

Q2 Metro Vancouver

OFFICE
MARKET
REPORT

Q2 2021

A scenic view of the Vancouver skyline across a body of water, with a person on a bicycle in the foreground. The image is partially obscured by a large, stylized 'Q2 2021' graphic.

METRO VANCOUVER

Office Market Report | Q2 2021

QUARTERLY VACANCY RATES

Downtown

Q1 2021: 9.7%
Q2 2021: 10.3%

6.2%

Suburban

Q1 2021: 9.9%
Q2 2021: 8.9%

-10.1%

Vancouver Periphery

Q1 2021: 10.0%
Q2 2021: 10.8%

8.0%

YEARLY VACANCY RATES

Downtown

Q2 2020: 5.6%
Q2 2021: 10.3%

83.9%

Suburban

Q2 2020: 8.2%
Q2 2021: 8.9%

8.5%

Vancouver Periphery

Q2 2020: 6.2%
Q2 2021: 10.8%

74.2%

Welcome to our Q2 2021 Metro Vancouver Office Report.

Last quarter we wrote, “We are excited to write Q2 2021, as we believe by that time, all of our staff will be vaccinated, and for the first time in fifteen months, we can worry a little less.” And so it has come to fruition with 100% of our staff vaccinated and working on their second shots. British Columbia has entered Stage or Step 3 of BC’s Restart Plan, with over 75% of the population 12 years and up vaccinated with a single dose. Masks are recommended for those not fully vaccinated (you are fully vaccinated two weeks after the second dose), recreational travel has returned, and facilities are starting to open and return to normal. September 7th is the target date for Step 4, at which point, some eighteen months later, we will be back to business under a new norm, but as normal as we could have hoped. So enjoy your summer, and if you are an employer, it is time to set your employees up for returning to work expectations. Now is the time to set the table for the future and invite conversations. How do you see your firm returning

to work? What do you expect of your employees? What is in the best interest of the health of your business? Who can work remotely? Who do you expect to be in the office? During the past 18 months, some businesses have thrived, but many have struggled. Some employees have been more productive working remotely, and some have enjoyed working remotely but have been less effective. Some people will welcome returning to a pre-COVID work schedule, while others will be apprehensive. Now is the time to start the conversation, welcome feedback, and begin to transition back to normal. We believe, provided we do not have another spike in cases, we will see office occupancy rates increase at the end of the third quarter and then again in the first quarter of 2022.

For our third quarter report we suspect the Downtown population to have increased along with traffic.

	Spaces Added Q1 2021	Spaces Added Q2 2021	% Change from Previous Quarter	Total Area of Space Added (SF)	# Spaces Leased Q1 2021	# Spaces Leased Q2 2021	Total Area of Space Leased (SF)	# of Spaces Removed Q1 2021
Downtown	224	224	0.0%	1,056,948	121	144	358,913	59
Suburban	135	84	-37.8%	349,370	69	79	288,196	36
Vancouver Periphery	63	43	-31.8%	479,147	29	21	61,678	24

Statistics provided by Altus Insite

DOWNTOWN

Snapshot

Market	Average Size of Space Added (SF)	Average Size of Space Leased (SF)
Downtown	4,719	2,492
Suburban	4,159	3,648
Periphery	11,143	2,937

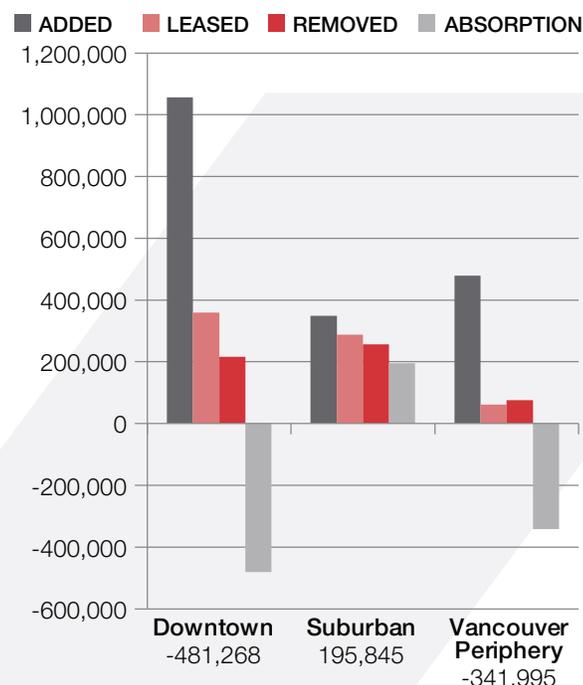
Office Class	Availability Rate Q1 2021	Availability Rate Q2 2021	Inventory Size (SF) Q1 2021	Inventory Size (SF) Q2 2021
A	8.20%	9.00%	15,960,956	15,988,673
B	10.80%	10.50%	6,917,751	6,986,058
C	15.10%	15.70%	3,483,003	3,424,303

For Q2, the Downtown vacancy rate increased again to 10.3% from 9.7% last quarter. We last saw a 10% plus vacancy rate in Q1 of 2016 when it hit 10.4%. In 2016 however, only three buildings totalling 463,572 SF were under construction, versus today, where Downtown has 12 buildings totalling 3,719,812 SF under construction and slated for delivery between now and 2024. With respect to vacancy rate per class, the A class vacancy increased to 9.0% from 8.0%, the B class vacancy decreased to 10.5% from 10.8%, and C class vacancy increased from 15.1% to 15.7%. A large number of spaces were added to the market in the quarter, with 224 spaces totalling 1,056,948 SF, while spaces leased increased from last quarter to 144, totalling 358,913 SF. The number of spaces removed from the market also increased, 81 spaces totalling 216,767 SF removed, for a negative absorption of 481,268 SF. The average size of space added to the market was 4,719 SF, while the average size leased was 2,492 SF. During COVID, we have reported more on sublease space. Last quarter 923,108 SF showed as available for sublease, making up 36.1% of the available space, while this quarter, availability fell to 802,135 SF and makes up 29.5% of available space. As firms return to work, we believe this number will continue to fall back to around 20%.

Downtown Significant Transactions

- ▶ *InvestX* leased 10,500 SF at 999 Canada Place
- ▶ *Pigeon Park Holdings* committed to 14,000 SF at 1 West Hastings Street
- ▶ *Klue Labs* subleased 10,000 SF at 777 Hornby Street
- ▶ *GHL Consultants* leased 9,500 SF at 700 West Pender Street
- ▶ *Osler, (Hoskin & Harcourt LLP)* leased 8,200 SF at 1021 West Hastings Street
- ▶ *Aris Gold* subleased 7,000 SF at 900 West Hastings Street
- ▶ *Workday* committed to 27,000 SF in 601 West Hastings Street

Q2 2021 Absorption



Total Absorption for Q2 2021: -627,418 SF

	# of Spaces Removed Q2 2021	Total Area of Spaces Removed (SF)	Total # of Spaces Removed	Total Area Taken Off Q1 2021 (SF)
Downtown	81	216,767	180	575,680
Suburban	24	257,019	105	545,215
Vancouver Periphery	17	75,474	53	137,152

SUBURBAN

Snapshot

The Suburban office market saw a decrease in vacancy rate after a slight increase last quarter, dropping to 8.9% from 9.9%. The class A vacancy decreased from 11.1% to 9.8%, while class B dropped modestly from 8.1% to 8.0%, and class C vacancy dropped from 6.3% to 5.3%. Fewer spaces were added to the market, with 84 spaces totalling 349,370 SF, while 79 spaces leased totalling 288,196 SF and 24 spaces removed equal to 257,019 SF for a total of 545,215 SF, resulting in positive absorption of 195,845 SF.

The average size of premises added to the market was 4,159 SF and 3,648 SF for space leased. Richmond saw the most significant decrease in vacancy, falling from 13.7% last quarter to 9.7%. New Westminster increased in vacancy from 3.8% to 5.8%, while all of the other markets fell slightly.

Office Class	# of Buildings	Inventory Size (SF)	Availability Rate	Total
All Classes	378	24,310,587		8.9%
A	178	15,196,460		9.8%
B	148	7,247,738		8.0%
C	52	1,866,389		5.3%

Area	# of Buildings	Inventory Size (SF)	Availability Rate	Total
Burnaby	122	10,091,437		8.2%
Langley	27	1,291,773		7.8%
New Westminster	23	1,439,942		5.7%
North Shore	46	2,178,461		7.8%
Richmond	82	4,612,721		9.7%
Surrey	66	4,102,933		11.7%
Tri-Cities	10	534,052		3.8%

Statistics provided by Altus Insite

AVERAGE SIZE

4,159 SF
Average Size of
Space Added

3,648 SF
Average Size of
Space Leased

Suburban Significant Transactions

- ▶ *Svante* committed to 120,000 SF at 8800 Glenlyon Parkway
- ▶ *Skybox Labs* subleased 21,000 SF at 2025 Willingdon Avenue
- ▶ *Earths Own* leased 11,000 SF at 4445 Lougheed Highway
- ▶ *Odlum Brown* leased 8,500 SF at 19933 88th Avenue
- ▶ *Phoenix Labs Canada ULC* expanded by 27,000 SF at 4321 Still Creek

VANCOUVER PERIPHERY

Snapshot 

The vacancy rate in the Periphery Market saw another slight increase in vacancy, increasing from 10.0% to 10.8%. The class A vacancy rate increased the most from 8.0% to 9.8%, while the B class decreased modestly from 10.6% to 10.30%, and the C class market increased slightly from 15.1% to 15.4%. The number of spaces added in the quarter decreased, but the total square footage was similar to last quarter, with 479,147 SF added. Only 21 spaces totalling 61,678 SF leased and 17 spaces totalling 75,474 SF removed for a negative absorption of 341,995 SF.

Office Class	# of Buildings	Inventory Size (SF)	Total Availability Rate
All Classes	178	10,020,898	10.8%
A	78	5,882,136	9.8%
B	58	2,561,966	10.3%
C	42	1,576,796	15.4%

Statistics provided by Altus Insite

Vancouver Periphery Significant Transactions

- ▶ *Mark Anthony Group* leased 38,000 SF at 565 Great Northern Way
- ▶ *Broadway Subway Contractors* leased 21,750 SF at 369 Terminal
- ▶ *Transportation Investment Corp* leased 8,800 SF at 575 West 8th Avenue
- ▶ *Notch Therapeutics* committed to 24,000 SF at 887 Great Northern Way

COVID LEASING

The data may not show it yet, but there is a sense of optimism in the market, a pick-up of leasing activity as people start to contemplate a return to business. Vancouver's office market so far has weathered the storm as well as any market in North America. The Vancouver office market remains healthy despite the lengthy shutdown and what has been an increasing vacancy rate. If you are a landlord, tenant engagement and messaging to your tenants as they return to the office is critical. While we tend to focus on leasing vacant space, tenant retention is still the easiest way to maintain a building's income and appeal. Your existing tenants are your best advocates for leasing in your portfolio. To those landlords who have engaged with us to review your current vacancies and your marketing program, we appreciate the opportunity to be of service.

As a tenant looking forward, trust what you have learned before COVID and during COVID, business is continuously changing, and your business is unique. Plan for your employees' return to work and what your future ideal office environment should be. Research the market well in advance of your lease expiry, and be hesitant about making drastic changes. We are happy to review the market and options with you to help determine what may make sense given your operations and your existing lease commitment. If you can get back to business and get a handle on how your business and occupancy may have changed, you can start a plan and path toward your future ideal office. NAI Commercial can be a free resource to help you understand the costs and benefits of a shift in your office that you may be contemplating. Whether you are renovating, renewing, leasing, or subleasing your premises, we can help you with the necessary research to put the numbers in place for your planning and decision-making. Give us a call.

NAI Commercial Office Team

NAI Commercial continues to expand our leasing team and we are always interested in speaking with experienced, like-minded professionals. We are also excited about our Langley office and the potential for growth it offers. If you work in the Surrey, Langley, Abbotsford, or the Fraser Valley, or know of someone who may be interested in joining our team working from the Langley office in conjunction with Downtown, I look forward to connecting with them.



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