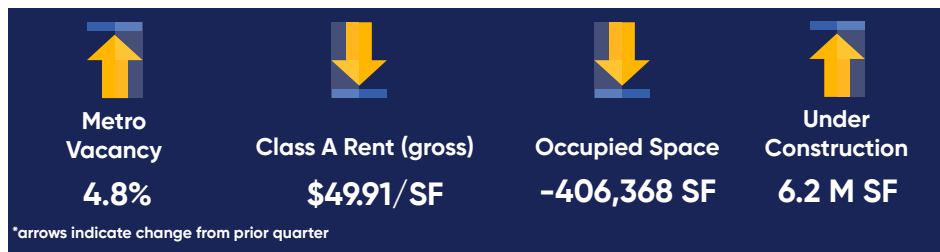


# Market Report

## Overview

For office markets everywhere, including Vancouver, the onset of COVID-19 created a sharp reversal in office leasing dynamics, one that caught both occupiers and landlords by surprise. The posterchild of this shift is the all-important downtown market, where third quarter sublease space increased nearly 10-fold from a year ago. Sublease space at quarter-end totaled 545,000 square feet, a record amount, and accounted for 39% of all vacant space, also a record. The downtown vacancy rate finished Q3 at 5.3%, up 1.7 percentage points during the quarter, and up from 2.2% a year ago. Suburban office markets by comparison showed little change with vacancies up just 20 basis points (bps) during the quarter, and down by 40 bps for the year.



## Rental and Vacancy Rates

| Gross Rent* (Square Foot) | Vacancy Rate (09/31/2020)        | QoQ Change |
|---------------------------|----------------------------------|------------|
| \$66.02                   | Downtown Core   Class A 4.2%     | ▲ 1.4%     |
| \$46.76                   | Broadway Corridor   Class A 2.4% | ▼ 1.1%     |
| \$45.32                   | Vancouver City   Class A 3.5%    | ▲ 2.1%     |
| \$38.26                   | Burnaby   Class A 5.6%           | ▼ 0.4%     |
| \$34.55                   | Richmond   Class A 8.4%          | ▲ 0.6%     |
| \$35.14                   | Surrey   Class A 14.1%           | ◆ 0.0%     |
| \$38.95                   | North Shore   Class A 2.7%       | ▼ 1.7%     |
| \$38.69                   | New Westminister   Class A 4.1%  | ▲ 0.1%     |
| \$34.00                   | Tri-Cities**   Class A 0.5%      | ▼ 0.4%     |

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

## Recent Transactions (Q3 2020)

| Occupier                      | Size      | Submarket      | Type     | Address               |
|-------------------------------|-----------|----------------|----------|-----------------------|
| 1 B2Gold Corp                 | 45,169 SF | Downtown       | Sublease | 666 Burrard Street    |
| 2 Just Order Enterprises Corp | 20,000 SF | Burnaby        | Sublease | 9200 Glenlyon Parkway |
| 3 Real Council of B.C.        | 18,908 SF | Downtown Core  | Sublease | 750 W. Pender Street  |
| 4 FuseFX                      | 12,168 SF | Yaletown       | New      | 1040 Hamilton Street  |
| 5 BTY Group                   | 8,865 SF  | Mount Pleasant | New      | 30 E. 6th Avenue      |

## Occupier's Perspective

Many businesses continue to have a high percentage of employees working from home with most reporting daily occupancy at just 20%.

For many decision makers a version of workplace triage has given way to some degree of longterm planning, but for most the "new paradigm is still unknowable."

Even as many office occupiers have adopted an aggressive WFH strategy, the notion that every company needs somewhere to call "home" is a developing truism.

## Market Trends



While office space demand was clearly in reverse through most of the summer, September and October saw a degree of stability return most notably in the suburbs, although the trend was far from clear.

Propelled by a surge in sublease space, downtown vacancies more than doubled in the last year, rising from 2.2% a year ago to finish the third quarter at 5.3%.

The trend in office rents is clearly down, but the velocity and scope is less decisive. Non-downtown markets are seeing less downward pressure, with the level of sublease space being a key determinant.