



Tenant Profile One

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

Tenant Profile:

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

Competitive Set:

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

Q1 Relevant Statistics:

Applicable Inventory	5,410,331 sf
Direct Lease	27,747 sf
Sublease	4,137 sf
Total Availability	31,884 sf
Direct Availability Rate	0.51%
Sublease Availability Rate	0.08%
Total Availability Rate	0.59%
Average Base Rent	\$29.56
Average Ops Costs	\$18.49



Record low Downtown office vacancy leaving all tenant sizes with almost no options for lease

As anticipated, vacancy and availabilities have dwindled further in Downtown Vancouver's office market since the third quarter of 2018, according to Avison Young's most recent *Downtown Office Tenant Profile Report*. Tenants are challenged to secure space as the previously limited number of opportunities has tightened even further across all tenant sizes.

There are no options immediately available for large tenants seeking contiguous office space of 30,000 sf or more in a class AAA building. However, there are two options that come available for this tenant profile type within 12 months. For mid-sized tenants, one full-floor opportunity remains available at an asking rate of \$43 per square foot (psf), drastically higher than the \$36.15 psf average recorded just six months ago. Meanwhile, small tenants are facing a sharp reduction in the number of available options. Rising rental rates and highly limited availability may start forcing tenants to consider locating outside of Downtown Vancouver in order to fulfill their office requirements. With limited relief until at least 2021 in terms of new development and vacancy expected to remain historically low through 2019 and 2020, upward pressure on rents is likely to continue for all tenant sizes.

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

find the right option that fits their needs.

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

Available options for **Tenant Profile One decreased to 8 in the first quarter of 2019 from 22** in the third quarter of 2018 with only two sublease options, reducing the total availability rate by more than half to 0.59% from 1.3%. The number of available options for **Tenant Profile Two dropped from five to one**, which reduced the availability rate by more than 80 basis points to 0.2%. **There are two available options for Tenant Profile Three**, which increased from one six months ago due to an update in the competitive set criteria. With availability rates less than 1% for small- and mid-sized tenants, they will need to be proactive and flexible well in advance of their lease expiry simply to find an option that suits their existing needs, let alone improve on their current office space. Large tenants will have to plan much farther ahead than typical and explore future opportunities through preleasing or backfilling space that may come available in the future. ■

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

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



Tenant Profile Two

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

Tenant Profile:

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

Competitive Set:

Any downtown class A property with the ability to accommodate the tenant and that is available immediately.

Q1 Relevant Statistics:

Applicable Inventory	6,833,636 sf
Direct Lease	13,535 sf
Sublease	0 sf
Total Availability	13,535 sf
Direct Availability Rate	0.20%
Sublease Availability Rate	0.0%
Total Availability Rate	0.20%
Average Base Rent	\$43.00
Average Ops Costs	\$22.11



TOTAL # OF BUILDINGS IN DEFINED INVENTORY



EXISTING OPTIONS

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



Tenant Profile Three

Size Requirement: 30,000 sf +

Tenant Profile:

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

Competitive Set:

Any available space that can be occupied within 12 months in an existing downtown class AAA property that has LEED accreditation, onsite amenities and access to SkyTrain.

Q1 Relevant Statistics:

Applicable Inventory	4,366,685
Direct Lease	119,002 sf
Sublease	0 sf
Total Availability	119,002 sf
Direct Availability Rate	2.73%
Sublease Availability Rate	0%
Total Availability Rate	2.73%
Average Base Rent	\$53.57
Average Ops Costs	\$21.93



TOTAL # OF BUILDINGS IN DEFINED INVENTORY



EXISTING OPTIONS

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

For more information, please contact:

Julian Wong,
Research Manager, Office (BC)
Direct Line: 604.757.5114
julian.wong@avisonyoung.com

Andrew Petrozzi,
Principal & Vice-President, Research (BC)
Direct Line: 604.646.8392
andrew.petrozzi@avisonyoung.com

Michael Keenan,
Principal & Managing Director
Direct Line: 604.647.5081
michael.keenan@avisonyoung.com

Office Leasing Team

Nicolas Bilodeau
nicolas.bilodeau@avisonyoung.com

Robin Buntain*
robin.buntain@avisonyoung.com

Fergus Cameron
fergus.cameron@avisonyoung.com

Matthew Craig*
matthew.craig@avisonyoung.com

Bill Elliott
bill.elliott@avisonyoung.com

Glenn Gardner*
glenn.gardner@avisonyoung.com

Jordan Gill
jordan.gill@avisonyoung.com

Sean Keenan
sean.keenan@avisonyoung.com

Stacy Kim
stacy.kim@avisonyoung.com

Derek Lee
derek.lee@avisonyoung.com

James Lewis
james.lewis@avisonyoung.com

Nabila Lalani
nabila.lalani@avisonyoung.com

Jason Mah*
jason.mah@avisonyoung.com

David MacFayden
david.macfayden@avisonyoung.com

Justin Omichinski*
justin.omichinski@avisonyoung.com

Brian Pearson
brian.pearson@avisonyoung.com

Ronan Pigott
ronan.pigott@avisonyoung.com

Dan Smith
dan.smith@avisonyoung.com

Josh Sookero*
josh.sookero@avisonyoung.com

Terry Thies*
terry.thies@avisonyoung.com

Tammy Stephen
tammy.stephen@avisonyoung.com

Matt Walker
matt.walker@avisonyoung.com

Ian Whitcelo*
ian.whitcelo@avisonyoung.com

Stephanie Yeargin
stephanie.yeargin@avisonyoung.com

*Personal Real Estate Corporation

Avison Young
#2900-1055 W. Georgia Street
Box 11109 Royal Centre
Vancouver, BC V6E 3P3, Canada

AVISON YOUNG



Platinum member

avisonyoung.com

© 2019 Avison Young. All rights reserved.

E. & O.E.: The information contained herein was obtained from sources that we deem reliable and, while thought to be correct, is not guaranteed by Avison Young Commercial Real Estate (B.C.) Inc.; DBA, Avison Young.