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Media Release

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Editors/Reporters

· Please click here to view and download Avison Young's Mid-Year 2016 Metro Vancouver Office Market Report:
http://www.avisonyoung.com/fileDownloader.php?file=files/content-files/Offices/Vancouver/Research/2016/Vancouver_OMR_MY2016.pdf

Metro Vancouver office market remains strong and stable as active downtown core moderates rising suburban vacancy

Avison Young releases Mid-Year 2016 Metro Vancouver Office Market Report

Vancouver, BC -- Vacancy remained stable in Metro Vancouver's office leasing market at mid-year 2016. Weak demand and the delivery of vacant new buildings in the suburbs offset an active downtown market that recorded the second most first-half absorption in a decade. Vacancy in Metro Vancouver nudged up to 10.4% at mid-year 2016 from 10.3% a year earlier (and from 10% at year-end 2015). The biggest change was in the form of the divergent paths taken by the region's urban and suburban submarkets. Although the region recorded 639,194 sf of absorption in the first half of 2016 – with almost 90% of that absorption registered in the Downtown and Surrey submarkets – the performances of Metro Vancouver's other suburban and intra-urban markets, such as Yaletown and Vancouver-Broadway, revealed their transitory states in what was otherwise a relatively active first half.

As the most recent development cycle came to a close in the first half of 2016, the impact of the delivery of more than 3.7 million square feet (msf) of new inventory regionally in the past 36 months has become more apparent with new office buildings sprouting up in non-traditional locations. While overall regional vacancy is the highest it has been since year-end 2004, Metro Vancouver's office market remained largely active with select pockets of weakness that have yet to overshadow its strong overall fundamentals.

These are some of the key trends noted in **Avison Young's *Mid-Year 2016 Metro Vancouver Office Market Report***, released today. The semi-annual survey covers vacancy, absorption and new construction trends in the Downtown, Yaletown, Broadway, Burnaby, Richmond, Surrey, New Westminster and North Shore submarkets, which total 50 million square feet (msf) of office space.

According to Avison Young Principal **Glenn Gardner**, who specializes in Downtown office leasing, the decline in downtown vacancy from 9.8% to 7.8% in the past year is partly attributable to tenants now occupying the new office inventory that has been delivered into the market.

"Although there were a few relocations, the submarket remained active primarily due to a significant number of renewals," comments Gardner. "Although we have seen a reduction in the vacancy, the market is still very healthy for both tenants and landlords. Options are available in the market for tenants to consider while landlords have alternatives available for expanding or relocating tenants."

He adds: "The Downtown market is fairly balanced and while there was no preleasing activity in the first half of 2016, developers are preparing for the next round of new developments. Vacant and available large blocks of space – greater than 25,000 contiguous sf – remain limited but are more plentiful than they were at mid-year 2015."

Overall suburban vacancy rose to 12.1% at mid-year 2016 from 10.9% at mid-year 2015. The increase in suburban vacancy came in large part from the delivery of vacant new product in the Vancouver-Broadway submarket as well as rising vacancy in Yaletown.

"Suburban markets registered moderate but stable leasing activity in the first half of 2016," states **Michael Keenan**, Avison Young Principal and Managing Director of the company's Vancouver office. "Despite tightening vacancy in many submarkets, the addition of new vacant product in the Broadway submarket greatly impacted the overall suburban vacancy rate. While I don't believe this vacancy will remain an issue moving forward, it does highlight that tenants are still adjusting to the wider range of options and locations available not only Downtown, but also throughout Vancouver and the Metro region."

He adds: "With an overall vacancy rate of 10.4%, the Metro Vancouver region remains balanced and the stage set for the next round of development to proceed in a responsible and methodical fashion. We do not believe the softening noted in a couple of select submarkets as indicative of overall market performance as they are primarily attributed to localized and likely temporary circumstances."

Another 772,690 sf of new office space is scheduled for delivery Downtown by mid-2019 and more than 1.2 msf in the rest of Metro Vancouver by the end of 2018. Hence, in the next 36 months, slightly less than 2 msf is expected to come online. In the past 36 months, more than 3.7 msf was delivered. The dynamics of Metro Vancouver's office market are not the same as in 2013 as millions of square feet of new supply and class AAA and A options throughout the region have been added in the past three years, but further dramatic change is unlikely in the next three years. While the overestimation of future tenant demand and rising land and construction costs remain as risks, the recent and mostly successful expansion of the region's office market marks a distinct departure from previous development cycles. This cycle has laid the groundwork for a more regional approach to office development in Metro Vancouver in the 21st century, according to the report.

On page 15 of the report, Avison Young talks to two local tech companies about how they are facing housing affordability challenges head on when it comes to expansion plans and employee attraction and retention strategies.

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