

# Market Report

The second quarter was again very sluggish with leasing velocity posting new lows not seen since the extremes experienced during COVID. At just 452,000 square feet, leasing activity was little more than half the 5-yr average of 890,000 square feet. At the end of the quarter the region wide availability rate registered 10.8%, the highest level since the third quarter of 2016, while the vacancy rate increased slightly to 6.0%, double Q4 2019. After a mild bounce back during 2021, the last 18 months has been characterized by subdued leasing activity and a broad-based hesitancy to commit to space, particularly if substantial capital expenditures are required. This has put shell space at a substantial disadvantage, and conversely well improved space at a significant advantage. To help level the playing field, landlords with first generation space have responded with spec suites, with limited success.

## Occupier's Perspective



The prevailing mood among office tenants remains highly tentative with a careful eye on controlling costs and erring on the side of caution.



The overwhelming concern for real estate decision makers is not carrying unnecessary office space, but at the same time having space workers can call home.



Somewhat frustrating for office occupiers is the well entrenched intransigence shown by landlords, with few conceding lower rents.



## Rental and Availability Rates

Net Rent* (Per Square Foot)	Availability Rate (06/30/2023)	QoQ Change/Availability
\$44.25	Downtown Core   Class A 15.2%	▲ 1.5%
\$33.00	Broadway Corridor   Class A 14..2%	▼ 0.7%
\$32.00	Vancouver City   Class A 23.7%	▲ 13.3%
\$29.00	Burnaby   Class A 10.3%	▲ 0.5%
\$24.00	Richmond   Class A 17.0%	▼ 1.2%
\$26.00	Surrey   Class A 18.3%	▼ 0.2%
\$27.00	North Shore   Class A 15.3%	▼ 10.1%
\$27.00	New Westminster   Class A 6.2%	▼ 0.3%
\$26.00	Langley   Class A 10.7%	▼ 0.0%

\*Class A average asking rent CAD QoQ [quarter-over-quarter]

## Recent Transactions (2nd Quarter 2023)

Occupier	Size	Submarket	Type	Address
1 MDA Systems	181,588 SF	Richmond	Renewal	13800 Commerce Pkwy
2 LaSalle College	108,612 SF	Vancouver	Prelease	2710 Kaslo Street
3 CDN College of Tech & Business	30,000 SF	Yaletown	New	101 Smythe Street
4 Kaseya	27,362 SF	Downtown	Sublease	555 Robson Street
5 Skeena Resources	14,000 SF	Downtown	New	1133 Melville Street

## Market Trends



Sublet space remains a dominant feature of the market, particularly downtown, where 25.2% of all available space [1.2 million square feet] is offered on a sublease basis.

To a degree, the market remains directionless, with little net new demand, and no [obvious] catalyst to move the market higher [or lower].

With office leasing fundamentals now firmly in the tenant's favour, landlords are expected to further increase tenant inducements, but significantly lower [face] rents are still some time off.