



Q2 2015 Metro Vancouver Office Space Report: A Mixed Performance

As we finish the second quarter of 2015, I am pleased to note that, according to the Lipsey Report, NAI is one of the top five most recognized commercial real estate firms in the world. We have also been acknowledged as the fifth largest commercial real estate firm in British Columbia.

Now to our 90-day report: As you'll see in the chart below, the story of commercial real estate in Vancouver has some twists and turns. For instance, the existing office area for Downtown increased by 687,969 square feet during the second quarter. And while there was a negative absorption of 271,985 SF in the first quarter, there was actually a positive absorption of 36,195 SF in the second quarter – even though we are still struggling with a negative absorption trend overall in Metro Vancouver. This trend is due to slackening demand for space in suburban and periphery markets, which experienced a total negative absorption of 43,284 SF for the quarter.

Market activity mostly confined to small spaces

As to market activity, 149 office spaces were removed from the Downtown market, but only two of those were larger

than 20,000 SF, 115 of the spaces were of less than 5,000 SF. In the suburban market, of the 131 spaces removed, 117 were of less than 5,000 SF. This is another reminder that Metro Vancouver is a small-tenant market, although the benefit is well diversified.

On the deal front, ACL led the way with an agreement to relocate into about 70,000 SF at 980 Howe Street. The second largest was National Bank's deal to occupy 45,000 SF in The Exchange at 475 Howe Street.

Also this quarter, Telus Gardens opened, and Telus, Bull Housser and Amazon all moved in. While next door, Miller Thompson, Sony Pictures Image Works and Microsoft moved into Cadillac Fairview's newly completed 725 Granville Street.

Pacific Blue Cross renewed their lease in their existing space, leaving other Burnaby landlords wondering where the tenants will come from to fill new inventory, such as Bosa's building at 2025 Willingdon and Metrotower III, 4730 Kingsway.

Ninety Day Report

Market	Vacancy Rate	% Change from Prev. Quarter	No. Spaces Added	Total Area Added	No. Space Removed	Total Area Removed	Absorption for Quarter	Prev. Quarter Absorption
Downtown	10.90%	3.81%	165	562,184	149	598,379	36,195	-271,985
Suburban	14.60%	-3.95%	115	457,441	131	379,504	-77,937	212,831
Van. Periphery	4.40%	-8.33%	32	15,759	27	14,217	-1,542	12,989
Total							-43,284	

You can see general market statistics in the chart below.

Historical data shows up-and-down trend

This past month I had the opportunity to review historical data about vacancies in Downtown Vancouver, particularly absorption and rental rates going back as far as 2005. Vacancy rates were at a historical low of around three per cent in 2008 and have generally trended upward to the present day. Absorption, by comparison, fluctuated a little more: From 2005 to 2008 about 600,000 SF were being absorbed annually. In 2008, however, the trend suddenly reversed, falling to negative 700,000 SF. It then rose to over 200,000 SF in 2011 and fell back again to over negative 400,000 SF in 2014. We now seem to be climbing again.

Over the last 10 years we have experienced an average absorption of slightly over 100,000 SF. In 2008 absorption was plummeting and vacancies had started to rise. Right around then, in 2009, the average gross rental rate hit its historical high of \$47.77 per square foot. Rates then began

adjusting to the market, falling to a low of \$37.70 PSF in 2012. They have remained mostly stable since, with a current average of \$40.09 PSF.

Want to know what we think?

If you are interested in an honest opinion about the office market and the options available to your firm, I am happy to personally review the conditions with you. I'll share my thoughts and offer strategies for how to best position your firm for any future commitment to new or existing premises.

For landlords trying to lease commercial premises, people in our business may joke that the first and foremost thing to do in a slow market is to return your calls. But be assured – at NAI we return your calls promptly in any type of market! If you are interested in an honest assessment of your leasing strengths and weaknesses, please feel welcome to phone me. I would be happy to review your challenges and suggest where you might be able to add more muscle to your leasing program. And indeed, I will return your call quickly.

General Market Statistics

Market	# of Buildings	Existing Office Area	Availability Rate	Sublet Avail. Rate	Buildings Under Const.	Area Under Construction	% of Invent. Under Const.	Change from Prev. Year
Greater Vancouver	694	54,682,957	11.5	15	15	2,497,281	4.6	1,165,429
Downtown Vancouver	1223	24,723,395	10.9	21.1	7	1,303,006	5.3	950,884
Suburban Vancouver	339	22,489,209	14.6	10.3	5	643,304	2.9	-10,455
Vancouver Periphery	132	7,470,353	4.4	11.1	3	550,971	7.4	225,000

NAI Commercial – we're here to help

NAI Commercial offers a full-service consulting approach to help you get the most out of your inventory. We do whatever it takes to make it easy for you to attain your objectives. Whether you want to retain us to represent your interests, are simply curious to learn more about our services, or would like us to provide a free opinion on your current properties or leases – we are here to help with good, honest advice. ▲

Thanks for taking the time to read this.

Regards,
Rob DesBrisay
Managing Partner, BC

For more information...

To learn more about NAI Commercial, Rob DesBrisay and the many ways we can help with your commercial real estate needs, please call (604) 691-6602.

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