

**For Immediate Release (3 pages)  
Thursday, August 17, 2017**

**Contact:**  
**Andrew Petrozzi**  
**604.646.8392**  
**email: [andrew.petrozzi@avisonyoung.com](mailto:andrew.petrozzi@avisonyoung.com)**

**Editors/Reporters**

· Please click on link to view and download Avison Young's Mid-Year 2017 Metro Vancouver Office Market Report:

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**Suburban leasing tightens regional vacancy  
as next Downtown Vancouver development cycle set to launch**

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

**Vancouver, BC** - Robust suburban demand in the Metro Vancouver office market, particularly in the Vancouver-Broadway and Surrey submarkets, continues to drive a decline in overall vacancy with mostly positive absorption recorded throughout the region in the first half of 2017. Of the four Metro Vancouver submarkets that registered negative absorption in the first six months of 2017 – Burnaby, Richmond, New Westminister and the North Shore – three of the four are anticipated to swing to positive absorption and contribute to a further decline in regional vacancy by year-end 2017.

Vacancy in Metro Vancouver dropped to 9.1% at mid-year 2017 – the lowest since year-end 2013 – from 10.4% at mid-year 2016. Positive first-half 2017 absorption of 333,927 sf represented a 48% decline from first-half 2016 absorption, but marked the third year in a row that positive absorption was recorded regionally in the first six months of the year. The year-over-year decline was largely the result of minimal absorption recorded in Downtown Vancouver in the first six months of 2017 as a result of buildings being removed from inventory, relocations and fewer occupancies due to a reduced deal flow noted in the back half of 2016. This temporary situation will likely conclude by year-end as elevated deal flow in the first half of 2017 will fuel tenant occupancies Downtown in the second half of 2017, strengthening Downtown absorption.

These are some of the key trends noted in **Avison Young's Mid-Year 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 50.6 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 to 6.8% from 7.8% in the past year demonstrates that the market remains strong with healthy deal flow.

“Strong deal velocity, including a number of new Downtown leases signed in the first half of 2017 by new and existing tenants to the Downtown market, signal a further decline in vacancy and that a boost in Downtown absorption is likely to occur in the second half of 2017,” comments Gardner.

He continues: “Vacancy in the Downtown office submarket is forecasted to tighten further as tenants continue to expand and new tenants enter the market. Although the delivery of The Exchange by year-end 2017 will provide some relief, supply constraints will become a factor during the next six to 24 months.”

“The result of this forecasted supply constraint is that at least three to five new developments will be breaking ground over the next six to 12 months, delivering up to 1.2 million square feet between 2019 and 2021,” he adds.

Overall suburban vacancy declined to 11.6% at mid-year 2017 from 12.6% a year earlier. The decline in suburban vacancy came in large part from the occupancy of vacant new product in the Vancouver-Broadway submarket as well as expansion and new occupancies in Surrey.

“While most suburban submarkets recorded negative absorption and a slight increase in vacancy in first-half 2017, those conditions are forecasted to improve by year-end 2017,” states **Bill Elliott**, a Principal based in Avison Young’s Vancouver office who specializes in suburban office leasing. “Leasing activity in Surrey resulted in vacancy dropping to 13% at mid-year 2017 from 17.5% a year earlier. The delivery of Gateway Place fully leased also reduced vacancy and boosted absorption.”

“Despite reasonable deal velocity, vacancy in the Burnaby office market increased to 13.2% due to relocations, closures and additional sublease space coming to market,” notes Elliott. “However, vacancy is expected to decline with significant occupancies scheduled for the latter half of the year.”

He adds: “Vacancy in Richmond rose slightly to 11.2% since year-end 2016 and was largely the result of two firms relocating Downtown, but is expected to tighten by year-end 2017. Vacancy in New Westminster remained elevated at 17.5%, but there are indications that leasing/sales activity in the Anvil Centre could mark a turning point and vacancy may decline by year-end.”

Three Downtown projects totalling approximately 530,000 sf remain under construction. The largest, The Exchange, will be delivered by year-end 2017. The other two, The Cardero and The Offices at Burrard Place, will not be completed until mid-2019. In the suburban markets, more than 510,000 sf is under construction in the Vancouver-Broadway submarket with the majority of development located in or near the rapidly expanding Mount Pleasant office node and are scheduled to complete in 2017/18.

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.

On page 15 of the report, Avison Young examines the need for rapid transit along the Broadway corridor in Vancouver and discusses the impacts that discussion of that infrastructure investment is already having on the market.

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**For further info/comment/photos:**

- **Andrew Petrozzi**, Principal & Vice-President, Research (BC), Avison Young: **604.646.8392**
- **Bill Elliott**, Principal, Avison Young: **604.647.5062**
- **Glenn Gardner**, Principal, Avison Young: **604.647.5092**
- **Michael Keenan**, Principal and Managing Director, Vancouver, Avison Young: **604.647.5081**
- **Sherry Quan**, Principal, Global Director of Communications & Media Relations, Avison Young: **604.647.5098**; cell: **604.726.0959**

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