

Office vacancy insights



Downtown Vancouver, BC | Spring 2023

As of April 2023, Downtown Vancouver saw its vacancy rate reach 10.8% - the first time it has been above 10% since 2004.

Given this rare situation, Avison Young has investigated where this vacancy lies within Downtown’s buildings, and where opportunities exist for occupiers in the current market.


Why is class AAA vacancy so low within the upper levels of buildings?


There has always been a preference in Downtown Vancouver for high-rise view premises and good quality buildings. **However, an increasing number of occupiers are turning to building amenities to entice workers back to the office.** The upper levels in new class AAA inventory, such as The Stack and Vancouver Centre II, have higher occupancy because many of these spaces provide city and mountain line views, while providing other amenities like private terraces. Occupiers hope the overall quality and added features will encourage


employees back into the office, providing a new take on the employee experience.

This data reinforces the idea that COVID-19 and work-from-home arrangements have catalyzed a flight-to-quality trend for occupiers in Downtown Vancouver. While we’ve historically discussed movements from class B and C spaces to class AAA, it’s now time to consider the ascent of tenants from the lower/middle to the upper levels of buildings.

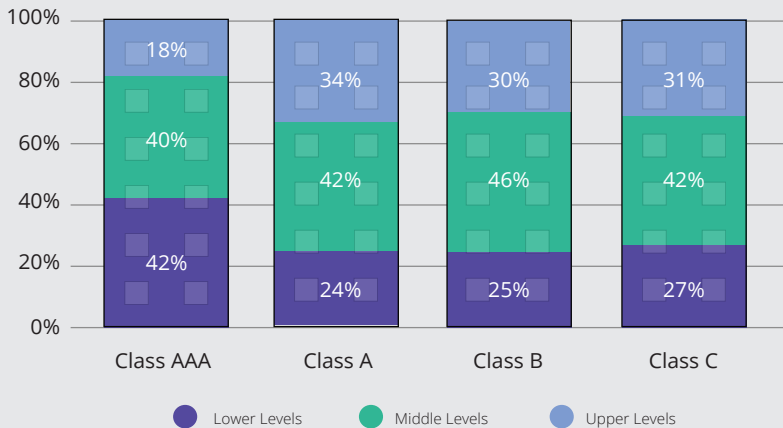
Key insights

 **Nearly all class AAA office vacancy (82%) is found within the lower and middle levels** of Downtown Vancouver’s buildings.

 **This data represents the ongoing flight-to-quality trend across the Downtown core,** with occupiers showing preferences both between buildings and between the different segments of buildings.

 **Class A, B and C buildings exhibit more normalized distributions of vacant spaces,** but still see relatively reduced levels of vacancy within the lower level of buildings.

WHERE ARE THE VACANT SPACES IN DOWNTOWN VANCOUVER’S BUILDINGS?



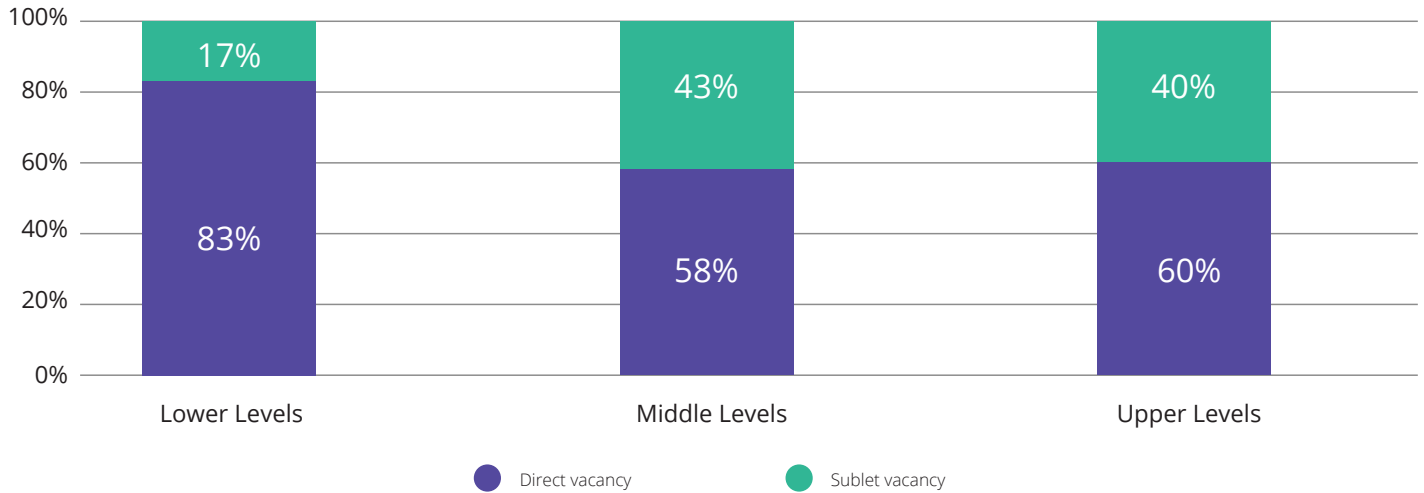
Why are class A, B and C buildings seeing reduced levels of vacancy in the lower levels?

For class B and C buildings, value is the greatest priority for occupiers. Lower-level levels within these buildings offer discounted premises which are most attractive to these occupiers, resulting in reduced vacancy for class B and C's lower levels, relative to the upper levels.

The middle and upper levels of class A buildings are more exposed to the sublease trend sweeping Downtown. Downtown's class A vacancy currently sits at 9.2%, with

sublease vacancy representing 50.2% of total vacant space. Within the middle and upper levels of class A buildings, sublease space is responsible for 42% and 40% of vacant premises, respectively. In contrast, sublease space represents only 17% of lower level vacancy for class A buildings. This naturally leads to greater overall vacancy within the middle and upper levels of class A developments.

CLASS A BREAKDOWN BY VACANCY TYPE AND BUILDING SEGMENT



What do these patterns mean for the Downtown market?



There is strong demand for upper level class AAA space due to its views, amenities and overall quality, which in turn may attract workers back to the office.



The increasing sublease availability is having a significant impact on vacancy trends in Downtown, particularly for the middle and upper levels of class A buildings.



The lower levels of class B and C buildings are seeing notable leasing activity by tenants looking for value premises.

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