



# Metro Vancouver Office Market Report Mid-Year 2010

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Vacancy rate June 30, 2010: **8.3%**  
 Vacancy rate December 31, 2009: **7.8%**



## Metro Vancouver office leasing market continues to strengthen at steady pace

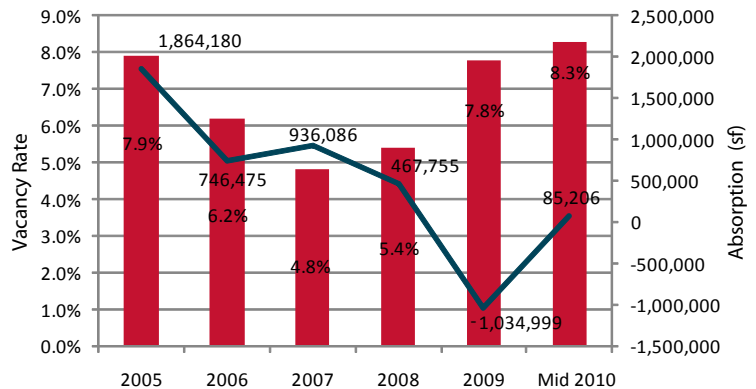
Continuing a trend that began in the latter half of 2009, the Metro Vancouver office leasing market continues to show signs of improvement. While the economic downturn and tumultuous credit markets stifled demand for office space 18 months ago, boosting sublease offerings in all eight submarkets and delaying some new construction projects, the story is different today. With the worst of the credit debacle and crisis of confidence behind us, and the feared post-Olympics hangover never materializing, business is moving forward at a normalized pace. Leasing activity is steady, business confidence is up, developer confidence has improved, the volume of sublease space continues to decrease and, at least in the Downtown market, rental rates are trending upward.

But the market continues to be a tale of two cities. Vacancy in the Downtown core, Yaletown and Broadway submarkets remains tight with signs that those markets will continue to strengthen. Rental rates are slowly trending back up, especially for class A and AAA

spaces due to increasing demand from tenants, minimal large-block opportunities and the limited supply of new quality product. Meanwhile, vacancy rates in two major suburban markets, Burnaby and Richmond, have returned to historical high levels, which have contributed to the softening of rental rates over the past 12 months. As tenants have a variety of space options from which to choose, suburban landlords competing for tenants may have to be more creative, such as by offering higher-than-typical inducements. Some growing Downtown tenants may also begin to explore suburban office space alternatives.

Despite the very encouraging signs in the market, the region's vacancy rate continued its upward trek during the first half of 2010. *continued on back cover...*

### Metro Vancouver - Vacancy and Absorption Trends



### Vacancy Summary (Mid-Year 2010)

District	Inventory (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Vacancy Rate (%)	6 Months Absorption (sf)
Downtown	19,458,887	845,495	151,853	997,348	5.1%	67,974
Yaletown	2,346,988	132,248	3,572	135,820	5.8%	166,173
Broadway	5,895,959	281,893	46,139	328,032	5.6%	-19,620
Burnaby	8,944,473	1,058,443	119,244	1,177,687	13.2%	-138,699
Richmond	3,540,206	608,105	155,374	763,479	21.6%	-38,147
Surrey	2,407,815	117,909	5,035	122,944	5.1%	22,937
New Westminster	1,587,319	138,164	8,600	146,764	9.2%	22,663
North Shore	1,786,670	119,376	21,364	140,740	7.9%	1,925
<b>TOTAL</b>	<b>45,968,317</b>	<b>3,301,633</b>	<b>511,181</b>	<b>3,812,814</b>	<b>8.3%</b>	<b>85,206</b>

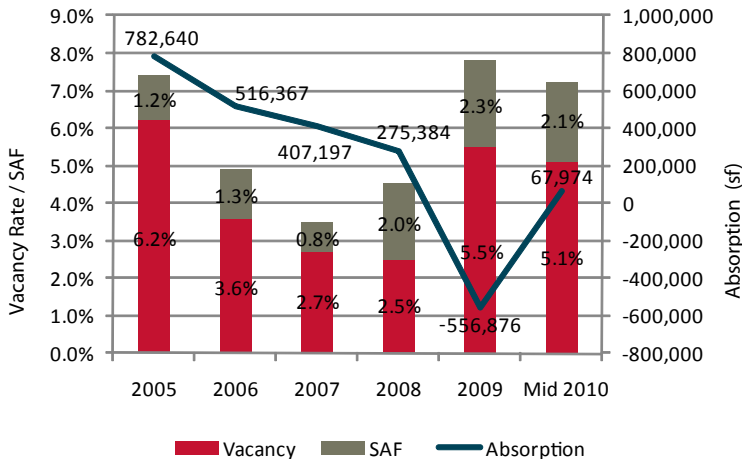
## Vacancy Trends

The Downtown market continues to show signs of improving business confidence. After experiencing significant increases in vacancy between year-end 2008 and year-end 2009 amid the global economic downturn, the Downtown core's vacancy rate dropped back down to 5.1% at mid-year 2010 from 5.5% at year-end 2009, primarily due to strong positive absorption in class A space. Engineering, legal and financial services firms have contributed to much of the recent activity. Downtown vacancy, which resided in the 2.5% range between mid-year 2007 and year-end 2008, doubled to 5% at mid-year 2009 and increased slightly to 5.5% at year-end 2009 as the market began to emerge from the recession. Vacant head lease space, which experienced a 158% increase between year-end 2008 and year-end 2009, rising from 293,109 sf to 757,604 sf, increased modestly to 845,495 sf at mid-year 2010.

The pace at which sublease space is being delivered to the market is also abating. Vacant sublease space fell by 50% to 151,853 sf at mid-year 2010 from 307,718 sf at year-end 2009. Vacant sublease space is also now only one-third of the 460,158 sf recorded at mid-year 2009, which at that time was more than double the 188,472 sf registered at year-end 2008 and more than four times the 92,088 sf vacant at mid-year 2008.

With most of the sublease vacancies now absorbed, sublease space no longer leads the market. In fact, vacant sublease premises now represent only 15% of Downtown's total vacancy (versus 29% at year-end 2009, 47% at mid-year 2009, and 39% at year-end 2008) and is more in line with the 19% posted at mid-year 2008. Half of the current sublease space exists in class B buildings.

## Vacancy with Space Availability Factor (SAF) and Absorption:



Overall, with 997,348 sf of its 19.5 msf in inventory vacant, and few large-block (> 25,000 sf) leasing opportunities, the Downtown core remains tight. Class A space also tightened further at mid-year 2010 to 2.1% (or 137,229 sf) from 3.5% at year-end 2009. Available supply appears to be transitioning from the higher end of the market (class AAA and A buildings) to the lower end. Class C space currently retains the highest vacancy at 11.5%, up from 8.6% at year-end 2009. It was the only class of space that saw its vacancy rate rise over the six-month period.

Deal activity during the first half of 2010 was consistent with that of the latter half of 2009. Fifteen transactions involving space greater than 10,000 sf completed (totaling 487,917 sf) although the figure is skewed by **Public Works and Government Services Canada's** renewal at 1166 West Pender Street for 140,000 sf. Eight of the recent large deals were renewals.



**Aquilini Development and Construction** plans to break ground at year-end 2010 on its 236,000-sf office/retail building at 800 Griffiths Way. Targeted delivery date is 2013.

## Absorption Trends

The Downtown core witnessed positive absorption during the first half of 2010, with tenants occupying 67,974 sf more space than they left behind between January 1 and June 30, 2010. This is in contrast to the negative 69,100 sf recorded in the last six months of 2009, which resulted in a 2009 annual absorption of negative 556,876 sf. Class A buildings showed the strongest absorption in the first half of 2010 at 95,557 sf followed by class AAA space at 34,455 sf. The latter is mainly attributed to **Mackenzie Financial** occupying 21,562 sf in **Waterfront Centre** (200 Burrard Street). Both these classes witnessed negative absorption in 2009. The recent overall positive absorption is attributed to numerous smaller tenancies moving into class AAA, A and B premises.

## Notable Lease Deals Mid-Year 2010

Tenant	Building	Sf
PWGSC (renewal)	1166 West Pender Street	140,000
Legal Services Society (renewal)	510 Burrard Street	46,600
Hunter Dickinson Services Inc.	Grosvenor Building	42,788
Providence Health Care (renewal)	1190 Hornby Street	38,712
Insurance Corporation of British Columbia	885 Dunsmuir Street	34,000
MMM Group	1045 Howe Street	33,000
Harris & Company LLP (renewal)	Bentall V	26,698
Vancouver Institute of Media Arts Ltd.	570 Dunsmuir Street	22,000
Baja Mining Corp.	Waterfront Centre	19,555
Livingston International Inc. (renewal)	1140 West Pender Street	17,300
Sauder Industries (renewal)	Bentall IV	16,963
Acciona Infrastructures	Bentall III	15,801
Edwards, Kenny & Bray LLP (renewal)	Grosvenor Building	13,500
Invesco Trimark (renewal)	HSBC Building	11,000
Diamonds North Resources Ltd.	1111 Melville Street	10,000

Moreover, while at least three of the Downtown classes of space registered negative absorption at year-end 2009, mid-year 2009 and year-end 2008, the reverse was true at mid-year 2010, with three of the building classes posting positive absorption. Only class C space witnessed a negative net change in occupied space (-77,065 sf) during the first six months of 2010.

A number of notable tenant relocations will occur in the second half of 2010, including **Fraser Milner Casgrain LLP** moving into 52,000 sf at **PricewaterhouseCoopers Place** (250 Howe Street), **Haywood Securities** occupying 35,000 sf at Waterfront Centre, and **MMM Group** absorbing 33,000 sf at 1045 Howe Street.

### Space Availability Factor (SAF)

The space availability factor, or SAF (which refers to head lease or sublease space that is being marketed but is not physically vacant, or new supply that is nearing completion and available for lease) dipped slightly to 2.1% (or 416,654 sf) from 2.3% at year-end 2009. Translation: the actual amount of space currently available (occupied and vacant) in the Downtown core is 7.2% or 1.4 msf.

### New Construction

Construction crews have now reached the 21st floor of the **Delta Group's The Offices at Hotel Georgia** development (669 Howe Street). The 71,500-sf office component will come on stream in fall 2010 with the remainder of the 48-storey mixed-use tower to complete 18 months later. Meanwhile, **Bosa Properties** is now pouring forms for the 30th floor at **Jameson House** (838 West Hastings Street). Slated for completion in spring 2011, the 37-storey mixed-use tower will comprise a 60,000-sf office component, half of which has already been sold to **Washington Marine Group**.

In other development news, **Bentall Capital** says development approval is imminent for its proposed 420,000-sf office tower at 745 Thurlow Street, which would include two to three floors of retail. Bentall pegs 2012 as the earliest construction start date for turnover in 2015. A sign of improved developer confidence, **Aquilini Development and Construction** has



**Avison Young** advised **Tonko Realty Advisors**, the landlord, on the 140,000-sf lease renewal for the **Government of Canada** at 1166 West Pender Street.

announced it is re-launching its plans to build a 22-storey, 236,000-sf retail/office building at 800 Griffiths Way, linking directly to **Rogers Arena** (formerly known as **General Motors Place**). The company has not yet submitted for a development permit but says it expects ground to break by year-end 2010 for completion in 2013. Further west, **Oxford Properties** is proposing to build a mixed-use office tower on the former **University Club** site beside the **Marine Building** on West Hastings Street. Oxford says it is in the early stages of planning and has yet to receive density approval. The current "as-of-right" density is 120,000 sf, which would allow for 15 storeys.

### Market Forecast

The Downtown core is expected to continue tightening over the next six to 12 months and may see its vacancy rate drop by 50% due to incremental expansions within the existing tenant base and the limited amount of new supply under construction. While a decreasing vacancy rate will enhance landlords' negotiating leverage, net effective rents for unimproved space are expected to hold steady in the near term. Given the diminishing supply and few large blocks of contiguous supply, a new challenge is emerging for landlords and tenants – providing/securing sufficient expansion premises. As a result, the market may begin to see traditional downtown tenants explore suburban office space alternatives for some portion, or all, of their tenancy.

Developer	Building	Sf	Completion
Delta Group	The Offices at Hotel Georgia, 669 Howe Street	71,500 (office component)	Fall 2010 for office component
Bosa Properties	Jameson House, 838 West Hastings	60,000 (office component)	Spring 2011
Aquilini Development and Construction	800 Griffiths Way	236,000 office/retail	2013
Bentall Capital	745 Thurlow Street	420,000 (office/retail)	Planning
Oxford Properties	former University Club site	TBD	Proposed

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Months Absorption (sf)	SAF (sf)	SAF (%)	Average Net Rental Rate (psf)	Gross Occupancy Cost (psf)
AAA	4,348,094	200,213	15,459	215,672	5.0%	34,455	42,745	1.0%	\$28 - \$44	\$48 - \$64
A	6,686,228	100,132	37,097	137,229	2.1%	95,557	199,632	3.0%	\$20 - \$34	\$38 - \$52
B	5,769,649	261,415	77,728	339,143	5.9%	15,027	135,067	2.3%	\$16 - \$30	\$32 - \$46
C	2,654,916	283,735	21,569	305,304	11.5%	-77,065	39,210	1.5%	\$14 - \$26	\$28 - \$40
<b>Total</b>	<b>19,458,887</b>	<b>845,495</b>	<b>151,853</b>	<b>997,348</b>	<b>5.1%</b>	<b>67,974</b>	<b>416,654</b>	<b>2.1%</b>	-	-

### Vacancy Trends

The Yaletown submarket's vacancy rate dropped in half from 12.1% at year-end 2009 to 5.8% (or 135,820 sf) at mid-year 2010. The main reason for the decrease in vacancy over the last six months is the absorption of large blocks of space, namely **Sandwell Engineering** occupying 94,108 sf at 855 Homer Street, **Microsoft Canada** occupying its 37,096-sf premises at 840 Cambie Street, **Imageworks Animation** moving into 17,399 sf at 1128 Homer Street, and **Camp Fiorente Matthews** occupying its 9,302-sf premises at 856 Homer Street. The space availability factor (SAF) remained relatively unchanged at mid-year 2010 at 0.7% (or 15,483 sf).

Vacant sublease space, which jumped from 9,823 sf at mid-year 2008 to 135,635 at year-end 2009, has become a non-issue with only one small physically vacant sublease space now available.

Overall, activity has increased over the last few months, albeit at a slower pace than in past years. Few large-block opportunities exist in Yaletown – the largest being 20,246 sf on the second floor at 825 Homer Street (The Atelier), plus a few full-floor opportunities at 990 Homer Street. Each floor comprises 8,200 sf but floors four and five offer approximately 16,000 sf of contiguous area. A full floor is also available at 1071 Mainland Street (8,658 sf). Other large blocks of space aren't scheduled to come on stream until 2011, including 41,000 sf at 1132 Hamilton Street and 18,000 sf at **The Beasley** (888 Homer Street).



**Triple F Investment Corp's** 1132 Hamilton Street is now vacant while undergoing renovation and will not be available for lease until fall 2011.

### New Construction

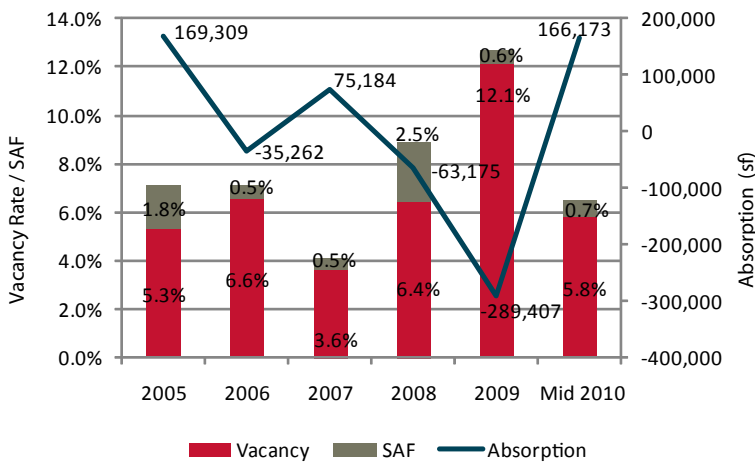
**Magellan Developments (20/20) Inc.** wrapped up construction details in June 2010 on its 212,000-sf mixed-use office/residential **Atelier on Robson** project (825 Homer Street), which added 20,246 sf of office vacancy to the market. Other than this new offering, less than 5,000 sf of class A office space is currently available. **Triple F Investment Corp.** has also just commenced construction on its 30,000-sf addition at 1132 Hamilton Street (where the existing 11,000 sf of office space and 9,000 sf of retail are also being upgraded). The building is now vacant and will not be available for lease until fall 2011.

A few blocks away, the hammers continue to swing at **Amacon's** The Beasley (888 Homer Street), with the parkade now at podium level. The 33-storey, 211,000-sf mixed-use residential/office/retail tower will include 18,000 sf of office premises when complete in the third quarter of 2011.

### Market Forecast

Activity is expected to continue increasing steadily over the next year, and as vacancy continues to tighten, fewer incentives are expected to be offered to tenants. While rental rates will generally hold steady, rents for quality product will likely trend upward.

### Vacancy with Space Availability Factor (SAF) and Absorption:



### Absorption Trends

The Yaletown submarket posted the region's strongest absorption level at mid-year 2010 at 166,173 sf. This is a vast improvement over the negative 172,800 sf of absorption witnessed during the last six months of 2009, which resulted in a 2009 annual absorption of negative 289,407 sf. All classes of space posted positive absorption during the first half of 2010, with class B buildings seeing the majority of the inbound activity.

Developer	Building	Sf	Completion
Magellen Developments (20/20) Inc.	Atelier on Robson, 825 Homer Street (office/residential)	20,246 (office component)	June 2010
Triple F Investment Corp.	1132 Hamilton Street	30,000 (addition)	Fall 2011
Amacon	The Beasley, 888 Homer Street (office/residential/retail)	18,000 (office component)	Q3 2011

### Notable Lease Deals Mid-Year 2010

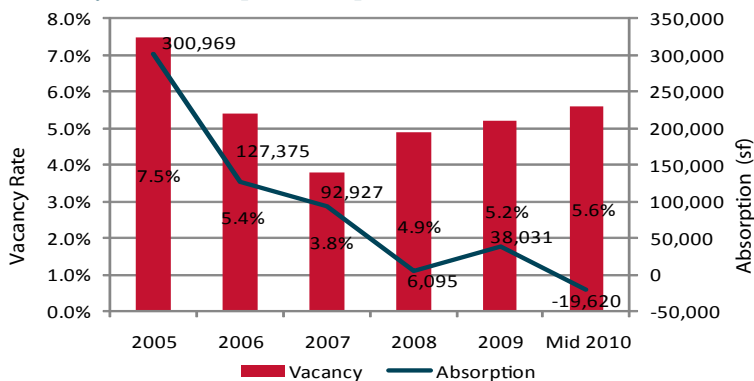
Tenant	Building	Sf
Microsoft Canada Development Centre	840 Cambie Street	37,096
Piranha Games (sublease)	948 Homer Street	11,500

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	SAF (sf)	SAF (%)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	405,388	25,179	0	25,179	6.2%	26,676	6,403	1.6%	\$28-\$32	\$38-\$44
B	1,332,082	76,221	3,572	79,793	6.0%	125,255	7,306	0.5%	\$23-\$27	\$33-\$39
C	609,518	30,848	0	30,848	5.1%	14,242	1,774	0.3%	\$19-\$22	\$29-\$34
<b>Total</b>	<b>2,346,988</b>	<b>132,248</b>	<b>3,572</b>	<b>135,820</b>	<b>5.8%</b>	<b>166,173</b>	<b>15,483</b>	<b>0.7%</b>	-	-

## Vacancy Trends

Negative absorption during the first half of 2010 nudged up the Broadway submarket's vacancy rate to 5.6% at mid-year 2010 from 5.2% at year-end 2009. Vacancy is down, however, from the 6.5% recorded at mid-year 2009. Most of the current empty premises exist in class A and B buildings. Broadway's vacancy rate has been residing in the 5% to 6.5% range since mid-year 2008, after hitting a low 3.7% in 2007. Vacant sublease space, which hit a near-record high of 108,369 sf at mid-year 2009, continues its downward trend, with only 46,139 sf vacant as of mid-year 2010, a 30% decrease from the 69,147 sf posted at year-end 2009. Class B product retains most of the current sublease space. Overall, deal velocity is slow in this submarket of 5.9 msf. With very few large blocks available, the submarket remains tight.

## Vacancy and Absorption Graph



## Absorption Trends

After posting positive annual absorption of 38,031 sf at year-end 2009 (the only submarket to witness a positive net change in occupied office space in 2009), Broadway absorption returned to the negative in the first half of 2010 as tenants vacated 19,620 sf more space than they took up. While this is comparable to the absorption level at mid-year 2009 and an improvement over the negative 68,235 sf registered at mid-year 2008, the current level is a far cry from the approximately 100,000 to 300,000 sf of positive absorption reported between 2005 and 2007.

Class B space was the only category to post negative absorption (-29,359 sf) at mid-year, and most of this is attributed to **Contemporary Security Canada** (a short-term Olympic requirement) vacating 26,000 sf at 333 Terminal Avenue. The **National Film Board of Canada** also left behind 10,600 sf at 1385 West



**Bentall Capital** has leased 78,000 sf to **Lululemon Athletica** at 1818 Cornwall Avenue, which is scheduled for future redevelopment commencing as early as mid 2013.

8th Avenue, a class A building, but there was enough inbound activity in other class A premises to counter the loss. Occupancies that contributed to positive absorption include **StemCell Technologies** occupying 13,300 sf of expansion space at 575 West 8th Avenue and **élan Data Makers** moving into 7,400 sf at 1060 West 8th Avenue.

## New Construction

Fixturing is now taking place at **Bentall Capital's Broadway Tech Centre Buildings 5 and 7**, each of which will add 79,000 sf to the Broadway statistics in the third quarter of 2010. In Building 5, a total of 61,000 sf has been pre-leased while Building 7 is 100% preleased to **BC Lottery Corp.** **Wesgroup** will also deliver 51,956 sf of office space to the market at 1699 East Broadway in the third quarter of 2010. **Vancouver Coastal Health** has preleased 36,740 sf of the 64,641-sf office/retail building.

Meanwhile, Bentall Capital has completed its parkade at **Broadway Tech Centre Building 4**. The 178,000-sf building is 100% preleased to **HSBC Bank Canada** and slated for completion in January 2012. Projects awaiting prelease commitment before turning the sod include **Rize Alliance Properties'** 428 Terminal Avenue (220,000 sf), **False Creek Business Park's** 306-320 Terminal Avenue (25,000 sf), and **Orca West Developments'** 538 West Broadway (120,000 sf).

Developer	Building	Sf	Completion
Bentall Capital	Broadway Tech Centre 7	79,000	Tenant currently fixturing
Bentall Capital	Broadway Tech Centre 5	79,000	Tenant currently fixturing
Wesgroup	1699 East Broadway	51,956	Q3 2010
Bentall Capital	Broadway Tech Centre 4	178,000	January 2012
Rize Alliance Properties	428 Terminal Avenue	220,000	Awaiting prelease commitment
False Creek Business Park Ltd.	306 to 320 Terminal Avenue	25,000	Awaiting prelease commitment
Orca West Developments	538 West Broadway	120,000	Awaiting prelease commitment

## Market Forecast

The Broadway submarket is expected to remain relatively unchanged through 2010, with face rates holding relatively steady, activity generally muted, and renewal activity increasing heading into 2011. Vacancy may notch up by year-end 2010 as new product comes on stream, accompanied by small pockets of uncommitted space.

Notable Lease Deals Mid-Year 2010		
Tenant	Building	Sf
Lululemon Athletica	1818 Cornwall Avenue	78,000
Stemcell Technologies (sublease)	575 West 8th Avenue	13,300
élan Data Makers	1060 West 8th Avenue	7,400
Mosaic Homes Ltd. (renewal)	2609 Granville Street	7,200

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	3,497,879	157,131	8,476	165,607	4.7%	7,065	\$24 - \$28	\$40 - \$44
B	1,897,382	94,043	37,663	131,706	6.9%	-29,359	\$19 - \$23	\$32 - \$36
C	500,698	30,719	0	30,719	6.1%	2,674	\$15 - \$18	\$26 - \$29
<b>Total</b>	<b>5,895,959</b>	<b>281,893</b>	<b>46,139</b>	<b>328,032</b>	<b>5.6%</b>	<b>-19,620</b>	-	-

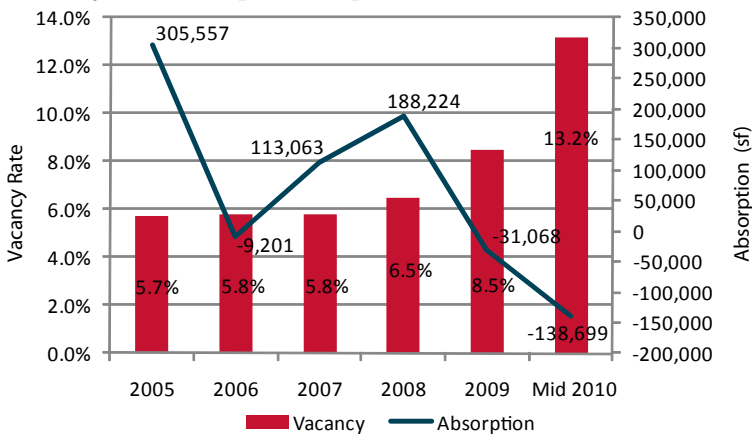
## Vacancy Trends

Newly-constructed (and primarily vacant) buildings entering inventory helped drive Burnaby's vacancy rate to a near-record high of 13.2% at mid-year 2010 from 8.5% at year-end 2009 and 7.5% at mid-year 2009. (The record high occurred in 2002 when vacancy reached 13.4%). The last time Burnaby's office vacancy rate hit double digits was 2004.

During the first half of 2010, **Appia Group** and **Tonko Realty Advisors** delivered 295,018 sf to the market, 80% of which is vacant. Combined with other vacancies, the total amount of vacant space increased by 449,876 sf since year-end 2009, bringing total vacant space in Burnaby to a record 1.1 msf. Most of the vacancy is in class A head lease space. 3700 Gilmore Way contributed to the vacancy increase, adding 91,000 sf when **Kodak** moved out in the second quarter of 2010 to consolidate in one of its other locations. 4321 Still Creek Drive and **Canada Way Business Park** also continue to offer large blocks of space. **IBM** will also be downsizing and leaving the majority of a building vacant at **Canada Way Business Park** in January 2011.

Nonetheless, the Burnaby market witnessed more deal velocity and activity in the first six months of 2010 than in all of 2009, with some companies considering expanding thanks to more optimistic economic conditions. Several large deals have also been completed, with tenants taking occupancy in the second half of 2010 or in 2011. Sublease space is minimal and not really a factor in the Burnaby marketplace at this time.

## Vacancy and Absorption Graph



## Absorption Trends

Following 53,057 sf of positive absorption at mid-year 2009, which brought 2009 annual absorption to negative 31,068 sf, the submarket recorded negative 138,699 sf of absorption during the first half of 2010. This represents the lowest mid-year absorption level since 2001. Most of the negative absorption occurred in class A buildings.

## New Construction

Appia Group has signed **Amec America** as its anchor tenant at **Commerce@Citi**, which came on stream in the first quarter of 2010. The engineering firm will move into its new 32,000-sf space in April 2011. The 110,000-sf building is

**Appia Group** has signed **Amec America** as its anchor tenant (32,000 sf) at **Commerce@Citi**, which came on stream in the first quarter of 2010.



now 60% leased. Meanwhile, Tonko Realty Advisors wrapped up construction on **Willingdon Business Park Phases 8 and 9** in the second quarter of 2010. The 92,509-sf buildings remain vacant. Given the vast amount of space in the Burnaby submarket, **Ivanhoe Cambridge** says it has decided to halt construction on its 400,000-sf **Metrotower III** until a major prelease commitment is in place. The parkade is now complete. Other projects are on the horizon: **Bosa Properties** is proposing a mixed-use office/retail/residential development on the northeast corner of Kingsway and Willingdon Avenue; and Appia Group is in the planning stages for a mixed-use project at Willingdon Avenue and Lougheed Highway. Blueprints for the latter call for a 200,000-sf office tower, three residential towers and a retail component.

Developer	Building	Sf	Completion
Appia Group	Commerce@Citi, 4445 Lougheed Highway	110,000	Q1 2010
Tonko Realty Advisors	Willingdon Business Park Phase 9, 4370 Still Creek Drive	92,509	Q2 2010
Tonko Realty Advisors	Willingdon Business Park Phase 8, 4350 Still Creek Drive	92,509	Q2 2010
Ivanhoe Cambridge	Metrotower III	400,000	Awaiting prelease commitment
Appia Group	Willingdon Avenue & Lougheed Highway	200,000	Planning
Bosa Properties	Northeast corner of Kingsway and Willingdon Avenue	mixed-use	Proposed

## Market Forecast

Large blocks of vacancy will continue to plague the market through 2010. Class A rents are anticipated to level out after consecutive quarters of decline. Tenants with good covenants have many options at attractive rates – and with larger tenant inducements than prior to the economic downturn.

Notable Lease Deals Mid-Year 2010		
Tenant	Building	Sf
AMEC	4445 Lougheed Highway	32,000
BC Hydro	4710 Kingsway	21,000
Tantalus Systems (renewal & expansion)	3480 Gilmore Way	20,500
Regus	4720 Kingsway	14,000
PWGSC	3480 Gilmore Way	11,000
Concord Security	4720 Kingsway	7,000

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	6,647,604	829,540	105,093	934,633	14.1%	-128,120	\$19 - \$28	\$29 - \$43
B	1,666,044	146,465	14,151	160,616	9.6%	-289	\$14 - \$18	\$24 - \$31
C	630,825	82,438	0	82,438	13.1%	-10,290	\$10 - \$14	\$20 - \$27
<b>Total</b>	<b>8,944,473</b>	<b>1,058,443</b>	<b>119,244</b>	<b>1,177,687</b>	<b>13.2%</b>	<b>-138,699</b>	-	-

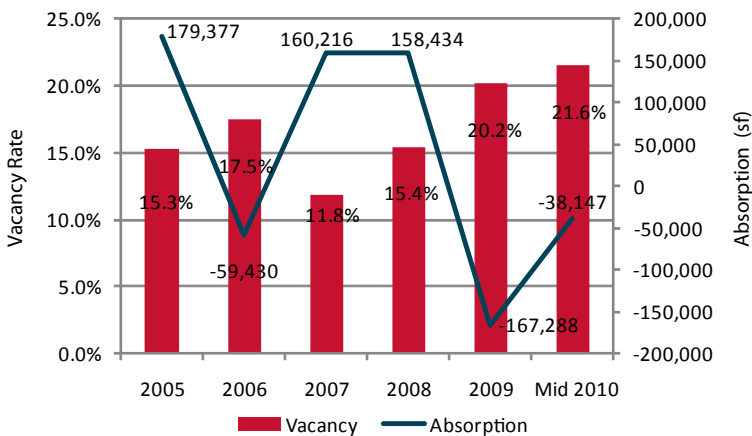
## Vacancy Trends

Richmond's office vacancy rate continued to climb during the first half of 2010, reaching a near-record high of 21.6% from 20.2% at year-end 2009 and 19.6% at mid-year 2009. (Vacancy peaked at 23.6% in 2003.) The current vacancy, the highest amongst the eight submarkets, is primarily the result of tenants downsizing and moving out of the market. **Airport Executive Park #6** and **Riverside Business Centre**, both of which completed in 2008, also remain empty.

The submarket's vacancy, which has been in double-digit territory since 2002, has been trending upward since year-end 2007 when vacancy was 11.8%. Most of the current empty space is found in class A buildings (609,455 sf), although class C space has the highest vacancy rate at 30.7%.

Vacant sublease space also continues to rise, climbing steadily from 41,895 sf at mid-year 2008 to reach to 155,374 sf today, most of which is in class A premises. Some of the sublease space is considered "big block" vacancy, which is difficult to demise. Overall, tenants requiring 10,000 sf-plus currently have at least 20 options from which to choose. The submarket is witnessing limited leasing activity as there are very few sizable tenants currently active in the market.

## Vacancy and Absorption Graph



## Absorption Trends

Coming off a 2009 annual absorption of negative 167,288 sf, absorption remained negative during the first six months of 2010 with tenants leaving behind 38,147 sf more space than they took up. While this is an improvement over the negative 147,685 sf recorded at mid-year 2009, imminent departures – namely **BC Lottery Corp. (BCLC)** leaving behind 67,000 sf at **Airport Executive Park #6** when it moves to **Broadway Tech Centre 7** in fall 2010 – will further affect net outflow. Other contributors to the recent negative absorption include **Ventyx Software** downsizing by 30,000 sf at **Airport Executive Park (MDSI)**.



Only one floor remains vacant in the 90,000-sf **BCIT Aerospace Technology Building** as vacancy continues to rise in Richmond.

Other contributors to the recent negative absorption include **Ventyx Software** downsizing by 30,000 sf at **Airport Executive Park (MDSI)**.

## New Construction

No developers are scheduled to bring on any significant new supply in 2010 or 2011. However, three ambitious projects are in various planning stages. **Staburn and Ledcor**, in a joint venture development, are proposing an office/retail project at No. 6 Road and Steveston Highway. Currently in the design stage, a 300,000-sf office component could come on stream in late 2012. **YVR** is also proposing to build **Sea Island Business Park**, an office/hotel development at the **Templeton SkyTrain Station**. Artist renderings call for five buildings, 100,000 to 200,000 sf apiece, and possibly a hotel. Assuming the paper flies, the first building could turn over as early as 2012. Also on the radar is **Kingswood Properties'** proposed office/retail development at **Bridgeport SkyTrain Station**, which tentatively includes 161,743 sf of office space.

Developer	Building	Sf	Completion
Staburn and Ledcor	No. 6 Rd. and Steveston Hwy. (office/retail)	300,000 (office component)	Proposed (possibly late 2012)
YVR	Sea Island Business Park office/hotel at Templeton SkyTrain station	5 buildings (100,000 to 200,000 sf each)	Proposed (2012 for first building)
Kingswood Properties	Bridgeport SkyTrain station (office/retail)	161,743 (office component)	Proposed

## Market Forecast

Looking ahead, the Richmond office submarket faces numerous challenges. Vacancy is expected to notch up through 2010 with the departure of **BCLC** later in the year, the continued downsizing of **Microsoft**, and the departure of several smaller tenants. As a result, tenants will have an abundance of options with improvements in place. Unimproved space will be challenging to lease and landlords will need to be very creative to secure tenants. Rental rates may decline as landlords chase the limited number of tenants seeking space in the market.

## Notable Lease Deals Mid-Year 2010

Tenant	Building	Sf
Whitewater West Industries	6660 McMillan Way	28,270
Transport Canada	3600 Lysander Lane	20,000
Kids and Co	3851 Shell Road	4,945

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	2,427,299	458,411	151,044	609,455	25.1%	-30,947	\$14 - \$24	\$27 - \$35
B	912,433	88,190	4,330	92,520	10.1%	-10,411	\$10 - \$16	\$20 - \$26
C	200,474	61,504	0	61,504	30.7%	3,211	\$10 - \$14	\$17 - \$21
<b>Total</b>	<b>3,540,206</b>	<b>608,105</b>	<b>155,374</b>	<b>763,479</b>	<b>21.6%</b>	<b>-38,147</b>	-	-

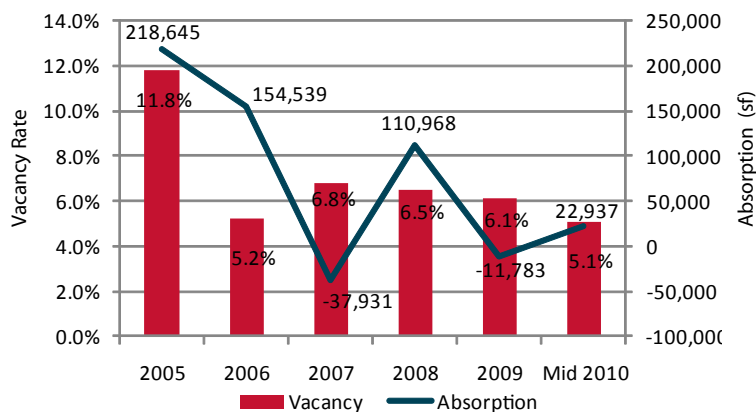
## Vacancy Trends

The Surrey office market remains tight. The submarket's vacancy rate dropped a full percentage point to 5.1% at mid-year 2010 from 6.1% at year-end 2009, and is down from 6.7% at mid-year 2009. The current vacancy is the lowest since mid-year 2007. As has been the case over the past two years, most of the empty space exists in class A space (currently with 80,451 sf vacant), although class C premises continue to record the highest vacancy rate (currently 9.7%).

Demand has remained fairly steady over the past 12 months, with minimal deal velocity and no large blocks of space available. Sublease space is also minimal. The current 5,035 sf of vacant sublease space, all of which exists in class A buildings, is up from the mere 517 sf registered at year-end 2009 but down from 7,554 sf at mid-year 2009.

(Note: 104th Avenue Centre at 104th Avenue and 142nd Street is not included in Avison Young statistics. The 260,000-sf building, originally designed to be a cultural centre and then marketed to large office users, has been vacant since completion in 2005.)

## Vacancy and Absorption Graph



## Absorption Trends

Absorption was positive in the first half of 2010 with tenants occupying 22,937 sf more space than they left behind between January 1 and June 30, 2010. (Annual absorption in 2009 was negative 11,783 sf.) Most of the recent positive absorption occurred in class B buildings. The most noteworthy occupancy during the first six months of 2010 was the federal government moving into 10,000 sf at **Surrey Central Business Park**.

## New Construction

No new office projects are slated to come on stream in 2010. However, two developers are planning to add to the office roster in 2011. **Panorama Park Investments** says shovels are poised to break ground in August 2010 on its 45,000-sf **Panorama Place Phase 3** (15240 Highway #10). May 2011 is pencilled in as the completion date. Additionally, **Benchmark Group of Companies** is targeting January 2011 to deliver its 112,500-sf **Benchmark Business Centre Phase 2** (Highway #10 and 152nd Street). No tenants are yet confirmed for either project.



**GE Capital Real Estate** is preleasing **Gateway Business Park**. Blueprints call for 500,000 square feet of office space in the campus-style development.

Meanwhile, **GE Capital Real Estate** is preleasing **Gateway Business Park** (13479 108th Avenue) at Gateway SkyTrain station. Working drawings call for 500,000 sf of office space over two buildings plus two 21-storey residential towers at 200,000 sf apiece. A private developer is also awaiting prelease commitment before bringing in construction crews at **Dean Centre II** (10161 153rd Street). At stake is a 100,000-sf addition to the city's office stock.

## Market Forecast

Looking ahead, the Surrey office market is expected to remain flat with rents increasing slightly through 2010. Transaction activity is anticipated to remain low due to the lack of available opportunities. Vacancy is forecast to dip modestly by year-end.

Developer	Building	Sf	Completion
Panorama Park Investments	Panorama Place Phase III, 15240 Highway #10,	45,000	May 2011
Benchmark Group of Companies	Benchmark Business Centre Phase 2, Highway #10 and 152nd Street	112,500	Q1 2011
GE Capital Real Estate	Gateway Business Park, 13479 108th Avenue	500,000	Awaiting prelease commitment
Private Developer	Dean Centre II, 10161 153rd Street	100,000	Awaiting prelease commitment

## Notable Lease Deals Mid-Year 2010

Tenant	Building	Sf
Fraser Health Authority	13450 102nd Avenue	134,000
PricewaterhouseCoopers	13450 102nd Avenue	17,328
A.R.E.S.	13401 108th Avenue	11,255
Solaris Management	5455 152nd Street	8,000

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	1,466,253	75,416	5,035	80,451	5.5%	3,914	\$23 - \$26	\$ 33 - \$36
B	796,612	28,456	0	28,456	3.6%	19,426	\$14 - \$17	\$22 - \$25
C	144,950	14,037	0	14,037	9.7%	-403	\$11 - \$13	\$19 - \$21
<b>Total</b>	<b>2,407,815</b>	<b>117,909</b>	<b>5,035</b>	<b>122,944</b>	<b>5.1%</b>	<b>22,937</b>	-	-

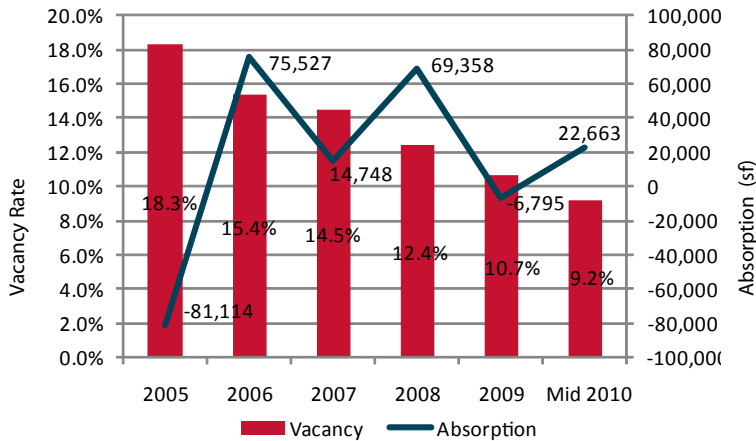
## Vacancy Trends

Steady demand and a lack of new product continue to push New Westminster's office vacancy rate downward. The submarket's vacancy level slid to 9.2% at mid-year 2010 from 10.7% at year-end 2009, 11.2% at mid-year 2009, and 12.4% at year-end 2008. This is only the second time (the first being mid-year 2007) since 2000 that the vacancy rate did not reach double digits. Most of the current empty space is in class B premises (79,686 sf vacant) where two of the submarket's three larger blocks of space exist. The amount of vacant sublease space has decreased by almost half to 8,600 sf from 15,895 sf six months ago and from 46,349 sf a year ago.

## Absorption Trends

Absorption returned to the positive during the first half of 2010. The net change in occupied office space between January 1 and June 30, 2010 was 22,663 sf versus negative 26,721 sf between July 1 and December 31, 2009 (which brought 2009 annual absorption to negative 6,795). Most of the recent positive absorption occurred in class B buildings due to a number of small occupancies.

## Vacancy and Absorption Graph



## New Construction

It's quiet on the construction front in New Westminster. As was the case in 2009, no new construction completions are planned for 2010. However, **Uptown Property Group** is ramping up plans to build **Queens Park West**, a 30,000-sf office building at 500 6th Avenue. Projected delivery date is fourth-quarter 2011. This will be New Westminster's first office project since the 42,000-sf addition to **Westminster Centre South** in 2008, also the work of Uptown Property Group. Meanwhile, **Wesgroup Properties** is proposing to develop the **Brewery District** (200 East Columbia Street). Phase one of Building Two would see 60,000 sf of strata office space come on stream in mid 2011 while drawings for phase two of Building One call for 260,000 sf of office and retail space, slated for completion in 2013.

Developer	Building	Sf	Completion
Uptown Property Group	Queens Park West, 500 6th Avenue	30,000	Q4 2011
Wesgroup Properties	The Brewery District, Building One Phase II, 200 East Columbia Street	260,000 (office/retail)	2013



The addition of **Uptown Property Group's** 30,000-sf **Queens Park West** (500 6th Avenue) in the fourth quarter of 2011 will be a welcome relief in the Uptown market.

## Market Forecast

Going forward, the New Westminster office submarket is expected to remain fairly flat, with vacancy declining by 1 to 1.5 percentage points by year-end 2010 due to continued positive absorption. Rents are anticipated to remain status quo through 2010. Relative to other markets, New Westminster is not overbuilt and there is a lack of quality options in the class A inventory, but the real issue is the lack of depth in the demand for space. The submarket is closely associated with Burnaby and is currently being affected by the abundance of options available in the neighbouring submarket. For class A space, the only way for New Westminster to compete is by undercutting the price of its real estate. Assuming Burnaby moves into a more balanced market over the next 12 to 18 months, New Westminster should have the opportunity to stabilize its pricing more quickly than Burnaby.

Notable Lease Deals Mid-Year 2010		
Tenant	Building	Sf
B.C. Construction Safety Alliance	625 Agnes Street	8,400
Probyn Group	601 Sixth Street	7,800

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sublease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Month Absorption (sf)	Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	847,886	46,548	8,600	55,148	6.5%	5,787	\$18 - \$24	\$30 - \$36
B	548,720	79,686	0	79,686	14.5%	10,663	\$13 - \$16	\$22 - \$25
C	190,713	11,930	0	11,930	6.3%	6,213	\$9 - \$12	\$17 - \$20
<b>Total</b>	<b>1,587,319</b>	<b>138,164</b>	<b>8,600</b>	<b>146,764</b>	<b>9.2%</b>	<b>22,663</b>	-	-

## Vacancy Trends

The North Shore's office vacancy rate held steady at mid-year 2010, dipping only 0.1 percentage points to 7.9% from 8.0% at year-end 2009. With only 140,740 sf vacant in a market of 1.79 msf, the North Shore office market remains tight with a dearth of quality product available and minimal new developments scheduled to come on stream in the foreseeable future. While the current vacancy rate is higher than the 3.4% recorded at mid-year 2008, it is a far cry from the double digits posted between 2002 and 2006. As of mid-year 2010, class C space boasted the lowest vacancy at 2.1%.

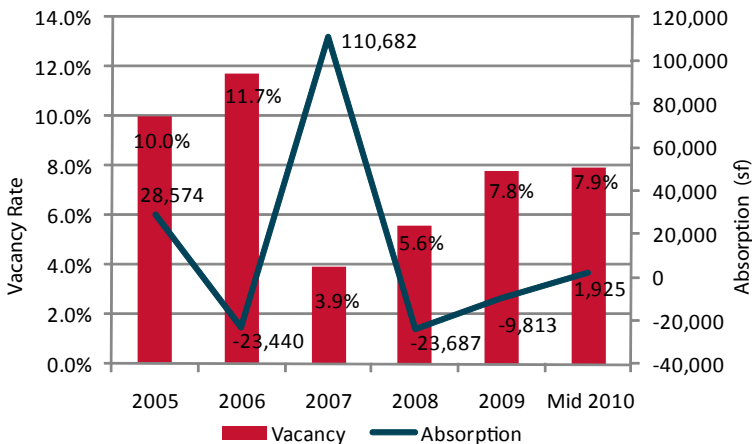
Vacant sublease space levels rose in the North Shore submarket during the first half of 2010, continuing a trend that began at mid-year 2008 when a negligible 314 sf of sublease space existed. The submarket currently offers 21,364 sf of vacant sublease space (primarily in class A buildings), up from approximately 14,000 sf in all of 2009 and 6,228 at year-end 2008. This is partly attributed to some users wanting to purchase space and, thus, putting their existing space on the market for sublease.

The current trend in the North Shore office market is the increase in demand from tenants seeking to purchase strata or stand-alone buildings. Demand to purchase or lease flex office/warehouse space to accommodate smaller private businesses is also on the rise. Overall, activity is picking up with the submarket witnessing more tour activity and smaller deals. Many tenants in older spaces continue to renew on a month-to-month basis while waiting for the perfect option to come along so that they can upgrade.

## Absorption Trends

Absorption was relatively flat in the first half of 2010 at 1,925 sf but an improvement over the negative 23,696 sf recorded at mid-year 2009. Most of the recent positive absorption occurred in class C premises, while a negative net change in occupied space in class A premises offset the positive net change in occupied space in class B buildings.

## Vacancy and Absorption Graph



**Citimark and Darwin Construction** are planning to break ground by year-end 2010 at **Dollarton Business Park Building C**, which will include 33,973 sf of strata office space.

## New Construction

**GWL Realty Advisors** (on behalf of **bclMC**) is awaiting prelease commitment before commencing on **NorthWoods Business Park** (2100 Dollarton Highway). Artist renderings call for 80,000 sf over two buildings to add to GWL's four existing flex buildings in the park. Meanwhile, **Concert Properties** says it continues to work through the municipal process for its proposed 801 Harbourside Drive, which is expected to form part of a master mixed-use community plan.

**Citimark and Darwin Construction** are also planning to bring in the construction machinery by year-end 2010 for **Dollarton Business Park Building C** (173 – 197 Dollarton Highway). The four-storey, 46,011-sf office/light industrial building will comprise 33,973 sf of strata office space. Targeted completion date is fall 2011.

Developer	Building	Sf	Completion
GWL Realty Advisors (on behalf of bclMC)	NorthWoods Business Park, 2202 Dollarton Highway	80,000 sf over 2 buildings	Awaiting prelease commitment
Concert Properties	801 Harbourside Drive	Part of master mixed-use community plan	Proposed

## Market Forecast

The North Shore submarket's office vacancy rate is forecast to continue its downward trend through 2010 as leasing and sales activity pick up. Rents have been hovering around the same levels as those witnessed at year-end 2009, and no significant changes are anticipated through 2010.

## Notable Lease Deals Mid-Year 2010

Tenant	Building	Sf
Lakes Straith & Whyte LLP	Capilano Square Shopping Centre	4,179

Class	Total Rentable (sf)	Head Lease Vacancy (sf)	Sub-Lease Vacancy (sf)	Total Vacancy (sf)	Total Vacancy (%)	6 Months Absorption (sf)	Average Net Rental Rate (psf)	Gross Occupancy Cost (psf)
A	1,071,411	63,312	19,344	82,656	7.7%	-784	\$21 - \$23	\$32 - \$35
B	479,077	51,094	2,020	53,114	11.1%	790	\$18 - \$20	\$29 - \$32
C	236,182	4,970	0	4,970	2.1%	1,919	\$15 - \$17	\$26 - \$29
<b>Total</b>	<b>1,786,670</b>	<b>119,376</b>	<b>21,364</b>	<b>140,740</b>	<b>7.9%</b>	<b>1,925</b>	-	-

# Q & A

Metro Vancouver’s office market continues to evolve in wake of the global recession. **Sandy Cruickshank**, Executive Vice-President of **Tonko Realty Advisors**, and **Maury Dubuque**, Vice-President, Leasing at **Bentall Capital**, offer their views on the market by answering one simple question:



**Maury Dubuque**  
Vice-President, Leasing  
Bentall Capital



**Sandy Cruickshank**  
Executive Vice-President  
Tonko Realty Advisors

## What will drive Metro Vancouver office demand over the next six months?

**Cruickshank:** First, we have to reflect on what has impacted demand up to this point in time. Clearly, the most significant event has been the global economic downturn. While there are those who think we are coming out of it, the current volatility in the equities market is a barometer of emotional sentiment, suggesting nervousness still prevails. Another factor was the 2010 Winter Olympics. When Vancouver and Whistler were awarded the Olympics, the commercial real estate marketplace tried to forecast the impact on the supply-and-demand equation. Fearing the worst, many companies took steps to avoid having their leases expire between mid-2009 and mid-2010. In reality, it made little difference what firms did because the economic downturn had a greater negative impact on commercial real estate than any positive effect from the Olympics as vacancies increased and rents declined.



Today, we are experiencing moderate demand and we should not expect it to change tomorrow. It will fluctuate and, ultimately, be driven by companies who continue to examine space efficiencies and ways to cut rental overhead to improve their bottom line. In a select few cases, demand will also be driven by growth. While we are optimistic we are on the road to recovery, this will be a longer journey than we may have expected.

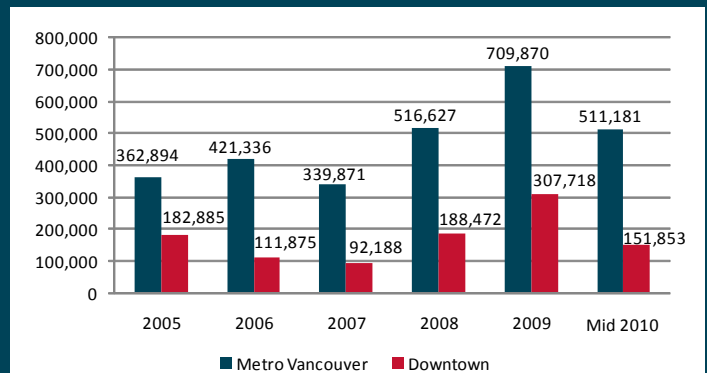
**Dubuque:** Well, firstly, I don’t anticipate Vancouver becoming a head-office city in my lifetime. In a country of 33 million people, it’s very likely that two head-office cities are sufficient and those two, Calgary and Toronto, already exist. We are and have been a “branch plant city”

and I see that role continuing. If there is a benefit to that role, it may have been realized during the recession of the last couple of years. In a market where only a handful of tenants approach 100,000 square feet, we were somewhat immune from large-scale downsizing and, in fact, the downtown has one of the lowest vacancy rates in North America.

Traditional office growth has come from the forest products industry and the mining sector. The recession has had a brutal impact on the forest sector, which seems to have downsized, increased efficiencies and found additional markets within which to sell its goods. I don’t think these improvements, however, translate into an increased demand for office space. Mining and the oil and gas sector seem to be reasonably strong, but I believe that Calgary and Toronto will attract and retain the head offices while we may attract the much smaller exploration functions.

We may have a future as the North American home of Asia Pacific-based companies but, again, I don’t see that representing any office requirement of scale. It’s my view that growth will simply come from within. Not very sexy, but a slow and steady future may be the envy of other markets. An improving economy in late 2010 and into 2011 may will have people using the H-word again. When companies hire employees, they need more space – and that’s good news on a lot of fronts. ■

### Vacant Sublease Space



continued from page 1

2010, reaching 8.3% (or 3.8 million square feet (msf)) at mid-year from 7.8% at year-end 2009, 7.4% at mid-year 2009 and 5.4% at year-end 2008. While the rate of increase slowed during the second half of 2009, the main reason for the current uptick is the addition of 449,876 square feet (sf) of vacancy in the Burnaby submarket, which pushed its vacancy rate to 13.2% from 8.5% at year-end 2009. This is primarily attributed to the addition of three new buildings in Burnaby totalling 295,018 sf, most of which sits vacant. Once the market has time to absorb some of the new inventory, the overall vacancy rate is expected to trend downward over the next 12 months. Tour and deal activity, particularly in Burnaby, has already increased significantly over the past six months.

Downtown's vacancy rate slid back to 5.1% from 5.5% at year-end 2009 after surging up from 2.5% at year-end 2008. Meanwhile, the overall suburban vacancy rate rose to 11.1% from 9.1% at year-end 2009 and 7.7% at year-end 2008. Overall, five of the region's eight submarkets witnessed a decline in vacancy over year-end 2009, with Downtown and Surrey registering the lowest vacancies at 5.1%. Richmond continues to hold the region's highest vacancy rate at 21.6%. (Downtown availability is 7.2% when including the space availability factor (SAF), which refers to head lease or sublease space that is being marketed but is not physically vacant, or new supply that is nearing completion and available for lease.)

After posting a 2009 annual absorption level of negative 1,034,999 sf, tenants in the Metro Vancouver office market occupied 85,206 sf more space than they left behind between January 1 and June 30, 2010. While this amount may be viewed as minimal in a normal market, the positive absorption is very favourable when compared to the negative 674,349 sf experienced only one year ago at mid-year 2009. Moreover, while only one of the eight submarkets experienced positive absorption in 2009, five submarkets recorded a positive net change in occupied space during the first half of 2010, with Yaletown taking the lead at 166,173 sf.

The pace at which sublease space is being delivered to market also continues to taper as tenants occupy the existing surplus space or pull listings in anticipation of future growth. With the exception of Burnaby, few new sublease offerings are being delivered to the market – a good indicator of improving tenant confidence and demand. As of mid-year 2010, 511,181 sf of vacant sublease space exists – down 28% from 709,870 sf at year-end 2009 and down 46% from 948,872 at mid-year 2009. Vacant sublease space in the region hovered around the 300,000-sf level between mid-year 2007 and mid-year 2008 before rising to 516,627 sf at year-end 2008 when the global economic crisis was in full force. Vacant sublease premises now represent only 13.4% of Metro Vancouver's total vacancy, equivalent to the mid-year 2008 level.

After delivering just over 400,000 sf of new product to the Metro Vancouver office market in 2009, developers will add nearly 600,000 sf to the office stock in 2010, which mirrors 2008 levels. Burnaby and Broadway will host most of the new supply. No new Downtown office tower is expected to grace the skyline until at least 2013. It is important to note that the region's vacancy rate still ranks amongst the lowest in North America. Coupled with the consensus that the worst of the global economic storm is over, the outlook for the Metro Vancouver office market is optimistic. ■

# Avison Young

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## Building Inventory, Classification and Definitions

The Avison Young Office Market Report is based on information from the company's databases, Altus Insite.com, as well as discussions with developers, owners, tenants and our clients. We thank everyone who contributed.

**Inventory:** Avison Young tracks head lease and sublease inventory and vacancy in non-government buildings over three storeys in height with at least 20,000 square feet of space.

**Classification:** Avison Young classifies buildings as either "A", "B", or "C" based on the building's location, age, quality and tenant profile. For the Downtown office market, we also use the "AAA" classification for high profile buildings.

**Absorption:** The net change in occupied space over a given period of time. New space is not considered absorbed until it is physically occupied.

**Vacancy:** Office space that is physically unoccupied at the time of the survey,

regardless of its contractual leasing state.

**Net Effective Rates (NER):** Net effective rates are calculated by taking the annual rental rates per square foot payable by a tenant and deducting all tenant inducements such as free rent periods, lease-takeover costs, improvement packages, etc. using discounted cash flow analysis.

**Space Availability Factor (SAF):** Space that is either not physically vacant (such as unused space resulting from a corporate downsizing) or not yet finished (such as a new office tower) but is actively being marketed and therefore competes with other vacant space for tenants. Sometimes referred to as "Ghost Vacancy" when combined with vacancy rates, SAF usually provides a more accurate representation of the total space available in the marketplace.