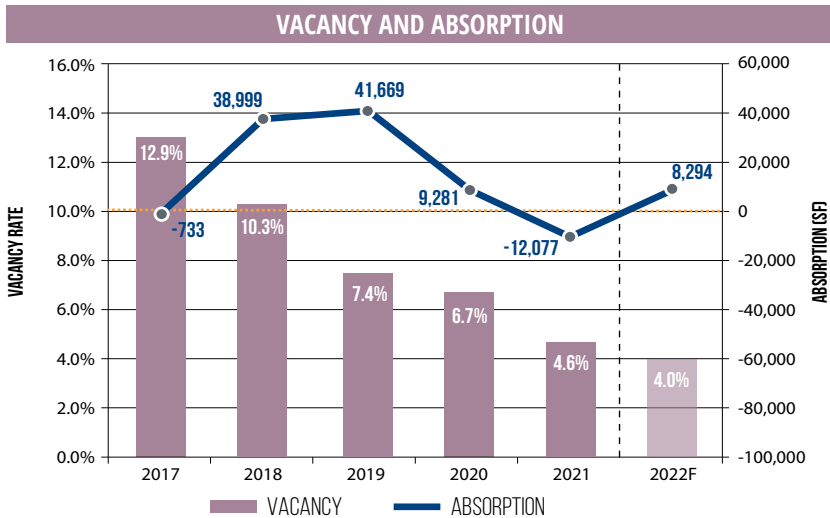


NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Offworld Industries	713 Columbia Street	14,500
Undisclosed tenant	505 Sixth Street	9,300
BC government	625 Agnes Street	4,300

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Wesgroup Properties	Building 7 @ Brewery District, 268 Nelson's Court	35,000	0	0%	Q3 2023
Wesgroup Properties	Building 8 @ Brewery District, 230 Keary Street	100,000	Strata/Lease	0%	Q2 2025
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 W(SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST PSF
A	780,114	19,755	0	19,755	2.5%	3,918	\$24 - \$34	\$39 - \$49
B	700,684	53,063	0	53,063	7.6%	204	\$16 - \$22	\$30 - \$36
C	207,774	0	0	0	0.0%	14,501	\$12 - \$15	\$25 - \$31
Total	1,688,572	72,818	0	72,818	4.3%	18,623	-	-



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



MILLENNIUM CENTRAL LONSDALE
WILL OFFER 34,000 SF OF OFFICE SPACE WHEN COMPLETED

MARKET FORECAST

Rental rates remained flat through 2021, but with a resumption of the activity level noted in fall 2021 likely pushed to spring 2022, a continued lack of new supply and a further decline in vacancy, upward pressure on rents (particularly in the back half of 2022) may materialize. Strengthening demand for office space for lease as well as for strata combined with limited options (besides Millennium Central Lonsdale) may trigger proposed projects such as the North Shore Innovation District as well as North Harbour to bring forward office in their phased construction schedules.

VACUANCY TRENDS

Vacancy fell to a near-record low of 4.6% at year-end 2021 from 6.7% a year earlier, and is approaching the all-time lows of 3.4% (mid-year 2008) and 3.9% (year-end 2007). A number of factors contributed to this decline including moderating leasing activity through 2021, no delivery of new supply, and the removal of the **North Mount Medical** buildings from inventory due to their demolition to accommodate new development. Leasing velocity was stable through 2021 with signs of increased activity in the fall before the emergence of the Omicron variant of COVID-19 dampened tenant enthusiasm. Sublease space remains sparse on the North Shore with very few opportunities. With a dearth of tenant options on a head lease or sublease basis, office leasing activity was further constrained in 2021.

particularly in the back half of 2021. One of the largest such tenants to occupy space was **DarkVision Technologies** at 111 Forester Street along with more than 3,000 sf of absorption at 123 East 15th Street. However, these occupancies were offset by a handful of smaller vacancies that contributed to slightly negative annual absorption in class A and B properties that was partly offset by minimal absorption in class C premises.

NEW CONSTRUCTION

There is no new office construction on the horizon on the North Shore until the delivery of **Millennium Central Lonsdale** at the start of 2024. **Concert Properties' North Harbour** phased development proposes 200,000 sf of office in phase four, which is unlikely to be delivered before 2027. A potential construction schedule for the **North Shore Innovation District** has not been publicly disclosed.

NOTABLE LEASE DEALS (YEAR-END 2021)

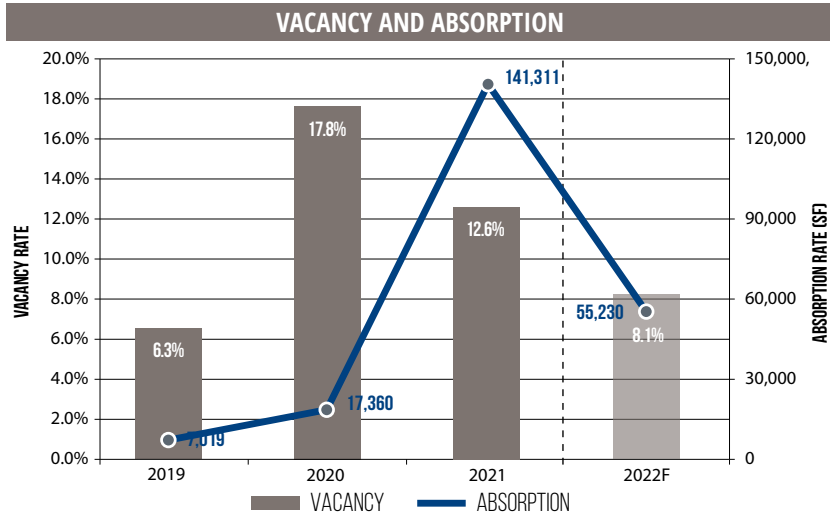
TENANT	BUILDING	SF
Vancouver Shipyards Co.	980 West 1st Street	12,410
Undisclosed tenant	221 West Esplanade	12,400
DarkVision Technologies (sublease)	111 Forester Street	10,430
English Testing Canada	252 West Esplanade	3,380
Placemaker Communities	221 West Esplanade	3,010
Western Group Holdings (sublease)	20 Brooksbank Avenue	2,660
Natural Trade	1 Lonsdale Avenue	2,500
Focusbug Technologies	930 West 1st Street	2,220
J. Hanna Construction	980 West 1st Street	2,120

ABSORPTION TRENDS

Annual absorption slipped to negative 12,077 sf in 2021 – the first negative annual absorption recorded on the North Shore since 2017. A mixture of small to mid-sized tenants occupied as well as gave back space throughout the year, but

DEVELOPER	BUILDING	SF	RELEASE SF	RELEASE %	COMPLETION
Millennium Development	Millennium Central Lonsdale, 123-145 East 13th Street	34,000 (office)	0	0%	Q1 2024
Concert Properties	North Harbour, 801, 889 & 925 Harbourside Drive and 18 Fell Avenue	200,000 (office/retail)	-	-	Proposed
Tsleil-Waututh First Nation & Darwin Properties	North Shore Innovation District, 2420 Dollarton Highway	TBD	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	871,813	27,223	4,678	31,901	3.7%	-8,543	\$24 - \$35	\$40 - \$50
B	435,844	21,393	5,110	26,503	6.1%	-6,336	\$17 - \$23	\$26 - \$38
C	97,690	6,037	0	6,037	6.2%	2,802	\$17 - \$19	\$25 - \$33
Total	1,405,347	54,653	9,788	64,441	4.6%	-12,077	-	-



12-month projection based on 3-year average absorption and known net absorption in inventory



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

phase, known as the east building, calls for a 207,740-sf, 11-storey office tower. Phase two would involve a second 207,740-sf, 11-storey office tower. A hotel has also been proposed as part of the development. The establishment of a construction schedule for the second tower is reliant on the lease-up of phase one.

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

Vacancy fell to 12.6% at year-end 2021 from 17.8% a year earlier in large part due to the delivery of new space in late 2020 that was subsequently occupied during 2021. The continued addition of new supply, which was partially preleased through the back half of 2021, kept vacancy elevated despite strong deal velocity throughout the year. The rapid expansion of Langley's office market, in terms of both office space for lease as well as strata office options, highlights the market's growing reputation as Metro Vancouver's newest office market where tenants continue to have a range of options despite being one of the most active markets in the region.

ABSORPTION TREND

Positive annual absorption of 141,311 sf in 2021 marked the most annual absorption recorded in Langley since Avison Young started tracking the market in 2019. The majority of annual absorption was registered in three properties:

the **Fraser Health Authority, Langley Community Services Society** and **RDM Enterprises** in 6470 201st Street; the **RCMP** and **Carvolth Developments** among others occupying **theXchange**; and **First West Credit Union** moving into its new head office at 19933 88th Avenue where it was also joined by **Odlum Brown**. Leasing activity remained steady throughout 2021 with little to no impact associated with pandemic containment measures.

NEW CONSTRUCTION

After three years of development of new office space for lease as well as a number of strata office/retail developments, delivery of additional new development is likely to slow until the completion of the first phase of **Mitchell Group's Carvolth Business Park**, which is scheduled for completion in the first quarter of 2024 (if it kicks off in spring 2022 as anticipated). The first

MARKET FORECAST

Rental rates are anticipated to remain stable through 2022 due to balanced market conditions with tenants having options and landlords needing to remain competitive. Vacancy is forecasted to steadily tighten through 2022 and 2023 with no new supply on the books. Demand for office space for lease as well as strata office units is expected to remain strong as office tenants and potential owner-occupiers increasingly consider Langley as a market in which to locate their business operations.

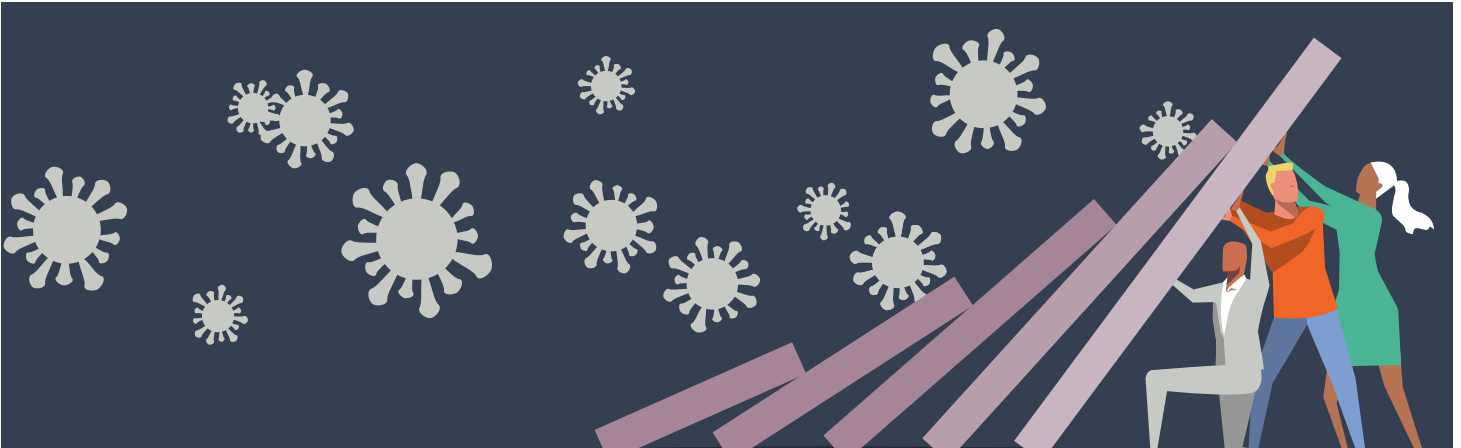
NOTABLE LEASE DEALS (YEAR-END 2021)

TENANT	BUILDING	SF
Fraser Health Authority	6470 201st Street	20,500
RDM Enterprises	6470 201st Street	15,000
BC Assessment Authority	20161 86th Avenue	15,000
ISL Engineering & Land Services (renewal)	8506 200th Street	8,000

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Mitchell Group	Carvolth Business Park (phase 1), 86th-88th Avenue & 200th Street	207,740 (east building)	-	-	Q1 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 (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST PSF
A	508,182	112,508	0	112,508	22.1%	118,986	\$26 - \$36	\$41 - \$51
B	594,464	36,800	0	36,800	6.2%	12,116	\$18 - \$26	\$31 - \$39
C	126,315	4,945	0	4,945	3.9%	10,209	\$13 - \$16	\$26 - \$30
Total	1,228,961	154,253	0	154,253	12.6%	141,311	-	-

BC economic growth reasserting itself in 2022



SPECIAL FEATURE

British Columbia's economic recovery from the COVID-19 global pandemic firmly took root in 2021. However, the rebound has been uneven and further complicated by variants that led to the re-introduction of restrictions that served as a drag on the recovery of key aspects of the economy, which was further aggravated by supply-chain issues and rising inflation, according to **Central 1 Credit Union, Business Council of BC (BCBC)** and the **Conference Board of Canada**.

Central 1 Credit Union's *Economic Analysis of British Columbia* (Vol. 41, Issue 4) released in October 2021 forecast provincial real GDP contracted by 3.8% in 2020 (a notable improvement from the 6.1% decline Central 1 predicted for 2020 in fall 2020) before rebounding by 5.3% in 2021 and will slow to 4.2% in 2022 and 2.6% in 2023. "BC remains on the path to a full economic recovery but as the last 18 months have already shown us, that path forward will remain bumpy and dependent on how the pandemic evolves and how quickly supply-chain disruptions mend," according to Credit 1. "Nevertheless, the trajectory remains positive like the broader Canadian picture as vaccine progress, and ongoing reopening of the economy underpins growth. Moreover, BC will continue to outpace the national performance through 2022 as economic growth rotates away from housing activity and spending on consumer goods, and towards hard-hit services-oriented sectors and increased business investment."

According to Central 1, the private sector will lead BC's economic growth in 2022 and 2023, led by technology, professional services and retail. While BC's export growth is expected to slow, trade in services will maintain the province's fast pace of growth as tourism gains traction. BC's home sales are expected to decline by 15% after a record performance in 2021, but a robust market will continue to drive economic growth, reported Central 1. Business investment would increase by more than 10% in 2022 as economic confidence strengthens and government spending on capital projects remains robust. The annual average unemployment rate will decline from 6.6% in 2021 to approximately 5.5% by 2023, Central 1 predicts.

The Conference Board of Canada's *Convalescent, Not Out of the Woods: B.C.'s Two-Year Outlook*, which was published in January 2022, indicated that BC's economic outlook is more positive than that of most Canadian provinces and it estimated that BC's real GDP grew by 6% in 2021 and will grow by 4.6% in 2022 – a more optimistic forecast than that of Central 1. According to the Conference Board, employment in BC has recovered; labour markets remain turbulent but will eventually rebalance. The unemployment rate will drop to an average of 5.1% in 2022 and 2023, the Conference Board predicts, while adding that even as major construction projects are keeping BC's non-residential investment high, investment growth over the coming years is set to decline.

The BCBC in the December 2021 edition of its *B.C. Economic Review*

Economic Outlook for British Columbia*



*Real GDP growth
Source: Central 1 Credit Union (October 2021)

and Outlook entitled "Widespread demand-supply imbalances and rising prices buffet the economic recovery" indicated it was downgrading its provincial growth forecast for 2021 to 5% (from its previous 5.8% growth projection). The weaker performance in 2021 also led the BCBC to downgrade its forecast for 2022 to 4% (rather than 4.5%). These downgrades were "taking place in the context of an increasingly choppy global economic recovery and a Canadian economy grappling with widespread demand-supply mismatches and building inflation pressures," according to the BCBC.

In 2023, the BCBC expects "the economy to downshift again as the reality of higher interest rates and higher inflation diminish consumer purchasing power and weigh on the finances of heavily indebted households."

The BCBC predicts "the full reopening of the economy will result in strong gains in consumer spending on services, even as spending in retail stores softens" adding that "the steady if somewhat sporadic recovery in international tourism is also a positive tailwind for the provincial economy."

Private sector hiring is expected to strengthen in 2022, according to the BCBC "with gains spreading to hard-hit sectors as well as ones where employment has recovered." The risks to BCBC's outlook moving forward "are mostly on the downside stemming from the Omicron variant, sustained inflation and sooner-than-expected interest-rate hikes."

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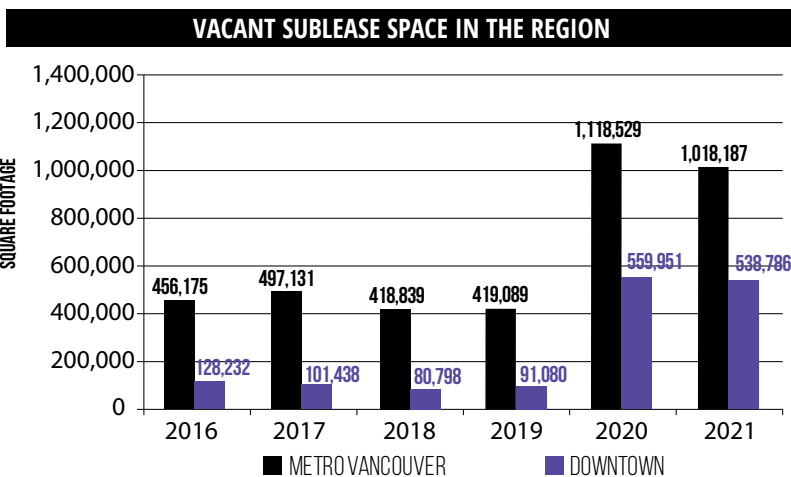
COVID-19 pushed regional vacancy to 8.4% around the pandemic's peak in 2021 with the vast majority of that vacancy located in the city of Vancouver. Even with elevated vacancy remaining in the core markets of Downtown, Vancouver-Broadway and Yaletown (two of which were already reporting declining vacancy at year-end 2021), regional vacancy has started to fall as suburban markets tighten and, in some cases, approach all-time record lows. The difference is that when Downtown faced a tightening market in 2018 with limited tenant options that constrained expansion and growth and restricted new entrants to the market, developers were positioned to respond with several new buildings. The same cannot be said for the suburbs at year-end 2021.

While positive annual absorption returned in Downtown in 2021 – and in an astonishingly fast return to form in the badly battered Yaletown and Vancouver-Broadway markets – the strength of leasing activity in suburban markets such as Surrey, Langley and Burnaby as well as New Westminister and the North Shore cannot be underestimated. Both North Shore and New Westminister are at or near record-low vacancy rates that are sub-5%. Surrey is approaching record-low territory at 5.3%; and Burnaby, the region's largest suburban office market and second largest market outside the core, is at 7%. Langley, which has emerged as the region's newest suburban office market in the past five years, captured the fourth most annual absorption in the region in 2021, outpacing its much larger and more well-established neighbours.

Despite the demonstrated strength in the suburbs, new supply remains almost non-existent. Other than just 113,478 sf of new space set for delivery in 2022 (38% preleased), there is virtually no new supply in Burnaby scheduled to be delivered before mid-2024. In Surrey, only **TPC@South Point**, which is two-thirds preleased, is under construction and completing in 2022. No new office projects (for lease) are in the ground and able to be delivered in Surrey for at least 18 to 24 months. New office construction in New Westminister is currently limited to Building 7 in **Wesgroup's Brewery District**, which offers 35,000 sf of office space and scheduled for completion in late 2023. The only new supply of office space for lease on the North Shore is 34,000 sf coming as part of **Millennium Central Lonsdale** at the start of 2024. Langley, which has grown rapidly in the past two years, has no new office space for lease set to be completed until early 2024.

While COVID-19 will leave many legacies on how and where people work, one of its lessons is that employers likely need to give more consideration to suburban markets as locations for future office development. Employee expectations around how (and where) they interact with their workspace have been altered and time will tell if this results in employers reconsidering their workplace strategies to accommodate this change.

The spread of COVID-19 and the containment policies being introduced are changing rapidly. While information is current as of the date written or otherwise noted, the views expressed herein are subject to change and may not reflect the latest opinion of Avison Young. Avison Young relies on government and related sources for information on the COVID-19 outbreak. The content provided herein is not intended as investment, tax, financial or legal advice and should not be relied on as such.



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