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METRO VANCOUVER

Office Market Report

Q3 2024

METRO VANCOUVER OFFICE MARKET REPORT

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Welcome to the Q3 2024 Metro Vancouver Office Report

Since last quarter, the *Bank of Canada* has continued reducing the Bank Rate, bringing it down to 4.25% by early September. The next rate announcement is on October 23rd, with an anticipated further reduction to 4.00%.

At the same time, other pressures are influencing the market. While the return to the office remains gradual, more employees are returning at least part-time. *Amazon* has announced a full return to the office for employees starting January 2025, reflecting a broader trend of companies re-evaluating remote and hybrid work models (Source: *Amazon News*, 2024).

Politically, uncertainty at both the federal and provincial levels is contributing to a cautious business environment. Federally, the NDP's termination of its supply and confidence agreement with the Liberal government has prompted a non-confidence motion by the Conservatives, raising the possibility of an early election.

In British Columbia, the provincial election set for October 19th has intensified with Kevin Falcon of BC United suspending his campaign and encouraging his supporters to back the BC Conservatives and John Rustad. Investors are taking a wait-and-see approach, hoping for a more favorable business environment post-election.

One major election issue remains affordable housing. The Province has announced plans to add 25,000 new homes over the next five years. However, BC's ongoing population growth presents a much larger challenge.

As of January 2024, British Columbia's population was estimated at 5.5 million, and it is projected to reach 7.9 million by 2046, an increase of approximately 2.4 million people, or roughly 110,000 new residents per year (Source: *Statista*, 2024). In 2022 alone, BC saw an influx of 159,000 new migrants (Source: *Government of BC*, 2024). This continued growth is straining the province's housing market, with the current supply falling short of demand.

To maintain housing availability at current levels, BC would need to build at least 45,000 new dwellings annually. As of the 2021 census, BC had 2,041,835 occupied private dwellings for a population of 5.0 million (Source: *Statistics Canada*, 2021), meaning there are approximately 2.45 people per dwelling. To accommodate the projected population growth, significantly more housing units would be required each year to prevent further exacerbation of the housing crisis.

As long as Vancouver and BC remain attractive destinations for new residents due to the moderate climate and high quality of life, it is likely we will be facing a housing debate for years to come.

Now, moving on to the market report, this quarter saw a slowdown in activity and an increase in availability in the Downtown and Suburban markets, while the Periphery Market remained stable.

Sources:

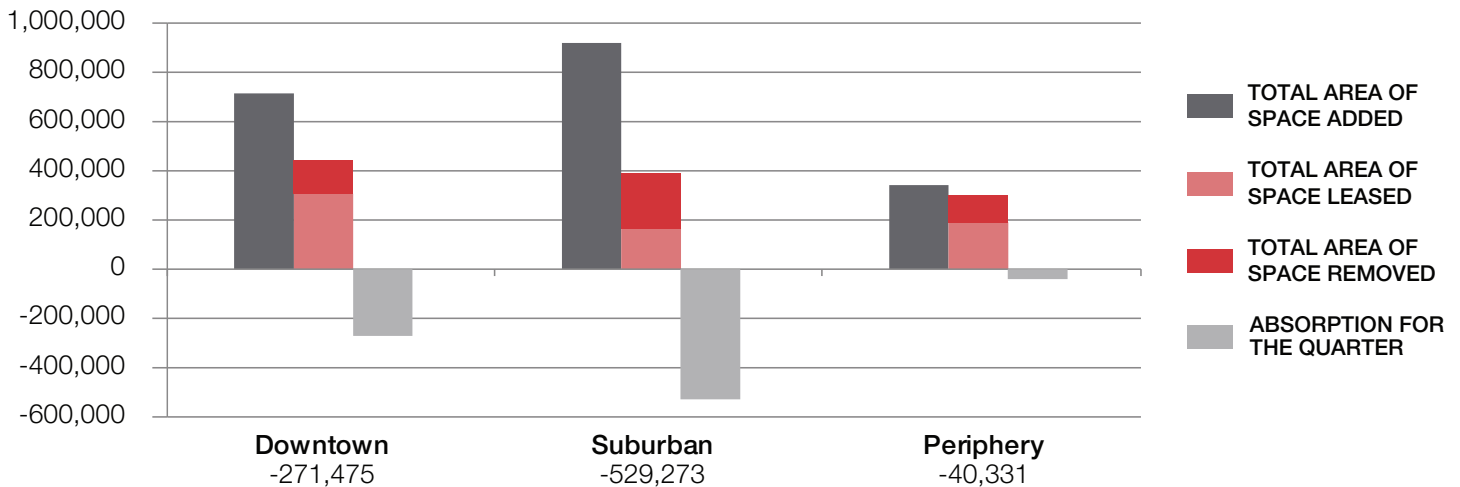
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Q3 2024 In Quarter Absorption



Net Absorption for the Quarter: -841,079 SF

Availability Rates

DOWNTOWN

Quarterly:

Q2 2024: 16.1%
Q3 2024: 16.7%

↑ 0.6%

Yearly:

Q3 2023: 16.1%
Q3 2024: 16.7%

↑ 0.6%

SUBURBAN

Quarterly:

Q2 2024: 8.1%
Q3 2024: 9.3%

↑ 1.2%

Yearly:

Q3 2023: 7.8%
Q3 2024: 9.3%

↑ 1.5%

PERIPHERY

Quarterly:

Q2 2024: 13.9%
Q3 2024: 13.9%

↔ 0.0%

Yearly:

Q3 2023: 11.4%
Q3 2024: 13.9%

↑ 2.5%

	Spaces Added Q2 2024	Spaces Added Q3 2024	% Change from Previous Quarter	Total Area of Space Added (SF)	# of Spaces Leased Q2 2024	# of Spaces Leased Q3 2024	Total Area of Space Leased (SF)	# of Spaces Removed Q2 2024	# of Spaces Removed Q3 2024	Total Area of Spaces Removed (SF)	Total # of Spaces Removed	Total Area Taken Off Q3 2024 (SF)
Downtown	189	134	-29.10%	714,514	140	99	306,282	21	5	136,757	104	443,039
Suburban	75	101	34.67%	919,431	63	50	165,410	20	44	224,748	94	390,158
Periphery	63	55	-12.70%	342,093	57	34	190,456	25	8	111,306	42	301,762
Subtotal	327	290		1,976,038	260	183	662,148	66	57	472,811	240	1,134,959

Statistics provided by Altus Group

Office Class	Total Availability Rate		Change from Last Quarter	Inventory Size (SF)	
	Q2 2024	Q3 2024		Q2 2024	Q3 2024
All Classes	16.1%	16.7%	↑ 0.6%	29,348,688	30,035,336
A	15.0%	15.0%	↔ 0.0%	19,043,167	19,674,237
B	15.7%	17.0%	↑ 1.3%	6,855,554	6,855,554
C	23.0%	26.0%	↑ 3.0%	3,449,967	3,505,545

The overall vacancy rate in Downtown increased to 16.7%, up from 16.1% in the previous quarter. This quarter saw the addition of 134 new spaces, totaling 714,514 square feet. Meanwhile, 99 spaces were leased, totaling 306,282 square feet, and 5 spaces, totaling 136,757 square feet, were removed from the market. This resulted in a negative absorption of 271,475 square feet.

The sublease market currently has 1,010,324 square feet available Downtown, representing 20.1% of total availabilities.

By class, the availability rates shifted as follows:

A Class: Decreased slightly to 15.0%

B Class: Increased from 15.7% to 17.0%

C Class: Increased from 23.0% to 26.0%

The A Class market represents 19,674,237 square feet, B Class totals 6,855,554 square feet, and C Class comprises 3,505,545 square feet.

Downtown Significant Transactions

- ▶ *Elk Valley Resources* leased 31,112 SF on the 27th and 28th floors of 595 Burrard Street
- ▶ *Waypoint Insurance* subleased 15,766 SF on the 27th floor at 733 Seymour Street
- ▶ *ICON Creative* leased 23,000 SF at Suite 200 & 300, 21 Water Street
- ▶ *AON* leased 23,532 SF at 1067 West Cordova Street
- ▶ *Woodbridge Homes* leased 5,000 SF on the 20th floor of 320 Granville Street
- ▶ *Motion Metrics* leased 10,648 SF at 1100-1140 West Pender Street
- ▶ *ZENDEN Meditation* leased 10,578 SF at 788 Beatty Street
- ▶ *Equitable Bank* leased 8,500 SF on the 14th floor, 601 West Hastings Street
- ▶ *Flight Centre* subleased 7,675 SF on the 16th floor of 555 West Hastings Street
- ▶ *Top Down Ventures* leased 8,300 SF being the 32nd floor of 1021 West Hastings Street
- ▶ *Lignum* expanded to 4,000 SF on the 17th floor of 999 West Hastings Street
- ▶ *ILSC Education Group* leased 20,000 SF at 1205 Melville Street

SUBURBAN

The Suburban market's overall availability rate rose to 9.3%, up from 8.1%. There were 101 new spaces added to the market, totaling 919,431 square feet, while 50 spaces were leased, totaling 165,410 square feet, and 44 spaces were removed, accounting for 224,748 square feet. This led to negative absorption of 529,273 square feet.

The Suburban sublease market comprises 721,374 square feet, making up 29.7% of total availability.

Availability rates by class:

A Class: 10.2%

B Class: 8.5%

C Class: 4.7%

Among individual markets:

Burnaby's availability increased from 8.9% to 11.9%, now representing the highest availability rate.

Richmond's availability rose slightly from 10.5% to 10.9%.

Langley's availability dropped to 4.8% from 6.6%.

New Westminster saw a significant drop from 9.4% to 5.4%.

Suburban Significant Transactions

- ▶ *Nintendo* leased 15,700 SF at Solo District, 4402 Skyline Drive, Burnaby
- ▶ *Richmond Archery* leased 9,000 SF at 6011 Westminster Highway, Richmond
- ▶ *Altea Health* subleased 10,798 SF on the 19th floor of 4710 Kingsway, Burnaby
- ▶ *MSK Physiotherapy, Keyence Canada* and *Good Sleep Health* separately leased a combined 8,626 SF at 4555 Kingsway on the 7th floor

Office Class	Total Availability Rate		Change from Last Quarter	Inventory Size (SF)	
	Q2 2024	Q3 2024		Q2 2024	Q3 2024
All Classes	8.1%	9.3%	↑ 1.2%	25,517,786	25,998,938
A	8.5%	10.2%	↑ 1.7%	16,367,339	16,811,717
B	8.3%	8.5%	↑ 0.2%	7,197,747	7,234,521
C	4.0%	4.7%	↑ 0.7%	1,952,700	1,952,700

Area	Total Availability Rate		Change from Last Quarter
	Q2 2024	Q3 2024	
Burnaby	8.9%	11.9%	↑ 3.0%
Langley	6.6%	4.8%	↓ 1.8%
New Westminster	9.4%	5.9%	↓ 3.5%
North Shore	3.0%	3.2%	↑ 0.2%
Richmond	10.5%	10.9%	↑ 0.4%
Surrey	7.2%	7.1%	↓ 0.1%
Tri-Cities	1.6%	9.3%	↑ 7.7%
Suburban	8.1%	9.3%	↑ 1.2%

VANCOUVER PERIPHERY

Office Class	# of Buildings	Total Availability Rate	Inventory Size (SF)	Inventory Size (SF)
	Q3 2024	Q3 2024	Q2 2024	Q3 2024
All Classes	187	13.9%	10,634,830	10,850,562
A	84	13.9%	6,245,823	6,413,179
B	62	14.6%	2,854,739	2,901,525
C	41	12.6%	1,534,268	1,535,858

Statistics provided by Altus Group

The Periphery market was active in terms of transactions, though the overall availability rate remained stable at 13.9%. This quarter saw the addition of 55 new spaces, totaling 342,093 square feet, while 34 spaces were leased, totaling 190,456 square feet. Additionally, 8 spaces were removed, totaling 111,306 square feet.

The Periphery market consists of 10,850,562 square feet and saw a reduction in sublease availability, dropping to 387,578 square feet from 532,537 square feet in the previous quarter, now representing 25.7% of the available area.

Availability by class:

A Class: Decreased from 16.1% to 13.9%

B Class: Increased significantly from 8.1% to 14.6%

C Class: Decreased from 13.9% to 12.6%

Vancouver Periphery Significant Transactions

- ▶ *adMare BioInnovations* leased 29,800 SF at 110 East 5th Avenue
- ▶ *HTEC* subleased 29,000 SF on the 4th floor of 2985 Virtual Way
- ▶ *Sanctuary AI* leased 32,000 SF at 285 West 5th Ave
- ▶ *Provincial Health Services Association* expanded by 17,000 SF on the 5th & 10th floors of 1333 W Broadway
- ▶ *Smallworks Studio* leased 6,246 SF at 1639 W 2nd Ave
- ▶ *Anytime Fitness* leased 9,778 SF at 2211 W 4th Ave

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NAI Commercial is pleased to welcome Hayden Elliott to the NAI Team as Vice President of Office Leasing. Hayden brings 25 years of experience in commercial real estate, successfully completing millions of square feet of transactions. His specializes in tenant representation and disposition.