

Market Report

Overview

After a fairly tumultuous 2020, 2021 is looking to be somewhat more subdued. The rapid increase in downtown sublease reversed course in Q1, while sublease space in the rest of the City (excluding downtown) increased by 6.9%, and similarly, suburban markets saw sublease space increase by 18%. The Metro vacancy rate increased by 20 basis points to 7.0%, returning to Q1 2018 levels. Downtown was the primary driver of higher vacancy, finishing Q1 at 6.8%, up from 6.2% in Q4. Assuming no further return of space, but also no new net demand, year-end downtown vacancies are projected to be 9.1%. Seven developments, totaling 1,185,135 square feet are scheduled to be completed during the year, the most notable being Deloitte Summit, Vancouver Centre II, and 601 West Hastings.



Rental and Vacancy Rates

Gross Rent* (Square Foot)	Vacancy Rate (03/31/2021)	QoQ Change
\$64.14	Downtown Core Class A 5.2%	▲ 0.3%
\$45.26	Broadway Corridor Class A 4.5%	▲ 0.7%
\$43.32	Vancouver City Class A 7.1%	▲ 0.1%
\$37.26	Burnaby Class A 6.2%	▼ 0.5%
\$34.30	Richmond Class A 8.4%	▼ 0.1%
\$34.14	Surrey Class A 14.5%	▼ 0.6%
\$38.95	North Shore Class A 5.2%	▲ 2.1%
\$38.69	New Westminister Class A 2.8%	▼ 0.7%
\$34.00	Tri-Cities** Class A 1.6%	▼ 0.2%

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

Recent Transactions (Q1 2021)

Occupier	Size	Submarket	Type	Address
1 Best Buy	70,550 SF	Mount Pleasant	New	425 W. 6th Avenue
2 Ernst Young	31,550 SF	Downtown	New	1066 Hastings Street
3 Bird Construction	27,791 SF	Richmond	New	13777 Commerce Parkway
4 TransMountain Pipeline	24,372 SF	Burnaby	New	4401 Still Creek Drive
5 Loop Energy	14,971 SF	Burnaby	Sublet	2700 Production Way

Thinking beyond space

Occupier's Perspective

As the new normal becomes a little clearer, office tenants are taking an ever more pragmatic view of their office needs with most sensing they'll need less - possibly 20/30%

Despite light at the end of tunnel vis-a-vis vaccines finally being rolled out, office occupiers still appear to be taking a highly cautious stance on any immediate return to the office

While office rents have been frustratingly slow to drop, occupiers are at least seeing more flexibility and concessions from most landlords.

Market Trends



After a broad run-up in sublease space across the Metro Region, first quarter data suggests Downtown sublease may have peaked, and is set to fall through 2021.

All eyes will be on the 1,185,135 square feet being delivered to the downtown market by year-end, with just 606,881 square feet preleased and the balance looking for takers.

After a period of time where tech tenants dominated the top lease transaction list, there has been a subtle shift towards more traditional companies stepping up to sign new leases, most notably financial and legal.