

Downtown Vancouver, BC

Tenant Profile Report
Q1 2021



Tenant Profile One

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

Tenant Profile:

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

Competitive Set:

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

Q1 Relevant Statistics:

Applicable Inventory	5,915,088 sf
Direct Lease	62,057 sf
Sublease	22,737 sf
Total Availability	84,794 sf
Direct Availability Rate	1.05%
Sublease Availability Rate	0.38%
Total Availability Rate	1.43%
Average Base Rent (asking)	\$28.60
Average Ops Costs	\$19.68

64
TOTAL # OF
BUILDINGS IN
DEFINED
INVENTORY

42 ↑
NUMBER OF
AVAILABLE SPACES

Uptick in Downtown office availability continues for all tenant types through first quarter of 2021

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

Tight vacancy conditions in downtown Vancouver's office market have largely persisted despite the economic fallout related to the arrival of COVID-19 in spring 2020, though the anticipated delivery of new but largely vacant class AAA office projects through 2021 will have an impact. While rental rates for select spaces continued to soften and sublease vacancy has continued to increase, availabilities generally remained constrained for small- and mid-sized tenants.

As of March 31, there were seven options available within the next 12 months for tenants seeking contiguous office space of 30,000 sf or more in a class AAA building; this is the first time since the *Q3 2019 Downtown Office Tenant Profile Report* that there have been availabilities in this segment of the market. These availabilities are due to the expected delivery in 2021 of two class AAA office buildings (601 West Hastings and 733 Seymour) that are currently under construction and substantially vacant. (1280 Burrard is not included due to its distance from a SkyTrain station.) Notably, this increase in availabilities is not due to large corporate tenants giving back existing office space as no options in existing class AAA office buildings emerged that met the specified requirements for Tenant Profile Three. At this time, most large tenants are waiting before making long-term decisions on space requirements.

COVID-19 containment measures to date have impacted mid-sized office tenants (Tenant Profile Two), which resulted in the total availability rate rising by roughly 40% at spring 2021 from six months earlier. The increase in total availabilities has largely come about due to sublease space, with

sublease availability for Tenant Profile Two climbing 75% from September 2020 to March 2021. For smaller office tenants (Tenant Profile One) direct availability nearly doubled over the same six-month period, resulting in a 72% increase in the total availability rate.

Landlords' efforts to work with tenants and limit vacancy in their buildings, along with a limited lease activity in the past six months, contributed to a notable decline in average rental rates in the Tenant Profile One and Two building sets. The average rental rates used in this report are a blend of head lease and sublease asking rates. For mid-sized tenants, the number of full-floor opportunities available in the next six months rose to 10 at an average asking rate of \$33.40 per square foot (psf) – down from the \$39.82 psf recorded six months ago in this select building set. Meanwhile, small tenants also have more options than they did six months ago, with the average rental rate slipping to \$28.60 psf from \$32.63 psf at fall 2020. For Tenant Profiles One and Two, asking rates for sublease space fell considerably more than asking rates for space available direct.

Available options for Tenant Profile One rose to 42 in the first quarter of 2021 from 23 in the third quarter of 2020 with 11 sublease options. The number of available options for Tenant Profile Two increased to 10 (seven of which are sublease options), which led the availability rate to increase by 50%. For Tenant Profile Three, there are seven possible contiguous configurations between the two soon-to-be delivered buildings at 601 West Hastings Street and 733 Seymour Street. One of these seven options is a sublease availability, where one tenant has already decided to sublease their space without even taking delivery. Overall, the impacts of COVID-19 on Vancouver's Downtown office market are manifesting; however, availabilities generally remain limited with impacts largely constrained to tenants seeking contiguous office space of 30,000 sf or more in a class AAA building.

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

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

Competitive Set:

Any downtown class A property with the ability to accommodate the tenant and that is available within the next six months.

Q1 Relevant Statistics:

Applicable Inventory	7,089,298 sf
Direct Lease	40,517 sf
Sublease	87,289 sf
Total Availability	127,806 sf
Direct Availability Rate	0.57%
Sublease Availability Rate	1.23%
Total Availability Rate	1.80%
Average Base Rent (asking)	\$33.40
Average Ops Costs	\$24.05



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



Tenant Profile Three

Size Requirement: 30,000 sf +

Tenant Profile:

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

Competitive Set:

Any available space that can be occupied within the next 12 months in an existing downtown class AAA property that has an industry-standard sustainability accreditation, onsite amenities and access to SkyTrain.

Q1 Relevant Statistics:

Applicable Inventory	5,903,078 sf
Direct Lease	386,283 sf
Sublease	36,507 sf
Total Availability	422,790 sf
Direct Availability Rate	6.54%
Sublease Availability Rate	0.62%
Total Availability Rate	7.16%
Average Base Rent (asking)	\$54.95
Average Ops Costs	\$21.87



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

For more information, please contact:

Andrew Petrozzi,

Principal & Practice Leader, 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

Justin Omichinski*
justin.omichinski@avisonyoung.com

Robin Buntain*
robin.buntain@avisonyoung.com

Zac Osinchuk
zac.osinchuk@avisonyoung.com

Fergus Cameron
fergus.cameron@avisonyoung.com

Brian Pearson
brian.pearson@avisonyoung.com

Tanner Clarkson
tanner.clarkson@avisonyoung.com

Ronan Pigott*
ronan.pigott@avisonyoung.com

Matthew Craig*
matthew.craig@avisonyoung.com

Devin Ringham
devin.ringham@avisonyoung.com

Bill Elliott
bill.elliott@avisonyoung.com

Josh Sookero*
josh.sookero@avisonyoung.com

Glenn Gardner*
glenn.gardner@avisonyoung.com

Tammy Stephen
tammy.stephen@avisonyoung.com

Jonathan Hallett
jonathan.hallett@avisonyoung.com

Terry Thies*
terry.thies@avisonyoung.com

Sean Keenan
sean.keenan@avisonyoung.com

Matt Walker
matt.walker@avisonyoung.com

Nabila Lalani
nabila.lalani@avisonyoung.com

Ian Whitchole*
ian.whitchole@avisonyoung.com

James Lewis
james.lewis@avisonyoung.com

Stephanie Yeargin
stephanie.yeargin@avisonyoung.com

Jason Mah*
jason.mah@avisonyoung.com

*Personal Real Estate Corporation

Disclaimer: The spread of COVID-19 and the containment policies being introduced are changing rapidly, and some of the views expressed herein may not reflect the latest opinion of Avison Young.

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

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