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Editors/Reporters

• Please click on link to view and download Avison Young's Year-End 2017 Metro Vancouver Office Market Report:
http://www.avisonyoung.ca/documents/95750/1691318/Avison+Young+Office+Market+Report_2017+Year+End.pdf

**Prolific downtown and suburban office leasing activity
heightens Metro Vancouver, BC regional supply constraints**

Avison Young releases its Year-End 2017 Metro Vancouver Office Market Report

Vancouver, BC - Demand for office space in Metro Vancouver continued to climb through 2017 with vacancy tumbling to 8% at year-end 2017 – the lowest regional vacancy recorded since year-end 2013 and a decline from the 9.7% registered at year-end 2016. Vacancy in all but three submarkets was sub-10% at year-end 2017 with two of those three submarkets – Surrey and New Westminster – forecasted to also drop below 10% in 2018. Regional annual absorption of 1.22 million square feet (msf) in 2017 was the second-most annual absorption recorded since 2005, surpassed only by the 1.33 msf of annual absorption recorded in Metro Vancouver in 2015. All submarkets except one – the North Shore – registered positive annual absorption in 2017 and were led by Vancouver-Broadway, Burnaby, Downtown and Surrey.

Much of the leasing activity that manifested in the statistics at year-end 2017 in the Vancouver-Broadway, Burnaby, Downtown and Surrey submarkets was actually completed in 2016 and early 2017, and is what led to the substantial drop in vacancy and increase in absorption as tenants occupied their spaces six to 12 months later. Much of the delay was simply attributable to fixturing periods as deal velocity through 2017 remained robust and will likely lead to a similar but slightly smaller decline in vacancy in 2018, particularly Downtown, as the number of options grows fewer. With no new Downtown office space scheduled for completion until the end of 2019, vacancy is expected to tighten considerably by the end of 2018.

These are some of the key trends noted in **Avison Young's Year-End 2017 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 51.1 msf of office space.

According to Avison Young Principal **Brian Pearson**, who specializes in Downtown Vancouver office leasing, vacancy in the core will continue to tighten during the next 12 to 24 months as a lack of supply reduces the options for tenants seeking to relocate or expand.

“New and expanding occupants continue to redefine the tenant mix in Downtown Vancouver with continued demand from technology and co-working companies driving much of the activity,” comments Pearson. “A lot of movement from existing tenants in the market also generated activity but had a negligible effect on net absorption, positive or negative. With few vacant and available large blocks of contiguous space Downtown, alternative options for larger tenants are diminishing.”

Pearson continues: “With the space availability factor at its lowest point since 2013, non-existent sublease space and minimal near-term inventory scheduled for delivery in the next 18 months, rental rate increases and supply constraints are likely to intensify.”

“Expect a return to imbalanced market fundamentals for the next 12 to 18 months,” he says.

Overall suburban vacancy declined to 9.2% at year-end 2017 from 12.1% a year earlier. The decline in suburban vacancy came in large part from the occupancy of vacant new product in the Vancouver-Broadway, Surrey and Burnaby submarkets.

“Declining vacancy and lack of new supply will continue to be major factors in the suburbs moving forward,” states **Josh Sookero**, a Principal based in Avison Young’s Vancouver office who specializes in suburban office leasing. “Strong leasing activity in Surrey resulted in vacancy dropping to 10.1% at year-end 2017 from 15% a year earlier. The delivery of Gateway Place fully leased helped reduce vacancy and boost annual absorption to the second-most recorded since 2005.”

“While vacancy in New Westminister remained elevated in 2017, relief is in sight as the previously vacant Anvil Centre office tower is already more than 90% leased,” notes Sookero. “This will significantly impact market fundamentals in New Westminister thanks to a substantial decline in vacancy and boost to absorption in 2018.”

He adds: “Vacancy in Burnaby’s office market dropped to 9% from 12.5% year-over-year due to a number of large occupancies at Metrotower III, Solo District and 3777 Kingsway. Vacancy is expected to decline further in 2018 with sublease space virtually the only option for tenants requiring large floorplates. Meanwhile, vacancy in Richmond reached its lowest point since 2002 and new office development is finally expected to kick off in 2018.”

Four Downtown projects offering approximately 705,000 sf for lease are under construction, but one of the developments – the 147,000-sf office tower at 402 Dunsmuir – is 100% preleased to online retailer, Amazon. The other two, The Cardero and The Offices at Burrard Place, will not be completed until late 2019 and early 2020, respectively. GWL’s 368,000-sf Vancouver Centre II is scheduled for delivery in 2021. In the suburban markets, more than 510,000 sf is under construction in the Vancouver-Broadway submarket alone with the majority of development located in or near the rapidly expanding Mount Pleasant office node and most scheduled to complete in 2018/19. Delivery of new supply in the next 18 months remains very limited in other suburban Metro Vancouver markets.

On page 15 of the report, Avison Young reviews the economic forecasts for BC in 2018 and beyond from some of the leading provincial economists.

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