Vancouver Office - Q2 2020

Market Report

cresa

Overview

Three-plus months into what can only be characterized as the most significant U-turn in the history of leasing markets, Vancouver's office market is in a state of flux. Landlords and occupiers are both grappling with the seismic changes that have occurred since mid-March, many of which are still evolving. Both sides are trying to decide which are short-term adjustments, and which are here to stay. The prospect of a power shift from landlords to tenants is now very real. Going into the COVID-19 lockdown vacancy rates were at record lows, but already a doubling in vacancy is in the cards, and a tripling is not unthinkable. For now both sides are watching and waiting, but a tenants' market may not be that far off.

Metro Vacancy	Class A Rent (gross)	Occupied Space
4.8%	$50.49/SF	11,783 SF

*arrows indicate change from prior quarter

Rental and Vacancy Rates

Gross Rent* (Square Foot)	Vacancy Rate (06/30/2020)		QoQ Change
$67.02	Downtown Core | Class A	2.8%	▼ 0.1%
$47.76	Broadway Corridor | Class A	3.5%	▲ 1.2%
$45.82	Vancouver City | Class A	1.4%	▲ 0.9%
$38.26	Burnaby | Class A	5.9%	▼ 1.0%
$34.55	Richmond | Class A	7.7%	▲ 0.1%
$35.14	Surrey | Class A	14.0%	▼ 0.1%
$38.95	North Shore | Class A	4.4%	0.0%
$38.69	New Westminster | Class A	4.0%	▼ 3.0%
$34.00	Tri-Cities**| Class A	0.9%	▲ 0.9%

*Class A average asking rent CAD ** Coquitlam, Port Coquitlam, Port Moody QoQ [quarter-over-quater]

Recent Transactions

	Occupier	Size	Submarket	Type	Address
1	Lululemon	88,362 SF	Downtown	Extension	1380 Burrard Street
2	SNC Lavalin	39,164 SF	Burnaby	Sublease	3777 Kingsway
3	General Electric	8,086 SF	Downtown Core	New	1055 Dunsmuir Street
4	Zenabis Cannabis	4,453 SF	Yaletown	New	1152 Mainland Street
5	Inphi Canada	4,337 SF	Burnaby	New	4333 Still Creek Drive

Occupier's Perspective

With the forced lockdown and WFH facsimile most companies are taking a hard and critical look at their office real estate needs going forward.

Remote working has many companies considering lease dispositions (subleasing) as a way to reduce costs and adjust to a more mobile workforce.

So far "wait and see" is the mantra echoed by most businesses, with few signs decision makers are anywhere near being ready to commit one way or another.

Market Trends

Just how much office demand is about to fall is now in question as companies debate the role of traditional office space in an era of social distancing and remote working.

After a 7-year run of ever tightening market conditions, office vacancy levels are set to rise substantially, both through an increase in sublease space, but also as new construction gets delivered.

Softness in leasing markets will be more pronounced downtown, but non-urban markets including Broadway Corridor, Mount Pleasant and the suburbs can also expect to see less activity until the economy and labour markets return to normal.