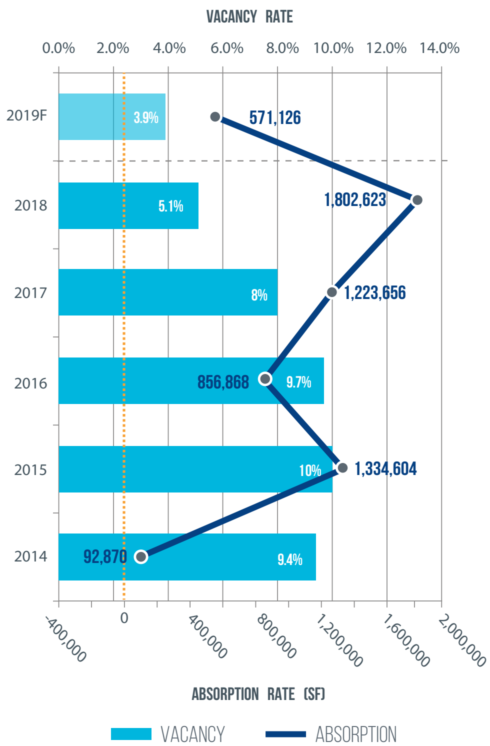
Year-End 2018 Office Market Report

Metro Vancouver, BC

METRO VANCOUVER VACANCY & ABSORPTION TRENDS



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

Leasing crunch imminent as vacancy approaches record lows amidst constrained regional supply

Metro Vancouver is becoming a victim of its own success after office vacancy plunged to near-record lows at year-end 2018 in a market starved of new product for most of the next 24 months and rental rates climbing steadily. Annual absorption, which is being driven by market disruptors such as co-working and big tech in the core, is approaching record highs. Vacancy in the 51.4-million-square-foot (msf) regional market tightened to 5.1% from 8% a year earlier and 9.7% just 24 months ago. Annual absorption of 1.8 msf in 2018 was the most annual absorption recorded since year-end 2005 and the third most since Avison Young began tracking the market in 1996.

With regional vacancy set to tighten to a new record low in 2019 due to a number of significant occupancies and an overall lack of new supply being delivered in the region in the next 12 to 24 months, Metro Vancouver's office market is likely entering uncharted territory with demand far outstripping available space and exerting upward pressure on rental rates that are already at record highs. Much of this demand is located in the core markets of Downtown, Yaletown and Vancouver-Broadway, but has also manifested in Burnaby and Richmond and, to a lesser extent, Surrey and the North Shore. Suburban vacancy slipped to 7.3% at year-end 2018 (from 9.2% a year earlier) – the tightest suburban vacancy since mid-2008 and just slightly more than the record-low suburban vacancy of 7.1% recorded at mid-year 2006.

While co-working companies such as Spaces and WeWork have played a significant role in the absorption of space in both the Downtown and Vancouver-Broadway markets since 2017, the outsized impact of **Amazon's** arrival cannot be underestimated. Amazon has leased a combined 246,940 sf in **Telus Garden** and **The Exchange** and preleased an additional 573,000 sf in 402 Dunsmuir (due in 2020) and the south tower of the **Post on Georgia** coming in 2022. Amazon had also secured 61,600 sf in **WeWork's** location in **Bentall III**. All these locations are in the Downtown market, which will make Amazon the largest single downtown tenant by 2022. Tenants of this scale are new to the Metro Vancouver market and arrived as part of (or shortly after) the first substantial wave of largely preleased new developments

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METRO VANCOUVER OFFICE VACANCY SUMMARY (YEAR-END 2018)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	12-MONTH ABSORPTION (SF)
Downtown	22,868,145	586,697	80,798	667,495	2.9%	879,147
Yaletown	2,074,372	18,734	18,293	37,027	1.8%	49,104
Vancouver-Broadway	6,936,588	320,428	22,618	343,046	4.9%	400,511
Burnaby	9,318,790	470,786	242,431	713,217	7.7%	178,963
Richmond	4,215,800	258,771	54,699	313,470	7.4%	99,314
Surrey	2,906,607	197,378	0	197,378	6.8%	96,007
New Westminster	1,688,572	220,198	0	220,198	13%	60,578
North Shore	1,450,898	148,865	0	148,865	10.3%	38,999
TOTAL	**51,459,772**	**2,221,857**	**418,839**	**2,640,696**	**5.1%**	**1,802,623**

VACANCY RATE DECEMBER 31, 2018 5.1%
VACANCY RATE JUNE 30, 2018 7.2%

Absorption (demand) ↗ Vacancy (supply) ↓ Rental Rates ↗

Downtown vacancy rapidly approaching record low

VACANCY TRENDS

Vacancy fell to 2.9% at year-end 2018 from 7.1% at year-end 2017, the largest year-over-year decline recorded in the Downtown market since Avison Young started tracking the market in 1996. The lowest vacancy registered Downtown was 2.5% in 2007/08. Vacancy decreased in all building classes (especially class AAA and A) although class B absorption was offset in part due to the removal of 1090 West Pender Street from inventory. Class AAA and A buildings accounted for virtually all of the positive absorption in the back half of 2018 with occupancies in **The Exchange** accounting for more than one-third of total absorption in the second half. There were no new additions to inventory in 2018, which contributed to the accelerated decline in vacancy. Deal velocity remained strong in 2018 thanks to a combination of both prelease commitments in new inventory and extensions in existing buildings as intensifying supply constraints and new developments stoked leasing activity. As a result, tenants are demonstrating a willingness to address space needs well in advance of lease expiries with developers competing for prelease commitments. Sublease vacancy was an insignificant force in the market at approximately 12% of overall vacancy. Intensifying supply constraints suggest the Downtown core is approaching a structural vacancy level (+/- 2% vacancy), particularly in class AAA and A buildings with virtually no vacant and available large blocks of contiguous space. Landlords with future large-block vacancies do not seem concerned by the prospect of backfilling space. Expect supply constraints to precipitate further preleasing activity and lease extensions to occur well in advance of contractual lease expiries.

RELIANCE PROPERTIES WILL REDEVELOP **1166 WEST PENDER STREET** TO OFFER 350,000 SF OF OFFICE SPACE WHEN COMPLETED

RECENT LEASE DEALS - YEAR-END 2018 (>10,000 SF)

TENANT	BUILDING	SF
Government of Canada (renewal)	1138 Melville Street	155,000
Spaces	400W. Georgia	119,320
Kabam Inc.	Vancouver Centre II	105,000
Aviso Wealth (renewal & expansion)	Fortis BC Centre	70,000
DLA Piper LLP	The Stack	67,000
Farris, Vaughan, Wills & Murphy LLP (renewal)	TD Tower	67,000
Odlum Brown Ltd. (expansion & renewal)	PwC Place	54,200
Undisclosed tenant	400W. Georgia	44,630
Haywood Securities Inc. (renewal)	Waterfront Centre	40,030
Richardson GMP	Guinness Tower	24,780
Methanex (sublease)	Marine Building	18,880
Allocadia Software Inc.	Granville Square	18,000
MLT Aikins	Oceanic Plaza	14,550
MCW Consultants	1111 West Georgia Street	14,200
Indochino Apparel Inc.	720 Robson Street	14,100
Mackie Research Capital Corp. (renewal)	1075 West Georgia Street	13,860
BC Ministry of Transportation & Infrastructure (sublease)	401 West Georgia Street	13,240
AME Consulting Group	638 Smithe Street	13,140
CounterPath Technologies (renewal)	Bentall I	12,380
Insight Global	Canaccord Genuity Place	11,600
Clearly (sublease)	401 West Georgia Street	11,450
Willis Towers Watson	Park Place	10,790
Ciccozzi Architecture	Manulife Place	10,370
Cornerstone International Education	806 Granville Street	10,230
Dialpad Canada	1100 Melville Street	10,000

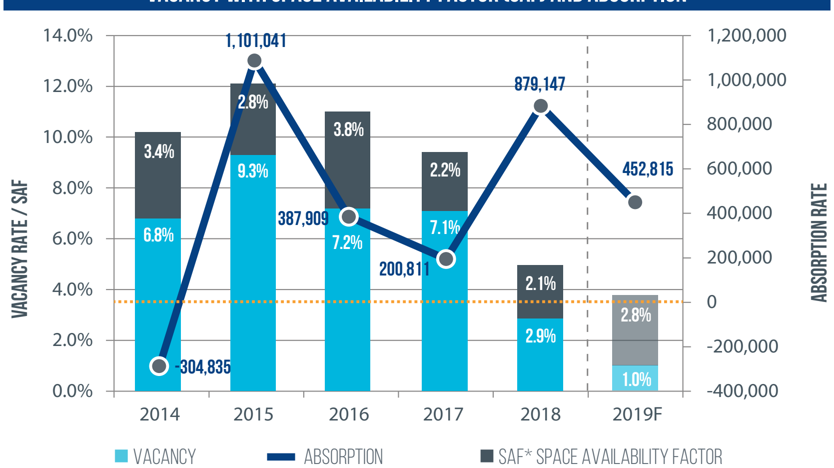
ABSORPTION TRENDS

Annual absorption of 879,147 sf in 2018 marked the second-most annual absorption recorded in the Downtown market since 1996. The record was set in 2015 when more than 1.1 msf was absorbed as deliveries of the last wave of new development peaked. **WeWork** occupied space at **Bentall II** and 333 Seymour Street in 2018, while a number of tenants occupied The Exchange. **Anthem Properties** occupied its space in **Bentall IV** and the **BC College of Nursing Professionals** moved in to its new offices at 200 Granville Street.

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 remained virtually unchanged at 2.1% at year-end 2018 from 2.2% 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the Downtown core is

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.

5% (or approximately 1.14 msf) – the lowest overall availability rate since year-end 2008 (4.5% or 868,283 sf).

NEW CONSTRUCTION

The largest wave of new Downtown office development on record is shaping up with more than 4.6 msf of space for lease or sale likely being delivered by the end of 2023 – an astounding 20.1% increase to the current total Downtown inventory. The issue is that virtually none of that new supply will be delivered before 2020. Only two small projects are scheduled for completion in 2019. The two largest buildings to come online in 2020 – 402 Dunsmuir and **400W. Georgia** – are already a combined 86% preleased at year-end 2018. Remaining options in 2020 include **Bench** in Railtown as well as the **Offices at Burrard Place** tower in Downtown South along with 155 Water Street in Gastown. In 2021, the much larger **Vancouver Centre II**, **Bosa Waterfront Centre** and 601 West Hastings will add more than 755,000 sf of office space for lease. It is not until 2022 that two of the largest office developments in Downtown Vancouver's history are delivered: **Oxford Properties' The Stack** (39% preleased) and **QuadReal Property Group's The Post on Georgia**, a mixed-use office/retail complex that will include 1.13-msf of office space in two office towers, one of which is largely preleased to **Amazon**. Almost 880,000 sf of new office space in **Bentall Kennedy's** redevelopment of 1090 West Pender and **Reliance Properties'** redevelopment of 1166 West Pender Street (both existing office buildings), are scheduled to be delivered in 2023.

MARKET FORECAST

Upward pressure on net effective rental rates is rising in existing buildings as near-term supply constraints intensify due to a combination of increasing net rental rates and/or diminishing leasing inducements. Supply constraints and escalating leasehold improvement construction costs will narrow the delta between net effective rates for new construction and existing, higher-calibre buildings in the near term. Upward pressure on rates is expected to continue in the absence of some global, macro-economic event. Market fundamentals for the next 12 to 24 months are fairly conspicuous as the market approaches a structural vacancy rate (particularly in class AAA and A buildings, which represent more than 50% of downtown inventory) and further decreases in vacancy become more incremental. Co-working firms will remain a factor, particularly as some current co-working tenants migrate to a traditional head lease structure as their new buildings are completed. Moving forward, the profile and complexion of downtown tenants is increasingly important to understand due to the larger floorplate requirements of users such as big tech when compared with the average size of the traditional downtown Vancouver office tenant. This is a particularly relevant consideration for the significant amount of uncommitted supply coming to market. As of year-end 2018, just 28.4% of new construction is preleased. In the medium- to long-term, there is still work to be done to fill the new space coming online, particularly those projects being delivered in 2022-23, and should sustain competition among developers to secure future prelease commitments moving forward.

VACANCY AT LOWEST SINCE 2008

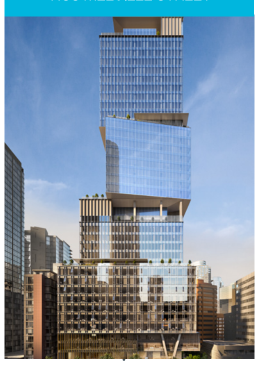
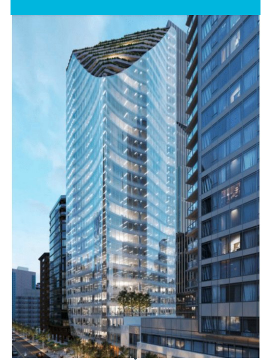
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1281 Hornby Street (mixed use)	99,000 (office podium)	Strata	100% sold	Q3 2019
Westbank	Creative Space @ Vancouver House, 1410 Granville Street (building 4)	37,550	0	0%	Q4 2019
Bosa Properties/ Arpeg Holdings	The Cardero, 1575 West Georgia Street & 620 Cardero Street (mixed use)	45,346 (office)	24,856	55%	Q4 2019
Oxford Properties	402 Dunsmuir Street	147,000	147,000	100%	Q1 2020
Rendition Developments	Bench, 353 Railway Street (I-4 zoning)	26,772	Strata	0% sold	Q1 2020
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1290 Burrard Street (mixed use)	133,000 (office tower)	0	0%	Q3 2020
Low Tide Properties	155 Water Street	75,000 (office)	0	0%	Q3 2020
Westbank/Allied REIT	400W. Georgia, 400 West Georgia Street and 725 & 731 Homer Street	353,000	280,950	80%	Q4 2020
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (45% for lease)	Lease/Strata*	55% sold	Q2 2021
GWL Realty Advisors	Vancouver Centre II, 753 Seymour Street	377,000	105,000	28%	Q3 2021
PCI / Greystone	601 West Hastings Street	210,000	0	0%	Q3 2021
Niels Bendtsen	411 Railway Street (I-4 zoning)	111,934	15,000	13%	Q3 2021
Uptown Property Group	625 West Hastings Street	120,000	0	0%	Q1 2022
Oxford Properties	The Stack, 1133 Melville Street	532,000 (office)	207,000	39%	Q2 2022
QuadReal Property Group	The Post on Georgia, 349 West Georgia Street (mixed-use)	South tower: 510,000 North tower: 560,000	426,000 (south tower)	40%	Q3 2022/ Q2 2023
Bentall Kennedy	1090 West Pender Street	530,000	0	0%	Q1 2023
Reliance Properties	Two Burrard Place, 1261 Hornby Street (Tower C)	40,252 (office)	Strata	0% sold	Q2 2023
Reliance Properties	1166 West Pender Street	348,931 (office)	0	0	Q3 2023
Asia Standard Americas	1468 Robson Street	29,115 (office)	-	-	Demolition
Omicron / Rendition Developments	*Maker Exchange, 488 Railway Street (I-4 zoning)*	*152,000*	-	-	*Planning*
Westbank	*720 Beatty Street*	*580,000 (office)*	-	-	*Proposed*
Bonnis Properties	*600 Robson Street*	*61,670 (office)*	-	-	*Proposed*
Reliance Properties	*902 Davie Street*	*27,500 (office)*	-	-	*Proposed*
Aquilini Development and Construction	*Aquilini Centre East, 777 Pat Quinn Way*	*TBD*	-	-	*Proposed*
Cadillac Fairview	*Waterfront Tower, 555 West Cordova Street*	*TBD*	-	-	*Proposed*

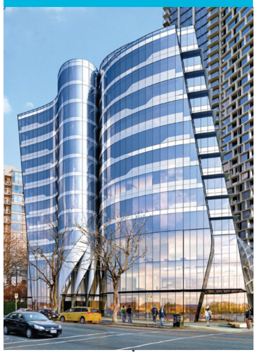
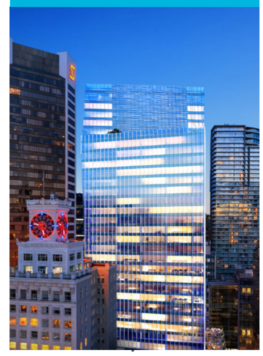
**The building contains 45% lease space and 55% strata space. The strata space is 100% sold. No preleasing had been completed by year-end 2018.*

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	4,980,576	118,500	11,981	130,481	2.6%	277,971	96,655	1.9%	$32 - $60	$52 - $85
A	8,103,253	132,419	23,912	156,331	1.9%	389,536	144,125	1.8%	$28 - $52	$48 - $74
B	6,639,398	151,059	31,594	182,653	2.8%	147,250	175,768	2.6%	$25 - $42	$40 - $61
C	3,144,918	184,719	13,311	198,030	6.3%	64,390	58,474	1.9%	$22 - $30	$33 - $48
Total	**22,868,145**	**586,697**	**80,798**	**667,495**	**2.9%**	**879,147**	**475,022**	**2.1%**	-	-

DOWNTOWN DEVELOPMENT TIMELINE

	THE OFFICES AT BURRARD PLACE 1281 HORNBY STREET	THE CARDERO, 1575 W. GEORGIA STREET & 620 CARDERO STREET	402 DUNSMUIR STREET	BENCH, 353 RAILWAY STREET	155 WATER STREET
					
	Q3 2019	Q4 2019	Q1 2020	Q1 2020	Q3 2020
DEVELOPER	Reliance Properties/ Jim Pattison Developments	Bosa Properties/ Arpeg Holdings	Oxford Properties	Rendition Developments	Low Tide Properties
STOREYS	7-storey podium (3 floors)	3 floors in mixed-use building	9	6	7
OFFICE SF	99,000 (strata)	45,346 (lease/strata)	147,000	26,772 (strata)	75,000
TENANTS	Sold (phases 1 & 2 - 99,000 sf)	24,856 sf - Arpeg Holdings & co-working operator	147,000 sf - Amazon	No sales at this time	No tenants at this time
OCCUPANCY	100% sold	55%	100%	0% sold	0%

	625 WEST HASTINGS STREET	THE STACK, 1133 MELVILLE STREET	THE POST ON GEORGIA, 349 WEST GEORGIA STREET	1090 WEST PENDER STREET	1166 WEST PENDER STREET
					
	Q1 2022	Q2 2022	Q3 2022/Q2 2023	Q1 2023	Q3 2023
DEVELOPER	Uptown Property Group	Oxford Properties	QuadReal Property Group	Bentall Kennedy	Reliance Properties
STOREYS	28	36	17 (south tower) / 18 (north tower)	32	31
OFFICE SF	120,000	532,000	1,130,000	530,000	348,931
TENANTS	No tenants at this time	80,000 sf - Blake, Cassels & Graydon 67,000 sf - DLA Piper 60,000 sf - EY Canada	426,000 sf - Amazon	No tenants at this time	No tenants at this time
OCCUPANCY	0%	39%	40%	0%	0%

	THE OFFICES AT BURRARD PLACE, 1290 BURRARD STREET	400W. GEORGIA 400 WEST GEORGIA STREET	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET	VANCOUVER CENTRE II, 753 SEYMOUR STREET	601 WEST HASTINGS STREET
					
	Q3 2020	Q4 2020	Q2 2021	Q3 2021	Q3 2021
DEVELOPER	Reliance Properties / Jim Pattison Developments	Westbank/Allied REIT	Bosa Developments	GWL Realty Advisors	PCI/Greystone
STOREYS	13	24	30	33	25
OFFICE SF	133,000	353,000	374,790	377,000	210,000
TENANTS	No tenants at this time	117,000 sf - Deloitte Canada 119,320 sf - Spaces 44,630 sf - undisclosed tenant	Approx. 55% of the building has been sold as strata office space; no prelease commitments currently	105,000 sf - Kabam Inc.	No tenants at this time
OCCUPANCY	0%	80%	0%	28%	0%

PROPOSED DOWNTOWN/RAILTOWN DEVELOPMENTS

MAKER EXCHANGE, 488 RAILWAY STREET

DEVELOPED BY
OMICRON & RENDITION DEVELOPMENTS

STOREYS / OFFICE AREA
7 / 152,000 SF

Developers of this 152,000-sf, seven-storey mixed-use building featuring 'creative manufacturing' uses and office uses applied for a development permit in September 2017. The City's director of planning approved the project's development permit application on December 17, 2017, subject to a number of conditions. The permit will be issued once all the conditions have been satisfied. Building construction will very likely commence with a prelease commitment.

TWO BURRARD PLACE 1261 HORNBY STREET

DEVELOPED BY
RELIANCE PROPERTIES

FLOORS / OFFICE AREA
3 / 40,252 SF

The development permit application for this project was approved with prior-to conditions in fall 2018; the application calls for three floors of strata office space in the podium of a 35-storey mixed-use development, which also includes retail space as well as market rental and strata dwelling units; the building (tower C) will be part of the larger Burrard Place development and will start construction in the first half of 2020 with completion scheduled for mid-2023.

WATERFRONT TOWER, 555 WEST CORDOVA STREET

DEVELOPED BY
CADILLAC FAIRVIEW

STOREYS / OFFICE AREA
25 / TBD

The Urban Design Panel (UDP) did not support the original building design in 2015. A public engagement session was held in December 2015. As of December 31, 2018, the developer remained in process with the City to advance the building to a development permit application submission stage. Subsequent to approvals, a prelease commitment would be necessary to kick off construction as the developer is unlikely to proceed on a speculative basis.

1468 ROBSON STREET

DEVELOPED BY
ASIA STANDARD AMERICAS

FLOORS / OFFICE AREA
3 / 29,115 SF

A revised development permit application was filed in February 2017. The new project design was supported by the UDP in March 2017 and appeared before the development board in June 2017. While the development permit has not been issued as the applicant continues to work through the conditions of approval, demolition of the former hotel tower on site has commenced with project construction proposed to potentially start in late 2019.

720 BEATTY STREET

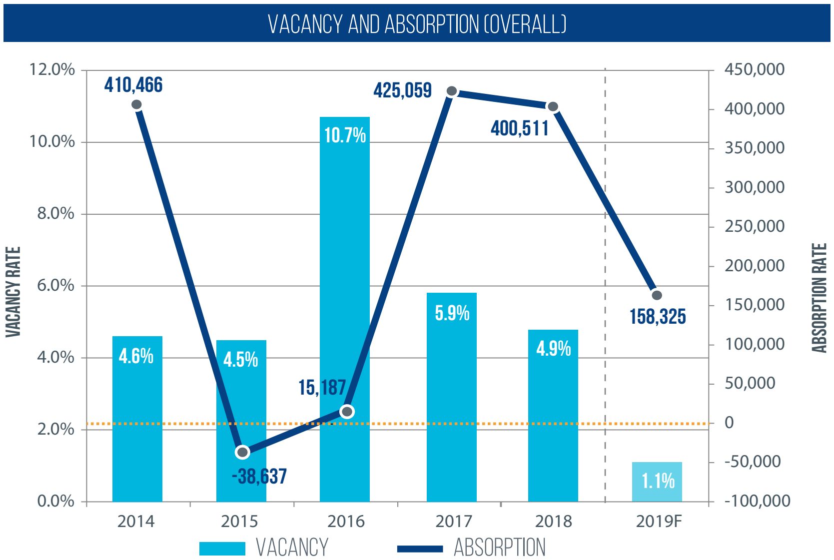
DEVELOPED BY
WESTBANK

FLOORS / OFFICE AREA
17 / 580,000 SF

While an initial rezoning application was filed in January 2018, an updated rezoning application was refiled with the City in December 2018. The proposed 580,000-sf building would include 17 floors of office space for lease as well as minimal retail at grade. Construction would commence in 2020 with completion estimated for 2023. If constructed as proposed, the building would be one of the largest office buildings in terms of square footage in Vancouver.

VANCOUVER-BROADWAY

Vacancy sinks to lowest point since 2013



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

VACANCY TRENDS

Vacancy tightened to 4.9% at year-end 2018, down from 5.9% a year earlier, but will likely achieve a new record low in 2019. Vacancy in the core Broadway Corridor submarket slipped to 3.1% from 4% a year earlier, while vacancy in the Periphery declined to 7.4% from 9.2%. While tenants such as **Saje**, **Samsung**, **Finning** and **Industrial Alliance** contributed to the decline in vacancy by occupying new buildings delivered in 2018 such as the **Lightworks Building** in Mount Pleasant, 565 Great Northern Way on the False Creek Flats and 988 West Broadway in the Broadway Corridor, a number of other tenants are still set to land in recently completed buildings in 2019. **Spaces**, **Cinesite** and **Axiom Zen** will occupy 565 Great Northern Way in 2019 while **RBC Wealth Management** and the **City of Vancouver** will occupy and expand, respectively, in the recently completed **Marine Gateway** mixed-use development and join **WeWork**, which opened in the South Vancouver development at the end of 2018. **Relic Entertainment** will also relocate from Yaletown into **Nickel** in Mount Pleasant in 2019. As a result of these known occupancies and very limited new supply for lease until late 2020, vacancy is expected to tighten substantially in 2019.

ABSORPTION TRENDS

Annual absorption of 400,511 sf in 2018 was the second-most annual absorption recorded in Vancouver-Broadway since Avison Young started tracking the market in 1996. The most annual absorption on record, 425,059 sf, was registered in 2017. Several tenants occupied space in late 2018 in a handful of new buildings that were delivered to the market in early 2018. The result was that the vast majority of annual absorption occurred in the back half of 2018. Absorption is anticipated to remain strong in 2019 with several more tenants set to occupy space in new developments in Mount Pleasant, South Vancouver and the False Creek Flats. Annual absorption in 2018 was split almost equally between the Core (197,650 sf) and Periphery (202,861 sf) submarkets of the Vancouver-Broadway market.

NEW CONSTRUCTION

Construction activity remains elevated but concentrated in specific submarkets (or nodes) such as Mount Pleasant, False Creek Flats (including Great Northern Way) and the northern end of the Cambie Corridor. With the first wave of new development centred in Mount Pleasant and along Great Northern Way complete, many of the new buildings set for delivery in 2019/20 are a mixture of small floorplate office/light industrial projects for sale or lease. Many of these developments – including those from **Porte Commercial**, **PC Urban**, **Rendition**, **Chard**, **Mondivan** and **Wesgroup** – are located in Mount Pleasant. New projects at 510 West Broadway, 525 West 8th Avenue and 2395 Cambie Street, all located at the northern end of the Cambie Corridor, are adjacent to Mount Pleasant and form part of the emerging transit-rich City Hall precinct centred around Cambie and Broadway. **Alliance on Clark** marks the beginning of a new up-and-coming node located along Clark Drive, directly east of the False Creek Flats. Large-format office floorplates from **Triovest**, **Cressey**, **Westbank**, **Rize Alliance**, **Bentall Kennedy** and **Onni** start being delivered in 2021/22 with development activity primarily focused on Mount Pleasant and the False Creek Flats.

VACANCY LIKELY TO ACHIEVE RECORD-LOW RATES IN 2019

MARKET FORECAST

Rental rates continued to trend upwards in 2018 driven in large part by the premium rents achieved in the new developments being delivered as well as declining vacancy and sustained demand for space, particularly in the core Broadway corridor submarket. That upward pressure on rates is expected to continue in 2019 as vacancy tightens further due to strong demand and the constraints of the small floorplate nature of most projects being delivered in 2019/20. Vacancy will very likely achieve a record low in 2019, which will slow deal velocity and constrain expansion opportunities for tenants. Sublease vacancy, which has historically been very limited in this market, will remain a non-factor. While Mount Pleasant and the False Creek Flats will remain the focus of development activity, pressure for additional development in South and East Vancouver will continue to build.

NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
Undisclosed tenant	Main Alley (M2)	60,000
WeWork	Marine Gateway	51,870
WOW! Unlimited Media (renewal)	2025 West Broadway	45,120
City of Vancouver (expansion)	Marine Gateway	43,170
Canada's Michael Smith Genome Sciences Centre (renewal)	570 West 7th Avenue	31,490
RBC Wealth Management	Marine Gateway	21,590
Copperleaf Technologies	2920 Virtual Way	20,000
Active Network	Broadway Tech Centre	17,400
Ivanhoé Cambridge	1476 West 8th Avenue	14,360
Genevant Sciences Corp.	887 Great Northern Way	12,940
New Beginnings Early Learning Centre	2025 West Broadway	10,800
PALS Autism Society	2020 Yukon Street	7,590
Dexter Associates Realty	2608 Granville Street	7,140
123 West Communications	1675 West 4th Avenue	6,680
Contemporary Office Interiors	2233 Columbia Street	6,620
Primex Investments Ltd.	1785 West 4th Avenue	6,110
Vard Marine	Broadway Tech Centre	5,500
CDC Construction Ltd. (renewal)	16 West 4th Avenue	5,170

Mount Pleasant Employment Area (I-1, I-1A Zoning)

Office vacancy dropped sharply in Mount Pleasant as new buildings delivered vacant in the first half of 2018 were occupied in the back half of the year. Vacancy will tighten further when **WeWork** occupies the recently renovated **Main Alley (M1)** at 2015 Main Street in the first half of 2019. Head lease vacancy is virtually non-existent in Mount Pleasant with very limited (and small) options available for sublease. Demand remains strong and a lack of available space continues to constrain deal velocity. The next new building to deliver in Mount Pleasant with space for lease, **Nickel**, only has two ground-floor light industrial units available. **Rendition Development's Beltline off Broadway** strata project, which is scheduled for delivery in early 2020, is already more than two-thirds sold. Strata projects from **Chard** and **Conwest Group** are also forthcoming and are generating strong interest. Many landowners in Mount Pleasant are considering developing office space on their own given the demand and rising rental rates.

The scale and scope of office space in Mount Pleasant will increase exponentially in 2021 as large floorplate developments, including **Westbank's** multi-phase **Main Alley** development (zoned I-1A, I-1B and IC-2 on the eastern edge of Mount Pleasant) and **Cressey Development's** 425 West 6th Avenue (zoned C-3A on the western edge of Mount Pleasant), start to deliver. Ongoing lease negotiations remain active on both projects with the expectation that both will be largely preleased before completion. Upward pressure on rental rates is anticipated to continue in 2019 as businesses continue to seek to locate in the trendy submarket.

DEVELOPER	BUILDING	SF	PRELEASE %	COMPLETION
Chard Development	34 | W7, 34 West 7th Avenue	54,347 (office/light industrial)	Strata: 100% sold	Q1 2019
Porte Commercial	The George, 1157 Parker Street	34,308 (office/light industrial)	31%	Q2 2019
PC Urban Properties	Nickel, 275 West 5th Avenue	71,000 (office/light industrial)	66%	Q2 2019
Rendition Developments	The Beltline Off Broadway, 224 West 8th Avenue	32,898 (office/light industrial)	Strata: 68% sold	Q1 2020
Chard Development	The Yukon, 2238 Yukon Street	54,492 (office/light industrial)	Strata: 9% sold	Q3 2020
Vanlux Development	CityLink, 525 West 8th Avenue	62,165 (office)	0%	Q3 2020
Mondivan	The Workshop, 161 East 4th Avenue	55,011 (office/light industrial)	10%	Q4 2020
Wesgroup Properties	2131 Manitoba Street	44,000 (office/light industrial)	0%	Q4 2020
Alliance Partners	Alliance on Clark, 1308 Adanac Street	55,160 (office/light industrial)	Strata: 0%	Q4 2020
Westbank / Hootsuite	Main Alley (M2), 114 East 4th Avenue	170,543 (office/light industrial)	35%	Q1 2021
Conwest Group (Medali Developments (West 6th) LP)	37 West 6th Avenue	47,165 (office/light industrial)	Strata: 0%	Q1 2021
Triovest	339 East 1st Avenue	144,000	0%	Q2 2021
Cressey Development	425 West 6th Avenue	155,807 (office)	0%	Q2 2021
Bentall Kennedy	2102 Keith Drive	162, 492 (office)	~35%	Q4 2021
Rize Alliance	The Onyx, 1296 Station Street	270,000 (office)	0%	Q4 2021
Onni Group	375 East 1st Avenue	129,207 (office/high-tech industrial)	0%	Q1 2022
CRS Group of Companies	2395 Cambie Street	39,720 (office)	0%	Q2 2022
Pacific Crown Management Ltd.	510 West Broadway	43,425 (office)	TBD	Demolition
QuadReal Property Group	*Broadway Tech Centre, 3030 East Broadway (five buildings)*	*962,300*	*0%*	*Planning*
Westbank / Hootsuite	*Main Alley (M4), 110 East 5th Avenue*	*142,579 (office/light industrial)*	*0%*	*Proposed*
Private developer	*107 East 3rd Avenue*	*30,135 (office/light industrial)*	*0%*	*Proposed*

NEW PROJECTS BY 2022 **18**

NEW SF BY 2022 **1,621,740**

CURRENTLY PRELEASED **13%**

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	2,186,551	33,718	2,685	36,403	1.7%	181,423	\$25 - \$35	\$42 - \$55
B	1,244,433	9,937	9,307	19,244	1.5%	16,618	\$18 - \$25	\$31 - \$41
C	470,010	57,285	6,300	63,585	13.5%	-391	\$15 - \$19	\$28 - \$33
Total	**3,900,994**	**100,940**	**18,292**	**119,232**	**3.1%**	**197,650**	-	-

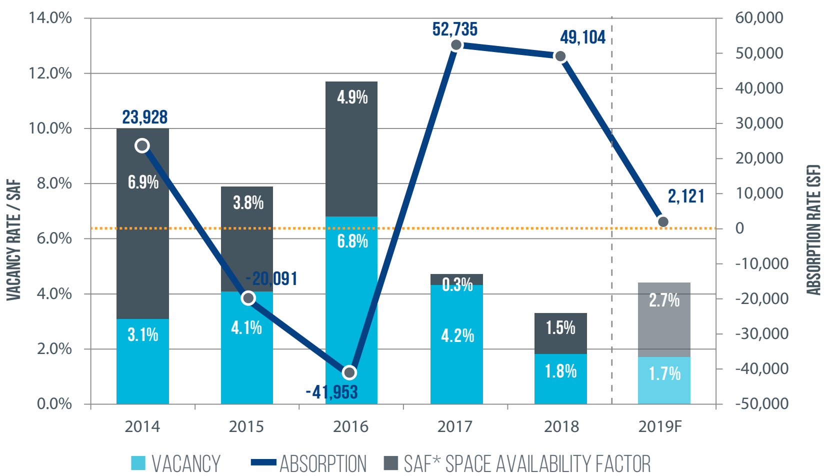
PERIPHERY

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	2,344,299	192,130	4,326	196,456	8.4%	192,231	\$22 - \$35	\$40 - \$55
B	625,797	21,369	0	21,369	3.4%	15,356	\$18 - \$23	\$31 - \$38
C	65,498	5,989	0	5,989	9.1%	-4,726	\$15 - \$19	\$28 - \$33
Total	**3,035,594**	**219,488**	**4,326**	**223,814**	**7.4%**	**202,861**	-	-

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	4,530,850	225,848	7,011	232,859	5.1%	373,654	\$22 - \$35	\$40 - \$55
B	1,870,230	31,306	9,307	40,613	2.2%	31,974	\$18 - \$23	\$31 - \$38
C	535,508	63,274	6,300	69,574	13%	-5,117	\$15 - \$19	\$28 - \$33
Total	**6,936,588**	**320,428**	**22,618**	**343,046**	**4.9%**	**400,511**	-	-

VACANCY AND ABSORPTION



12-month projection based on 10-year average absorption and 10-year average SAF

VACANCY TRENDS

Vacancy slipped to a new record low of 1.8% at year-end 2018, down from 4.2% just a year earlier, as the market's popularity with tenants and highly limited availability triggered intense bouts of negotiations any time office space does become available. Yaletown, like the other core markets of Downtown and Vancouver-Broadway, has registered tightening vacancy since 2016. While other office nodes competitive to Yaletown (such as Mount Pleasant, Gastown and Railtown) were active in 2018, Yaletown still remained in high demand. Deal velocity slowed in 2018 as limited options restrained leasing activity in this landlords' market. The largest block of space coming available in 2019 will likely be in September when **Relic Entertainment** vacates 32,142 sf at 1040 Hamilton Street to relocate to Mount Pleasant.

ABSORPTION TRENDS

Annual absorption of 49,104 sf highlighted just how constrained deal velocity was in this highly sought-after market with no new supply and virtually no availability. Most of the annual absorption occurred in the first half of 2018 with little movement except **PayByPhone** occupying 1071 Mainland and **GenomeDx** relocating into sublease space at 1152 Mainland Street. **MediaValet** expanded at 990 Homer Street.

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 rose to 1.5% (30,957 sf) at year-end 2018 from 0.3% (5,500 sf) a year earlier. Hence, the amount of available space currently being marketed at year-end 2018 (occupied and vacant) in Yaletown is 3.3%, or approximately 67,984 sf – the second lowest since Avison Young started tracking SAF in the submarket in 2007. The lowest SAF occurred at mid-year 2018.

NEW CONSTRUCTION

Boffo Developments' mixed-use project, **The Smithe**, includes 31,000 sf of office space in a three-floor podium. A three-storey, 17,100-sf office addition on top of the two-storey heritage building at 1290 Homer Street has been proposed.

THE ONLY LARGE BLOCK OF SPACE COMING AVAILABLE IS LOCATED AT **1040 HAMILTON STREET**

MARKET FORECAST

Rental rates continued to rise through 2018 as demand surged and pushed vacancy down to a new record low. With very limited new supply unavailable until the end of 2020 and tightening vacancy forecasted in the core markets of Downtown and Vancouver-Broadway in 2019 and 2020, availabilities in Yaletown will likely remain scarce and vacancy at or near record lows in 2019. Rental rates will continue to trend upwards in 2019, a trend that is occurring throughout much of Metro Vancouver, particularly in the core and inner suburban markets. One small source of relief in 2019 may come in the form of sublease vacancy, which totalled 18,292 sf at year-end 2018, the most sublease vacancy in terms of space recorded in the market since mid-year 2015 when overall vacancy was 7.4%.

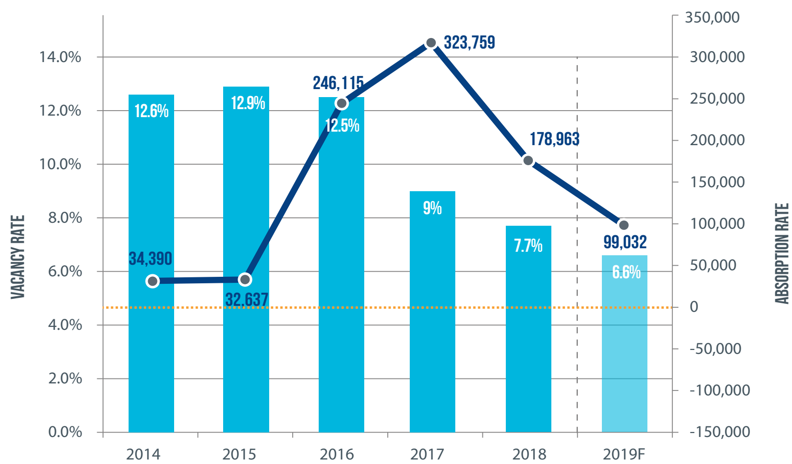
NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
Global Village English Centres (renewal)	888 Cambie Street	27,000
Vancouver Coastal Health	750 Cambie Street	11,150
Language Studies International Vancouver	806 Homer Street	7,250
The&Partnership	1128 Homer Street	6,640
Lendesk	1038 Homer Street	6,310
GenomeDx (sublease)	1152 Mainland Street	4,450

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Boffo Developments	The Smithe, 885 Cambie Street	31,000	0	0%	Q3 2020
Sylvia House Inc.	*1290 Homer Street (3-storey addition)*	*17,115*	*0*	*0%*	*Proposed*

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)
A	576,938	0	11,285	11,285	2.0%	-8,246	0	0.0%	$34.15 - $36.60	$51.20 - $53.60
B	1,025,357	0	7,008	7,008	0.7%	28,972	30,957	3.0%	$29.50 - $32.10	$46.50 - $49.10
C	472,077	18,734	0	18,734	4%	28,378	0	0.0%	$23.55 - $26.10	$39.15 - $41.70
Total	**2,074,372**	**18,734**	**18,293**	**37,027**	**1.8%**	**49,104**	**30,957**	**1.5%**	-	-

VACANCY AND ABSORPTION



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

VACANCY SET TO DROP AGAIN IN 2019

MARKET FORECAST

Rental rates remained fairly consistent in 2018 with most of the large lease deals completed in 2017, which had resulted in rental rate escalation in 2017, but that upward pressure will resume in 2019 as there is no new space and limited options for tenants. Vacancy is going to continue to tighten with no new supply to provide relief in 2019 and for most of 2020. The three large redevelopment projects in Burnaby have now identified how much office space is coming online in their first phases and will start providing much needed new supply in 2020. Limited large-block opportunities will put pressure on rental rates and/or tenant inducements, but landlords are still going to have to offer attractive terms to lure tenants to their buildings.

VACANCY TRENDS

While vacancy slipped to 7.7% at year-end 2018 from 9% one year previous, the market may have begun to stabilize as a lack of new supply started to restrict tenant options and constrain leasing activity. Existing tenants in Burnaby frequently expanded and/or relocated within the market in 2018. While deal velocity remained consistent, the vast majority of significant lease deals and occupancies occurred in the first half of 2018. There are very few large-floorplate opportunities close to SkyTrain stations with the vacancy located primarily off rapid transit lines. While vacancy is declining, landlords still need to offer favourable terms in order to attract tenancies with deal velocity slowing, particularly in the back half of 2018.

ABSORPTION TRENDS

Annual absorption of 178,963 sf represented a robust leasing environment in 2018, but was the least amount of annual absorption recorded since year-end 2015 after exceptionally strong years in 2016 (246,115 sf) and record-setting 2017 (323,759 sf). Most of the recent large lease deals that characterized the market in late 2016 and through 2017 had occupied in 2017 and early 2018 and resulted in the steep decline in vacancy.

NEW CONSTRUCTION

There is no relief in the development pipeline with virtually all new strata office space presold until 2021. Most new supply is located in the first phases of three substantial redevelopment projects underway in Burnaby. The earliest delivery forms part of **The Amazing Brentwood**, which will offer 77,000 sf for occupancy in late 2020. The first phase of **City of Lougheed** (21,000 sf) follows two years later with the first phase of **Gilmore Place** (80,000 sf) following two years after that. The only other option currently is **Onni's Impressions** mixed-use development, which will offer 162,000 sf of office space in mid-2023.

NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
Kodak Canada (renewal)	4225 Kincaid Street	129,000
Electronic Arts	4260 Still Creek Drive	68,380
Parkland Fuel Corp. (sublease)	2025 Willingdon Avenue	52,980
Sequel Naturals (renewal & expansion)	3001 Wayburne Drive	25,050
Stemcell Technologies	2700 Production Way	24,290
Veritas Pharma Inc. (sublease)	8900 Glenlyon Parkway	18,160
Smith + Andersen (expansion)	6400 Roberts Street	17,090
Independent Contractors & Business Association of BC (sublease)	4730 Kingsway	16,620
Canadian Premier Life Insurance Co.	2025 Willingdon Avenue	10,840
Microserve	4400 Dominion Street	10,650
HERE Canada Inc. (renewal)	4350 Still Creek Drive	9,780
HUB International Canada West ULC	4350 Still Creek Drive	9,780
AXS Blockchain Solutions Inc. (sublease)	3480 Gilmore Place	6,180
Canadian Back Institute	2025 Willingdon Avenue	5,670
Bally Gaming Canada	1901 Rosser Avenue	5,400

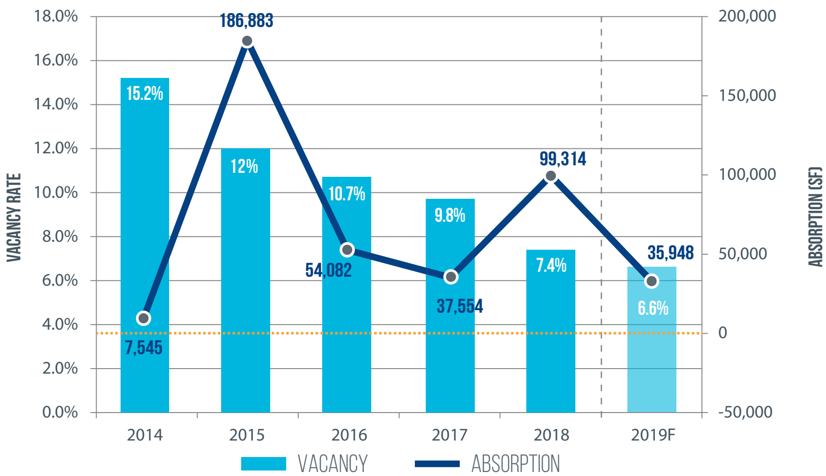
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Cressey Development	Kings Crossing, 7350 Edmonds Street	74,016 (office)	Strata	100% sold	Q3 2019
Shape Properties	The Amazing Brentwood (phase 1)	77,000 (office)	0	0%	Q4 2020
Belford Properties	The Centre at Sun Towers, 4458 Beresford Street	67,000 (office)	Strata	~100% sold	Q2 2021
Shape Properties	The City of Lougheed (phase 1)	21,000 (office)	0	0%	Q4 2022
Onni Group	Impressions, 3355 North Road	162,000 (office)	0	0%	Q3 2023
Onni Group	Gilmore Place (phase 1)	80,000 (office)	0	0%	Q2 2024
Kingswood Capital	*Discovery Place Business Park, 3555 Gilmore Way*	*50,000*	*0*	*0%*	*Awaiting prelease*

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	6,368,081	318,537	213,422	531,959	8.4%	125,160	$24 - $28	$40 - $44
B	2,081,671	114,315	26,009	140,324	6.7%	29,720	$18 - $22	$31 - $35
C	869,038	37,934	3,000	40,934	4.7%	24,083	$16 - $20	$29 - $33
Total	**9,318,790**	**470,786**	**242,431**	**713,217**	**7.7%**	**178,963**	-	-

RICHMOND

Vacancy tightens to lowest point since 2001

VACANCY AND ABSORPTION



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

DEVELOPMENT APPLICATIONS PROPOSE MORE THAN 1.1 MSF OF NEW SPACE

MARKET FORECAST

Rental rates remained flat in 2018, which continued to attract new tenants to the market. Lease rates are likely to remain stable in the first half of 2019, but with further decreases in vacancy, landlords may start to raise rates. Richmond still has opportunities for both large and small tenancies and room for existing tenants to expand. With no new development being delivered until the end of 2020, vacancy will continue to decline. Office space on No. 3 Road remains heavily subscribed and is the tightest submarket in Richmond.

VACANCY TRENDS

Vacancy slipped to 7.4% at year-end 2018, the lowest vacancy recorded in Richmond since year-end 2001, and down from 9.8% recorded a year earlier. The decrease in vacancy can be largely attributed to recent expansions and new tenants to the market and more specifically the lease up of class A space, particularly at **Airport Executive #6**, which registered nearly 40,000 sf of leasing activity in the back half of 2018 alone. While many small and large tenancies relocated within Richmond in 2018, those that relocated outside of the market were offset by an influx of new tenancies. Deal velocity appeared to pick up in the latter part of 2018. Richmond remains an affordable alternative to other office markets in Metro Vancouver. Large blocks of space are still available, but there are notably fewer options than there were six to 12 months ago.

ABSORPTION TRENDS

Annual absorption of 99,314 sf in 2018 was largely the result of new tenancies and expansions within Richmond's office parks. **Boeing's** renewal and expansion in **Crestwood Corporate Centre** along with **Canon** and **Arlo Technologies'** occupancies in **Airport Executive Park** in the back half of 2018 contributed significantly to annual absorption, the most recorded since 2015.

NEW CONSTRUCTION

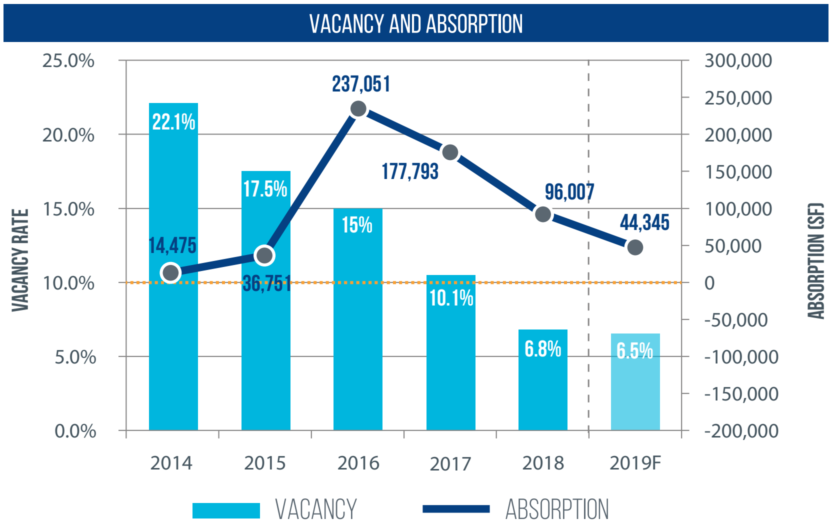
Richmond's new development pipeline remains substantial with rezoning and development permit applications for more than 1.1 msf of new office space under consideration. The first new delivery of office space for lease – **Yuanheng Seaview Development's** multi-phase **ViewStar** project – is not expected until the end of 2020.

NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
Boeing (renewal & expansion)	Crestwood Corporate #6	39,470
Vancouver Coastal Health (renewal)	8100 Granville Avenue	39,340
Arlo Technologies	Airport Executive Park #6	22,000
ICBC (renewal & expansion)	Crestwood Corporate #5	18,200
inComm Inc. (renewal)	Crestwood Corporate #6	14,840
Canon	Airport Executive Park #6	10,800
Corvus Energy	Crestwood Corporate #4	10,490
ND Supplies Inc.	13560 Maycrest Way	9,520
Hawk Ridge Systems	Airport Executive Park #10	6,540
Kinetic Construction	Airport Executive Park #6	6,300
Pinchin (expansion)	Crestwood Corporate #7	5,670
D2L Corp. (renewal)	Crestwood Corporate #7	5,190

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Yuanheng Seaview Developments	ViewStar, 3031-3351 No. 3 Road, 8151 Capstan Way & 8051/8100 River Road	205,141 (office - second phase)	0	0%	Q4 2020
iFortune Homes Inc.	iFortune Centre, 6860 No. 3 Road	105,420 (office)	0	0%	Q3 2021
CIBT Education Group Inc.	GEC Richmond, 7960 Alderbridge Way (part of Atmosphere redevelopment)	127,379 (office)	0	0%	Q1 2022
MYIE Development	International Trade Centre at Versante, 8477 Bridgeport Road	100,000 (office)	Strata	NA	Under construction
Keltic (Brighouse) Development Ltd.	*The Paramount, 6340 No. 3 Road*	*104,000 (office)*	*0*	*0%*	*Planning*
Townline Ventures	*5591, 5631, 5651 and 5671 No. 3 Road*	*77,740 (office)*	*0*	*0%*	*Proposed*
Beckwith Development	*9466 Beckwith Road*	*128,600 (office)*	*0*	*0%*	*Proposed*
Park Village Investment Ltd. & Grand Long Holdings Canada Ltd.	*8071 & 8091 Park Road*	*58,605 (office)*	*0*	*0%*	*Proposed*
Vanhome Properties Inc.	*9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road*	*48,000 (office)*	*0*	*0%*	*Proposed*
New Continental Properties	*8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way*	*50,527*	*0*	*0%*	*Proposed*
CIBT Education Group Inc.	*GEC CyberCity, 7780, 7800, 7810, 7820 & 7840 River Road*	*166,685 (office)*	*0*	*0%*	*Proposed*
Bene (No. 3) Development Ltd.	*4700 No. 3 Road*	*63,479 (office)*	*0*	*0%*	*Proposed*
Vanprop Investments	*Lansdowne Centre (redevelopment)*	*TBD*	*0*	*0%*	*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	203,994	29,558	233,552	8.1%	102,511	\$17 - \$19	\$29 - \$31
B	972,346	44,243	10,176	54,419	5.6%	15,659	\$14 - \$16	\$26 - \$28
C	348,198	10,534	14,965	25,499	7.3%	-18,856	\$13 - \$14	\$21 - \$22.50
Total	**4,215,800**	**258,771**	**54,699**	**313,470**	**7.4%**	**99,314**	-	-



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

VACANCY TRENDS

Vacancy dropped to 6.8% at year-end 2018 from 10.1% a year earlier, a continuation of the rapid declines in vacancy recorded in a market that posted a vacancy rate of 15% just 24 months ago. Vacancy has been trending downward since peaking at 23.2% at mid-year 2014 and is currently at its lowest point since mid-year 2011 (6%). Leasing activity remained strong throughout all of Surrey's submarkets with government tenants, including **Public Works and Services Canada** and the provincial **Ministry of Children & Family Development**, playing a strong role in reducing vacancy in 2018. There was no sublease vacancy in 2018. With very limited big-block opportunities, few options for tenants and declining vacancy, the need for new construction to accommodate demand is mounting.

ABSORPTION TRENDS

Annual absorption of 96,007 sf in 2018 marked the fifth year in a row that the Surrey office market registered positive absorption, including the recent record amount of annual absorption (237,051 sf) established in 2016. The majority of annual absorption in 2018 occurred in the second half of the year, including the occupancies of **Immigrant Services Society of BC** at 10334 152A Avenue as well as the **Ministry of Children & Family Development** and the **Canadian Back Institute** at 15117 101 Avenue, the former head office of **Coast Capital Savings**.

NEW CONSTRUCTION

Development of new supply is likely to remain limited as developers wait for the fallout to settle around the decision by Surrey's newly elected council in late 2018 to cancel a proposed LRT line and demand a SkyTrain rapid transit line instead. Only one new building is set to be delivered in the next 12 months. **The Professional Centre at South Point**, which is 62% preleased, is scheduled for completion at the end of 2019. One of the largest new developments in Metro Vancouver, the proposed 521,200-sf **Central City Tower 2**, will include 436,922 sf of office space with construction slated to start in the second half of 2019 with completion in mid 2023.The second phase of **PCI Group's King George HUB at the Stations** is underway and slated for completion by the end of 2021.

RENTAL RATES TO RISE AS VACANCY CONTINUES TO SLIDE

MARKET FORECAST

Rental rates rose through 2018 and that upward pressure is expected to persist into 2019 as vacancy continues to slowly tighten with little new supply in the next 12 months to offer additional options for tenants. Leasing activity is expected to remain healthy but will face similar head-winds to the rest of the region in terms of a lack of new development, rising construction costs, declining availabilities and growing tenant demand.

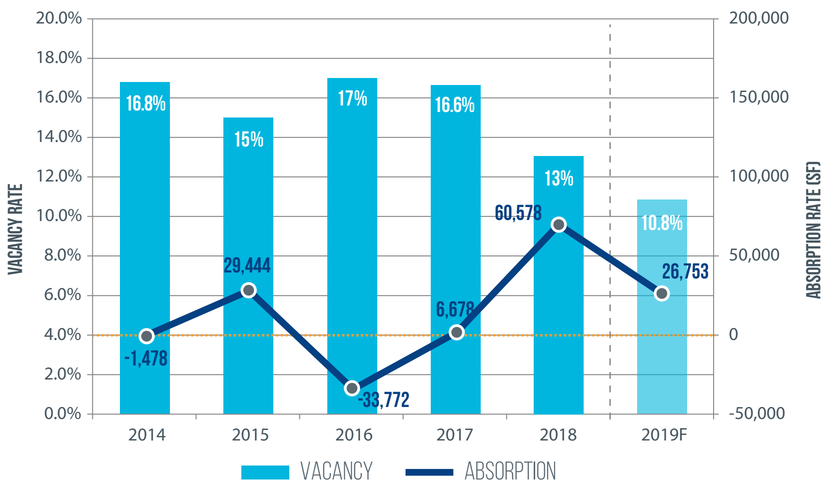
NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
WorkSafeBC (renewal)	5550 152nd Street	25,280
PWGSC	7445 132nd Street	23,780
BC Ministry of Children and Family Development	9900 King George Avenue	21,400
Immigrant Services Society of BC	10334 152A Avenue	14,000
Sideways Holding Inc.	3231 152nd Street	10,500
World Financial Group (sublease)	14928 56th Avenue	8,280
Rexall/Pharma Plus Pharmacies (BC)	7495 132nd Street	8,040
Coast Capital Savings (expansion)	9900 King George Avenue	5,900
Jardine Lloyd Thompson Canada	10172 152A Street	5,490

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Avondale Development / Monark Group	The Professional Centre @ South Point, 3231 152nd Street	71,780	44,154	62%	Q4 2019
Croydon Drive Development LLP	Southpointe99 (phase 2), 15303 31 Avenue	50,000	50,000	100%	Q2 2020
PCI Group	19933 88th Avenue, Langley	105,000 (office)	62,500	60%	Q2 2020
Lark Group	CityCentre3, 13761 96th Avenue	119,500 (office)	Strata	Sold: 14%	Q1 2021
PCI Group	King George HUB at the Stations (phase 2), 9900 King George Boulevard (office/retail)	160,000 (office)	0	0%	Q4 2021
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	0	0%	Q4 2021
Blackwood Partners	Central City Tower 2, 10025 King George Boulevard	436,922 (office)	0	0%	Q2 2023

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	2,074,968	119,186	0	119,186	5.7%	55,830	\$24 - \$ 32	\$38 - \$45
B	626,010	62,746	0	62,746	10%	18,612	\$16 - \$20	\$29 - \$33
C	205,629	15,446	0	15,446	7.5%	21,565	\$11 - \$14	\$25 - \$27
Total	**2,906,607**	**197,378**	**0**	**197,378**	**6.8%**	**96,007**	-	-

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy slipped to 13% at year-end 2018 from 16.6% a year earlier due primarily to tenants occupying the **Anvil Centre**. Vacancy fell to its lowest point since year-end 2013 (9.3%). Anvil Centre, which was delivered 100% vacant in early 2014, would subsequently boost class A vacancy substantially and contribute to the elevated vacancy that only now started to recede in 2018. Overall leasing activity remained minimal in 2018 despite at least three deals in excess of 10,000 sf in the second half of the year. Sublease space was a non-factor in the market, which helped maintain a floor for headlease rents in 2018. With several large blocks of vacancy still remaining in class A and B properties, tenants have a number of options throughout the market.

ABSORPTION TRENDS

Annual absorption of 60,578 sf in 2018 was the most recorded since 2013 when **TransLink** occupied **Wesgroup's Brewery District** development. Positive absorption in 2018 was primarily the result of tenants such as **Douglas College**, **Land Title and Survey Authority of BC** (LTSA) and the **Century Group** occupying space in the Anvil Centre. However, the relocation of the LTSA to the Anvil Centre from its larger former offices at 88 6th Street in New Westminster did offset some of the overall positive annual absorption recorded in 2018.

NEW CONSTRUCTION

Wesgroup has submitted a development permit application for a 32-storey, mixed-use building as the final piece of its Brewery District project. The mixed-use building would include condos and more than 53,000 sf of office space in the podium as well as retail amenities and a daycare. An OCP amendment was completed that allows for **QuadReal Property Group's** proposed master planned mixed-use development, **Sapperton Green**, to proceed but the processes involving the project's rezoning and development permit applications are still ongoing. A valid and active development permit for two office buildings up to 400,000 sf still remains in place for the property, but a prelease commitment would be necessary to start construction.

MARKET FORECAST

Marginal upward pressure was exerted on rental rates in the back half of 2018 as vacancy tightened in a meaningful way for the first time since 2013. Rental rates are expected to remain flat in 2019 as decent options for tenants in class A and B inventory remain readily available. Vacancy in class B office space surpassed class A at year-end 2018 for the first time since mid-year 2012 as class B vacancy reached its highest point since year-end 2009. Vacancy is forecasted to continue to tighten in 2019 as the market continues to slowly absorb space thanks in part to the substantial reduction in the overhang in the supply of class A space that has characterized the office market for the past five years.

BUILDING 7 AT WESGROUP'S BREWERY DISTRICT WILL INCLUDE NEW OFFICE SPACE

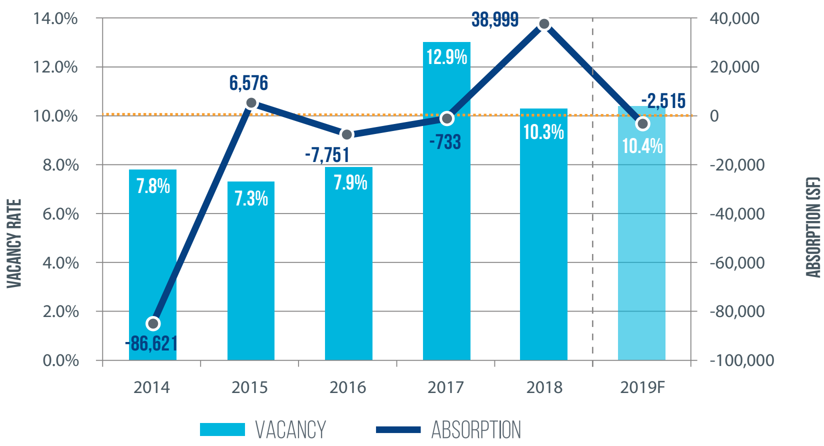
NOTABLE LEASE DEALS - YEAR-END 2018

TENANT	BUILDING	SF
Ascent Industries Corp.	960 Quayside Drive	14,720
Credit Counselling Society of BC (renewal/expansion)	88 6th Street	14,420
Panago Pizza Inc.	Anvil Centre	10,360
CodeCore	628 6th Avenue	10,110
Canadian Aviation College	628 6th Avenue	10,000

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Wesgroup Properties	*Building 7, 268 Nelson's Court (Brewery District)*	*53,039 (office)*	*0*	*0%*	*Proposed*
QuadReal Property Group	*97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site*	*Up to 400,000 (office)*	*0*	*0%*	*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	780,114	97,277	0	97,277	12.5%	88,496	\$25 - \$31	\$37 - \$45
B	700,684	108,420	0	108,420	15.5%	-27,918	\$16 - \$19	\$28 - \$34
C	207,774	14,501	0	14,501	7%	0	\$10 - \$14	\$24 - \$28
Total	**1,688,572**	**220,198**	**0**	**220,198**	**13%**	**60,578**	-	-

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy slipped to 10.3% at year-end 2018 from 12.9% a year earlier, largely the result of three significant occupancies in 2018, which included **COWI** at **CentreView** (138 East 13th Street), **Modern Niagara** (formerly **Keith Plumbing and Heating**) at 788 Harbourside Drive and **Olympic International Sales** at 930 West 1st Street. Stable occupancy levels across all building classes also contributed to the decline in vacancy as strong leasing activity was further supplemented by medical tenants seeking to relocate from the **Northmount Medical** buildings, which are set to be redeveloped. The North Shore was a balanced office market overall in 2018, but leaned more towards a landlord's market for smaller tenants while those seeking medium to larger spaces still had leverage in negotiations.

ABSORPTION TRENDS

Annual absorption of 38,999 sf in 2018 was the most annual absorption recorded on the North Shore since 2007 (and the third most since Avison Young started tracking the market in 2001). Positive absorption is anticipated to continue with approximately15,000 sf of absorption to be recorded at CentreView in the first half of 2019. The pending redevelopment of the Northmount Medical will also contribute to positive absorption moving forward.

NEW CONSTRUCTION

Construction on **Hollyburn Properties'** new mixed-use rental development at Lonsdale Avenue and West 13th Street is underway. Two other projects are likely to break ground on the North Shore in 2019: **The Offices at Harry Jerome** and **Millennium Development's** redevelopment of the Northmount Medical site. The Offices at Harry Jerome will be a five-storey, 90,000-sf building with retail at grade and office space for sale on the second to fifth floors. **Silver Harbour Seniors Centre** has acquired the second floor (18,000 sf). Millennium Development's redevelopment of 123-145 East 13th Street will include a 18-storey condo tower and a five-storey mixed-use building including two floors of office space for lease totalling 35,000 sf.

MARKET FORECAST

Rental rates for existing space remained flat in 2018 with some rate escalation achieved in new construction. Successful leasing in new construction generally required larger tenant improvement allowances or turnkey space. Rates are likely to be flat for the next 12 months with potential for moderate increases as continued strong leasing activity leads to declining vacancy due to the absence of any new supply being delivered in 2019.

REDEVELOPMENT OF NORTHMOUNT MEDICAL CENTRE WILL INCLUDE 35,000 SF OF OFFICE SPACE

NOTABLE LEASE DEALS - YEAR-END 2018

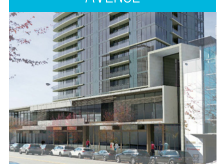
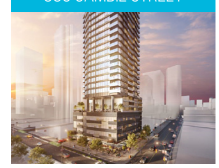
TENANT	BUILDING	SF
Olympic International Sales Ltd.	930 West 1st Street	11,650
Freedom Mobile Inc.	221 West Esplanade	11,000
Medisys Health Group Inc.	138 East 13th Street	8,170
Atlantia Holdings Inc.	949 West 3rd Street	6,890
United World Cargo	221 West Esplanade	5,840
Lloyds Register North Amercia	221 West Esplanade	3,910
Stratford Underwriting Agency Inc.	949 West 3rd Street	3,550
MMBC Recycling Inc.	221 West Esplanade	2,840
Archer Respiratory Care Ltd.	138 East 13th Street	2,800
Atlas Meridian Glassworks Inc.	930 West 1st Street	2,730
GL Leasing British Columbia Inc.	138 East 13th Street	2,500

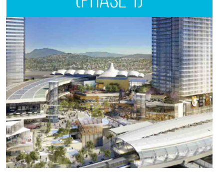
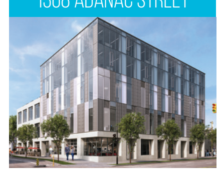
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Hollyburn Properties	1301-1333 Lonsdale Avenue	13,890	0	0%	Q2 2020
Darwin Properties	The Offices at Harry Jerome	70,000 (office)	Strata	26% sold	Q2 2021
Millennium Development	*123-145 East 13th Street*	*35,000 (office)*	*0*	*0%*	*Proposed*
Concert Properties	*801, 889 & 925 Harbourside Drive and 18 Fell Avenue*	*TBD*	*0*	*0%*	*Proposed*
The Tsleil-Waututh Nation & Darwin Properties	*North Shore Innovation District, 2420 Dollarton Highway*	*978,830 (office)*	*0*	*0%*	*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	96,822	0	96,822	11.1%	38,149	\$22 - \$35	\$39 - \$50
B	481,395	44,416	0	44,416	9.2%	1,307	\$17 - \$23	\$26 - \$38
C	97,690	7,627	0	7,627	7.8%	-457	\$15 - \$19	\$24 - \$33
Total	**1,450,898**	**148,865**	**0**	**148,865**	**10.3%**	**38,999**	-	-

SUBURBAN DEVELOPMENT TIMELINE (TO 2020)

	34 | W7, 34 WEST 7TH AVENUE	THE GEORGE, 1157 PARKER STREET	NICKEL, 275 WEST 5TH AVENUE	KINGS CROSSING, 7350 EDMONDS STREET	TPC @ SOUTHPOINT, 3231 152ND STREET	THE BELTLINE OFF BROADWAY, 224 WEST 8TH AVENUE
						
	Q1 2019	Q2 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
CITY	Vancouver-Broadway	Vancouver-Broadway	Vancouver-Broadway	Burnaby	Surrey	Vancouver-Broadway
DEVELOPER	Chard Development	Porte Commercial	PC Urban Properties	Cressey Development	Avondale Development/Monark Group	Rendition Developments
STOREYS	4	4	4	8	4	4
OFFICE SF	54,350	34,310	71,000	74,016	71,780	32,898
OFFICE TENANTS	Strata	4,047 sf - Local Practice Architecture+Design	47,000 sf - SEGA (Relic Entertainment)	Strata	10,500 sf - Sideways Holding Inc. 17,024 sf - Medical tenants 16,634 sf - Undisclosed tenant	Strata
OCCUPANCY	100% sold	31%	66%	100% sold	62%	68% sold

	CITYCENTRE 3, 13775 96TH AVENUE	19933 88TH AVENUE	SOUTHPOINTE 99 (PHASE 2), 15303 31ST AVENUE	1301-1333 LONSDALE AVENUE	THE SMITHE, 885 CAMBIE STREET	THE YUKON, 2238 YUKON STREET
						
	Q1 2020	Q2 2020	Q2 2020	Q2 2020	Q3 3020	Q3 2020
CITY	Surrey	Langley	Surrey	North Shore	Yaletown	Vancouver-Broadway
DEVELOPER	Lark Group	PCI Group	Croydon Drive Development LLP	Hollyburn Properties	Boffo Developments	Chard Development
STOREYS	10	6	4	1 floor	3 floors	4
OFFICE SF	108,500	105,000	50,000	13,890	31,000	54,492
OFFICE TENANTS	Strata	62,500 sf - First West Credit Union	50,000 sf - GroupHEALTH	No tenants at this time	No tenants at this time	Strata
OCCUPANCY	14% sold	60%	100%	0%	0%	9% sold

	CITYLINK, 525 WEST 8TH AVENUE	2131 MANITOBA STREET	THE AMAZING BRENTWOOD (PHASE 1)	ALLIANCE ON CLARK 1308 ADANAC STREET	THE WORKSHOP, 161 EAST 4TH AVENUE	VIEWSTAR, 3031-3351 NO. 3 ROAD
						
	Q3 2020	Q4 2020	Q4 2020	Q4 2020	Q4 2020	Q4 2020
CITY	Vancouver-Broadway	Vancouver-Broadway	Burnaby	Vancouver-Broadway	Vancouver-Broadway	Richmond
DEVELOPER	Vanlux Development	Wesgroup Properties	Shape Properties	Alliance Partners	Mondivan	Yuanheng Seaview Developments
STOREYS	8	4	Podium (tower 3)	5	7	11
OFFICE SF	62,165	44,000	77,000	55,160	55,011	205,141
OFFICE TENANTS	No tenants at this time	No tenants at this time	No tenants at this time	Strata	5,483 sf - Mondivan	No tenants at this time
OCCUPANCY	0%	0%	0%	0% sold	10%	0%

BC GROWTH DECELERATING BUT OUTLOOK POSITIVE FOR 2019

SPECIAL FEATURE

British Columbia's economy is expected to continue to cool in 2019 after years of expansion, a trend that began in 2018 due to a downturn in consumer spending and a slowing residential real estate market, but the economy is forecasted to remain positive due to strong levels of business investment, a tight labour supply and population growth, according to the **Business Council of British Columbia** (BCBC), **Conference Board of Canada** and **Central 1 Credit Union**.

The provincial economy remains on "solid ground" and is "still a fiscal superstar," according to the Conference Board of Canada's *Provincial Outlook Economic Forecast: BC – Autumn 2018* published December 20, 2018, but some challenges to economic growth remain. The federal and provincial measures designed to cool the housing market are expected to weigh on the province's housing market over the medium term as a Canadian-wide demographic crunch, coupled with BC's unaffordable housing conditions, is leading to hiring headwinds within the province. As housing's contribution to growth begins to moderate, the recent go-ahead for **LNG Canada's** liquefied natural gas development is a boost to the province's outlook for growth over the near term. The Conference Board of Canada concludes that the "province's finances remain on solid ground, but pockets of economic weakness will translate into reduced revenue streams" in 2019.

The *BC Economic Review and Outlook* published by the BCBC on January 14 forecasted a similar economic future for the province in 2019 with the economies in Canada and BC cooling from recent highs but remaining "reasonably positive despite external headwinds, domestic challenges, and changes to the industrial and regional dynamics of growth in the province."

The multi-year real estate boom is "unwinding" and affected sectors are likely to detract from overall GDP growth in 2019 and perhaps 2020, according to the BCBC. It also reports that consumer spending has cooled amid "slumping real estate markets, higher interest rates and tighter access to residentially-secured credit." While the province has recorded solid growth in both merchandise and service exports, the BCBC anticipates more "muted" gains over the next two years.

BCBC goes on to report that "business investment should pick up as the massive LNG Canada project gets under way and more companies step up capital spending in the face of intense competitive pressure, digital disruption, and cyclically tight labour markets." GDP growth is projected to ease slightly over the next two years to around 2.2% to 2.4%, according to the BCBC. "The $40 billion LNG Canada project gets underway later this year and will provide a substantial lift. Without this project, provincial growth would slip below 2% as the real estate boom unwinds."

The composition of economic growth is expected to shift toward northern BC, driven by LNG and related upstream drilling activity and pipeline construction, and greater reliance on business investment and exports more generally, according to the BCBC. "Economic conditions will be softer in the lower mainland as the real estate boom deflates. A key downside risk is whether this rotation in provincial growth drivers can be achieved smoothly."

Central 1 Credit Union's *Economic Analysis of British Columbia (Volume 38, Issue 4)* published in November 2018 reported that BC's economy is entering a slower growth phase following a strong period of expansion in recent years. According to the report: "Economic growth – as measured by gross domestic product (GDP) – is forecast to slow from 3.8% in 2017 to a moderate range of about 2.5% to 3% from 2018 to 2020. Growth averaged more than 3% from 2014 through to 2017. However, economic momentum will differ across regions, reflecting the structure of the provincial growth profile."

Central 1 Credit Union indicates that the main drag on the BC economy will be a slower housing market, which is reflective of the ongoing impacts of rising interest rates and the introduction of the federal mortgage 'stress test' and provincial government tax policies to slow demand. Central 1 goes on to add that the recent declines in the volumes of home sales are contributing to flatter retail sales trends. These declines are expected to contribute significantly to lower housing construction trends through to 2020, particularly in the larger urban markets in the South Coast region of the province, according to Central 1. However, "the broad economic environment and outlook remains solid and supported by business investment, a tight labour market and population growth. Tight industrial capacity; solid exports and manufacturing trends; growth in the high-tech sector; government spending; and other services continue to remain growth drivers."

HOUSING STARTS FOR BRITISH COLUMBIA

2017
40,000

2018
41,000

2019*
36,000

2020*
37,000

*Forecast

Source: Business Council of British Columbia

continued from page 1

downtown that were completed in 2015/16 and largely preleased by existing downtown tenants. Developers, emboldened by heightened demand locally and from forces outside the market, will add almost 4.2 msf of downtown office space for lease by 2023, most of that will not start to arrive until 2021.

At year-end 2018, there was just 338,041 sf available for sublease outside Downtown Vancouver, while Downtown sublease space totalled 80,798 sf for a total of 418,839 sf or 15.9% of the overall vacancy region-wide – up slightly from 12.1% a year earlier. Burnaby continues to have the most sublease vacancy in Metro Vancouver with a single building making up 30% of the region's total sublease vacancy. There is more sublease vacancy in 3777 Kingsway in Burnaby than in the Downtown, Yaletown and Vancouver-Broadway markets combined.

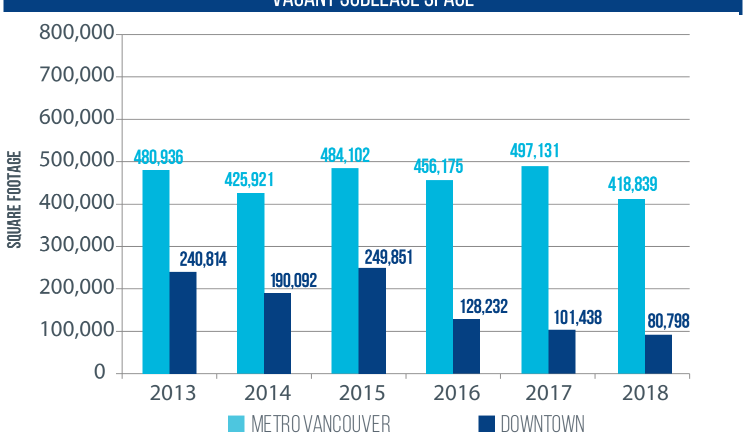
Slightly less than half of Metro Vancouver's regional annual absorption in 2018 was recorded Downtown, which highlighted the attraction the market holds for many businesses. However, the city of Vancouver, which includes the core markets of Downtown, Yaletown and Vancouver-Broadway, recorded 74% of the region's annual absorption in 2018. Burnaby registered the third most annual absorption in 2018 to lead the suburban markets. All office markets surveyed by Avison Young posted positive annual absorption in 2018.

While the development pipeline in Metro Vancouver has typically maintained a relatively steady stream of new supply, a gap in both new-product delivery and availability has formed in key markets such as Downtown, Yaletown, Burnaby, Richmond and, to a lesser extent, Vancouver-Broadway and Surrey.

There is virtually no new space for lease being delivered downtown until 2020. However, the two buildings set for 2020, 402 Dunsmuir Street (100% preleased to Amazon) and 400W. Georgia (80% preleased by Deloitte Canada, Spaces and an undisclosed tenant) are substantially preleased. In reality, meaningful amounts of new supply downtown will not be available until 2021. Burnaby, the second largest office market in Metro Vancouver, has only a single delivery of 77,000 sf of office space for lease in the Amazing Brentwood by the end of 2020. Additional supply in Burnaby is not scheduled to come online until 2022/23. Richmond, which has not built any new office space for lease in more than a decade, will also have to wait until the end of 2020 for new supply in the form of the ViewStar development. Only one project is to deliver in Surrey by 2020 and is currently 62% preleased. Vacancy in all of these markets tightened in 2018 and is forecasted to continue to do so despite deal velocity likely slowing as leasing opportunities grow fewer. While new development in Vancouver-Broadway continues to break ground, much of the new office space being delivered in the next two years has already been leased or sold and offers small floorplates.

The next two years will represent a historical phase in Metro Vancouver's office market when record-low vacancy and record-high rental rates combine across the region with a lack of new supply. But relief is on the horizon. New construction will start delivering in 2021 at a pace and scale previously unseen in this region. This juncture also marks the end of an era as Vancouver and the region transition to a global stage with new players and forces reshaping the region's office markets and upend the traditional understanding of the workplaces of the 21st century and who will occupy them. ■

VACANT SUBLEASE SPACE



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