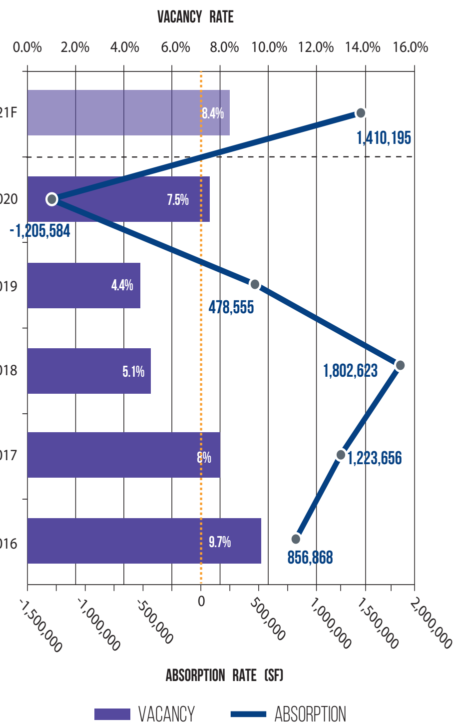
AVISON YOUNG

Year-End 2020 Office Market Report

Metro Vancouver

Metro Vancouver Vacancy & Absorption Trends



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

Pandemic punishes downtown office market while suburbs remain largely unscathed during plague year

It took a global pandemic in 2020 to provide Metro Vancouver with the breathing room the regional office market needed to approach a balanced market for the first time since 2016. Nowhere was this more apparent than the downtown core, where despite a record amount of negative annual absorption, vacancy only rose to its highest point since year-end 2017 as primarily small- to mid-sized pockets of vacancy emerged in mostly class B/C properties. Similar trends emerged throughout Metro Vancouver with inner suburbs registering minimal increases in vacancy year-over-year and slight negative annual absorption in mostly class B/C properties while the region's outer suburban markets recorded comparatively strong levels of annual absorption and historically tight vacancy rates in 2020. While Metro Vancouver's office market is by no means immune to the impacts that pandemic containment measures and work-from-home protocols will ultimately have on office workplaces around the world, the regional office market remains well-positioned to capitalize on the widely forecasted economic recovery anticipated to take root in the second half of 2021.

Vacancy in the 53.7-million-square-foot (msf) regional market increased to 7.5% at year-end 2020 from 4.4% a year earlier due primarily to increases in vacancy in the three Vancouver markets of Downtown, Yaletown and Vancouver-Broadway. Despite the substantial increase in vacancy in the city of Vancouver in 2020 due to the COVID-19 pandemic, regional vacancy remained comparatively tight and was still less than the 8% posted just three years earlier at year-end 2017. While regional vacancy is expected to rise slightly in 2021, a balanced market is still expected.

Providing the provincial and federal governments' pledges to have Canadians vaccinated by September 2021 come to pass, renewed optimism accompanied by a widely forecasted resumption in economic activity is anticipated to accelerate a return to office by workers and stimulate real estate decision-makers to action. While the first half of 2021 will likely see vacancy rise in most office markets within Metro Vancouver (particularly within Vancouver), a reversal of the impacts of pandemic-related policies and precautions is anticipated

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METRO VANCOUVER OFFICE VACANCY SUMMARY (YEAR-END 2020)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	12-MONTH ABSORPTION (SF)
Downtown	23,093,121	964,575	559,951	1,524,526	6.6%	-615,711
Yaletown	2,057,180	164,058	67,914	231,972	11.3%	-182,666
Vancouver-Broadway	7,765,802	567,249	121,016	688,265	8.9%	-411,679
Burnaby	9,395,790	394,776	319,802	714,578	7.6%	-50,772
Richmond	4,215,800	328,426	25,282	353,708	8.4%	-52,580
Surrey	2,906,607	129,071	9,639	138,710	4.8%	11,557
New Westminster	1,688,572	87,041	4,400	91,441	5.4%	69,626
North Shore	1,450,898	91,391	6,524	97,915	6.7%	9,281
Langley	1,134,961	197,563	4,001	201,564	17.8%	17,360
Total	**53,708,731**	**2,924,150**	**1,118,529**	**4,042,679**	**7.5%**	**-1,205,584**

VACANCY RATE DECEMBER 31, 2020 7.5%

VACANCY RATE JUNE 30, 2020 4.7%

ABSORPTION (DEMAND) ↘ **VACANCY (SUPPLY)** ↗ **RENTAL RATES** ↘

Downtown

Most negative annual absorption on record

VACANCY TRENDS

Vacancy climbed to 6.6% at year-end 2020 from 2.6% a year earlier (and 3.5% at mid-year 2020) as the impact of COVID-19 and associated containment measures began to manifest in Downtown Vancouver in the back half of the year. In the last six months of 2020, overall vacancy increased by more than 715,000 sf, an 89% increase. While a rapid rise in sublease vacancy had been noted at mid-year 2020 (which continued rising in the back half of the year), head lease vacancy also emerged, increasing by almost 450,000 sf (or 87%) from mid-year 2020. Vacancy on a head lease and sublease basis increased in all building classes – except class AAA sublease space. Class B sublease vacancy registered the most significant increase (222%) in the second half of 2020, with overall class B vacancy rising by 161%. The impact of COVID-19 on the downtown market, similar to the rest of Metro Vancouver, appears to be focused on smaller-format spaces in lower-calibre properties; however, a notable increase in both class A head lease and sublease vacancy, which increased by 152% and 107%, respectively, was an indication that higher-calibre properties were not totally immune to the impacts of COVID-19. Class AAA properties performed reasonably well in the last half of 2020 with only a modest increase in vacancy. The pace of spaces offered on a sublease basis (particularly in class B) increased in the second half of the year. One sublease consideration that emerged is the difficulty distinguishing between sublease offerings that are vacant due to work-from-home protocols or if the space is actually surplus to tenants' operational needs on a medium or longer-term basis. Further analysis also determined that while vacancy is primarily concentrated in lower-class buildings, it was also very fragmented and unlikely to pose a material threat to larger head lease offerings. No notable new tenants preleased space in 2020, and projects that were delivered were on a fully leased basis. Deal velocity overall remained muted in 2020 but there was a slight uptick in activity in the second half of the year. Leasing activity is expected to slowly increase through 2021 as the provincial vaccination campaign gets underway and organizations return to office-based operations and start to gain a better understanding of their medium and longer-term office space needs. An abundance of sublease offerings may stimulate additional leasing activity, particularly among tenants seeking improved options with some flexibility due to shorter terms and a likely discount to prevailing head lease rates. The amount of sublease space increased by 92% in the second half of 2020 and represented 36.7% of vacant space in the downtown market (the second most on record), up from 15.2% a year earlier.

MORE THAN **3.7 MSF** OF NEW CONSTRUCTION UNDERWAY

ABSORPTION TRENDS

Annual absorption fell to negative 615,711 sf in 2020, the most negative annual absorption recorded downtown since Avison Young started tracking the market in 1997. (The previous record of negative 556,876 sf was set in 2009.) Most of the negative annual absorption in 2020 was recorded in class B buildings (-445,933 sf) and was significantly more than the negative annual absorption registered in class A and C buildings combined (-288,103 sf) in 2020. Meanwhile, class AAA properties recorded 118,325 sf of positive annual absorption in 2020.

SPACE AVAILABILITY FACTOR

The space availability factor, or SAF, refers to head lease space or sublease space that is being marketed but is not physically vacant, and new supply that is near completion and available for lease. SAF was 2.1% at year-end 2020 – up from 1.5% 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the downtown core is 8.7% (or approximately 2.01 msf). The highest overall availability rate on record occurred at mid-year 2015 (13.5% or 3.02 msf).

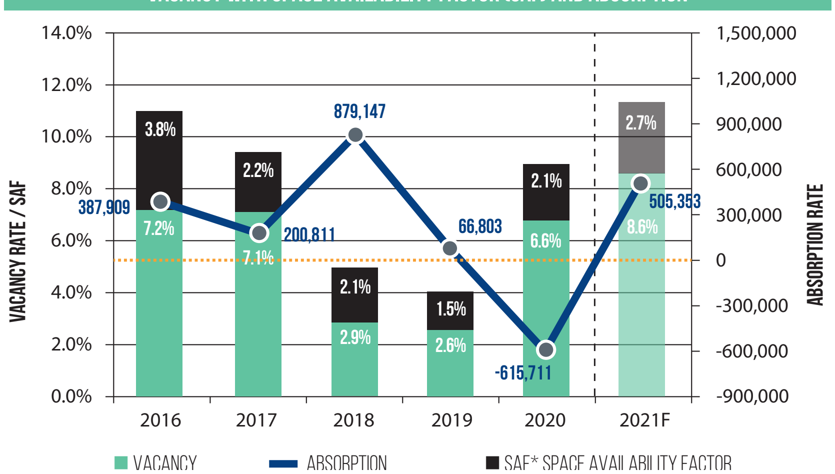
NEW CONSTRUCTION

With the construction of more than 3.76 msf of new office space underway and an additional 2.64 msf currently proposed, the downtown development pipeline is set to remain active through 2023. Five new buildings totalling more than 1.16 msf are set for delivery in 2021. While one of the buildings contains strata office space (100% sold), two of the other buildings totalling 348,000 sf were 100% available at year-end 2020. The remaining two buildings had each registered a moderate amount of preleasing, but still offered more than 310,000 sf of available space at year-end. The development pipeline will

NOTABLE LEASE DEALS (YEAR-END 2020)

TENANT	BUILDING	SF
B2Gold Corp.	Park Place	44,300
Cassels Brook (renewal)	885 West Georgia Street	29,600
Real Estate Council of BC	Pender Place II	18,900
Eldorado Gold Corp. (renewal)	Bentall 5	17,500
TD Bank (renewal)	1055 Dunsmuir Street	15,000
Calabrio Canada Ltd.	401 West Georgia Street	13,900
ESRI Canada (renewal/ expansion)	1130 West Pender Street	12,600
Guinness Business Centre	Guinness Tower	12,300
SHK Law Corp. (renewal)	Bentall 2	10,600
Zayo Canada (renewal)	401 West Georgia Street	10,300
Colliers International (expansion)	B6	10,000

VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION



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

slow in 2022 with four new projects offering a mix of strata office space and space for lease. While substantial preleasing and presales has occurred, more than 445,000 sf of space still remained available in **The Stack** and **Bosa Waterfront Centre** at year-end 2020. The south tower of **The Post**, which is scheduled for delivery in late 2022, is 100% preleased to **Amazon**. Three more new buildings will follow in 2023, including a small strata office component in a mixed-use tower; the north tower of The Post (which is also 100% preleased to Amazon); and **B6**, which had 276,000 sf of space available at year-end 2020. Of the estimated 3.35 msf of office space for lease currently under construction to the end of 2023, almost 1.97 msf (or 59%) was preleased at year-end 2020. Construction had yet to commence by year-end 2020 on any of the three buildings scheduled for completion in 2024.

MARKET FORECAST

Muted demand along with increasing vacancy (sublease or otherwise) have applied downward pressure on rental rates as times of uncertainty usually result in landlords focusing more closely on tenant covenant and creditworthiness and less on achieving the highest financial terms possible. New developments with meaningful availability that are approaching delivery dates are also keenly motivated to stimulate leasing activity in 2021 and secure new prelease commitments. Increasingly motivated sublandlords will likely emerge as a competitive force in the market and apply additional downward pressure on head lease rental rates. Any further softening on rates will be determined by absorption in the market. Depending on the pace of leasing activity, differing approaches to setting rates may emerge in 2021 from landlords intent on defending prevailing market rates to sublandlords resolved to shedding residual lease commitments to developers motivated to secure new prelease commitments. Many factors will affect whether or not the market will return to pre-COVID conditions, including renewed demand from outside tenants, absorption of sublease space, decisions by large corporate tenants and prelease commitment traction. Demand for co-working space remains uncertain and may potentially have an impact on both preleasing activity and vacancy as the two largest providers continue adapting to shifting work patterns.

VACANCY TO REMAIN ELEVATED THROUGH 2021

Vacancy is likely to increase in 2021 – with that rise largely determined by how much additional sublease space enters the market and how much vacant space is included in the new towers delivered in 2021. It is expected that most offices will likely reopen in the second half of the year and people will return provided a vaccine is effectively rolled out. While large blocks of vacant and available spaces have emerged and preleasing in new development stalled in 2020, downtown is moving towards a more balanced market in 2021 for the first time since 2015.

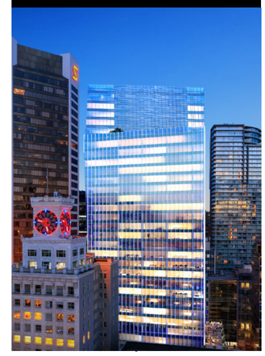
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1281 Hornby Street (mixed use)	99,000 (office podium)	Strata	100% sold	Q2 2021
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1280 Burrard Street (mixed use)	133,000 (office tower)	0	0%	Q2 2021
Westbank / Allied REIT	Deloitte Summit building, 410 West Georgia Street	340,160 (office)	206,300	61%	Q3 2021
PCI Group / TD Greystone	601 West Hastings Street	215,000	0	0%	Q3 2021
GWL Realty Advisors / HOOPP	Vancouver Centre II, 733 Seymour Street	377,000	198,040*	52%*	Q4 2021
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (60% strata/ 40% lease)	Strata/ Lease	100% sold / 15% leased	Q2 2022
Bonnis Development	The Seymour, 807 Seymour Street	61,670 (office)	Strata	12% sold	Q2 2022
Oxford Properties	The Stack, 1133 Melville Street	532,000 (office)	213,000	40%	Q3 2022
QuadReal Property Group	The Post, 349 West Georgia Street (mixed-use)	South tower: 510,000 North tower: 560,000	1.07 msf plus podium	100%	Q3 2022/ Q2 2023
Asia Standard Americas	The Offices at Landmark on Robson, 1438 Robson Street	29,190 (office)	Strata	NA	Q1 2023
BentallGreenOak	B6, 1090 West Pender Street	534,000	268,000	50%	Q3 2023
Uptown Property Group	625 West Hastings Street	120,000	0	0%	Q2 2024
Reliance Properties	837 Beatty Street (3-storey addition)	35,000	0	0%	Q2 2024
Reliance Properties	1166 West Pender Street	357,880	0	0%	Q4 2024
Bonnis Properties	968-980 Granville Street	51,477 (office)	0	0%	Marketing for prelease commitment
Westbank / Allied REIT	720 Beatty Street	583,243 (office)	-	-	Proposed
Reliance Properties / KingSett Capital	601 West Pender Street	398,500	-	-	Proposed
Austeville Properties	450 West Georgia Street	374,068	-	-	Proposed
Cadillac Fairview	The Crystal at Waterfront Square, 555 West Cordova Street	335,000 (office)	-	-	Proposed
QuadReal Property Group / PC Urban	534-550 Cambie Street	258,245 (office)	-	-	Proposed
Bonnis Properties	526 Granville Street	123,193 (office)	-	-	Proposed
Aquilini Development and Construction	Aquilini Centre East, 777 Pat Quinn Way	69,300 (office)	-	-	Proposed
FDG Properties	117-131 Water Street	68,576 (office)	-	-	Proposed
Canadian Metropolitan Properties	750-772 Pacific Boulevard (Plaza of Nations)	TBD (office)	-	-	Proposed

**B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, which has subsequently been made available on a sublease basis.*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)**	GROSS OCCUPANCY COST (PSF)**
AAA	5,127,576	154,823	55,987	210,810	4.1%	118,325	60,443	1.2%	$36 - $68	$59 - $91
A	8,342,465	266,268	162,614	428,882	5.1%	-138,120	219,221	2.6%	$30 - $58	$53 - $81
B	6,639,398	266,888	272,670	539,558	8.1%	-445,933	177,373	2.7%	$24 - $43	$44 - $63
C	2,983,682	276,596	68,680	345,276	11.6%	-149,983	30,347	1.0%	$18 - $32	$36 - $50
Total	**23,093,121**	**964,575**	**559,951**	**1,524,526**	**6.6%**	**-615,711**	**487,384**	**2.1%**	**-**	**-**

***Rental rate ranges are based on discussions with owners and brokers' opinions due to limited leasing activity.*

Downtown Development Timeline

	THE OFFICES AT BURRARD PLACE, 1280 BURRARD STREET	THE OFFICES AT BURRARD PLACE, 1281 HORNBY STREET	DELOITTE SUMMIT BUILDING, 410 WEST GEORGIA	601 WEST HASTINGS STREET	VANCOUVER CENTRE II, 733 SEYMOUR STREET
					
	Q2 2021	Q2 2021	Q3 2021	Q3 2021	Q4 2021
DEVELOPER	Reliance Properties / Jim Pattison Developments	Reliance Properties / Jim Pattison Developments	Westbank /Allied REIT	PCI Group / TD Greystone	GWL Realty Advisors / HOOPP
STOREYS	13	7-storey podium (3 floors)	24	25	33
OFFICE SF	133,000	99,000 (strata)	340,160	215,000	377,000
TENANTS	No tenants at this time	Sold (phase 1 & 2 - 99,000 sf)	132,380 sf - Deloitte Canada 58,920 sf - Apple 15,000 sf - Northeastern University	No tenants at this time	121,039 sf - Kabam Inc. 40,000 sf - PI Financial 37,000 sf* - B2Gold
OCCUPANCY	0%	100% sold	61%	0%	52%

	THE POST 308 DUNSMUIR STREET	B6, 1090 WEST PENDER STREET	625 WEST HASTINGS STREET	837 BEATTY STREET	1166 WEST PENDER STREET
					
	Q2 2023	Q3 2023	Q2 2024	Q2 2024	Q4 2024
DEVELOPER	QuadReal Property Group	BentallGreenOak	Uptown Property Group	Reliance Properties	Reliance Properties
STOREYS	22 (north tower)	32	28	3 -storey addition	32
OFFICE SF	560,000	534,000	120,000	35,000	357,880
TENANTS	560,000 sf - Amazon	170,000 sf - WeWork 51,000 sf - Colliers 47,000 sf - BentallGreenOak	No tenants at this time	No tenants at this time	No tenants at this time
OCCUPANCY	100%	50%	0%	0%	0%

**B2Gold Corp. preleased 37,000 sf, which is included in the preleasing total, which has subsequently been made available on a sublease basis.*

	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET	THE SEYMOUR, 807 SEYMOUR STREET	THE STACK 1133 MELVILLE STREET	THE POST, 349 WEST GEORGIA STREET	THE OFFICES AT LANDMARK ON ROBSON, 1438 ROBSON STREET
					
	Q2 2022	Q2 2022	Q3 2022	Q3 2022	Q1 2023
DEVELOPER	Bosa Development	Bonnis Development	Oxford Properties	QuadReal Property Group	Asia Standard Americas
STOREYS	30	13	36	21 (south tower)	2 floors in podium
OFFICE SF	226,790 (strata) / 148,000	56,782 (strata)	532,000	510,000	29,190 (strata)
TENANTS	23,000 sf - Bosa Development Approx. 60% of the building has been sold as strata office space	6,496 sf - Bonnis Properties	80,000 sf - Blake, Cassels & Graydon 67,000 sf - DLA Piper 66,000 sf - EY Canada	510,000 sf - Amazon	Sales not provided
OCCUPANCY	100% sold / 15%	11% sold	40%	100%	NA

Proposed Downtown Developments

526 GRANVILLE STREET DEVELOPED BY BONNIS PROPERTIES

STOREYS / OFFICE AREA
24 /123,193 SF

The rezoning application for this project was filed in October 2020. The application calls for 123,192 sf of office in a 24-storey office tower with retail at grade. The facade of the historic Leckie Block, a three-storey building built in 1899, will be preserved and restored as part of the redevelopment. A virtual open house was held in January 2021 and meetings with the Vancouver Heritage Commission are scheduled for February 2021 and with the UDP in March 2021.

601 WEST PENDER STREET DEVELOPED BY RELIANCE PROPERTIES / KINGSETT CAPITAL

STOREYS / OFFICE AREA
29 / 398,500 SF

The rezoning application for this project was approved in June 2020. The application calls for 398,500 sf of office space in a 29-storey mixed-use development that would replace the existing six-storey parkade currently on the site. The new building would include retail space at grade with the top two floors of the tower set aside as amenity space for the building's occupants. A construction timeline has not been provided.

THE CRYSTAL AT WATERFRONT SQUARE, 555 WEST CORDOVA STREET DEVELOPED BY CADILLAC FAIRVIEW

STOREYS / OFFICE AREA
26 / 350,000 SF

Cadillac Fairview's development permit application for The Crystal at Waterfront Square, a 26-storey, 350,000-sf office tower, was resubmitted in late 2019 after the initial design generated substantial public criticism in 2015. A series of delays, first due to COVID-19 and then again towards the end of 2020, pushed back the project's development permit application hearing until mid-2021. Construction is contemplated to start in early 2022 and complete in early 2025.

450 WEST GEORGIA STREET DEVELOPED BY AUSTEVILLE PROPERTIES

STOREYS / TOTAL AREA
23 / 374,068 SF

A rezoning application was filed in December 2019 to redevelop the existing surface parking lot and a low-rise commercial building at 450 West Georgia into a 23-storey office building with retail space at grade totalling 374,068 sf. The proposal went before the urban design panel on June 17, 2020 and a virtual open house for the project ran from June 15, 2020 to July 5, 2020. A construction schedule has not been proposed.

720 BEATTY STREET & 701 EXPO BOULEVARD DEVELOPED BY WESTBANK / ALLIED REIT

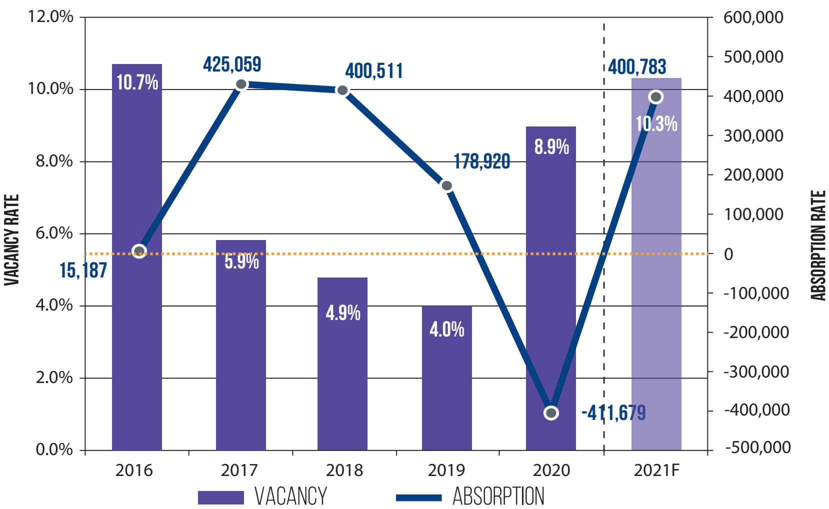
STOREYS / OFFICE AREA
17 / 583,243 SF

The rezoning application for this project was approved in October 2020. The proposed office building at 720 Beatty would include 17 floors of office space (583,243 sf) for lease as well as minimal retail (12,410 sf) at grade. A six-storey commercial building would also be built at 701 Expo Boulevard. While a delivery date was not confirmed at year-end 2020, a completion date in 2025 was suggested.

Vancouver-Broadway

Vacancy spikes as pandemic takes hold

VACANCY AND ABSORPTION (OVERALL)



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

VACANCY TRENDS

Overall vacancy jumped to 8.9% at year-end 2020 from 4% a year earlier as pandemic-related restrictions along with other factors resulted in vacancy rising in all building classes. Class A and C properties recorded the largest increases. While overall vacancy in Vancouver-Broadway in the first half of 2020 remained relatively stable (3.8% at mid-year 2020), the second half of 2020 was a different story with leasing activity largely at a standstill and some tenants embracing work-from-home for the near-term and vacating or subleasing space as a result. Other businesses likely ceased operations altogether. Overall sublease vacancy at year-end 2020 was substantially higher from a year earlier (although the increase was not nearly as significant as what was recorded downtown) and marked the continuation of a trend of rising sublease vacancy that commenced in 2018. Vacancy in the core Vancouver-Broadway corridor rose to 8.6% from 5.6% a year earlier, primarily related to a number of both small and large vacancies arising in Mount Pleasant (notably at 111 East 5th Ave. and 120 West 3rd Ave.) as well as along Broadway (such as 1060 West 8th Ave.). Vacancy in the peripheral Vancouver-Broadway market spiked to 9.1% at year-end 2020 from 2% a year earlier, largely due to **Mountain Equipment Co-Op (MEC)** vacating its former head office at 1077 Great Northern Way. Other substantial vacancies emerged in False Creek Flats, East Vancouver and South Vancouver. The vacant delivery of **Bench** in Railtown also contributed to the rise in periphery vacancy.

ABSORPTION TRENDS

Annual absorption of negative 411,679 sf at year-end 2020 was a substantial reversal of fortune from the 178,920 sf of positive annual absorption recorded in 2019 and marked the second-most negative annual absorption since Avison Young started tracking the market in 1997. The most negative annual absorption in Vancouver-Broadway occurred in 2001 (-493,504 sf). While, in many cases, substantial negative absorption was the result of multiple small tenants vacating a single property, there were a number of large tenants who vacated or subleased space in second-half 2020, including MEC, **Hootsuite**, **Active Network**, **Columbia College**, **Brandlive** and **Westport Fuel Systems**. While overall negative annual absorption occurred mostly in class A (49%) and C (36%) properties in Vancouver-Broadway, noteworthy differences emerged in the core and periphery. In the core Broadway corridor market, approximately 78% of negative annual absorption happened in class C properties – bucking the trend of class B properties holding this dubious distinction across the region – whereas 69% of negative annual absorption in the periphery occurred in class A properties. However, this figure was overwhelmingly the result of MEC vacating its head office. If the MEC move is disregarded, negative annual absorption in the periphery was greatest in class B properties (51%) – a similar result across Metro Vancouver.

VACANCY LIKELY TO REMAIN ELEVATED IN 2021

NEW CONSTRUCTION

Vancouver-Broadway remains the busiest market in Metro Vancouver in terms of the number of projects underway and/or proposed with nine developments scheduled to complete in 2021. While the construction schedules of the majority of projects were either not impacted or slightly delayed (3-6 months) due to effects of the COVID-19 pandemic, the number of projects awaiting a prelease commitment prior to commencement of construction has increased. Most new construction is located in five nodes: Mount Pleasant, the emerging City Hall District, Railtown, False Creek Flats and Oakridge. New office development in the former industrial areas of Mount Pleasant, False Creek Flats and Railtown includes light industrial/ creative manufacturing space as required by zoning regulations.

MARKET FORECAST

Rental rates generally remained stable through 2020 due to a minimal impact from COVID-19 in the first half and a pronounced lack of leasing activity in the second half that rendered landlords' potential willingness to negotiate moot. Rent-al rates are anticipated to soften in

NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Response Biomedical (renewal)	1781 West 75th Avenue	46,030
MEC	887 Great Northern Way	18,700
Crafty Apes VFX	149 West 7th Avenue	11,600
Chinook Therapeutics	887 Great Northern Way	11,000
Clarius Mobile Health	2985 Virtual Way	10,600

Vancouver-Broadway

2021 as deal activity resumes amid heightened vacancy in both the core and periphery with landlords offering greater inducements to attract tenants, particularly in the periphery. While tour activity did pick up towards the end of 2020 and is expected to continue into 2021, the first half will likely remain slow with activity in the back half of the year expected to accelerate as optimism arising from the rollout of the provincial vaccination campaign takes effect. Vacancy will likely remain elevated but stable through 2021 with much of the new space for lease primarily preleased upon delivery.

The City of Vancouver's decision to delay the submission of its proposed Broadway Plan to city council until mid-2021 due to COVID-19 also served to impede leasing activity in the core Broadway corridor market in 2020. Many landlords in the core market were unwilling to commit to long-term lease deals without demolition clauses due to the strong possibility that the permitted density along the Broadway SkyTrain extension would likely be increased as a result of the Broadway Plan. If landlords encumbered relevant properties in the market with long-term leases, the higher land values that come with increased density and subsequent sale and/or redevelopment opportunities could not be easily realized. Another impact of the City's delay of its Broadway Plan has been on developers who were already in for project permitting and who are now holding off on moving forward until the new regulations are confirmed and they can determine whether their applications need to be amended. The Broadway Plan is likely to be finalized by the end of 2021 with tunneling for the SkyTrain extension likely to start in the back half of 2022, which will be an important milestone for those developers with sites where the six underground stations will be located. The extension is scheduled to be fully operational in 2025.

DEVELOPER	BUILDING	SF	PRELEASE %	COMPLETION
Chard Development	The Yukon, 2238 Yukon Street	45,403 (office/light industrial)	Strata: 88%	Q1 2021
Vanlux Development	CityLink, 525 West 8th Avenue	62,657 (office)	64%	Q1 2021
Wesgroup Properties	2131 Manitoba Street	48,030 (office/light industrial)	100%	Q1 2021
Westbank / Hootsuite	Main Alley (M2), 114 East 4th Avenue	170,543 (office/light industrial)	88%	Q1 2021
Pacific Crown Management Ltd.	510 West Broadway	41,260 (office)	100%	Q2 2021
Conwest Group	HOUSS, 63 West 6th Avenue	47,165 (office/light industrial)	Strata: 35%	Q3 2021
Cressey Development	425 West 6th Avenue	140,700 (office)	0%	Q4 2021
Union Allied Capital Corp.	1308 Adanac Street	46,255 (office/light industrial)	Strata: 18%	Q4 2021
Niels Bendtsen	411 Railway Street (I-4 zoning)	111,930 (office/creative industrial)	9%	Q4 2021
Mondivan	The Workshop, 161 East 4th Avenue	56,501 (office/light industrial)	16%	Q1 2022
Dayhu Group	150-170 West 4th Avenue & 2004 Columbia Street	128,000 (office/light industrial)	0%	Q3 2022
Rendition Developments	Fifth + Columbia, 2055 Columbia Street	34,585 (office/light industrial)	Strata/Lease	Q4 2022
Formwerks Boutique Properties	Ofiswerks, 234 West 3rd Avenue	48,679 (office/light industrial)	Strata: 0%	Q1 2023
Onni Group	375 East 1st Avenue	129,207 (office/high-tech industrial)	0%	Q2 2023
BentallGreenOak	2102 Keith Drive	168,000	~33%	Q3 2023
PCI Group	1477 West Broadway	60,000 (office)	0%	Q3 2023
QuadReal Property Group / Westbank	660 & 668 West 41st Avenue (phase one of Oakridge Centre redevelopment)	175,440 (office/medical)	Strata: 75% sold	Q2 2024
QuadReal Property Group	Broadway Tech Centre II, 3030 East Broadway (five buildings)	962,300	0%	Awaiting prelease
Champion Development Group	151 West 5th Avenue	53,877 (office/light industrial)	0%	Awaiting prelease
Omicron/Rendition Developments	Maker Exchange, 488 Railway Street (I-4 zoning)	152,000 (office/creative industrial)	0%	Awaiting prelease
Westbank / Hootsuite	Main Alley (M4), 100 East 5th Avenue	204,800 (office/light industrial)	0%	Awaiting prelease
GWL Realty Advisers	The Onyx, 1296 Station Street	261,400 (office)	0%	Awaiting prelease
QuadReal Property Group / Hungerford Properties	Archetype, 220 East 1st Avenue	121,445 (office/creative industrial)	Strata	Awaiting presales
Slate Asset Management	339 East 1st Avenue	TBD	-	Proposed
Strand Development	302, 328 & 336 West 2nd Avenue	TBD	-	Proposed
The Molnar Group	2710 Kaslo Street	125,717	-	Proposed
Wesbild	8188 & 8232 Manitoba Street	110,000 (office)	Strata	Proposed
Value Property Group	24 East Broadway & 2520 Ontario Street	107,755 (office)	-	Proposed
Keltic Canada Development	220 Prior Street	102,000 (medical/light industrial)	Strata	Proposed
Vivagrand Developments	5812-5844 Cambie Street	100,000 (office)	-	Proposed
Polygon Homes	5740 Cambie Street	66,800 (office)	-	Proposed
Kask Ventures	58 Jackson Avenue (I-4 zoning)	52,500 (office/creative industrial)	-	Proposed
Westbank	1780 East Broadway	50,000 (office)	-	Proposed
Gryphon Development	6409, 6434, 6459 & 7497 Cambie Street	27,286 (office)	-	Proposed
Wave Developments	315-319 East 2nd Avenue	26,321 (office)	-	Proposed

CORE

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,233,551	54,526	38,237	92,763	4.2%	-36,996	$24 - $48	$40 - $67
B	1,453,968	145,467	14,060	159,527	11.0%	351	$20 - $39	$29 - $53
C	493,627	107,855	1,200	109,055	22.1%	-132,251	$16 - $23	$35 - $43
Total	**4,181,146**	**307,848**	**53,497**	**361,345**	**8.6%**	**-168,896**	**-**	**-**

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	2,373,847	169,806	23,902	193,708	8.2%	-166,574	$24 - $38	$46 - $62
B	668,564	68,017	35,639	103,656	15.5%	-62,249	$16 - $35	$28 - $59
C	542,245	21,578	7,978	29,556	5.5%	-13,960	$15 - $24	$25 - $39
Total	**3,584,656**	**259,401**	**67,519**	**326,920**	**9.1%**	**-242,783**	**-**	**-**

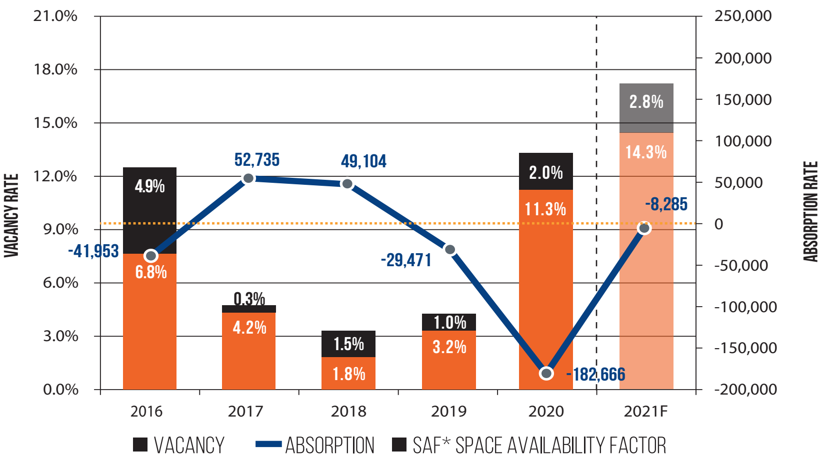
OVERALL

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	4,607,398	224,332	62,139	286,471	6.2%	-203,570	$24- $48	$40 - $67
B	2,122,532	213,484	49,699	263,183	12.4%	-61,898	$16 - $39	$28 - $59
C	1,035,872	129,433	9,178	138,611	13.4%	-146,211	$15 - $24	$25 - $43
Total	**7,765,802**	**567,249**	**121,016**	**688,265**	**8.9%**	**-411,679**	**-**	**-**

Yaletown

Vacancy approaches record high as pandemic hammers market

VACANCY AND ABSORPTION



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

UNITY TECHNOLOGIES SUBLEASED THE 4TH AND 5TH FLOORS IN 1110 HAMILTON STREET

VACANCY TRENDS

Vacancy spiked to 11.3% at year-end 2020 from 3.2% a year earlier as COVID-19 had an immediate impact on Yaletown, where demand had already showed signs of softening in late 2019 and is home to many small-to-mid-sized professional services and tech firms in class B/C open-concept brick-and-beam office spaces. The highest vacancy rate on record for Yaletown is 12.1%, which was registered at year-end 2009. The nature of many Yaletown tenants either allowed for the rapid adoption of work-from-home and/or sublease strategies or an abrupt end to operations after only a month or two of pandemic-related restrictions. The unique blend of Yaletown's tenant mix and building characteristics made the market particularly susceptible to heightened vacancy as a result of initial (and ongoing) lockdown measures.

ABSORPTION TRENDS

Annual absorption plunged to negative 182,666 sf in 2020, which marked the second year in a row of negative annual absorption in Yaletown. The most negative annual absorption ever recorded in Yaletown was an astonishing negative 289,407 sf in 2009. Several Yaletown tenants such as **Cossette**, **Lendesk**, **Segment** and **Decipher Biosciences** decided to sublease some or all of their office space in 2020. This rapid shift in the dynamics of the Yaletown market has also opened up a number of rare availabilities, including large blocks of vacant space and opportunities to lease an entire building. Four buildings in Yaletown were vacant at year-end 2020.

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 climbed to 2% (40,636 sf) at year-end 2020 from 1% (21,101 sf) 12 months earlier. Hence, the amount of available space currently being marketed at year-end 2020 (occupied and vacant) in Yaletown is 13.3%, or 272,608 sf.

NEW CONSTRUCTION

New development remains highly constrained in Yaletown, but 2021 will mark the first year since 2013 that any additional space comes to the market with the delivery of 28,260 sf in the podium of **The Smithe** and up to 31,194 sf at **Homer@Drake**.

MARKET FORECAST

Rental rates continued to soften through 2020 and further tenant inducements were offered. This trend is likely to continue through 2021 as near-record vacancy and ongoing COVID-19 containment measures remain in place. New supply may also contribute additional vacancy. Widespread vaccination and a lifting of most pandemic-related workplace guidelines will likely need to occur before the Yaletown market starts to recover; however, once initiated, a recovery is expected to take hold quickly in the perennially popular office market. When vacancy surged to 12.1% at year-end 2009, a year later, vacancy had already fallen back down to 5.1%.

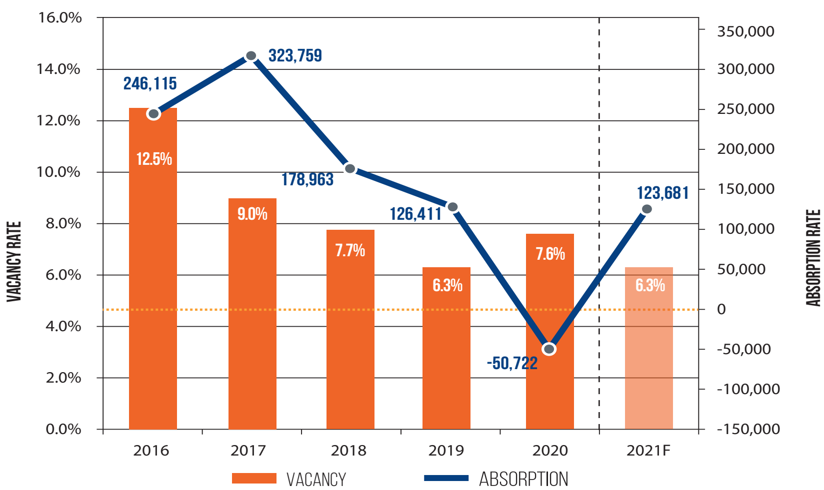
NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Unity Technologies (sublease)	1110 Hamilton Street	21,515

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Boffo Developments	The Smithe, 225 Smithe Street	28,260 (office)	0	0%	Q1 2021
Private developer	Homer@Drake, 1290 Homer Street (renovation & 3-storey addition)	22,863 (office); 8,331 (office/retail)	0	0%	Q3 2021

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	576,938	43,964	8,084	52,048	9.0%	-10,048	3,023	0.5%	$36 - $39.50	$53 - $56.50
B	1,021,065	64,491	37,091	101,582	9.9%	-95,455	8,962	0.9%	$27.50 - $31.50	$44 - $48
C	459,177	55,603	22,739	78,342	17.1%	-77,163	28,651	6.2%	$23.50 - $26.50	$40 - $43
Total	**2,057,180**	**164,058**	**67,914**	**231,972**	**11.3%**	**-182,666**	**40,636**	**2.0%**	**-**	**-**

VACANCY AND ABSORPTION



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

VACANCY LIKELY TO TREND BACK DOWN

NEW CONSTRUCTION

New supply remains highly constrained with 109,000 sf in three projects scheduled for delivery prior to 2024. While later phases of **The Amazing Brentwood**, **City of Lougheed** and **Gilmore Place** are proposed to include substantial amounts of office use, none will be delivered in the next 36 months.

MARKET FORECAST

While rental rates remained steady through 2020, landlords did provide increased inducements to tenants with strong covenants. With vacancy expected to remain comparatively tight due to projected positive absorption and a lack of new supply in 2021, rates are expected to remain stable. The market remains attractive to both large and small tenants who are drawn to the market's rapid transit access, amenities, proximity to the core and parking allocations. The lack of new supply through 2023 will serve to help boost absorption in existing inventory on both a head lease and sublease basis and contribute to a likely decline in vacancy by year-end 2021.

VACANCY TRENDS

Vacancy in Burnaby rose to 7.6% at year-end 2020 from 6.3% a year earlier as tenants in primarily class B and C buildings vacated mostly small- to medium-sized spaces throughout 2020, with the pace accelerating in the second half of the year. While vacancy also increased, to a lesser extent, in class A premises, a handful of larger spaces did begin to emerge in the back half of 2020. The overall rise in vacancy was largely attributable to more sophisticated groups exploring downsizing options as well as smaller businesses shifting their employees to a work-from-home arrangement. Deal velocity remained steady, with the usually brisk pace common with smaller deals recording the most notable decline. A number of larger deals were completed in the second half of 2020. Burnaby, which had led the region in terms of sublease vacancy prior to 2020, had the second-most sublease space in the region by year-end 2020 with large-block availabilities at 3777 Kingsway as well as emerging space at 4555 Kingsway and 2700 Production Way.

ABSORPTION TRENDS

Annual absorption swung to negative 50,772 sf in 2020, which marked the first time that the Burnaby market has registered negative annual absorption since 2013. Most of the negative annual absorption was in class B premises while class A absorption remained slightly positive. (This was due to the delivery of 77,000 sf of preleased office space at the **Amazing Brentwood** in 2020, which Avison Young calculated as positive absorption as the space is not available for lease.) **Fraser Health Authority** was active in the market, leasing more than 50,000 sf in two locations, while **Vancouver Career College - Burnaby**, which leased more than 61,000 sf in two locations, also boosted leasing activity.

NOTABLE LEASE DEALS - YEAR-END 2020

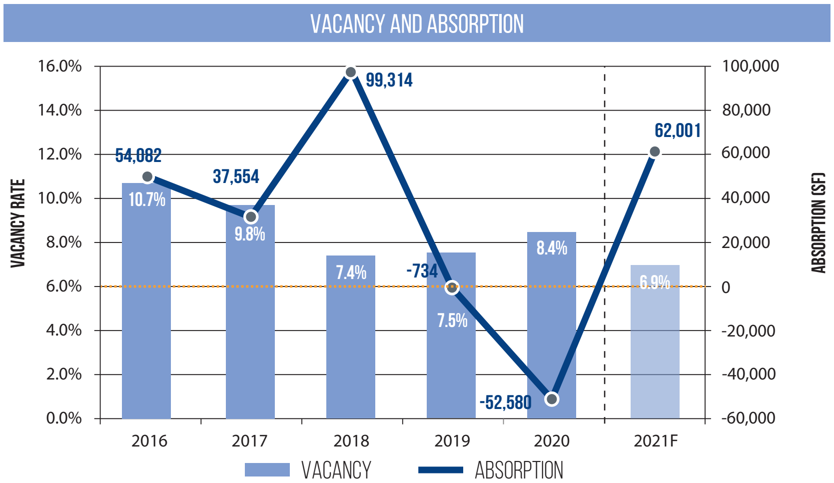
TENANT	BUILDING	SF
Vancouver Career College - Burnaby (renewal/expansion)	5021 Kingsway	49,850
Fraser Health Authority	4946 Canada Way	41,600
Medipure Pharmaceuticals	8900 Glenlyon Parkway	24,000
Just Order Enterprise Corp. (sublease)	9200 Glenlyon Parkway	20,000
Symvivo Corp.	8900 Glenlyon Parkway	18,250
Vancouver Career College - Burnaby (sublease)	3777 Kingsway	11,280
Infoblox	4710 Kingsway	11,000
GuardTeck Security Co.	4445 Lougheed Highway	10,750
Fraser Health Authority	7350 Edmonds Street	8,770

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Anthem/Beedie	Station Square (phase 5), 6051 Silver Drive	45,280 (office)	0	0%	Q1 2021
Anthem/Beedie	Station Square (phase 6), 6023 Silver Drive	42,478 (office)	0	0%	Q4 2021
Shape Properties	The City of Lougheed (phase 1)	21,000 (office)	7,000	33%	Q2 2022
Onni Group	Gilmore Place (phase 1)	80,500 (office)	0	0%	Q2 2024
Shape Properties	The Amazing Brentwood (phase 2)	300,000 (office)	0	0%	Q4 2024
Onni Group	Gilmore Place (phase 2)	695,614 (office)	-	-	Proposed
Blackwood Partners	3100 Production Way (two office towers)	340,777 (office)	-	-	Proposed
Beedie	3133 Sumner Avenue	111,779 (office/light industrial)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,445,081	202,122	285,335	487,457	7.6%	19,242	$24 - $28	$40 - $44
B	2,081,671	160,437	20,270	180,707	8.7%	-45,366	$18 - $21	$32 - $35
C	869,038	32,217	14,197	46,414	5.3%	-24,648	$17 - $19	$30 - $32
Total	**9,395,790**	**394,776**	**319,802**	**714,578**	**7.6%**	**-50,772**	**-**	**-**

Richmond

Class B properties overwhelmingly contribute to negative absorption



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

VACANCY TRENDS

Vacancy rose incrementally to 8.4% at year-end 2020 from 7.5% a year earlier as COVID-19 containment measures appeared to have a minimal impact on the market. While a handful of mid-sized firms primarily located in class B buildings vacated office space in the back half of 2020, leasing activity in the first half of 2020, albeit reduced from pre-COVID levels, mitigated the overall impact on vacancy. Vacancy in class A and C buildings was largely unaffected in 2020. A handful of spaces did emerge as available but not vacant and thereby were not counted as head lease or sublease vacancy. A number of notable transactions did occur with groups dealing with expiring leases in 2020, with some able to renew on slightly more favourable terms.

ABSORPTION TRENDS

Annual absorption declined to negative 52,580 sf in 2020 compared with negative annual absorption of 734 sf in 2019. Leasing activity was already slowing in Richmond in 2019 and COVID-19 further accelerated that trend in 2020. An astonishing 88% of the negative annual absorption registered in Richmond in 2020 occurred in class B office properties. While companies such as **VTech Technologies Canada** and **DF Architecture** took on new space, others such as **GHD**, **Paper Excellence** and **Steve Nash Fitness World** either reduced their space requirements or ceased operations at select locations in Richmond.

NEW CONSTRUCTION

Construction of new office space remains largely limited to strata space with the first phase of the **Bridgeport Business Centre** scheduled to be completed in 2021. **The Paramount**, another strata development, will be delivered by mid-2022. The only new office development offering space for lease will arrive in the second half of 2022. While a substantial number of large mixed-use developments that include office space remain in the permitting process, the rezoning and development permit applications for **Townline's** proposed 12-storey office tower were approved in December 2020.

DELIVERY OF NEW DEVELOPMENT REMAINS LIMITED

MARKET FORECAST

While rental rates largely remained stable in 2020, slight discounting and/or creative lease strategies were deployed to induce/retain select tenants. Rental rates are likely to remain stable through 2021 providing there are no new pandemic-related setbacks, which could trigger a softening in rates. Richmond remains a suitable cost-effective option in 2021 for tenants, who may be able to exert leverage when it comes to negotiating rents, structuring leases or tenant improvement allowances, and who have a range of size requirements.

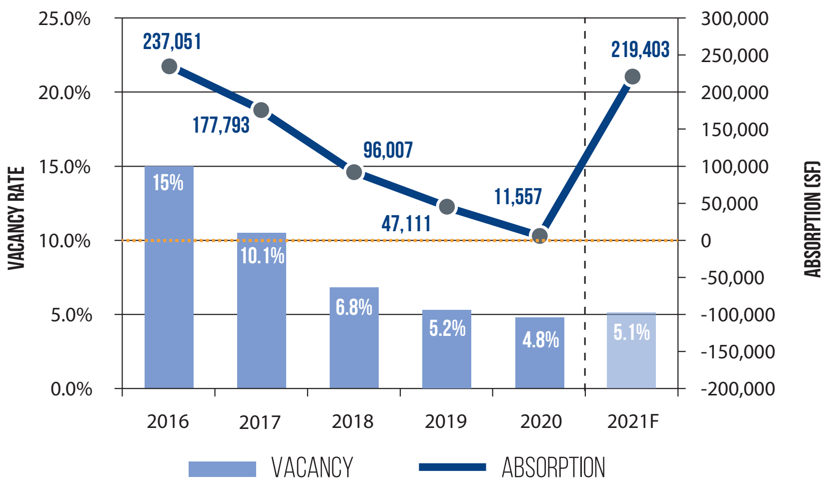
NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
VTech Technologies Canada	13888 Wireless Way	16,020
Dillon Consulting (renewal)	3820 Cessna Drive	10,000
DF Architecture	10851 Shellbridge Way	9,130
Schroeder Rashid LLP	13777 Commerce Parkway	5,120
Astaldi Canada Enterprises	13571 Commerce Parkway	4,170
Rodair International	3751 Shell Road	3,340
LISA Technologies	13775 Commerce Parkway	2,410

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Chunghwa Investments	Bridgeport Business Centre (phase one), 9466 Beckwith Road	110,000 (office)	Strata	NA	Q2 2021
Keltic Canada Development	The Paramount, 6340 No. 3 Road	103,560 (office)	Strata	NA	Q2 2022
South Street Development Group	Atmosphere, 7960 Alderbridge Way (GEC Richmond)	132,900 (office)	10,000	7.5%	Q3 2022
Bene Group	Times Square Richmond, 6560-6700 No. 3 Road	33,000 (office)	Strata	NA	Q3 2022
Bene Group	4700 No. 3 Road	66,213 (office)	-	-	Approved
Park Village Investments & Grand Long Holdings Canada	8071 & 8091 Park Road	58,780 (office)	-	-	Approved
Third Properties	5470-5800 Minoru Boulevard	161,800 (office)	-	-	Proposed
CIBT Education Group Inc.	GEC CyberCity, 7760, 7780, 7800, 7810, 7820 and 7840 River Road (two towers)	140,506 (office)	-	-	Proposed
iKOR Group	Glitz, 8051 Anderson Road	105,420 (office)	-	-	Proposed
New Continental Developments	8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way	98,952 (office)	-	-	Proposed
Townline	5591, 5631, 5651 and 5671 No. 3 Road	78,275 (office)	-	-	Proposed
Vanhome Properties Inc.	9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road	51,020 (office)	-	-	Proposed
Vanprop Investments	Lansdowne Centre (redevelopment)	TBD	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	244,174	22,808	266,982	9.2%	-4,930	$18 - $20	$31 - $33
B	972,346	77,050	2,474	79,524	8.2%	-46,345	$15 - $16	$29 - $30
C	348,198	7,202	0	7,202	2.1%	-1,305	$14 - $16	$23 - $25
Total	**4,215,800**	**328,426**	**25,282**	**353,708**	**8.4%**	**-52,580**	**-**	**-**

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy slipped to 4.8% at year-end 2020 from 5.2% a year earlier, marking it as one of the tightest office markets registered since Avison Young started tracking Surrey in 1998. The lowest vacancy on record, 2.5%, was recorded a decade earlier at year-end 2010. Deal velocity remained muted through the year with limited options for tenants. The last new development that delivered space for lease was **Gateway Place** in 2017 and the building was preleased upon completion. While the delivery of **The Professional Centre @ South Point** and phase two of **King George HUB at the Stations** in 2021 may offer some additional options for tenants, both projects have already registered substantial preleasing and vacancy will likely remain near record lows. Sublease vacancy was not a factor in Surrey.

ABSORPTION TRENDS

Positive annual absorption of 11,557 sf in 2020 marked the seventh consecutive year of positive annual absorption recorded in Surrey. Deal velocity was flat for most of the year with muted activity. Despite COVID-19 containment measures and **ICBC** vacating almost 8,800 sf at 10172 152A Street in the back half of the year, annual absorption remained positive. Limited tenant options and no new supply also served as a drag on absorption.

NEW CONSTRUCTION

With construction set to complete on three new developments in 2021, all of which have been subject to substantial preleasing/presales, what comes next remains the question. **Surrey City Development Corp.'s** proposed **Centre Block** redevelopment, which calls for more than 1.4-msf of office and commercial space on the site of the former **North Surrey Recreation Centre**, was revealed in fall 2020 and remains in the permitting process. Meanwhile, the proposed **Tower 2 at Central City** is currently being marketed for prelease and requires a prelease commitment before breaking ground.

RENTAL RATES
STABLE DESPITE REDUCED ACTIVITY

MARKET FORECAST

Rental rates remained stable through 2020 and are likely to remain so through the first half of 2021 as activity will likely be limited due to tepid demand. Upward pressure on rates may start to manifest in the latter half of 2021, particularly after the delivery of new supply that will have a minimal impact on market vacancy. Options in class A buildings or in properties located near SkyTrain stations will remain in demand and may command a premium in a tight Surrey market.

NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Métis Nation British Columbia	13401 108th Avenue	13,710
RE/MAX 2000 Realty (expansion/renewal)	15127 100th Avenue	7,300
Sun Life (renewal)	10470 152nd Street	6,050

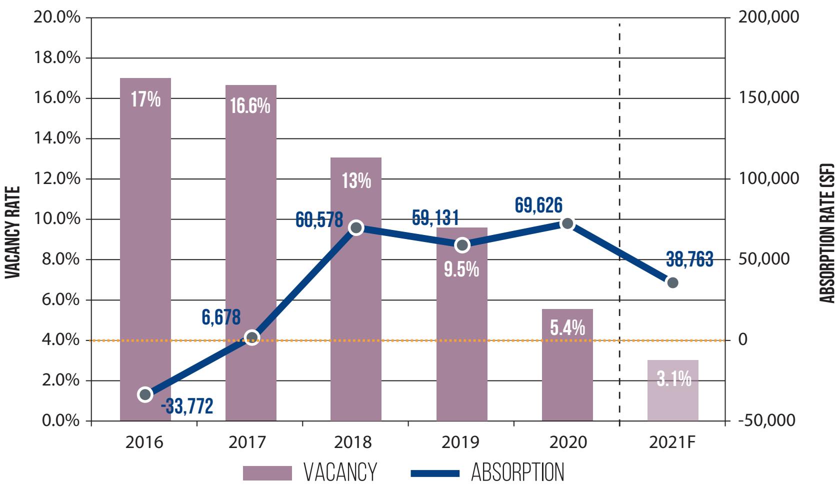
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Avondale Development / Monarck Group	The Professional Centre @ South Point, 3231 152nd Street	71,780	42,520	59%	Q1 2021
Lark Group	CityCentre3, 13761 96th Avenue	122,390 (office)	Strata/Lease	54%	Q2 2021
PCI Group	King George HUB at the Stations (phase B), 9900 King George Boulevard (office/retail)	170,000 (office)	134,000	79%	Q4 2021
Maple Leaf Homes / Kooner Construction	Cambridge Business Centre, 15315 66th Avenue	60,000 (office)	Strata	61% sold	Q1 2022
Surrey City Development Corp.	Centre Block (phase one), former site of the North Surrey Recreation Centre (10275 City Parkway)	1,446,000	-	-	Proposed
Blackwood Partners	Tower 2 at Central City, 10145 King George Boulevard	514,000 (office)	-	-	Proposed
BlueSky Properties	Brightside, 13583 104th Avenue	202,150 (office)	-	-	Proposed
Century Group	Holland Parkside, 9905 King George Boulevard	190,000	-	-	Proposed
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	-	-	Proposed
Citiwest Consulting	9699-9711 137th Street	88,300 (office)	-	-	Proposed
Guildford Brook Estates Development	10731 King George Boulevard	47,780 (office)	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,074,968	64,865	4,399	69,264	3.3%	-2,182	$28 - $38	$45 - $55
B	626,010	54,433	5,240	59,673	9.5%	8,066	$20 - $25	$34 - $39
C	205,629	9,773	0	9,773	4.8%	5,673	$14 - $18	$27 - $31
Total	**2,906,607**	**129,071**	**9,639**	**138,710**	**4.8%**	**11,557**	**-**	**-**

New Westminster

Record-low vacancy achieved despite pandemic

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy dropped steeply to 5.4% at year-end 2020 from 9.5% a year earlier and achieved the lowest vacancy on record since Avison Young started tracking the market in 1998. Vacancy had peaked at 18.1% at mid-year 2018 before a series of occupancies (beginning in the back half of the year and continuing through 2019 and 2020) triggered the rapid year-over-year declines in vacancy. Leasing activity at **Queens Court** at 625 Agnes along with two new owner-users (who recently purchased the buildings in which they were previously tenants who then subsequently backfilled the outstanding vacancies in those buildings) helped the market carry on through 2020 despite muted overall leasing activity due to economic uncertainty related to the COVID-19 pandemic.

ABSORPTION TRENDS

Positive annual absorption of 69,626 sf led the entire Metro Vancouver region in 2020 and marked the third year in a row that New Westminster registered positive annual absorption. It also marked the third most positive annual absorption recorded in the market since 1998. The record, set in 2013, was the result of **TransLink** consolidating its various operations at the **Brewery District**. Larger tenants such as **CDI College** occupying 960 Quayside, the **YMCA** moving into 620 Royal Avenue, and **Fraser Crossing Constructors** taking space at 625 Agnes all contributed to positive annual absorption in 2020.

NEW CONSTRUCTION

New office development has been at a standstill since the delivery of the vacant Anvil Centre in 2014, which resulted in elevated vacancy until the market started meaningfully absorbing the space in 2018/19. **Wesgroup Properties** has indicated that it plans to add more office space to the Brewery District, including 30,000 sf of space for lease on two floors in the podium of a mixed-use building at 268 Nelson's Court set for delivery in mid-2023. An additional 100,000 sf of office space on five floors in the podium of a mixed-use building at 230 Keary Street is also being proposed for late 2024. **QuadReal's** master-planned community, **Sapperton Green**, remains in process with the city and calls for a 200,000-sf office building in its early phases.

LEASING ACTIVITY AT **625 AGNES** CONTINUED DESPITE COVID-19 HEADWINDS

MARKET FORECAST

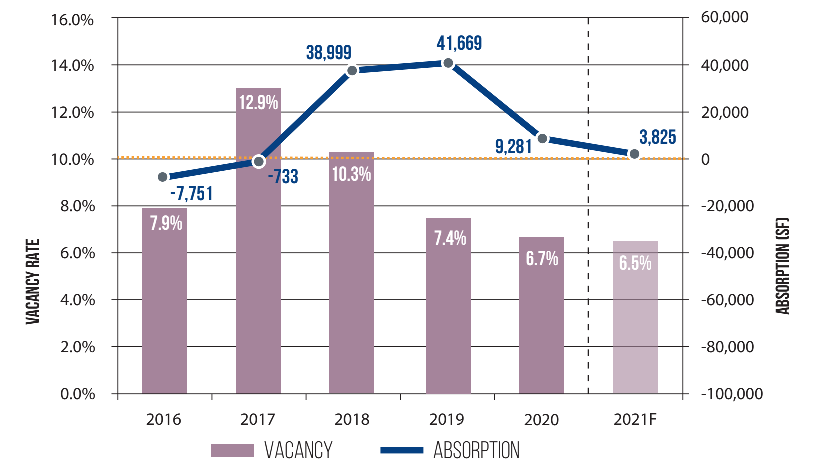
Rental rates remained flat through 2020 and are likely to remain so into 2021 as muted activity continues to weigh on the market. However, when economic activity begins to resume as the impact of COVID-19 recedes in late 2021, combined with no new supply until at least 2023, upward pressure on rental rates may manifest because of the limited options available to tenants due to tight vacancy.

NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Fraser Crossing Constructors	625 Agnes Street	14,180
E.R. Probyn (renewal)	601 6th Street	7,880
Mainland Reporting Services	601 6th Street	3,100

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Wesgroup Properties	Building 7 @ Brewery District, 268 Nelson's Court	30,000	0	0%	Q2 2023
Wesgroup Properties	Building 8 @ Brewery District, 230 Keary Street	100,000	Strata/Lease	0%	Q3 2024
QuadReal Property Group	97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site	200,000	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST PSF)
A	780,114	23,673	0	23,673	3.0%	50,954	\$24 - \$34	\$39 - \$49
B	700,684	48,867	4,400	53,267	7.6%	18,672	\$15 - \$20	\$28 - \$34
C	207,774	14,501	0	14,501	7.0%	0	\$12 - \$15	\$25 - \$31
Total	**1,688,572**	**87,041**	**4,400**	**91,441**	**5.4%**	**69,626**	**-**	**-**



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

MILLENNIUM CENTRAL LONSDALE IS SET TO BREAK GROUND IN SPRING 2021

VACANCY TRENDS

Vacancy dropped to 6.7% at year-end 2020 from 7.4% a year earlier, which represented the lowest office vacancy recorded on the North Shore since mid-year 2009. Vacancy has been in decline since year-end 2017. With no new space and select vacancies in class B space coming back to the market in the second half of 2020, overall leasing activity remained muted through much of 2020. Despite this lull, vacancy did continue to tighten through the year with slightly more activity occurring in the fall of 2020 after a slow summer. Two significant sublease availabilities emerged at Harbourside, which totalled 39,000 sf, along with two smaller spaces in the Dollarton area. All four remain occupied but available on a sublease basis. The North Shore remains a relatively tight market with no large blocks of available head lease space and no new supply until late 2023.

ABSORPTION TRENDS

Despite a lack of leasing activity due to COVID-19 containment measures, accompanying economic uncertainty and a lack of new supply, positive annual absorption of 9,281 sf in 2020 marked the third year in a row of positive (albeit limited) annual absorption. This is even more noteworthy considering the challenges the Metro Vancouver office market faced. The North Shore was one of only four markets in the region to record positive annual absorption in 2020.

NEW CONSTRUCTION

New office development remains limited on the North Shore. **Millennium Development's Millennium Central Lonsdale** mixed-use redevelopment of the **Northmount Medical Buildings** will include 34,000 sf of office space when completed in late 2023. Construction is set to commence in early 2021. Two other substantial mixed-use developments – **Concert Properties' Harbourside Waterfront**, and the **North Shore Innovation District** proposed by **Darwin Properties** and the **Tsleil-Waututh First Nation** – remain in process with timing and the amount of office space yet to be finalized.

MARKET FORECAST

Rental rates remained stable through 2020 with no indication that there was any discounting because of COVID-19 despite a reduction in deal velocity. Rates are anticipated to remain flat through 2021 provided there is no substantial change in vacancy. If multiple vacant blocks of space start emerging in the first half of 2021, some landlords may need to adjust their rate expectations to attract the reduced number of active tenants in the market. The demolition of the Northmount Medical Buildings along with clients reconsidering their space needs upon lease expiry may contribute to an increase in vacancy in 2021; however, it is expected that business confidence will improve as the rollout of a vaccine moves forward.

NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Yocale Network Corp. (sublease)	889 Harbourside Drive	3,440
Business Development Bank of Canada	1333 Lonsdale Avenue	3,160
Natland Group	788 Harbourside Drive	2,930
Dr. David Sowden Inc. (renewal)	889 Harbourside Drive	2,890
Atlas Meridian Glassworks (renewal)	930 West 1st Street	2,760

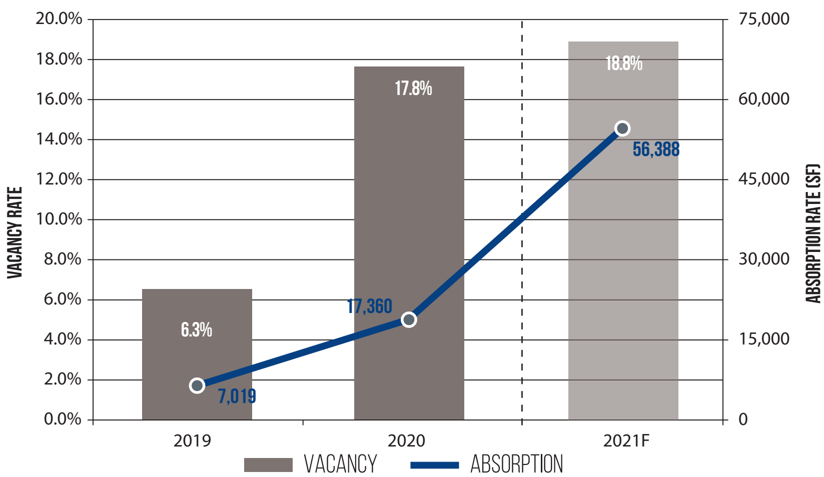
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Millennium Development	Millennium Central Lonsdale, 123-145 East 13th Street	34,000 (office)	0	0%	Q4 2023
Concert Properties	801, 889 & 925 Harbourside Drive and 18 Fell Avenue	TBD	-	-	Proposed
Tsleil-Waututh First Nation & Darwin Properties	North Shore Innovation District, 2420 Dollarton Highway	TBD	-	-	Proposed

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	871,813	23,358	0	23,358	2.7%	23,809	\$24 - \$35	\$40 - \$50
B	481,395	59,194	6,524	65,718	13.7%	-13,910	\$17 - \$23	\$26 - \$38
C	97,690	8,839	0	8,839	9.0%	-618	\$15 - \$19	\$24 - \$33
Total	**1,450,898**	**91,391**	**6,524**	**97,915**	**6.7%**	**9,281**	**-**	**-**

Langley

Delivery of new developments inflating vacancy as leasing slows

VACANCY AND ABSORPTION



12-month projection based on 2-year average absorption and known net absorption in inventory

Avison Young initiated coverage of the Langley office market in 2019 and, for the purposes of this report, combines Langley City and Langley Township.

VACANCY TRENDS

Vacancy spiked to 17.8% at year-end 2020 from 6.3% a year earlier due to the addition of three buildings to inventory, including two newly completed developments. Both the **First West Credit Union Building** and the **Langley Business Centre** were delivered largely vacant in 2020; however, **First West Credit Union (FWCU)** had yet to occupy the three floors it had preleased in its new namesake building by year-end 2020. Vacancy will remain elevated in 2021 after FWCU takes occupancy in its new building as the former FWCU building at 6470 201st Street was added to inventory in 2020 when it became available for lease. Langley Business Centre was delivered mostly vacant and space remains available for lease. Sublease vacancy is not a factor in Langley.

ABSORPTION TRENDS

Annual absorption of 17,360 sf was largely the result of a number of small to mid-sized tenants taking occupancy in the first half of 2020 before a number of small vacancies started to emerge in a couple of buildings in the second half of the year. While FWCU's occupancy of its new head office is expected to contribute slight net positive absorption in Langley in 2021, delivery of **theXchange** in the second quarter of 2021 will offset that gain.

NEW CONSTRUCTION

The significant volume of new development delivered in 2020 will be followed by three more projects in 2021, including theXchange, a two-building, mixed-use development for lease along with two mixed-use strata developments; **Township Commons**; and **West 200**. **Mitchell Group** has also proposed its two-phase **Carvolth Business Park**, which will add more than 415,000 sf of new office space in two office buildings along with a new hotel and conference centre.

THE NEW **FIRST WEST CREDIT UNION BUILDING** WAS MOSTLY PRELEASED PRIOR TO COMPLETION

MARKET FORECAST

Rental rates remained stable in 2020 and will remain flat through 2021. With restrained deal velocity and vacancy on the rise due to the delivery of new, substantially vacant developments associated with Langley's rapid growth as an emerging suburban office market in Metro Vancouver, rates will likely remain unchanged in 2021. While tenants have more options than normal in this traditionally tight market, vacancy will remain elevated until leasing activity catches up with the pace of new development.

NOTABLE LEASE DEALS - YEAR-END 2020

TENANT	BUILDING	SF
Willowbrae Childcare Academy	8063 199th Street	11,000
Sangha Tone Accounting	19933 88th Avenue	10,000
Milestone Environmental Contracting West	9440 202nd Street	5,490

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Infinity Properties / Benchmark Group	theXchange, 20161 & 21087 86th Avenue	83,550 (office)	33,000	40%	Q2 2021
Kingdom	Township Commons (buildings 16 & 17), 20487 65th Avenue	17,813	Strata	87% sold / 62% sold	Q2 2021
Langley Tech Properties	West 200, 19923 80A Avenue	46,822	Strata	95% sold	Q3 2021
Mitchell Group	Carvolth Business Park (phase 1), 86th-88th Avenue & 200th Street	207,740 (east building)	0	0%	Proposed
Mitchell Group	Carvolth Business Park (phase 2), 86th-88th Avenue & 200th Street	207,740 (west building)	0	0%	Proposed
Mitchell Group	Langley 216 Business Park (lot E3), 80th Avenue & 216th Street	94,400	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	414,182	137,494	0	137,494	33.2%	1,290	$26 - $36	$41 - $51
B	594,464	46,254	2,662	48,916	8.2%	12,211	$17 - $24	$30 - $37
C	126,315	13,815	1,339	15,154	12.0%	3,859	$13 - $16	$26 - $30
Total	**1,134,961**	**197,563**	**4,001**	**201,564**	**17.8%**	**17,360**	**-**	**-**

Full economic recovery unlikely until 2022

SPECIAL FEATURE

British Columbia's economic recovery from the impact of COVID-19 was well underway before the end of 2020; however, the rebound will be slow and uneven with several key indicators likely lagging into at least 2022 and remains contingent on the wide availability and deployment of an effective vaccine, according to **Central 1 Credit Union**, **Business Council of British Columbia (BCBC)** and the **Conference Board of Canada**.

Central 1 Credit Union's *Economic Analysis of British Columbia (Vol. 40, Issue 5)* released in September 2020 forecasted provincial real GDP to contract by 6.1% in 2020 before rebounding by 4% in 2021 and then slowing to 3.4% in 2022 and 2.2% in 2023. "Strong" rebounds in employment, housing and retail spending already noted in the back half of 2020 are the initial indications of a recovery taking hold but "mask underlying challenges," according to Central 1. "Ongoing recovery is set to persist through 2021 and beyond – aided by major construction projects that were initiated prior to the pandemic – but will remain below pre-pandemic levels into 2022."

The "robust early-stage gains" were the "low-lying fruit of the economic restart," according to Credit 1.

"Constraints in this pandemic economy will lead to varying degrees of economic recovery among sectors. Those hardest hit during the current recession will also be the last to return to normal," reported Credit 1. These sectors include tourism in particular, but also hospitality, foodservices and events/event management, which will operate at significantly lower capacities through much of 2021. Private services, including elective and discretionary medical services, will also operate at lower capacity but should return to pre-pandemic levels through 2021. Education-related endeavours will continue to be impacted due to the shift to online learning to accommodate physical distancing and the continued absence of international students resulting from ongoing travel restrictions.

The Conference Board of Canada's *Tough Times Ahead: Provincial Summary for Executives*, which was released in November 2020, highlighted a couple of issues facing the province. "British Columbia will feel the pain from the shutdown in international travel. The province is also heavily dependent on trade flows, given its position as Canada's gateway to Asia," the Conference Board mentioned before highlighting some "bright spots in the near-term outlook."

"Demand for forestry products has picked up sharply, as residential construction and renovation activity has been buoyant in North America despite the pandemic. Consumer spending has held up well and several megaprojects will bolster investment and construction activity into 2021."

The BCBC in the September 2020 edition of its *B.C. Economic Review and Outlook* entitled "The Long and Winding Road to Recovery" indicated that it was forecasting the BC economy would shrink by 7.5% in 2020 before growing by 4.5% in 2021.

"Metro Vancouver experienced BC's steepest job losses because of its industrial and employment mix. Consumer-facing industries were hammered by physical distancing requirements and these sectors have an over-sized presence in the lower mainland relative to other regions," reports the BCBC. "On the other hand, manufacturing, forestry, mining, oil and gas, and agriculture have regained all of the jobs lost since February, and then some."

"As BC's economy struggles to gain traction, it will become evident that many businesses face higher operating costs owing to reduced occupancy, enhanced cleaning and service requirements, safety-related measures to protect staff and clients, and supply chain changes and disruptions. Additional costs and diminished sales could make some businesses unviable and prompt closures and insolvencies in the months ahead."

BCBC concludes: "At this stage we judge the risks to the BC outlook to be roughly balanced. Since the outset of the pandemic we have incorporated a (moderate) second wave into our projections. So, the fact that a second wave is now unfolding does not require us to adjust our forecasts accordingly. The downside risk mostly stems from the potential for a second round of the accompanying widespread business closures. … Nonetheless, as a result, we expect employment in BC will grind higher but not fully recover until the latter part of 2022."

ECONOMIC OUTLOOK

FOR BRITISH COLUMBIA*

2020F
-6.1%

2021F
4.0%

2022F
3.4%

2023F
2.2%

*Real GDP growth

Source: Central 1 Credit Union (September 2020)

continued from page 1

to take root in the second half of the year with a corresponding improvement in metrics such as vacancy and absorption.

After six years of positive annual absorption in Metro Vancouver, annual absorption swung to negative 1,205,584 sf in 2020 – the most negative absorption recorded regionally since 2001 (-1,716,101 sf). The region's negative absorption was almost entirely located in Vancouver (-1,210,056 sf) with slight negative absorption noted in Richmond and Burnaby. Positive absorption was recorded in Surrey, New Westminster, North Shore and Langley.

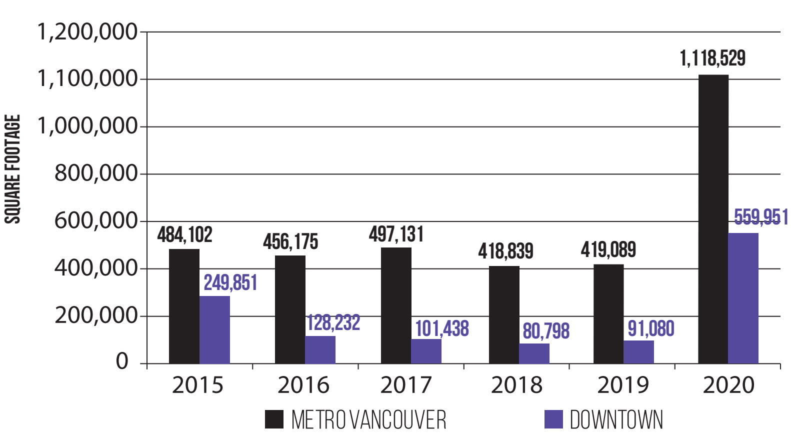
Vacancy in downtown Vancouver rose to 6.6% by year-end 2020 as many businesses kept office space closed and a return to office was delayed by many employers until 2021. Vacancy in Yaletown spiked to 11.3% as the market's unique building and tenant mix (along with other factors) made it particularly susceptible to COVID-19 containment measures while vacancy in Vancouver-Broadway increased to 8.9%. These three core markets bore the brunt of the impact of COVID-19 in 2020. Inner suburbs such as Burnaby (7.6%) and Richmond (8.4%) only noted slight increases in vacancy, while vacancy in outer suburban markets such as New Westminster (5.4%), Surrey (4.8%) and the North Shore (7.5%) remained stable or decreased in 2020.

At year-end 2020, there was 490,664 sf of vacant sublease space outside of downtown Vancouver, while vacant downtown sublease space (including Yaletown) amounted to 627,865 sf for a total of 1,118,529 sf or 27.7% of the overall vacancy region-wide – up from 18.4% at year-end 2019. The increase in vacant sublease space was almost entirely attributable to the downtown core along with Burnaby, which together make up an astonishing 85% of the regional sublease vacancy total. Vacant sublease space is virtually non-existent in Surrey, New Westminster, Langley and the North Shore.

The direct and immediate impacts of COVID-19 on Metro Vancouver's office market will likely linger for the next 18 to 36 months; however, the form that any recovery takes is less certain. Vacancy will begin tightening as positive absorption resumes and head lease and sublease space is occupied, but the pace and timing of this activity will be uneven with the realistic possibility of delays. The longer-term impacts of the global pandemic of 2020 will involve a fundamental re-examination of the purpose of office space, how it is designed, who benefits from working in an office environment, where that office is located, and what benefits organizations gain from continuing to come together in a shared common workplace. The answers to these questions will evolve as we adapt to the host of environmental and virological challenges we are increasingly likely to face in our cities in the coming decades. ■

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

VACANT SUBLEASE SPACE



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