

Market Report

The fourth quarter was again very sluggish with office leasing activity down at levels not seen since the depths of COVID. Contributing most to anaemic leasing conditions was the bell-weather downtown market, where a further surge in sublease space pushed the availability rate up to 12.5%. This represents the highest availability rate since the early 1990's. The downtown vacancy rate also increased during the quarter, finishing at 10.2%, the highest since the fourth quarter of 2004 (11.2%). Both the availability rate and vacancy rate are expected to rise further in the coming quarters, possibly testing levels last seen in the late 1980's. With the imbalance between supply and demand set to only increase, rents, and in particular net effective rents (NERs), could easily fall by as much as 25%. This will represent a sea change for the Vancouver office market.

Occupier's Perspective



In recent months market conditions have become decidedly more favourable for tenants, with many more options now available.



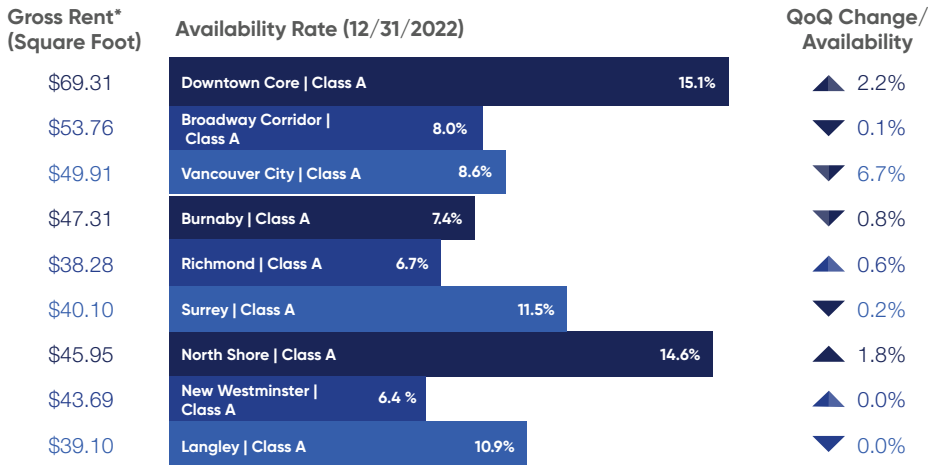
A dilemma for senior leadership is how to reconcile often empty office space with needed workspace when employees are required to be in the office.



Many office occupiers are looking to reconfigure/right-size their premises with a focus on community space and less on private/enclosed offices.



Rental and Availability Rates



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

Recent Transactions (4th Quarter 2022)

Occupier	Size	Submarket	Type	Address
1 Flour	88,000 SF	Downtown	New	1133 Melville Street
2 Aritzia	87,403 SF	Railtown	New	411 Railway Street
3 BMO	42,478 SF	Burnaby	New	6023 Silver Avenue
4 Osler, Hoskin & Harcourt	35,732 SF	Downtown	Sublease	1055 Dunsmuir
5 AMD	28,304 SF	Burnaby	Sublease	2930 Virtual Way

Market Trends



Sublease space continued to march higher, finishing the year at 1.7 million square feet, compared with 1.0 MSF at the outset of 2022 and back to peak COVID levels.

Shorter terms, termination rights, and a focus on flexibility, are now the priorities for many office occupiers as employees embrace new workspace strategies.

With market conditions set to weaken significantly, rents at long last are expected to fall. Premier space is expected to hold up better, but even the best space will almost certainly see lower NERs.