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**Editors/Reporters**

· Please click on link to view and download Avison Young's Year-End 2016 Metro Vancouver Office Market Report:

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**Metro Vancouver, BC office market motors on  
as vacancy tightens amid strong regional absorption**

***Avison Young releases Year-End 2016 Metro Vancouver Office Market Report***

**Vancouver, BC** - Strong fundamentals in the Metro Vancouver, BC office market continue to drive declining vacancy and healthy absorption levels as businesses rapidly lease up new developments and tenants take advantage of the opportunities available to backfill quality space in core regional submarkets. Metro Vancouver vacancy slipped to 9.7% at year-end 2016, the lowest vacancy since year-end 2014, and down from 10% a year earlier. Positive annual absorption of 849,868 sf in 2016 was the second-most annual absorption recorded since 2007 and followed 1.3 msf-plus of absorption registered in 2015. Virtually all new supply delivered since 2015 has been occupied or will be primarily occupied by the first half of 2017. With select exceptions, concerns that vacancy would spike in older class A, B and C properties as companies moved into new developments have not been realized.

These are some of the key trends noted in **Avison Young's Year-End 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 Westminister and North Shore submarkets, which total 50 million square feet (msf) of office space.

Leasing activity in the Downtown, Burnaby and Surrey submarkets was responsible for virtually all annual absorption recorded regionwide in 2016. For the urban submarket of Yaletown, which recorded the most negative annual absorption since 2009, 2016 was defined by volatility as tenant churn pushed vacancy to its highest point in seven years. However, elevated vacancy and negative absorption will be short-lived as the Yaletown submarket is forecast to record significant positive absorption and a corresponding sharp decline in vacancy in 2017.

Similar can be said for the Vancouver-Broadway submarket, where the delivery of two, large, vacant new projects spiked vacancy in 2016, and a lack of options and the subsequent lag on

deal velocity resulted in lacklustre absorption. Both projects – Renfrew Centre and Marine Gateway – have since been substantially leased and will be occupied in 2017. Vacancy is anticipated to decline markedly and a corresponding surge in absorption will significantly alter the submarket in 2017.

According to Avison Young Principal **Brian Pearson**, who specializes in Downtown Vancouver office leasing, the decline in Downtown vacancy to 7.2% from 9.3% year-over-year has demonstrated that the market remains resilient and deal flow reasonable.

“There was no meaningful movement in rental rates in 2016 and they should remain fairly stable in 2017, although further decreases in the vacancy rate may apply modest upward pressure to net effective rates,” comments Pearson. “The outlook for the Downtown core is fairly stable although delivery of the Exchange in late 2017 could add substantial vacant and available inventory to the market.”

He continues: “Developers and landlords will be actively preparing in 2017 for the next development cycle, which should be characterized by a stable, balanced Downtown market with reasonable transaction volume and moderate absorption.”

Overall suburban vacancy rose to 12.1% at year-end 2016 from 11.1% at year-end 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 heightened vacancy in Yaletown.

“Suburban markets registered moderate but steady leasing activity in 2016,” states **Josh Sookero**, a Principal of Avison Young who is based in Vancouver and specializes in suburban office leasing and sales. “Most suburban submarkets will also record improvements in 2017 after a mostly stable 2016. Burnaby recorded the second-most absorption in the region in 2016, with vacancy declining to its lowest point since the delivery of Metrotower III.”

He adds: “Absorption in Surrey is forecast to remain positive although significantly less than what was recorded in 2016. Leasing activity in the back half of 2016 should result in tenants occupying space in the first half of 2017. Vacancy is likely to decline slightly in 2017 as a brief pause in the delivery of new supply after Gateway Place is completed will allow tenants time to digest the wide range of options – new and old – available in Surrey.”

Construction activity levels remained muted in 2016 compared with the past five years as the most recent development cycle comes to a conclusion. Three new developments totalling 468,860 sf are set for delivery Downtown in 2017. The vast majority of the space is located in the Exchange, which has 362,000 sf of office space and was 90% available at year-end 2016. Four new projects totalling 221,750 sf are scheduled for completion in Vancouver-Broadway, while 106,000 sf of new supply is forecast to be built in Surrey. Overall, almost 800,000 sf of new construction is planned for delivery in Metro Vancouver in 2017. No new supply is planned for Yaletown, Burnaby, Richmond or New Westminster in 2017.

Metro Vancouver’s office market is forecasted to remain strong and vibrant in 2017 with vacancy continuing to tighten and annual regional absorption likely to surpass the 850,000 sf recorded in 2016. Pressure will build for developers, particularly those with sites in the Downtown core, to position their new offerings in the next development cycle with deliveries likely starting in 2020/21. Developers are already signalling their intention to break ground Downtown in 2017, while others continue to work their way through the development permit and rezoning processes in preparation

for launching the next wave of development. Despite the high degree of global uncertainty introduced by the new U.S. administration, the potential of an upward swing in energy prices, and a resurgence in commodities pricing combined with American firms staffing up existing offices in Metro Vancouver (or opening offices in the region due to controversial immigration regulations south of the border), the Metro Vancouver office market is uniquely positioned to benefit in 2017 and beyond.

On page 15 of the report, Avison Young publishes its 2017 economic forecast for BC and Vancouver.

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