



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.

Q3 Relevant Statistics:

Applicable Inventory	5,915,088 sf
Direct Lease	59,223 sf
Sublease	9,070 sf
Total Availability	68,293
Direct Availability Rate	1.00%
Sublease Availability Rate	0.15%
Total Availability Rate	1.15%
Average Base Rent	\$30.19
Average Ops Costs	\$19.07

65
TOTAL # OF
BUILDINGS IN
DEFINED
INVENTORY

36 ↓
EXISTING
OPTIONS

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

Downtown office leasing market stable through third-quarter 2021 as vacancy from new builds looms

To better understand the challenges tenants face when entering, renewing or relocating to 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.

Stable vacancy conditions in downtown Vancouver's office market have largely persisted through the anticipated delivery of new but substantially vacant class AAA office projects through 2022 will have an impact. Rental rates for applicable spaces in class A and B buildings appeared to stabilize and the number of sublease availabilities declined. As a result, availabilities remained constrained for small- and mid-sized tenants.

Available options for Tenant Profile Three are almost entirely due to the expected delivery of five new office towers within the next 12 months that are currently under construction. Between these five buildings, there is more than 900,000 sf of space that has not been preleased and will be added to inventory. The substantial increase in the availability rate for Tenant Profile Three is not from large tenants giving back existing office space, but new inventory being delivered vacant. At this time, many large tenants continue to evaluate their return-to-office policies and are determining how their workforce will operate going forward before making long-term leasing decisions. Major U.S. companies considering the Vancouver office leasing market could be a source of demand for these class AAA buildings.

On the contrary, availabilities for small- and mid-sized tenants appear to have tapered off over the last six months, primarily due to a decline in the number of spaces offered for sublease. As the impact of COVID-19 has subsided, the sublease market shifted markedly across all building classes. For Tenant Profile One, sublease availability fell to 0.15% at Q3 2021 from 0.38% as of Q1 2021. The market for Tenant Profile Two was

more bifurcated with sublease availability decreasing to 0.38% from 1.23% over the last six months, while the direct availability rate rose to 0.95% from 0.57% over the same period.

An increase in deal velocity in class A and B buildings over the past six months contributed to a marked increase in average asking rents, which are a blend of head lease and sublease asking rates in this report. Tenant Profile One registered a modest increase in average rent during the last six months with rents rising to \$30.19 psf in Q3 2021 from \$28.60 psf in March 2021; however, Tenant Profile Two recorded a dramatic change in average asking rent with rates rising to \$45.29 psf in Q3 2021 from \$33.40 psf in Q1 2021. This large shift was primarily due to a handful of discounted sublease offerings in class A buildings being taken off the market. Conversely, average asking rates declined slightly over the period to \$53.12 psf from \$54.95 psf for Tenant Profile Three as the expected delivery of new supply weighed on rental rates.

Available options for Tenant Profile One fell to 36 in third-quarter 2021 (including five sublease options) from 42 in the first quarter of 2021, decreasing the total availability rate to 1.15%. The number of available options for Tenant Profile Two decreased to seven (two of which are sublease options), with the availability rate falling to 1.34%. For Tenant Profile Three, there are approximately 12 possible contiguous configurations between the five soon-to-be delivered buildings and one existing sublease, with a total availability rate of 14.27%.

Overall, the impacts of COVID-19 on Vancouver's Downtown office market continued to manifest; however, availabilities generally remained limited for small and medium occupiers with the market impact largely constrained to large corporate 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.



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.

Q3 Relevant Statistics:

Applicable Inventory	7,089,298 sf
Direct Lease	67,503 sf
Sublease	27,206 sf
Total Availability	94,709 sf
Direct Availability Rate	0.95%
Sublease Availability Rate	0.38%
Total Availability Rate	1.34%
Average Base Rent	\$45.29
Average Ops Costs	\$23.51



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.

Q3 Relevant Statistics:

Applicable Inventory	6,817,862 sf
Direct Lease	904,868 sf
Sublease	68,375 sf
Total Availability	973,243 sf
Direct Availability Rate	13.27%
Sublease Availability Rate	1.00%
Total Availability Rate	14.27%
Average Base Rent	\$53.12
Average Ops Costs	\$23.68



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

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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.

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