



Metro Vancouver office market report

Q2 2023

**AVISON
YOUNG**

Metro Vancouver area market fundamentals

10.1%

total vacancy rate
up from 9.4% in Q1 2023

27.0%

sublet as a percentage of all available space
up from 25.8% in Q1 2023

\$54.15

average gross asking rent per square foot (psf)
includes \$18.89 psf average additional rent

5.8M

square feet (sf) vacant
up from 5.4 million sf in Q1 2023

-383,000

square feet absorption
Q2 2023

5.6M

square feet under construction
43 projects

Metro Vancouver continues to see a split across submarkets



Vacancy rates up in Downtown, but down in suburban markets

Vacancy rates in Downtown and Yaletown continued to rise in Q2 2023, with a substantial number of leases expiring without renewal across the Downtown core. Despite most vacancy-related discourse being centred around more sublease space, **head lease vacancy represented 76% of the total rise in vacant space within Downtown** in the last three months. This could suggest occupiers were waiting until their leases expired before cutting back on space – and it is expected that this trend will proliferate.

Suburban markets gave more reason for optimism as vacancy rates in Richmond, Surrey, New Westminster and the North Shore dropped since Q1 2023. These more affordable markets may have seemed a better option for tenants who required office space, but without a location-based premium.



Promising deal velocity across suburban markets

While deal velocity in Downtown remained limited, **suburban markets took the reins as the primary node of market activity** in Q2 2023.

Richmond, in particular, experienced a burst of deals around the Airport Executive Park complex – a mixture of class A and B buildings in the heart of the submarket. **Surrey also registered a number of new leases**, with Manning Elliott taking 8,600 sf at The Professional Centre @ Southpoint.

In total, **suburban markets recorded approximately 29,500 sf of positive three-month absorption** at the end of June, experiencing a slight quarter-over-quarter drop in vacancy of 10 basis points from 7.5% in Q1.



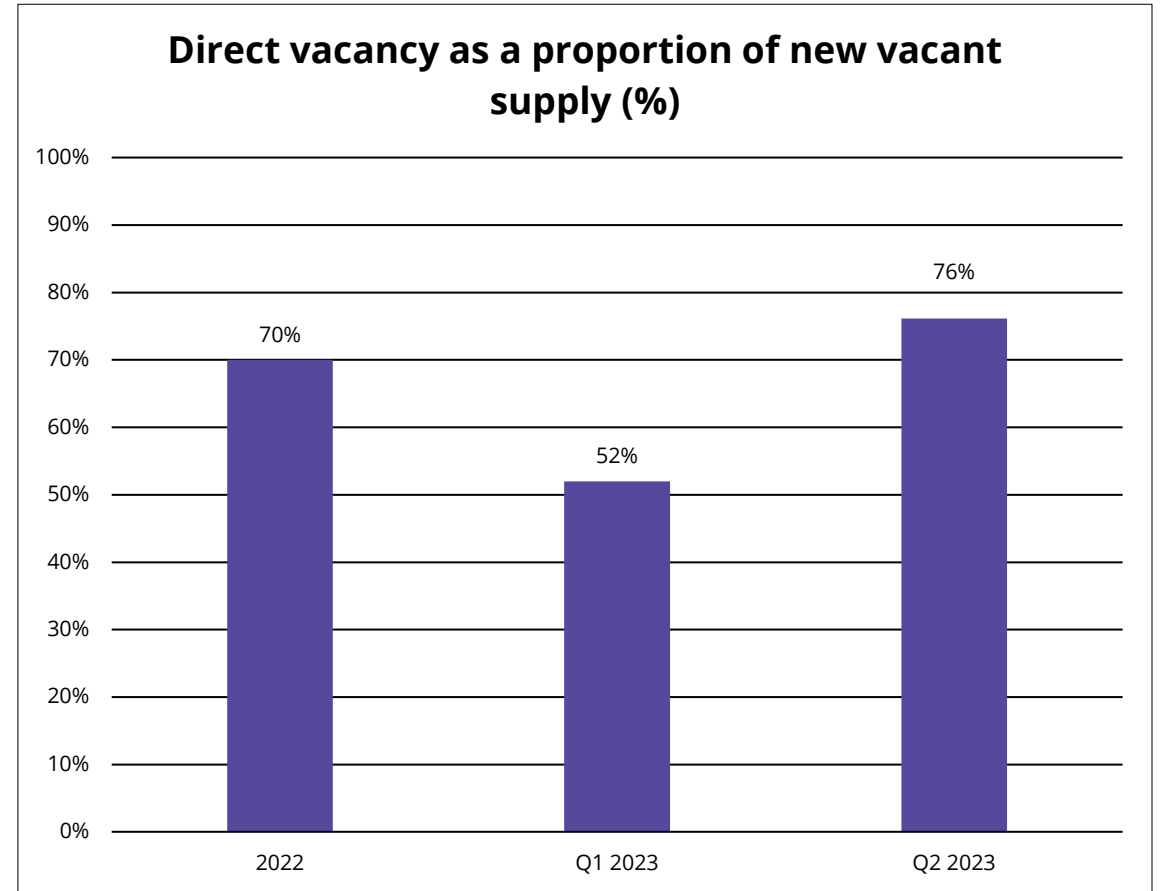
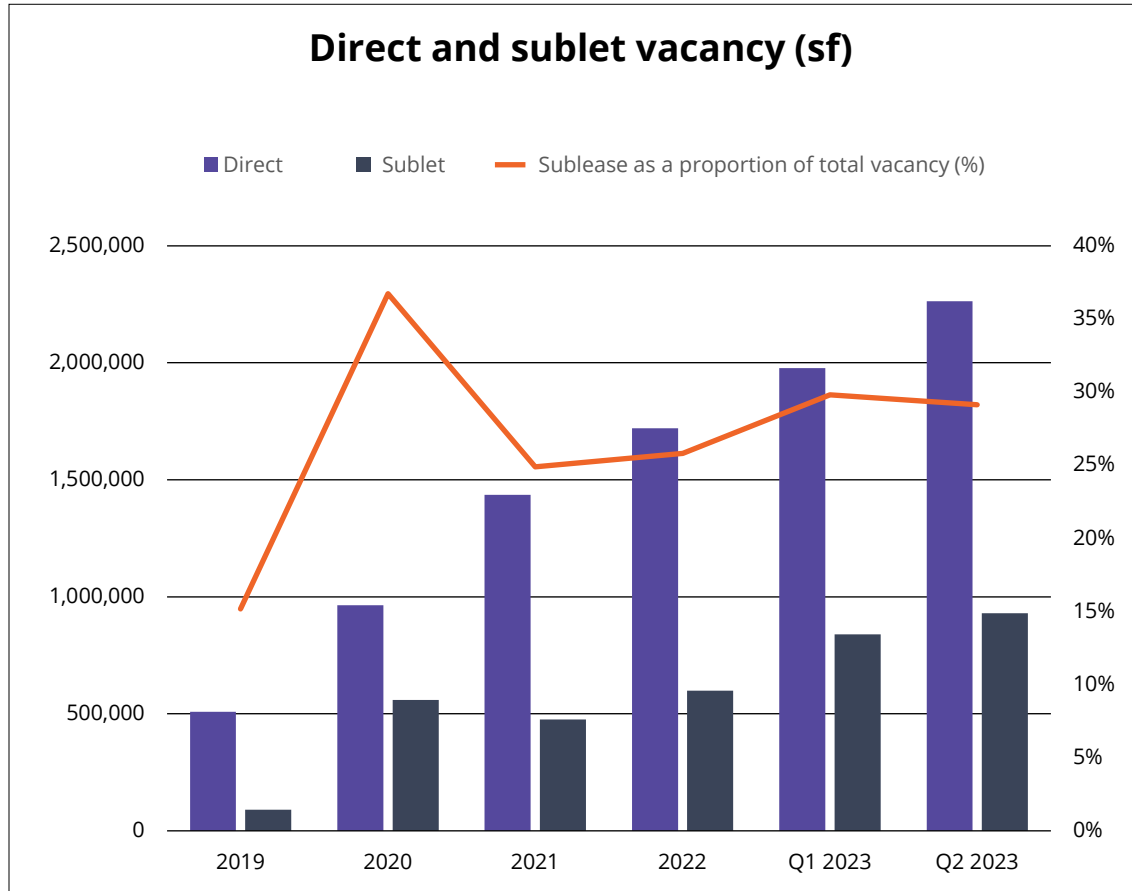
Head lease space was main driver for Downtown vacancy

Head lease vacancy accounted for three-quarters of the total increase in vacant space Downtown during Q2 2023.

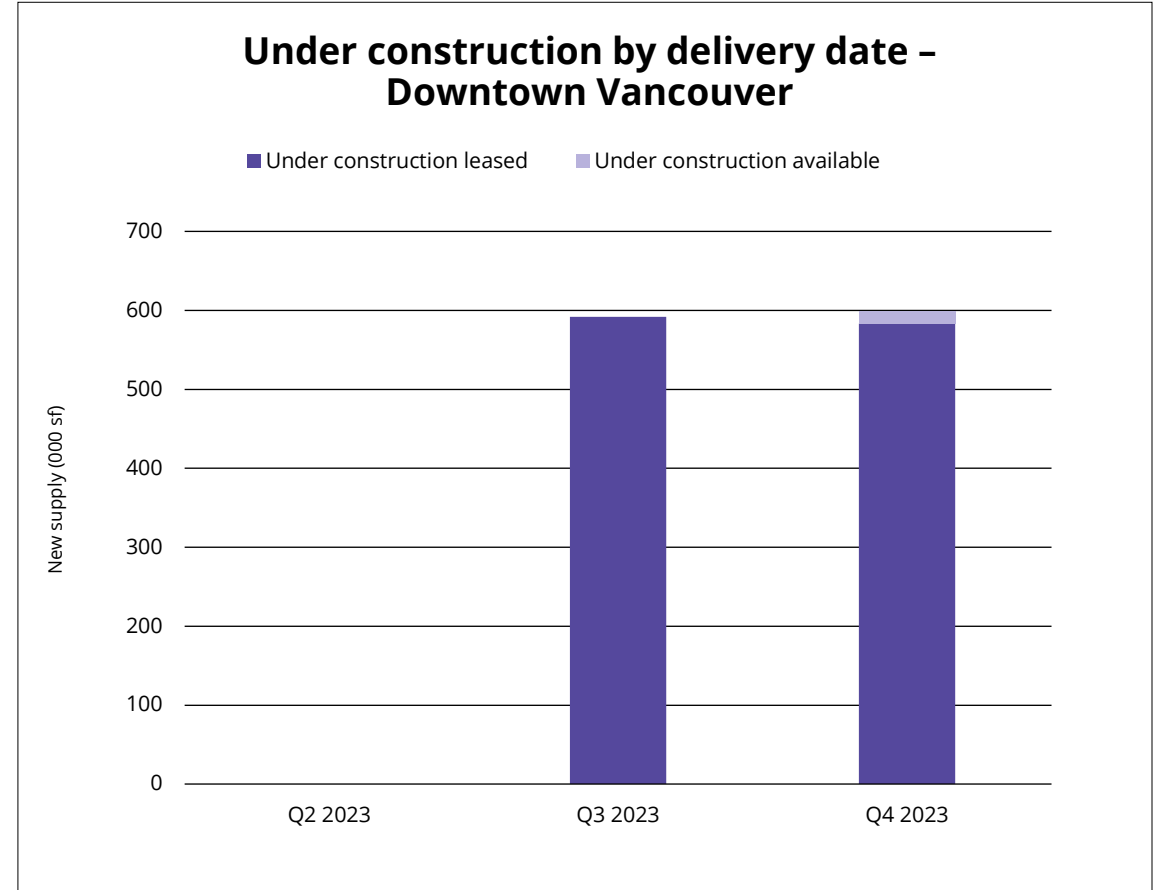
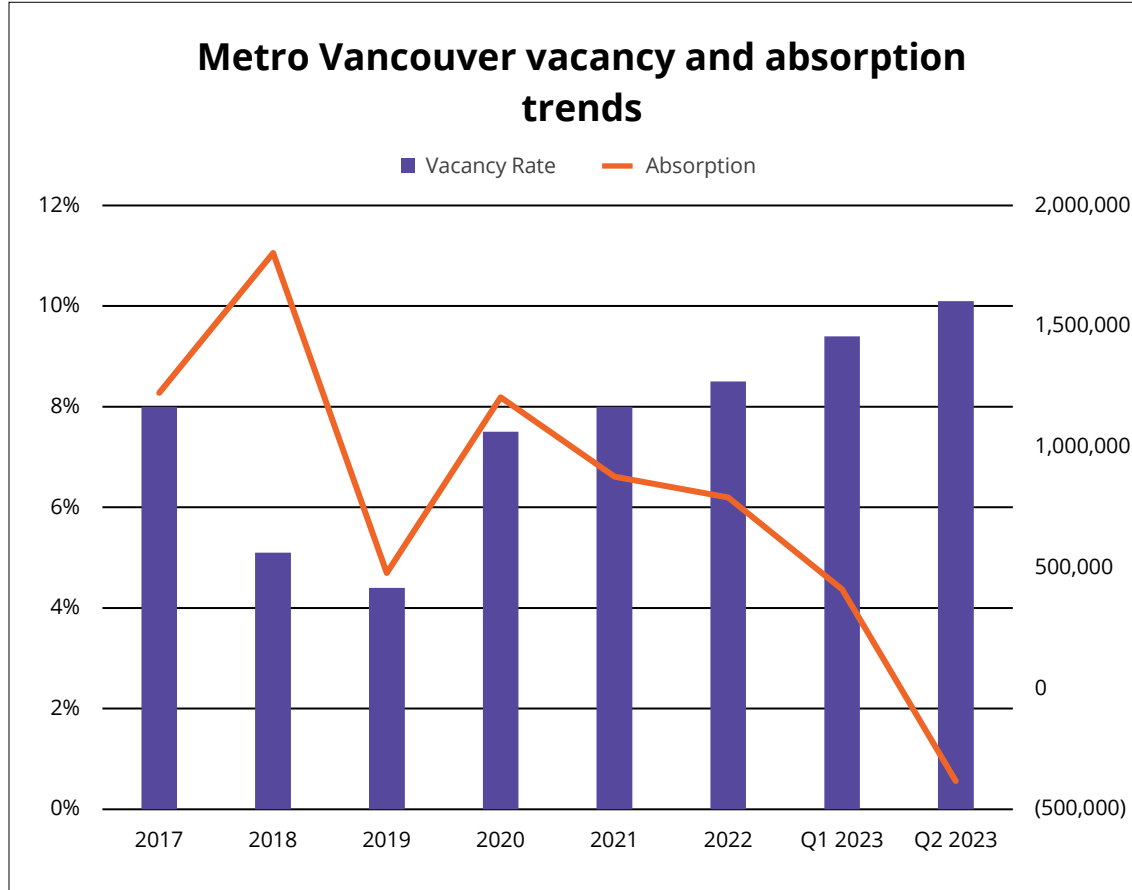
It is expected that more head lease premises will become vacant as the year and macroeconomic uncertainty progress.



Downtown Vancouver vacancy update



Metro Vancouver office market indicators



Downtown and Yaletown market overview

Downtown:

- Downtown's overall vacancy rate rose again in Q2 2023 to 12.6% from 11.1% at Q1 2023, and up from 9.6% at Q4 2022. This movement was largely a result of newly vacant head lease space in Q2 2023, which saw a 14% rise in availability relative to Q1 2023.
- Absorption for Q2 2023 was negative in Q2, with no new supply delivered this quarter. Deal velocity remained constrained across all building classes.

Downtown	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month Absorption (sf)	SAF* (sf)	SAF* (%)
Class AAA	7,282,854	752,642	227,442	980,084	13.5%	-109,905	1,448,983	194,061	2.5%
Class A	8,476,483	574,105	399,083	973,188	11.5%	-194,535	-346,710	284,125	3.4%
Class B	6,639,398	649,400	220,289	869,689	13.1%	-24,480	-151,499	185,028	2.8%
Class C	3,018,137	286,918	82,756	369,674	12.2%	-46,363	-22,520	185,651	6.2%
Market total	25,416,872	2,263,065	929,570	3,192,635	12.6%	-375,283	336,254	848,865	3.3%








Yaletown:

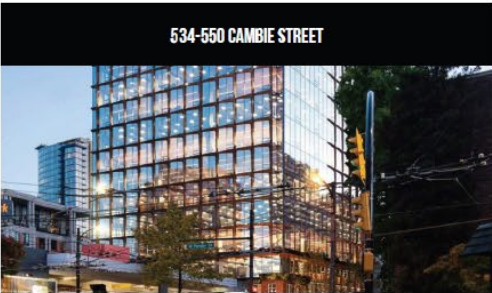

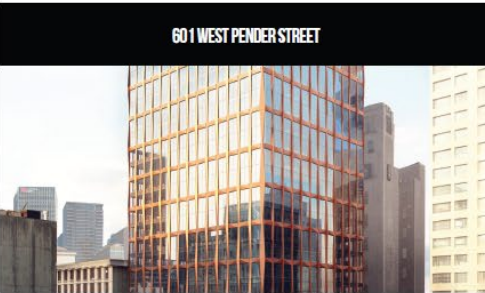



- Vacancy in Yaletown rose again to 17.3%, pushing new all-time highs. This was particularly pronounced for class B and C spaces where subleases were continuing to come to market.
- Absorption for Q2 2023 remained negative with well-improved premises outperforming lesser quality, unimproved space. As a result, landlords were more readily offering turnkey space to encourage greater occupancy.

Yaletown	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month Absorption (sf)	SAF* (sf)	SAF* (%)
Class A	636,752	27,717	9,600	37,317	5.9%	-84	-4,717	0	0.0%
Class B	1,021,065	133,664	86,409	220,073	21.6%	-51,626	-57,630	9,358	0.9%
Class C	459,177	86,547	22,329	108,876	23.7%	14,231	18,256	16,581	3.6%
Market total	2,116,994	247,928	118,338	366,266	17.3%	-37,479	-44,091	25,939	1.2%

Downtown Vancouver Development Timeline

Updated as of June 30, 2023

	 <p>THE POST, 308 DUNSMUIR STREET</p>	 <p>86, 1090 WEST PENDER STREET</p>	 <p>980 GRANVILLE STREET</p>	 <p>625 WEST HASTINGS STREET*</p>
				
DEVELOPER	QuadReal Property Group	BentallGreenOak	Bonnis Properties	Uptown Property Group
STOREYS	22 (north tower)	32	4	29
OFFICE SF	592,000	525,000	51,477	125,000
TENANTS	592,000 sf - Amazon	100,000 sf - WeWork 405,000 sf - Microsoft 20,000 sf - Thorsteinssons	17,514 sf - Cornerstone Community College 18,174 sf - Federal Government (Passport Office)	No tenants at this time
OCCUPANCY	100%	100%	69%	0%

	 <p>534-550 CAMBIE STREET</p>	 <p>BURRARD EXCHANGE, 1025 DUNSMUIR STREET</p>	 <p>601 WEST PENDER STREET</p>
			
DEVELOPER	QuadReal Property Group / PC Urban	Hudson Pacific Properties	Reliance Properties / KingSett Capital
STOREYS	22	16	29
OFFICE SF	258,245	461,000	410,000
TENANTS	No tenants at this time	No tenants at this time	No tenants at this time
OCCUPANCY	0%	0%	0%

Suburban markets (Tier 1*) overview

Vancouver-Broadway:

- Vancouver-Broadway's vacancy rate continued to increase in Q2 2023 due to a substantial spike in vacant class A sublease space.
- Absorption for Q2 2023 was negative, highlighting the rise in new spaces marketed for sublease. This pattern was especially apparent in class A buildings, which recorded a 53% increase in sublease space (vs. Q1 2023), as occupiers sought to cut back on more cost-intensive, unused space.

Vancouver-Broadway	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	5,457,041	255,585	107,825	363,410	6.7%	-25,890	-38,672
Class B	2,122,532	202,400	118,608	321,008	15.1%	-4,186	-55,926
Class C	1,013,150	102,515	22,697	125,212	12.4%	-9,787	-43,789
Market total	8,592,723	560,500	249,130	809,630	9.4%	-39,863	-138,387

Burnaby:

- Burnaby's vacancy increased in Q2 2023. A major factor of this movement was the 42% increase in sublease availability relative to Q1 2023. One example: Metrotown Centre (4800 Kingsway) saw 30,000 sf of sublease space come to market in Q2 2023.
- Burnaby's absorption was negative in Q2 2023, primarily due to sublease spaces becoming vacant in class A and B developments as tenants cut down on space requirements.

Burnaby	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	6,512,185	289,414	132,785	422,199	6.5%	-31,749	-63,862
Class B	2,054,641	114,577	40,750	155,327	7.6%	-26,466	-39,994
Class C	869,038	65,108	10,110	75,218	8.7%	-6,348	-14,638
Market total	9,435,864	469,099	183,645	652,744	6.9%	-64,563	-118,494

Suburban markets (Tier 1*) overview

Richmond:

- Richmond's vacancy rate dropped 170 basis points QoQ as spaces around Airport Executive Park were taken. This took approximately 22,000 sf off the market.
- Absorption for Q2 2023 was positive, led entirely by significant activity within class A and B buildings.

Richmond	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	2,895,256	125,905	13,172	139,077	4.8%	28,509	4,827
Class B	982,677	91,228	3,326	94,554	9.6%	43,882	17,595
Class C	348,198	11,908	0	11,908	3.4%	0	-1,213
Market total	4,226,131	229,041	16,498	245,539	5.8%	72,391	21,209

Surrey:

- Vacancy levels in Surrey crept lower in Q2 2023. This was despite relatively muted activity around the submarket, with class A spaces seeing the most movement.
- Absorption for Q2 2023 was positive. Most of the newly occupied space derived from The Professional Centre @ Southpoint, which saw Manning Elliott take 8,600 sf on the third floor.

Surrey	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	2,334,895	138,239	43,380	181,619	7.8%	29,444	-4,649
Class B	626,010	87,191	7,251	94,442	15.1%	10,168	-13,734
Class C	205,629	2,276	0	2,276	1.1%	450	7,028
Market total	3,166,534	227,706	50,631	278,337	8.8%	40,062	-11,355

Suburban markets (Tier 2*) overview

New Westminster:

- New Westminster's vacancy rate tightened further to a near-historic low. The vacancy rate in the submarket has not risen above 5% since June 2021.
- Absorption for Q2 2023 was positive with limited activity.

New Westminster	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	780,114	15,219	4,964	20,183	2.6%	493	-1,167
Class B	700,684	52,288	0	52,288	7.5%	3,530	5,160
Class C	207,774	7,592	0	7,592	3.7%	-3,562	-3,562
Market total	1,688,572	75,099	4,964	80,063	4.7%	461	431

North Shore:

- Vacancy fell on the North Shore in Q2 2023 as very limited sublease options popped up and no new supply was added.
- The North Shore experienced low deal velocity in Q2 2023. However, tenants were not vacating space so there was a general lack of movement in this submarket.

North Shore	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	871,813	27,769	0	27,769	3.2%	12,820	-4,554
Class B	435,844	15,793	0	15,793	3.6%	11,307	6,036
Class C	97,690	5,149	0	5,149	5.3%	-2,456	1,570
Market total	1,405,347	48,711	0	48,711	3.5%	21,671	3,052

Suburban markets (Tier 2*) overview

Langley:

- Langley's vacancy rate remained unchanged from Q1 2023. Vacancy in the submarket has hovered near all-time lows since January 2023, with limited new leasing activity occurring.
- Absorption was negative for Q2 2023. Limited activity led to near negligible changes in occupied space.

Langley	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month absorption (sf)
Class A	457,182	40,154	0	40,154	8.8%	3,222	-15,573
Class B	594,464	36,911	1,829	38,740	6.5%	-4,668	-6,119
Class C	126,315	1,366	0	1,366	1.1%	816	637
Market total	1,177,961	78,431	1,829	80,260	6.8%	-630	-21,055



*Tier 2 refers to suburban markets that contain less than 2 msf of office space

Metro Vancouver stats overview

District	Inventory	Head Lease vacancy (sf)	Sublease vacancy (sf)	Total vacancy (sf)	Total vacancy (%)	Three-month absorption (sf)	Six-month Absorption (sf)
Downtown	25,416,872	2,263,065	929,570	3,192,635	12.6%	-375,283	336,254
Yaletown	2,116,994	247,928	118,338	366,266	17.3%	-37,479	-44,091
Vancouver-Broadway	8,592,723	560,500	249,130	809,630	9.4%	-39,863	-138,387
Burnaby	9,435,864	469,099	183,645	652,744	6.9%	-64,563	-118,494
Richmond	4,226,131	229,041	16,498	245,539	5.8%	72,391	21,209
Surrey	3,166,534	227,706	50,631	278,337	8.8%	40,062	-11,355
New Westminster	1,688,572	75,099	4,964	80,063	4.7%	461	431
North Shore	1,405,347	48,711	0	48,711	3.5%	21,671	3,052
Langley	1,177,961	78,431	1,829	80,260	6.8%	-630	-21,055
Total	57,226,998	4,199,580	1,554,605	5,754,185	10.1%	-383,233	27,564

For more market insights
and information, visit
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