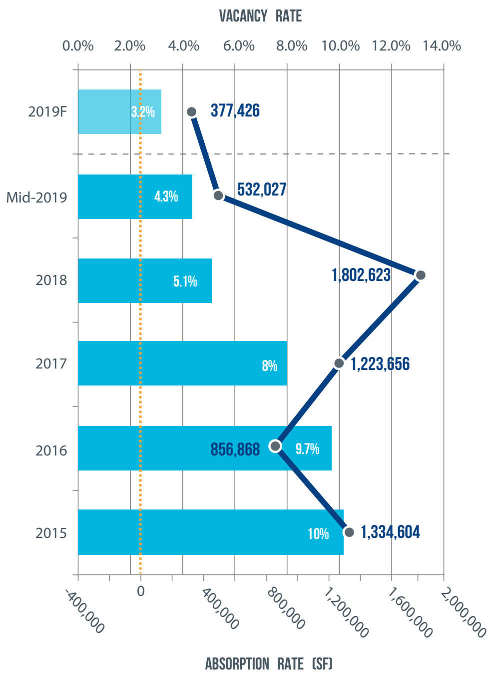
AVISON YOUNG

Mid-Year 2019 Office Market Report

Metro Vancouver, BC

METRO VANCOUVER VACANCY & ABSORPTION TRENDS



12-month projection based on 10-year average absorption and known net absorption in new inventory

Vacancy hits record lows as tenants face limited availability and rising rates in constrained market

Metro Vancouver's growing success at attracting large global technology firms and co-working operators has underscored local supply issues that have resulted from the protracted development times that have become increasingly commonplace throughout the region in recent years. The result has been record-low vacancies, rapidly rising rental rates and constraints on the growth of local, national and international tenants, which could threaten the success the region has had as an emerging global destination for companies seeking to establish new operations or expand existing ones.

Record-low office vacancy in Downtown Vancouver may be capturing national headlines, but it is a challenge facing all of Metro Vancouver as strong demand and limited new supply across the region led vacancy to slide to a new record low of 4.3% at mid-year 2019. The previous record low of 4.7% had been set at year-end 2007. Only one office market of the eight that Avison Young covers in Metro Vancouver is considered balanced – Richmond – with the key urban markets of Downtown, Yaletown and Vancouver-Broadway all reporting vacancy at less than 5% and forecasted to tighten further by year-end 2019. As regional vacancy has declined steadily since mid-year 2016, demand remained robust and intensified thereby exerting growing pressure on the ability of the region to deliver new supply. The response has triggered the largest development cycle in the history of Metro Vancouver, which will start delivering new buildings primarily in the Downtown and Vancouver-Broadway markets starting in 2020 through 2023. However, the lag until these buildings are completed has led to severely constrained market conditions that will persist until 2021and likely into the first half of 2022.

Positive first-half net absorption of 532,027 sf marked the fifth year in a row that the region recorded positive absorption in the first six months of the year. While less than the 764,911 sf absorbed regionally in the first half of 2018, the amount of first-half 2019 absorption was still notable considering that there was very little new construction added to the regional office inventory in 2019. Much of the absorption was the result of tenants occupying existing

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METRO VANCOUVER OFFICE VACANCY SUMMARY (MID-YEAR 2019)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	6-MONTH ABSORPTION (SF)
Downtown	22,868,145	382,557	82,770	465,327	2%	202,168
Yaletown	2,074,372	7,601	1,668	9,269	0.4%	27,758
Vancouver-Broadway	7,330,164	316,967	25,096	342,063	4.7%	134,046
Burnaby	9,318,790	422,886	111,195	534,081	5.7%	179,136
Richmond	4,215,800	308,645	51,473	360,118	8.5%	-46,648
Surrey	2,906,607	206,243	0	206,243	7.1%	-8,865
New Westminster	1,688,572	212,600	0	212,600	12.6%	7,598
North Shore	1,450,898	106,921	5,110	112,031	7.7%	36,834
TOTAL	**51,853,348**	**1,964,420**	**277,312**	**2,241,732**	**4.3%**	**532,027**

VACANCY RATE JUNE 30, 2019 4.3%

VACANCY RATE DECEMBER 31, 2018 5.1%

Absorption (demand) ↑ Vacancy (supply) ↓ Rental Rates ↗

Downtown vacancy hits new record low

VACANCY TRENDS

Downtown office vacancy hit a new record low of 2% at mid-year 2019, surpassing the previous record low of 2.5% set in 2008. Vacancy decreased during the first six months of 2019 to 2% from 2.9%, and dropped an astonishing 300 basis points in the past 12 months to 2% from 5%. Vacancy decreased in all building classes, particularly class AAA, which dropped dramatically to 0.7% from 2.6% in the past six months and even more precipitously from 6.9% a year earlier. Class A vacancy at mid-year 2019 remained virtually unchanged since year-end 2018, but was down substantially from the 4.6% recorded 12 months ago. Class C vacancy decreased to 4.5% from 6.3%, which was almost entirely attributable to commencement of the **Spaces** lease at 939 Granville Street. The Downtown market is approaching (if not already at) structural vacancy (+/- 2%), particularly in class AAA and A buildings. Despite intensifying supply constraints, reasonable deal velocity was achieved in the first half of 2019. While co-working operators continue to make sizable forward commitments in the Downtown office market, they are having to compete with other tenants as intensifying supply constraints stoke preleasing activity. Many sizeable companies are being forced to consider their 2022 and 2023 lease expiries now. Larger tenants will need to demonstrate a willingness to address space needs well in advance of lease expiries as developers work to secure prelease commitments. There has been virtually no "in-fill" leasing activity – one floor or less – in new developments, which suggests developers remain focused on multi-floor tenant prospects. Additional leasing activity may be stimulated when developers begin to entertain interest from smaller tenants. Sublease space is not a significant part of the Downtown market (approximately 18% of overall vacancy) and almost entirely comprises smaller-format spaces. Landlords appear to be inclined to take control of sublease availabilities through rights of termination to take advantage of prevailing market fundamentals and secure more favourable lease terms on a longer-term basis. At June 30, there were no vacant and available large blocks of contiguous space (with the possible exception of space in co-working facilities) in the Downtown market. Landlords with near-term large-block vacancies, such as the former **Deloitte** space in **Bentall Centre** available in the second half of 2019, appear unconcerned. The Downtown market is heavily tilted in favour of landlords and will remain so until new (and available) inventory begins to arrive in 2021. Expect supply constraints to precipitate further preleasing activity and lease extensions well in advance of contractual lease expiries.

MORE THAN **5 MSF** OF NEW DEVELOPMENT

ABSORPTION TRENDS

For the fifth year in a row, positive first-half absorption was recorded in the Downtown market. However, first-half absorption of 202,168 sf at mid-year 2019 was substantially less than the 471,532 sf of absorption recorded in the first six months of 2018. Almost half (48%) of Downtown first-half 2019 absorption occurred in class AAA buildings with another 28% registered in class C buildings. Substantial downtown occupancies in the first half of 2019 included Spaces at 939 Granville Street, **Amazon** at **The Exchange**, **Methanex** occupying sublease space at the **Marine Building**, **Teck Resources'** expansion at **B5** and **Bennett Jones LLP** occupying space at **Park Place**. There were no noteworthy downsizings or departures.

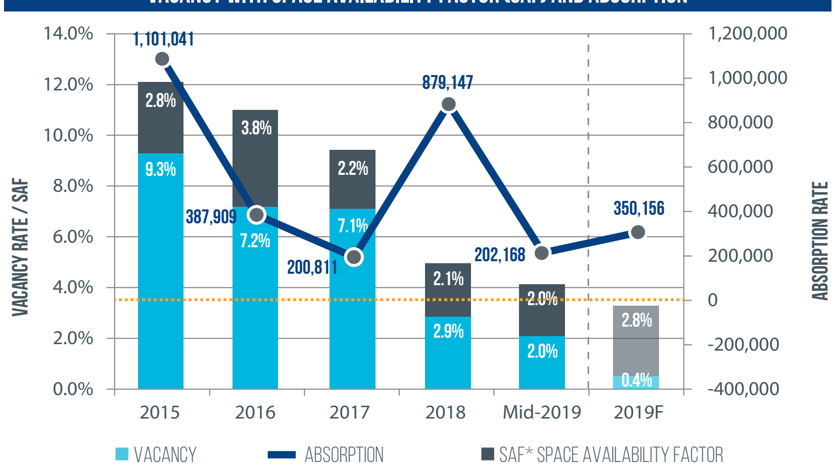
SPACE AVAILABILITY FACTOR

The space availability factor, or SAF, refers to head lease space or sublease space that is being marketed but is not physically vacant, and new supply that is near completion and available for

RECENT LEASE DEALS - MID-YEAR 2019 (>10,000 SF)

TENANT	BUILDING	SF
WeWork	B6	170,000
Undisclosed tenant	Creative Space	75,780
Undisclosed tenant	155 Water Street	75,000
Zayo Canada (renewal)	175 West Cordova Street	67,500
PHSA (renewal)	1190 Hornby Street	63,500
WeWork	1045 Howe Street	56,000
BMO Financial Group (renewal)	HSBC Building	48,300
BentallGreenOak	B6	47,000
Clark Wilson LLP (renewal)	HSBC Building	46,600
Harper Grey LLP (renewal & expansion)	Scotia Tower	46,300
Toronto-Dominion Bank (renewal)	700 West Georgia Street	43,000
Unbounce Marketing Solutions (renewal)	401 West Georgia Street	39,200
B2Gold Corp.	Vancouver Centre II	37,000
Slack Technologies	Bentall 5	34,140
IQ Office Suites (renewal & expansion)	Royal Centre	28,800
Canada Drives	1500 West Georgia Street	22,740
Zenabis Global (sublease)	Park Place	16,370
Northeastern University	Deloitte Summit Building	15,000
Hub International	Bentall 1	15,000
1Qbit (sublease)	1285 West Pender Street	14,930
PHSA (renewal & expansion)	1033 Davie Street	14,870
IQ Office Suites	550 Robson Street	13,000
Canwel Building Materials	1100 Melville Street	12,490
Jones Lang Lasalle	Telus Garden	12,410
Trulioo	1177 West Hastings Street	11,600
Sandstorm Gold (renewal)	400 Burrard Street	11,500
Domus Legis Holdings	1125 Howe Street	10,700
Woodfibre LNG	1185 West Georgia Street	10,540
IMA Solutions (renewal)	1199 West Hastings Street	10,370
EC Market	1140 West Pender Street	10,650
Login Radius	815 West Hastings Street	10,930

VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION



12-month projection based on 5-year average absorption and known net absorption in new inventory, and 10-year average SAF.

lease. SAF remained unchanged at mid-year 2019 from the 2% recorded 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the Downtown core is 4% (or approximately 914,000 sf) – the lowest overall availability rate since mid-year 2008 (3.9% or 765,840 sf).

NEW CONSTRUCTION

There is more than 5 msf of new office space for lease (either under construction or in the development permit process) proposed for Downtown Vancouver by 2024, which represents the largest office development cycle in the city's history. Of that space, almost one-third was preleased at mid-year 2019. With less than 175,000 sf of new construction being delivered Downtown in the back half of 2019 (all of which is presold/preleased) and the majority of new space scheduled for 2020 already preleased (with the notable exception of the 133,000-sf **The Offices at Burrard Place**), most tenants seeking new large-block space will have to wait until 2021 for **Bosa Waterfront Centre**, 601 West Hastings, 968-980 Granville Street and **Vancouver Centre II** to deliver. While the building deliveries in 2021 (which have enjoyed moderate levels of preleasing to date) may provide limited relief to the historically tight market, the arrival of new supply in 2022, including **The Stack**, is what will likely provide the necessary space to meaningfully impact vacancy. However, it may take the new deliveries in 2023, including the north tower of **The Post**, **B6** and 1166 West Pender, to achieve a more balanced market, an environment not seen since 2015.

MARKET FORECAST

Expect continuing upward pressure on net effective rental rates (NER) in existing buildings as near-term supply constraints intensify due to a combination of increasing net rental rates and/or diminishing leasing inducements. Supply constraints, escalating leasehold improvement construction costs and developer desire to secure prelease commitments will narrow the delta between NERs for new construction and existing higher-calibre buildings in the near term. With the majority of new developments less than 50% preleased, developers remain motivated to secure meaningful prelease commitments prior to project completion. Market structural vacancy, intense supply constraints, multiple offers for higher-calibre available space (particularly larger blocks) and unprecedented lease rates are the new normal for the foreseeable future. Tenants new to the market with immediate space requirements or expansion needs will need to be creative, assertive and prepared to make quick decisions. While the Downtown leasing environment will remain very challenging for both tenants and landlords, tenants will face the greater difficulties in the near term. However, a desire to secure preleasing commitments will keep developers engaged with tenants.

VACANCY AT RECORD LOW OF 2%

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1281 Hornby Street (mixed use)	99,000 (office podium)	Strata	100% sold	Q3 2019
Westbank	Creative Space @ Vancouver House, 1461 & 1462 Granville Street (two buildings)	75,780	75,780	100%	Q4 2019
Bosa Properties/ Arpeg Holdings	1575 West Georgia Street	45,346 (office)	Strata	72% sold	Q1 2020
Oxford Properties	402 Dunsmuir Street	147,000	147,000	100%	Q1 2020
Rendition Developments	Bench, 353 Railway Street (I-4 zoning)	26,772	Strata	0% sold	Q1 2020
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1290 Burrard Street (mixed use)	133,000 (office tower)	0	0%	Q3 2020
Low Tide Properties	155 Water Street	75,000 (office)	75,000	100%	Q3 2020
Westbank/Allied REIT	Deloitte Summit Building, 410 West Georgia Street	353,000	295,950	84%	Q4 2020
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (45% for lease)	Lease/Strata*	55% sold	Q2 2021
PCI Group / Greystone	601 West Hastings Street	210,000	0	0%	Q3 2021
Niels Bendtsen	411 Railway Street (I-4 zoning)	111,930	15,000	13%	Q3 2021
GWL Realty Advisors	Vancouver Centre II, 733 Seymour Street	377,000	142,000	38%	Q4 2021
Bonnis Properties	968-980 Granville Street	50,000	0	0%	Q4 2021
Bonnis Properties	600 Robson Street	61,670	Strata	0% sold	Q2 2022
Oxford Properties	The Stack, 1133 Melville Street	532,000 (office)	207,000	39%	Q2 2022
QuadReal Property Group	The Post , 349 West Georgia Street (mixed-use)	South tower: 510,000 North tower: 560,000	426,000 (south tower)	38%	Q3 2022/ Q2 2023
FDG Properties	117-131 Water Street	68,576 (office)	0	0%	Q3 2022
PCI Group	1025 West Georgia Street (redevelopment)	76,000 (office)	0	0%	Q3 2022
Asia Standard Americas	1438 Robson Street	29,115 (office)	0	0%	Q4 2022
Uptown Property Group	625 West Hastings Street	120,000	0	0%	Q1 2023
BentallGreenOak	B6, 1090 West Pender Street	534,000	217,000	41%	Q2 2023
Reliance Properties	Two Burrard Place, 1261 Hornby Street (Tower C))	40,252 (office)	Strata	0% sold	Q2 2023
Reliance Properties	1166 West Pender Street	363,000 (office)	0	0%	Q4 2023
Westbank	720 Beatty Street	580,000 (office)	0	0%	Q1 2024
Omicron / Rendition Developments	*Maker Exchange, 488 Railway Street (I-4 zoning)*	*152,000*	-	-	*Awaiting prelease commitment*
Aquilini Development and Construction	*Aquilini Centre East, 777 Pat Quinn Way*	*TBD*	-	-	*Proposed*
Cadillac Fairview	*Waterfront Tower, 555 West Cordova Street*	*TBD*	-	-	*Proposed*

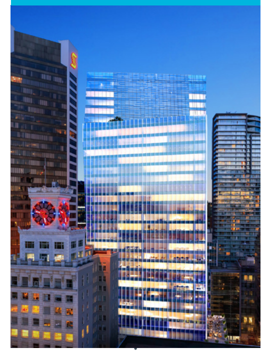
**The building contains 45% lease space and 55% strata space. The strata space is 100% sold. No preleasing had been completed by mid-year 2019.*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)	GROSS OCCUPANCY COST (PSF)
AAA	4,980,576	24,495	8,633	33,128	0.7%	97,353	195,583	3.9%	$35 - $70	$55 - $95
A	8,103,253	95,003	45,854	140,857	1.7%	15,474	91,296	1.1%	$29 - $58	$48 - $83
B	6,639,398	131,456	18,979	150,435	2.3%	32,218	136,438	2.1%	$27 - $43	$42 - $65
C	3,144,918	131,603	9,304	140,907	4.5%	57,123	25,952	0.8%	$23 - $32	$34 - $50
Total	**22,868,145**	**382,557**	**82,770**	**465,327**	**2%**	**202,168**	**449,269**	**2%**	-	-

DOWNTOWN DEVELOPMENT TIMELINE

	THE OFFICES AT BURRARD PLACE 1281 HORNBY STREET	CREATIVE SPACE, 1461 & 1462 GRANVILLE STREET	1575 WEST GEORGIA STREET	402 DUNSMUIR STREET	155 WATER STREET
					
	Q3 2019	Q4 2019	Q1 2020	Q1 2020	Q3 2020
DEVELOPER	Reliance Properties/ Jim Pattison Developments	Westbank	Bosa Properties/Arpeg Holdings	Oxford Properties	Low Tide Properties
STOREYS	7-storey podium (3 floors)	5	3 floors in mixed-use building	9	7
OFFICE SF	99,000 (strata)	75,780	45,346	147,000	75,000
TENANTS	Sold (phases 1 & 2 - 99,000 sf)	75,780 sf - Undisclosed tenant	32,649 sf - Arpeg Holdings & co-working operator	147,000 sf - Amazon	75,000 sf - Undisclosed tenant
OCCUPANCY	100% sold	100%	72% sold	100%	100%

	THE STACK, 1133 MELVILLE STREET	THE POST, 349 WEST GEORGIA STREET	625 WEST HASTINGS STREET	B6, 1090 WEST PENDER STREET	1166 WEST PENDER STREET
					
	Q2 2022	Q3 2022/Q2 2023	Q1 2023	Q2 2023	Q4 2023
DEVELOPER	Oxford Properties	QuadReal Property Group	Uptown Property Group	BentallGreenOak	Reliance Properties
STOREYS	36	17 (south tower) / 18 (north tower)	28	32	31
OFFICE SF	532,000	1,130,000	120,000	534,000	363,000
TENANTS	80,000 sf - Blake, Cassels & Graydon 67,000 sf - DLA Piper 60,000 sf - EY Canada	426,000 sf - Amazon	No tenants at this time.	170,000 sf - WeWork 47,000- BentallGreenOak	No tenants at this time
OCCUPANCY	39%	38%	0%	41%	0%

	THE OFFICES AT BURRARD PLACE, 1290 BURRARD STREET	DELOITTE SUMMIT BUILDING, 410 WEST GEORGIA STREET	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET	601 WEST HASTINGS STREET	VANCOUVER CENTRE II, 733 SEYMOUR STREET
					
	Q3 2020	Q4 2020	Q2 2021	Q3 2021	Q4 2021
DEVELOPER	Reliance Properties / Jim Pattison Developments	Westbank/Allied REIT	Bosa Developments	PCI Group/Greystone	GWL Realty Advisors
STOREYS	13	24	30	25	33
OFFICE SF	133,000	353,000	374,790	210,000	377,000
TENANTS	No tenants at this time	119,320 sf - Spaces 117,000 sf - Deloitte Canada 44,630 sf - Apple 15,000 sf - Northeastern University	Approx. 55% of the building has been sold as strata office space; no prelease commitments currently	No tenants at this time	105,000 sf - Kabam Inc. 37,000 sf - B2Gold
OCCUPANCY	0%	84%	0%	0%	38%

PROPOSED DOWNTOWN DEVELOPMENTS

968-980 GRANVILLE STREET
DEVELOPED BY
BONNIS PROPERTIES

FLOORS / OFFICE AREA
3 / 50,000 SF

This redevelopment of the existing one-storey retail buildings will involve a new four-storey building with 50,000 sf of office space on floors two to four with retail units at grade. The development permit is expected to be issued in the summer of 2019 with construction set to start by the end of the year. Construction of the building is scheduled for completion by the end of 2021. No prelease commitments were confirmed by mid-year 2019.

TWO BURRARD PLACE, 1261 HORNBY STREET
DEVELOPED BY
RELIANCE PROPERTIES

FLOORS / OFFICE AREA
3 / 40,252 SF

The development permit application for this project was approved with prior-to conditions in fall 2018; the application calls for three floors of strata office space in the podium of a 35-storey mixed-use development, which also includes retail space as well as market rental and strata dwelling units; the building (tower C) will be part of the larger Burrard Place development and will start construction in the first half of 2020 with completion scheduled for mid-2023.

600 ROBSON STREET
DEVELOPED BY
BONNIS PROPERTIES

STOREYS / OFFICE AREA
13 / 61,670 SF

The development permit application was filed February 1, 2019 and called for a 13-storey building with 61,670 sf of office space as well as limited retail at grade. The development permit board reviewed the application on April 29, 2019. The application was subsequently approved subject to conditions outlined in the staff report. The office component will likely be offered for sale as strata space.

ROYAL CENTRE, 1025-1055 WEST GEORGIA
DEVELOPED BY
PCI GROUP

STOREYS / OFFICE AREA
5 / 76,000 SF

A development permit application was filed July 2, 2019 and is scheduled to go before the development permit board on September 3, 2019. The existing bank building at 1025 West Georgia will be replaced by a five-storey commercial building with four floors of office space totalling 76,000 sf above retail space at grade. The application also seeks to make alterations and additions to the existing lobby of 1055 West Georgia as well as alterations to the existing retail mall.

720 BEATTY STREET
DEVELOPED BY
WESTBANK

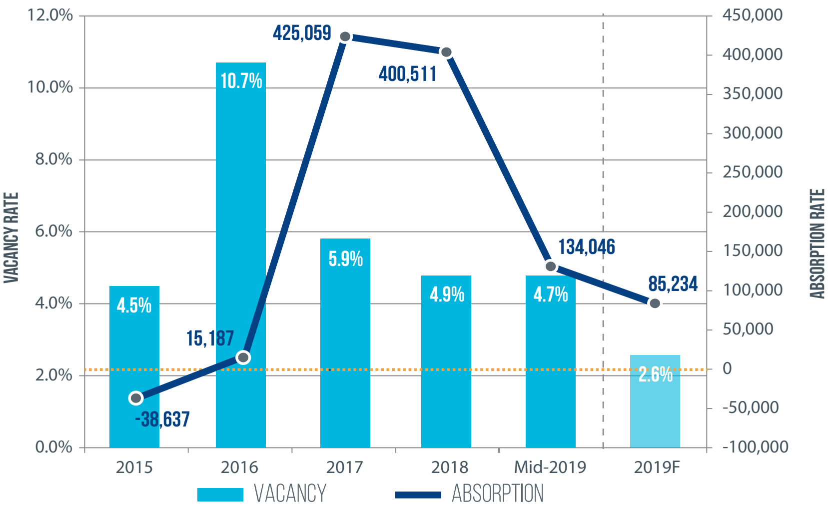
FLOORS / OFFICE AREA
17 / 580,000 SF

An updated rezoning application was refiled with the City in December 2018 and the UDP supported the building design in April 2019. The proposed 580,000-sf building would include 17 floors of office space for lease as well as minimal retail at grade. Construction would commence in 2020 with completion estimated for early 2024. The building would be one of the largest office buildings in terms of square footage in Vancouver if constructed as proposed.

VANCOUVER-BROADWAY

Vacancy sinks to lowest point since 2015

VACANCY AND ABSORPTION (OVERALL)



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Overall vacancy sunk to 4.7% at mid-year 2019, a rapid decline from 10% a year earlier, but little changed from the 4.9% recorded at year-end 2018. The rapid decline year-over-year was the result of a number of new buildings that had been delivered vacant in the first half of 2018 being subsequently occupied in the back half of the year. Vacancy in the core Vancouver-Broadway submarket slipped to 6.5% at mid-year 2019 from 8.2% 12 months previous, but was up from the 3.1% vacancy rate recorded at year-end 2018. This increase in vacancy in the core was largely the result of **Industrial Alliance** relocating to 988 West Broadway and vacating 61,000 sf in its former head office at 2145 and 2165 West Broadway. Vacancy in the peripheral Vancouver-Broadway submarket plunged to 2.2% at mid-year 2019 from 12.3% a year earlier and was lower than the 7.4% vacancy recorded at year-end 2018. **RBC Wealth Management** and the **City of Vancouver** occupying almost 65,000 sf at **Marine Gateway** in south Vancouver helped push vacancy in the periphery to its lowest point since Avison Young started breaking out Vancouver-Broadway's core and periphery markets in 2016. Deal velocity was sluggish in the first half of 2019 due to a lack of lease opportunities.

ABSORPTION TRENDS

Positive absorption of 134,046 sf in the first half of 2019 marked the seventh consecutive year of positive first-half absorption in the Vancouver-Broadway market (since 2012) and the third most positive absorption registered in the region after Downtown and Burnaby. Absorption will remain positive in 2019 with **Relic Entertainment** occupying the **Nickel** building in Mount Pleasant, **CarboNet Nanotechnologies**, **local** and **Trees Organic** moving in to **The George** and **Anandia Labs** expanding in 887 Great Northern Way by the end of the year.

NEW CONSTRUCTION

The majority of new construction in the Vancouver-Broadway market is located in three nodes: Mount Pleasant, the emerging City Hall District and the False Creek Flats. Most new office development in these nodes includes light industrial flex space as required by zoning regulations. Developments in Mount Pleasant including **The Beltline off Broadway**, **The Yukon**, **The Workshop**, 2131 Manitoba Street, **Main Alley** and **HOUSS** all include a combination of office and light industrial flex space. New strata offerings are also increasingly common but, with the exception of 1308 Adanac Street and **The George**, have been only available in Mount Pleasant. Developments in the City Hall district, including 510 West Broadway, **CityLink** and 2395 Cambie Street, along with 425 West 6th Avenue on the western edge of Mount Pleasant are all primarily office use. Projects located on or near the False Creek Flats including 339 East 1st Avenue, 2102 Keith Drive and **The Onyx** tend to be more traditional office uses as well.

VACANCY LIKELY TO ACHIEVE RECORD-LOW RATES IN 2019

MARKET FORECAST

The upward pressure on rental rates that manifested in the first half of 2019 will remain through the year as vacancy continues to tighten. Options in the 7.3-msf Vancouver-Broadway market remained very limited with only two options larger than 10,000 sf available at mid-year 2019. Landlords continue to hold the upper hand in lease negotiations with tenants having limited options. Vacancy is likely to hit historic lows in 2019, but unlike most other markets in Metro Vancouver, new supply in 2020 will likely provide some relief. While much of the new supply in 2020 and 2021 is preleased/presold, several new lease and strata options remain available. However, large-block availabilities will remain scarce in the near- to mid-term as most of the new projects being delivered in 2019 and 2020 are less than 65,000 sf. Larger office developments (those exceeding 140,000 sf) such as 339 East 1st Avenue, 425 West 6th Avenue, Main Alley (M4) and the Onyx will not offer meaningful vacancy relief until 2021. Leasing and development activity that falls within the Broadway corridor planning zone has also been impacted by the **City of Vancouver's** moratorium on new rezoning applications in the area while it finishes its Broadway area plan. This is making it challenging for both landlords and tenants to commit to deals due to the heightened uncertainty surrounding what the city's ultimate direction on what will and will not be permitted.

NOTABLE LEASE DEALS - MID-YEAR 2019

TENANT	BUILDING	SF
LaSalle College (renewal)	2665 Renfrew Street	81,600
Vancouver Police Department (renewal)	2120 Cambie Street	74,000
Vancouver Coastal Health Authority (renewal)	520 West 6th Avenue	60,000
Klohn Crippen Berger (renewal & expansion)	Broadway Tech Centre, 2955 Virtual Way	50,000
AbCellera Biologics Inc.	2131 Manitoba Street	48,030
City of Vancouver	510 West Broadway	41,260
Anandia Laboratories Inc. (renewal & expansion)	887 Great Northern Way	26,000
Revery Architecture	1706 West 1st Avenue	12,100
Pavilion Cowork (sublease)	22 East 5th Avenue	11,680
Yana Health System	369 Terminal Avenue	11,120
Tech Mahindra Ltd. (sublease)	2985 Virtual Way	10,590
Zymeworks (expansion)	Main Alley (M2)	10,300
Royal Pacific Realty	1200 West 73rd Avenue	10,300
Gossamer Threads	2233 Columbia Street	7,270

VANCOUVER-BROADWAY

Mount Pleasant Employment Area (I-1, I-1A Zoning)

Office vacancy remained tight in Mount Pleasant, slipping to 3% in the nearly 1-msf office node, at mid-year 2019. While WeWork occupied 43,180 sf at 2015 Main Street, which significantly reduced vacancy, smaller spaces and strata options do remain available. The majority of new supply is scheduled to start delivering in 2020 and 2021. Deal velocity had been slow in the first half of 2019, but demand high. With just two lease transactions of note in Mount Pleasant in the first half of 2019, the lack of leasing activity has been attributed to a lack of available space with most project completions at least 12 months or more away. Leasing activity is forecasted to rise in the back half of the year as project completion dates near and tenants start making decisions.

Upward pressure on rental rates remains with slight increases expected in the new buildings through 2019 as vacancy remains tight and availability limited. Lease rates in existing buildings have a much wider range – low $20s to high $30s - based on the age and quality of the building. The lack of recent leasing activity in Mount Pleasant has slowed the rate of rent increases, but with leasing activity expected to pick up by year-end 2019, rates will likely rise accordingly. Lease space remains limited even in the new buildings being constructed or in those proposed. Strata options such as HOUSS provide an alternative to leasing space as vacancy is anticipated to remain tight, options limited and rental rate increases likely to accelerate in 2020 as lease deals start being completed in the new supply. While the disposition of strata production space remains somewhat challenged, strata take up has otherwise been strong.

DEVELOPER	BUILDING	SF	PRELEASE %	COMPLETION
Rendition Developments	The Beltline Off Broadway, 240-260 West 8th Avenue	32,898 (office/light industrial)	Strata: 69% sold	Q1 2020
Pacific Crown Management Ltd.	510 West Broadway	41,262 (office)	100%	Q3 2020
Chard Development	The Yukon, 2238 Yukon Street	54,492 (office/light industrial)	Strata: 31% sold	Q4 2020
Vanlux Development	CityLink, 525 West 8th Avenue	62,657 (office)	0%	Q4 2020
Mondivan	The Workshop, 161 East 4th Avenue	55,011 (office/light industrial)	10%	Q4 2020
Wesgroup Properties	2131 Manitoba Street	48,030 (office/light industrial)	100%	Q1 2021
Westbank / Hootsuite	Main Alley (M2), 114 East 4th Avenue	170,543 (office/light industrial)	39%	Q1 2021
Conwest Group	HOUSS, 37 West 6th Avenue	47,165 (office/light industrial)	Strata: 0%	Q2 2021
Triovest	339 East 1st Avenue	144,000	0%	Q2 2021
Union Allied Capital Corp.	1308 Adanac Street	55,160 (office/light industrial)	Strata: 0%	Q3 2021
Cressey Development	425 West 6th Avenue	163,000 (office)	19%	Q3 2021
Rize Alliance	The Onyx, 1296 Station Street	271,500 (office)	0%	Q4 2021
Westbank / Hootsuite	Main Alley (M4), 110 East 5th Avenue	167,013 (office/light industrial)	0%	Q4 2021
BentallGreenOak	2102 Keith Drive	168,000	~33%	Q2 2022
CRS Group of Companies	2395 Cambie Street	39,720 (office)	0%	Q4 2022
Westbank / QuadReal Property Group	660 & 668 West 41st Avenue (phase one of Oakridge Centre redevelopment)	175,440 (office/medical)	Strata: 69% sold	Q1 2023
Onni Group	375 East 1st Avenue	129,207 (office/high-tech industrial)	0%	Q2 2023
QuadReal Property Group	*Broadway Tech Centre, 3030 East Broadway (five buildings)*	*962,300*	*0%*	*Awaiting prelease*
QuadReal Property Group / Hungerford Properties	*220 East 1st Avenue*	*121,445 (office/light industrial)*	*0%*	*Proposed*
lululemon athletica	*1980 Foley Avenue*	*511,448 (office)*	*0%*	*Proposed*
Polygon Homes	*5740 Cambie Street*	*66,800 (office)*	*0%*	*Proposed*
Vivagrand Developments	*5812-5844 Cambie Street*	*100,000 (office)*	*0%*	*Proposed*
Rendition Developments	*205 West 5th Avenue*	*24,585 (office/light industrial)*	*Strata: 0%*	*Proposed*
Strand Development	*302,328 & 336 West 2nd Avenue*	*56,317 (office/light industrial)*	*Lease or Sale*	*Proposed*
TG Group of Companies	*Focal on 3rd, 107 East 3rd Avenue*	*22,659 (office/light industrial)*	*Lease/Strata: 0%*	*Proposed*

NEW PROJECTS BY 2022 **15**

NEW SF BY 2022 **1,516,420**

CURRENTLY PRELEASED **24%**

CORE

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,233,551	74,117	2,685	76,802	3.4%	6,601	$25 - $35	$42 - $55
B	1,453,745	122,602	8,581	131,183	9.0%	-61,111	$18 - $25	$31 - $41
C	538,132	56,786	7,830	64,616	12.0%	6,051	$15 - $19	$28 - $33
Total	**4,225,428**	**253,505**	**19,096**	**272,601**	**6.5%**	**-48,459**	-	-

PERIPHERY

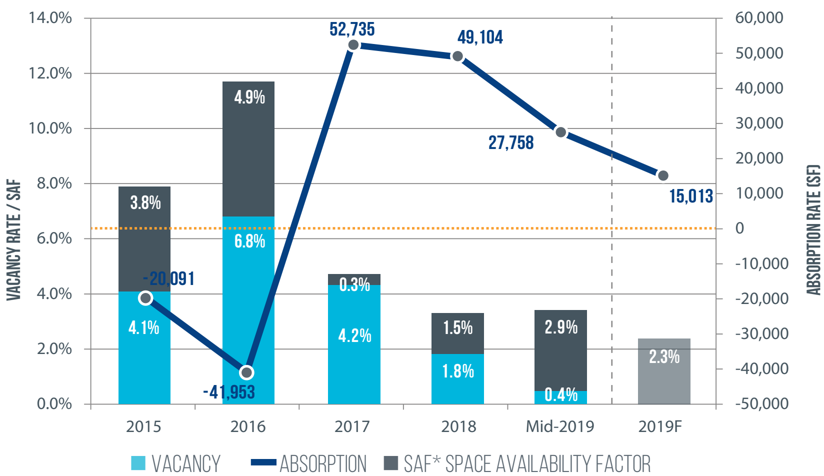
CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,360,726	35,580	6,000	41,580	1.8%	171,303	$22 - $35	$40 - $55
B	657,159	12,061	0	12,061	1.8%	9,308	$18 - $23	$31 - $38
C	86,851	15,821	0	15,821	18.2%	1,894	$15 - $19	$28 - $33
Total	**3,104,736**	**63,462**	**6,000**	**69,462**	**2.2%**	**182,505**	-	-

OVERALL

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	4,594,277	109,697	8,685	118,382	2.9%	164,008	$22 - $35	$39 - $55
B	2,110,904	134,663	8,581	143,244	6.8%	-51,803	$18 - $23	$31 - $38
C	624,983	72,607	7,830	80,437	12.9%	7,945	$15 - $19	$28 - $33
Total	**7,330,164**	**316,967**	**25,096**	**342,063**	**4.7%**	**134,046**	-	-

Vacancy hits historic record low at mid-year 2019

VACANCY AND ABSORPTION



12-month projection based on 10-year average absorption and 10-year average SAF

VACANCY TRENDS

Vacancy achieved a historic low of 0.4% at mid-year 2019 from 2.4% a year earlier and 1.8% at year-end 2018. This marks the lowest office vacancy rate ever recorded in Metro Vancouver since Avison Young started tracking the market in 1997. The two previous historic lows for Yaletown were both registered in 2018. The almost 2.1-msf market had only 9,269 sf of vacant space at mid-year 2019! The vast majority, 6,084 sf, was in a single building. Just two other spaces, 1,517 sf and 834 sf, were vacant in the entire Yaletown market. Deal velocity has slowed to a trickle as the almost complete lack of options severely constrains leasing activity. A sliver of vacancy will come available in the second half of 2019 when **Relic Entertainment** relocates to the recently completed **Nickel** building in Mount Pleasant, opening up almost 31,000 sf at **Yaletown Centre** at 1040 Hamilton. **Slack's** pending relocation to **Bentall 5** from 1028 Hamilton Street in the second quarter of 2020 could provide another 21,754 sf of vacancy (if not leased beforehand) along with the delivery of 31,000 sf of new office space in the podium of **The Smithe** at 225 Smithe Street, which will come online in the third quarter of 2020.

ABSORPTION TRENDS

Positive first-half absorption of 27,758 sf at mid-year 2019 marked the third consecutive year of positive first-half absorption recorded in Yaletown. Absorption is forecasted to decline substantially in the second half of 2019 due to the almost total absence of lease options in the highly desired market.

SPACE AVAILABILITY FACTOR

The space availability factor (SAF) refers to head lease and/or sublease space that is being marketed, but is not physically vacant. The SAF rose to 2.9% (59,445 sf) at mid-year 2019 from 0.2% (3,742 sf) a year earlier. Hence, the amount of available space currently being marketed at mid-year 2019 (occupied and vacant) in Yaletown is 3.3%, or approximately 68,714 sf . The lowest SAF on record, 3,742 sf or 0.2%, occurred at mid-year 2018.

NEW CONSTRUCTION

Boffo Developments' mixed-use project, The Smithe, at 225 Smithe Street (formerly 885 Cambie Street), will deliver 31,000 sf of new office space located over three floors in the podium of the 27-storey condo tower. The recently announced renovation and restoration of 1290 Homer Street will offer up to 28,252 sf of office space on four floors after a three-storey addition is built atop the heritage building. The redevelopment, dubbed **Yaletown Square**, is scheduled for completion in the first quarter of 2021.

THE ONLY LARGE BLOCK OF SPACE COMING AVAILABLE IS LOCATED AT **1040 HAMILTON STREET**

MARKET FORECAST

Yaletown is one of the most competitive markets in Metro Vancouver with quality space in very high demand, often leading to multiple competitive bid situations for class A space. Rental rates increased through the first half of 2019 and are expected to continue to rise for the balance of the year. With very slight relief coming in the next 18 months from relocations and limited new supply, vacancy is expected to remain extraordinarily tight in an escalating rent environment.

NOTABLE LEASE DEALS - MID-YEAR 2019

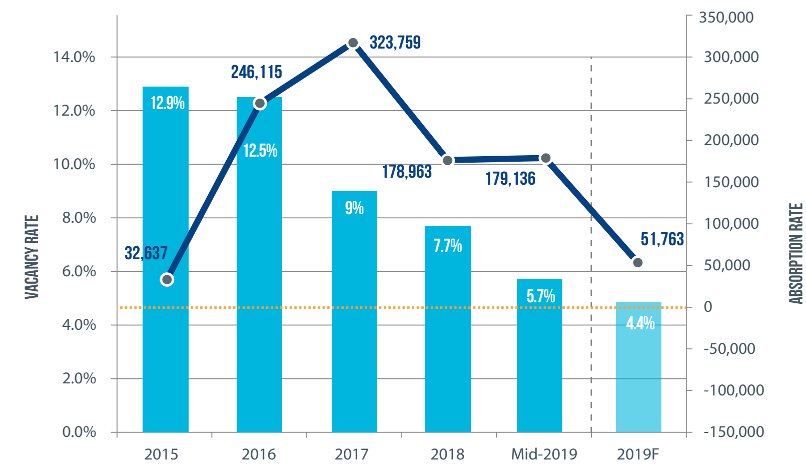
TENANT	BUILDING	SF
Pay by Phone Technologies (sublease)	1128 Homer Street	8,600
Streamlabs (sublease)	208 Robson Street	7,500
Simplipleasure	788 Beatty Street	5,670
Wiivv Wearables (sublease)	1152 Mainland Street	4,450

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Boffo Developments	The Smithe, 225 Smithe Street	31,000	0	0%	Q3 2020
Private developer	Yaletown Square, 1290 Homer Street (renovation & 3-storey addition)	28,252 (office); 17,115 (addition)	0	0%	Q1 2021

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	576,938	0	0	0	0.0%	11,285	21,754	3.8%	$39 - $42.50	$58 - $60.50
B	1,025,357	0	834	834	0.1%	6,174	34,450	3.4%	$32 - $35	$49 - $52
C	472,077	7,601	834	8,435	1.8%	10,299	3,241	0.7%	$25 - $28	$41 - $43.50
Total	**2,074,372**	**7,601**	**1,668**	**9,269**	**0.4%**	**27,758**	**59,445**	**2.9%**	-	-

Positive absorption pushes vacancy to lowest point since mid-2008

VACANCY AND ABSORPTION



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Vacancy slid to 5.7% at mid-year 2019, down from 7% 12 months ago and 7.7% at year-end 2018, and is at its lowest point since mid-2008. However, vacancy at year-end 2018 and mid-year 2019 was elevated due to the vacant delivery of Station Square at the end of 2018. The office space has been preleased by **WeWork**, but will not be occupied until the second half of 2019 and is considered vacant from a statistical perspective. Deal velocity among small to mid-sized tenants remained strong as companies seeking office space increasingly look toward suburban markets due to a lack of options in the Downtown core and Vancouver-Broadway market. Activity related to larger tenancies remained muted as large-block availability near SkyTrain has been very limited with existing Burnaby tenants also seeking to relocate or expand at or near SkyTrain stations. Burnaby is one market in the region with substantial sublease space. More than half of the total sublease space is located in 3777 Kingsway with more set for release in the second half of 2019.

ABSORPTION TRENDS

First-half absorption of 179,136 sf marked the second most first-half absorption registered in Metro Vancouver at mid-year 2019 and marked the second year in a row that first-half absorption in Burnaby exceeded 175,000 sf. Absorption is likely to remain positive in the second half of 2019 with the WeWork occupancy of **Station Square** likely to provide the majority of absorption as other tenancies that commence will be smaller in size but more frequent.

NEW CONSTRUCTION

The supply of new office space remains highly constrained despite several large mixed-use developments underway in Burnaby that could potentially include additional office space in future phases. Virtually all of the new supply to 2021 is preleased/presold with very little currently in the pipeline to be delivered by 2024.

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Cressey Development	Kings Crossing, 7350 Edmonds Street	74,016 (office)	Strata	100% sold	Q3 2019
Shape Properties	The Amazing Brentwood (phase 1)	77,000 (office)	77,000	100%	Q4 2020
Belford Properties	The Centre at Sun Towers, 4458 Beresford Street	67,000 (office)	Strata	90% sold	Q1 2021
Shape Properties	The City of Lougheed (phase 1)	21,000 (office)	0	0%	Q4 2022
Onni Group	Gilmore Place (phase 1)	80,500 (office)	0	0%	Q2 2024
Onni Group	*Gilmore Place (phase 2)*	*695,614 (office)*	*0*	*0%*	*Proposed*
Kingswood Capital	*Discovery Place Business Park, 3555 Gilmore Way*	*50,000*	*0*	*0%*	*Awaiting prelease*

VACANCY SET TO DECLINE FURTHER IN 2019

MARKET FORECAST

Upward pressure on rental rates has been slowly increasing through the first half of 2019 as vacancy declined and will increase as vacancy drops significantly by year end. Tenant demand for office space, particularly close to SkyTrain stations, is strong and will continue to rise through 2019 as will the rental rates achieved for space in buildings located near rapid transit. Vacancy is likely to approach historic lows by mid-year 2020 and remain at or near record lows for at least three years as tenants unable to secure space in Vancouver look to Burnaby. But a lack of new supply combined with organic demand from Burnaby tenants will limit the ability for new tenants to enter the market and likely restrict those already there from expanding.

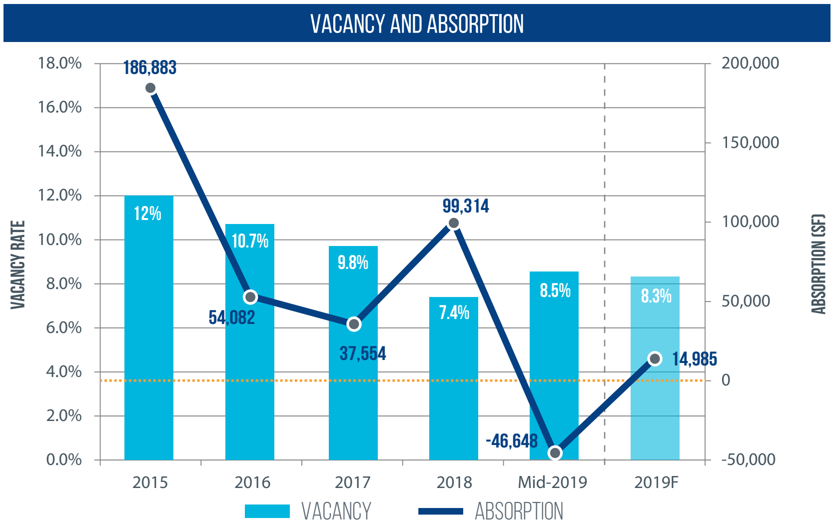
NOTABLE LEASE DEALS - MID-YEAR 2019

TENANT	BUILDING	SF
WeWork	The Amazing Brentwood (tower 3)	77,000
WeWork	Station Square	58,820
NTT DATA Canada (sublease)	SOLO District	35,000
Orbis Investments (renewal)	Metrotower I, 4710 Kingsway	21,230
Gateway Casinos & Entertainment	4400 Dominion Street	20,600
BC Housing	4555 Kingsway	11,000
Stage 49 (sublease)	4200 North Fraser Way	10,300
GLI Test Labs	6400 Roberts Street	8,690
Hedgehog Technologies (expansion)	2250 Boundary Road	8,650
Ballard Power	4445 Lougheed Highway	8,350
WCG International	3999 Henning Drive	7,110
Advesa Digital	4601 Canada Way	6,320
Abbarch Architecture	4333 Still Creek Drive	5,620

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,368,081	308,675	100,707	409,382	6.4%	122,577	$24 - $28	$40 - $44
B	2,081,671	103,751	3,399	107,150	5.1%	33,174	$18 - $21	$32 - $35
C	869,038	10,460	7,089	17,549	2.0%	23,385	$17 - $19	$30 - $32
Total	**9,318,790**	**422,886**	**111,195**	**534,081**	**5.7%**	**179,136**	-	-

RICHMOND

Vacancy rises for first time in almost a decade



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Vacancy may have fell to 8.5% at mid-year 2019 from 9.8% a year earlier; however, it increased markedly from the 7.4% registered at year-end 2018. The 110-basis point increase in vacancy in the six-month period preceding mid-year 2019 was the first time that vacancy increased in the Richmond office market since peaking at 24.6% at year-end 2010. The increase in vacancy was largely the result of **Sage Software Canada** vacating a substantial amount of space at 13888 Wireless Way. Smaller vacancies also emerged at 13353 and 13571 Commerce Parkway and 13091 and 13111 Vanier Place. Deal velocity remained muted in the first half of 2019, which will likely translate into fewer occupancies in the back half of the year with vacancy expected to remain stable. Sublease vacancy in Richmond accounts for almost 17% of overall vacancy and represents one of the few opportunities in the region to sublease spaces greater than 10,000 sf.

ABSORPTION TRENDS

Negative first-half absorption of 46,648 sf was the most negative first-half absorption recorded in Richmond since mid-year 2009 and was the most recorded in a Metro Vancouver municipality during the first six months of 2019. The substantial reduction in Sage Software's footprint was largely responsible for the negative absorption, along with the consolidation of **Boeing Canada Operations'** office space in **Crestwood Corporate Centre**.

NEW CONSTRUCTION

With the delivery of 100,000 sf of strata office space at the **International Trade Centre at Versante** in the first half of 2019, the office market in Richmond received its first substantial amount of new space in more than a decade. With four new mixed-use projects underway, which include office space for lease in **ViewStar** and **Atmosphere** along with strata office space for sale in **Bridgeport Business Centre** and **The Paramount**, there is currently more than 570,000 sf of new office space scheduled to be delivered by 2022.

NEGATIVE ABSORPTION CLIMBS **TO HIGHEST** LEVEL SINCE 2009

MARKET FORECAST

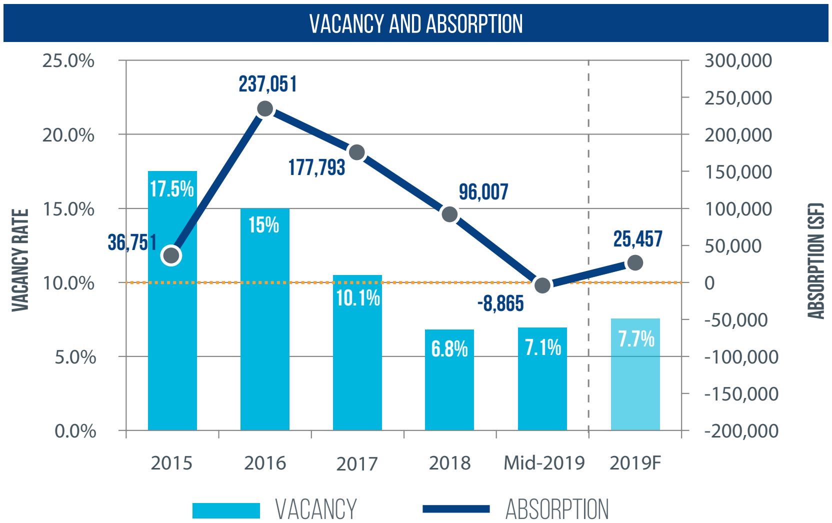
Rental rates were stable in the first half of 2019 as vacancy remained healthy with available space for both existing tenants to expand in and for new entrants to the market. Rental rates will remain stable through 2019 due to overall vacancy likely remaining unchanged. Richmond's market is set to stay the course providing no additional large tenants downsize or close down their operations. Demand along No. 3 Road will remain strong with lower vacancy and higher rents than elsewhere in the market. Richmond remains attractive to tenants with a range of space options and cost-effective rental rates. Vacancy should remain stable and the market balanced despite slowing deal velocity, which is likely to persist through 2019.

NOTABLE LEASE DEALS - MID-YEAR 2019

TENANT	BUILDING	SF
Ginkgo Capital	13571 Commerce Parkway	17,810
Virogin Biotech Ltd.	13511 Commerce Parkway	15,680
Koinonia Evangelical Church	13777 Commerce Parkway	7,270
VersaCold	13888 Wireless Way	7,050

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Yuanheng Seaview Developments	ViewStar, 3031-3351 No. 3 Road, 8151 Capstan Way & 8051/8100 River Road	205,141 (office - second phase)	0	0%	Q4 2020
Chungwa Investments	Bridgeport Business Centre (phase 1), 9466 Beckwith Road	130,000 (office)	Strata	0%	Q2 2021
Keltic Canada Development Ltd.	The Paramount, 6340 No. 3 Road	103,560 (office)	Strata	NA	Q2 2022
South Street Development Group	GEC Richmond, 7960 Alderbridge Way (part of Atmosphere development)	132,900 (office)	10,000	7.5%	Q3 2022
Townline Ventures	*5591, 5631, 5651 and 5671 No. 3 Road*	*77,740 (office)*	*0*	*0%*	*Proposed*
Park Village Investments & Grand Long Holdings Canada	*8071 & 8091 Park Road*	*58,780 (office)*	*0*	*0%*	*Proposed*
Vanhome Properties Inc.	*9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road*	*48,000 (office)*	*0*	*0%*	*Proposed*
New Continental Properties	*8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way*	*50,527*	*0*	*0%*	*Proposed*
CIBT Education Group Inc.	*GEC CyberCity, 7760, 7780, 7800, 7810, 7820 and 7840 River Road*	*150,000 (office)*	*0*	*0%*	*Proposed*
Bene (No. 3) Development Ltd.	*4700 No. 3 Road*	*63,479 (office)*	*0*	*0%*	*Proposed*
Vanprop Investments	*Lansdowne Centre (redevelopment)*	*TBD*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	267,116	26,332	293,448	10.1%	-59,896	$17.50 - $19	$29.50 - $31.25
B	972,346	34,017	10,176	44,193	4.5%	10,226	$14.50 - $16	$27.50 - $29
C	348,198	7,512	14,965	22,477	6.5%	3,022	$13 - $15	$21 - $23
Total	**4,215,800**	**308,645**	**51,473**	**360,118**	**8.5%**	**-46,648**	-	-



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Office vacancy in Surrey declined to 7.1% at mid-year 2019 from 9.6% a year earlier, but was up slightly from the 6.8% vacancy rate – the lowest vacancy recorded in Surrey since mid 2011 – that had been registered just six months earlier at year-end 2018. Vacancy had been tightening steadily since mid-year 2016 prior to 2019. The increase in vacancy was largely attributed to **Safe Software** relocating into strata office space and vacating a significant amount of class B space in **Surrey Central Business Park (SCBP)**. However, the tech firm's former space will be backfilled by the federal government this fall. Class A and C vacancy remained tight in the first half of 2019. The vacant delivery of **The Professional Centre@South Point** is forecasted to contribute to an increase in overall vacancy at year-end 2019.

ABSORPTION TRENDS

Surrey recorded negative 8,865 sf of absorption in the first six months of 2019. This marks the first time that negative first-half absorption has been registered in this office market since mid-2014. The negative absorption was fully in class B space and was the result of Safe Software moving out of its former space at SCBP into strata office space. Positive absorption was minimal in class A space with moderate-sized occupancies in the **Coast Capital Savings Building** and phase one of **Benchmark Business Centre** being largely offset by smaller vacancies emerging in **Panorama Place**, phase two of Benchmark Business Centre as well as **Guildford Corporate Centre** and **Fleetwood Professional Centre**. Due to limited leasing opportunities, there has been a slowdown in leasing activity.

NEW CONSTRUCTION

The Professional Centre @ South Point is scheduled to be delivered by the end of 2019 and was 48% preleased at mid-year 2019. The building represents the only new and available office space to be completed in Surrey prior to 2021.

RENTAL RATES
TO RISE
AS VACANCY
REMAINS
TIGHT

Phase two of **PCI Group's King George HUB at the Stations** development, which includes 160,000 sf of office space and 100,000 sf of retail space, is set for completion by the end of 2021 and is 0% preleased. **Landview Construction's GTC Professional Building**, a five-storey, 100,550-sf office building, will likely break ground in the second half of 2019 and complete in early 2021. **Lark Group's** strata office tower, **CityCentre3**, will also deliver in early 2021 and was 20% sold at mid-year 2019. **Blackwood Partners' Tower 2 at Central City** has yet to break ground but is aiming for completion in the second half of 2023.

MARKET FORECAST

The upward pressure on rental rates recorded through the first half of 2019 is expected to continue for the rest of the year as vacancy remains tight, leasing activity slow and options limited. Despite the federal government occupying almost 24,000 sf in the second half, office vacancy is expected to temporarily rise due to slowing deal velocity and the vacant delivery of TPC@South Point by year-end 2019 as occupancy is not scheduled until early 2020. Vacancy should resume its downward trajectory by mid-2020.

NOTABLE LEASE DEALS - MID-YEAR 2019

TENANT	BUILDING	SF
Fraser Health Authority	10153 King George Boulevard	22,500
Lafarge Canada (renewal)	7455 132nd Street	13,240
Vancouver Career College	14928 56 Avenue	9,500
AFL (expansion)	7485 130 Street	6,000

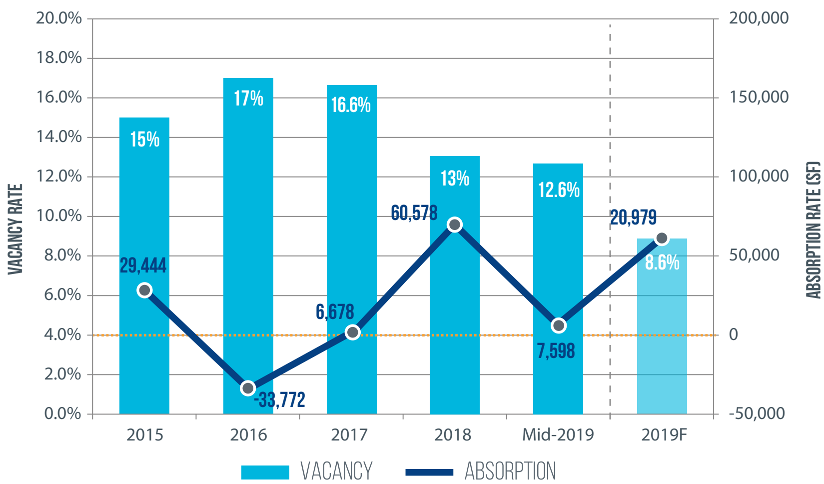
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Avondale Development / Monark Group	The Professional Centre @ South Point, 3231 152nd Street	71,780	34,333	48%	Q4 2019
Croydon Drive Development LLP	Southpointe99 (phase 2), 15303 31 Avenue	50,000	50,000	100%	Q2 2020
PCI Group	FWCU Building, 19933 88th Avenue, Langley	107,000 (office)	72,500	68%	Q2 2020
Lark Group	CityCentre3, 13761 96th Avenue	119,500 (office)	Strata	20% sold	Q1 2021
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	0	0%	Q1 2021
PCI Group	King George HUB at the Stations (phase 2), 9900 King George Boulevard (office/retail)	160,000 (office)	0	0%	Q4 2021
Blackwood Partners	Tower 2 at Central City, 10145 King George Boulevard	514,000 (office)	0	0%	Q3 2023

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,074,968	113,581	0	113,581	5.5%	5,605	\$24 - \$32	\$38 - \$42
B	626,010	79,164	0	79,164	12.6%	-16,418	\$16 - \$22	\$29 - \$35
C	205,629	13,498	0	13,498	6.6%	1,948	\$13 - \$16	\$27 - \$29
Total	**2,906,607**	**206,243**	**0**	**206,243**	**7.1%**	**-8,865**	-	-

NEW WESTMINSTER

Vacancy at lowest point since 2013

VACANCY AND ABSORPTION



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Office vacancy at mid-year 2019 slipped to 12.6%, the lowest vacancy registered since year-end 2013, from 13% at year-end 2018, but a marked decline from the 18.1% vacancy recorded 12 months earlier. The substantial decline was due primarily to large tenants taking occupancy in the **Anvil Centre** in the back half of 2018. Vacancy continued tightening in the first half of 2019 due to a number of smaller lease transactions and tenants taking occupancy. After more than four years of elevated vacancy due to the vacant delivery of the Anvil Centre in the first half of 2014, New Westminster's office market will continue to move more towards a balanced market by the end of 2019.

ABSORPTION TRENDS

Positive absorption of 7,598 sf in the first half of 2019 marked the first positive first-half absorption recorded in New Westminster since mid-year 2015. Positive absorption in class A space – powered largely by the occupancy of **Panago Pizza Inc.** in the Anvil Centre – was offset by **Vancouver International College** vacating approximately 14,800 sf in the **Royal Bank Building** at 628 Sixth Avenue. Absorption is expected to increase substantially in the second half of 2019 with the **Fraser Health Authority** occupying more than 23,000 sf in **Latitude Uptown** and **Yorkville University** moving into 24,300 sf at 88 6th Street by year's end.

NEW CONSTRUCTION

Proposed construction of new office space in New Westminster remains limited. The podium of **Wesgroup's** proposed 32-storey **Building 7**, which forms part of the **Brewery District**, would have 50,000 sf of retail, child care and office space, but the final configuration has not yet been determined. **QuadReal Property Group** is revisiting its previously approved development application for two office buildings up to ,000 sf on part of the site for its proposed **Sapperton Green** development. The new design will likely pivot to a mixed-use design that incorporates office, retail and residential uses; however, the new design is not expected to be revealed until mid-2021.

FRASER HEALTH AUTHORITY WILL OCCUPY 23,200 SF IN **LATITUDE UPTOWN** IN THE FALL OF 2019

MARKET FORECAST

Rental rates increased marginally in the first half of 2019 as vacancy has tightened. That slight upwards pressure on rates is anticipated to continue through the year, particularly as increasingly limited options in the Surrey, Burnaby and surrounding office markets mean tenants are also more closely considering opportunities in New Westminster. While vacancy only tightened slightly in the first half, a substantial decline is anticipated by year end with the Fraser Health Authority and Yorkville University occupying more than 47,000 sf in the next six months. Vacancy is very likely to sink below10% for the first time since 2013 and provide additional impetus to increases in rental rates and justification for the development of new office space.

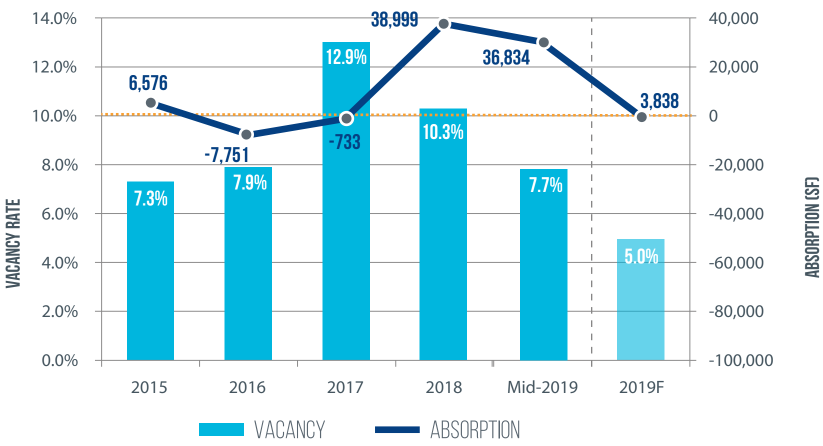
NOTABLE LEASE DEALS - MID-YEAR 2019

TENANT	BUILDING	SF
Yorkville University	88 6th Street	24,300
Fraser Health Authority	Latitude Uptown	23,200
Credit Counselling Society	88 6th Street	14,400
Hanson International	960 Quayside Drive	6,160
Hatfield Consultants	Begbie Court	4,000

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Wesgroup Properties	Building 7 @ Brewery District, 268 Nelson's Court	TBD	0	0%	Q3 2023
QuadReal Property Group	*97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site*	*TBD*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST PSF)
A	780,114	96,192	0	96,192	12.3%	1,085	\$25 - \$32	\$37 - \$46
B	700,684	101,907	0	101,907	14.5%	6,513	\$16 - \$20	\$28 - \$35
C	207,774	14,501	0	14,501	7.0%	0	\$13 - \$16	\$27 - \$30
Total	**1,688,572**	**212,600**	**0**	**212,600**	**12.6%**	**7,598**	-	-

VACANCY AND ABSORPTION



12-month projection based on 10-year average absorption and known net absorption in new inventory

VACANCY TRENDS

Vacancy fell to 7.7% at mid-year 2019, a substantial decline from the 11% recorded just a year earlier, and from the 10.3% registered at year-end 2018. Class A vacancy dropped significantly as **CentreView** and other class A buildings were occupied. No new supply combined with existing tenant expansions, new entrants to the market and tenants vacating the Northmount medical buildings ahead of their pending demolition have placed downward pressure on the vacancy rate. Deal velocity remains elevated partly due to the pending redevelopment of the Northmount medical buildings. Vacancy will be reduced even further when they are demolished. The North Shore is becoming more of a landlord's market, but remains relatively balanced for the time being. Large-block availability has been reduced and there is activity on many of the spaces that remain. Options for small tenants remain limited. Preleasing activity remains strong in the very limited new space coming online starting in mid-2020.

ABSORPTION TRENDS

First-half absorption of 36,834 sf at mid-year 2019 is the most first-half absorption recorded on the North Shore since mid-2007 and marks an ongoing trend of positive absorption that started 18 months ago. The majority of absorption during the past six months was registered in class A buildings with the most occurring in the recently completed CentreView development with companies such **Copeman Healthcare** taking occupancy. Office leasing activity has been strong in 2019 and absorption is forecasted to remain positive through the end of the year.

NEW CONSTRUCTION

The Lonsdale, which has 13,890 sf of office space in the podium of a mixed-use development, is 44% preleased and is scheduled for delivery in mid-2020. **Millennium Central Lonsdale**, which will be built on the site of the former Northmount medical buildings, features a 26-storey residential tower as well as a five-storey, mixed-use building with 34,000 sf of office space on the second and third floors. The project is set for completion in early 2023.

THE NORTH SHORE'S NEWEST OFFICE BUILDING, **CENTREVIEW**, IS VIRTUALLY **100% LEASED.**

MARKET FORECAST

Rental rates remained consistent in the first half of 2019 but may rise, particularly in low-vacancy areas such as Central and Lower Lonsdale, given the decline in overall vacancy anticipated in the back half of the year. The robust leasing activity of the past 18 months may start to taper off due to a reduction in large-block availability and a decrease in quality options. A lack of new supply will contribute to a further tightening in vacancy, but the introduction of Millennium Central Lonsdale and the approval of other proposed projects may stimulate leasing activity.

NOTABLE LEASE DEALS - MID-YEAR 2019

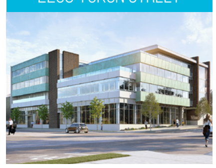
TENANT	BUILDING	SF
A&W Food Services (renewal & expansion)	171 West Esplanade	30,360
Capilano University	125 Victory Ship Way	11,000
North Shore Law LLP (renewal)	171 West Esplanade	10,230
Jane Software (sublease)	CentreView, 138 East 13th Street	10,000
Harbourside Children's Centre (renewal & expansion)	38 Fell Avenue	9,760
Design Maintenance (renewal)	38 Fell Avenue	6,450
Dr. Fashid Shahbazi	1301-1333 Lonsdale Avenue	6,100
Elumind Centres for Brain Excellence	221 West Esplanade	3,430

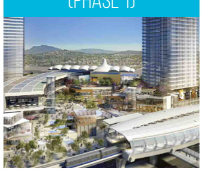
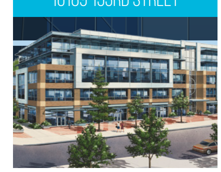
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Hollyburn Properties	The Lonsdale, 1301-1333 Lonsdale Avenue	13,890	6,100	44%	Q2 2020
Millennium Development	Millennium Central Lonsdale, 123-145 East 13th Street	34,000 (office)	0	0%	Q1 2023
Darwin Properties	*The Offices at Harry Jerome*	*70,000 (office)*	*Strata*	*26% sold*	*Planning*
Concert Properties	*801, 889 & 925 Harbourside Drive and 18 Fell Avenue*	*TBD*	*0*	*0%*	*Proposed*
The Tsleil-Waututh Nation & Darwin Properties	*North Shore Innovation District, 2420 Dollarton Highway*	*TBD*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	871,813	66,198	0	66,198	7.6%	30,624	$22 - $35	$39 - $50
B	481,395	32,715	5,110	37,825	7.9%	6,591	$17 - $23	$26 - $38
C	97,690	8,008	0	8,008	8.2%	-381	$15 - $19	$24 - $33
Total	**1,450,898**	**106,921**	**5,110**	**112,031**	**7.7%**	**36,834**	-	-

SUBURBAN DEVELOPMENT TIMELINE (TO Q1 2021)

	KINGS CROSSING 7350 EDMONDS STREET	TPC @ SOUTHPOINT, 3231 152ND STREET	THE BELTLINE OFF BROADWAY, 240-260 WEST 8TH AVENUE	THE LONSDALE, 1301-1333 LONSDALE AVENUE	SOUTHPOINTE 99 (PHASE 2), 15303 31ST AVENUE	FWCU BUILDING, 19933 88TH AVENUE
						
	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2020	Q2 2020
CITY	Burnaby	Surrey	Vancouver-Broadway	North Shore	Surrey	Langley
DEVELOPER	Cressey Development	Avondale Development/ Monark Group	Rendition Developments	Hollyburn Properties	Croydon Drive Development LLP	PCI Group
STOREYS	8	4	4	1 floor	4	6
OFFICE SF	74,016	71,780	32,898	13,890	50,000	107,000
OFFICE TENANTS	Strata	10,500 sf - Sideways Holding Inc. 7,203 sf - Medical tenant 16,634 sf - Undisclosed tenant	Strata	6,100 sf - Dr. Fashid Shabazi	50,000 sf - GroupHEALTH	62,500 sf - First West Credit Union 10,000 sf - Undisclosed tenant
OCCUPANCY	100% sold	48%	69% sold	44%	100%	68%

	THE SMITHE, 225 SMITHE STREET	510 WEST BROADWAY	THE YUKON, 2238 YUKON STREET	CITYLINK, 525 WEST 8TH AVENUE	THE WORKSHOP, 161 EAST 4TH AVENUE	VIEWSTAR, 3031-3351 NO. 3 ROAD
						
	Q3 2020	Q3 2020	Q4 2020	Q4 2020	Q4 2020	Q4 2020
CITY	Yaletown	Vancouver-Broadway	Vancouver-Broadway	Vancouver-Broadway	Vancouver-Broadway	Richmond
DEVELOPER	Boffo Developments	Pacific Crown Management	Chard Development	Vanlux Development	Mondivan	Yuanheng Seaview Developments
STOREYS	3 floors	7	4	8	7	11
OFFICE SF	31,000	41,262	54,492	62,657	55,011	205,141
OFFICE TENANTS	No tenants at this time	41,262 sf - City of Vancouver	Strata	No tenants at this time	5,483 sf - Mondvian	No tenants at this time
OCCUPANCY	0%	100%	31% sold	0%	10%	0%

	THE AMAZING BRENTWOOD (PHASE 1)	2131 MANITOBA STREET	CITYCENTRE 3, 13775 96TH AVENUE	MAIN ALLEY (M2) 114 EAST 4TH AVENUE	YALETOWN SQUARE, 1290 HOMER STREET	GTC PROFESSIONAL BUILDING, 10189 153RD STREET
						
	Q4 2020	Q1 2021	Q1 2021	Q1 2021	Q1 2021	Q1 2021
CITY	Burnaby	Vancouver-Broadway	Surrey	Vancouver-Broadway	Yaletown	Surrey
DEVELOPER	Shape Properties	Wesgroup Properties	Lark Group	Westbank / Hootsuite	Private developer	Landview Construction
STOREYS	Podium (tower 3)	4	10	8	3 floors (addition)	5
OFFICE SF	77,000	48,030	119,500	170,543	17,115	100,550
OFFICE TENANTS	77,000 sf - WeWork	48,030 sf - AbCellera Biologics	Strata	67,300 sf - Zymeworks	No tenants at this time	No tenants at this time
OCCUPANCY	100%	100%	20% sold	39%	0%	0%

DIVERSITY KEY TO DEMAND FOR NEW DOWNTOWN OFFICE SPACE

SPECIAL FEATURE

While technology firms have emerged in recent years as a primary driver of office leasing activity in Downtown Vancouver, the true strength of the market lies in its diverse tenant base, according to an exclusive Avison Young analysis of the past decade of Downtown leasing activity and discussions with local developers.

With more than 5 msf of new space scheduled to come online downtown through 2024, will big tech be the beneficiary of all that new construction? Avison Young examined the demand from all downtown tenants during the past decade to find out the answer.

Avison Young examined all leasing activity downtown (deals greater than 10,000 sf) since 2009 and discovered that technology firms have represented slightly more than one-third of the total square footage (sf) leased downtown annually since 2014. The most leasing demand by tech firms in terms of overall sf occurred in 2014 and 2018 (both accounted for 37.3% of total space let). Tech firms had been responsible for leasing about 20% of downtown space in 2012 and 2013. That figure dropped to about 10% of overall downtown leasing from 2009-11.

Technology companies are driving much of the demand in the new downtown office inventory either through direct leasing commitments to space or through co-working models, **Jeff Rank**, **QuadReal's** senior vice-president of leasing, told Avison Young.

"With the growth in tech users continuing and skilled employees entering the market, new and expanding tech groups will see Vancouver as an enclave of employees to draw from," he said. "Companies that support large tech and services companies, such as legal, real estate and food services to name a few, will all benefit and take on additional space."

According to Avison Young's analysis, the diversity of Downtown office tenants is underscored by the competitiveness of each tenant type when it comes to securing office space.

Upon further examination, Avison Young can report that finance/insurance/accounting firms made up 21% of overall downtown leasing demand in 2018 and over the past 10 years has averaged 18.3% annually, the second most active downtown tenant type after technology firms. Law firms represented 12.6% of leasing demand in 2018 and have represented 12.4% of annual demand since 2009. Architecture and engineering companies, which represented just 4.1% of demand in 2018, have typically had a much more active role in the downtown leasing market as indicated by the tenant type's 10-year average of 10.8% of leasing demand annually.

Despite the significant headlines garnered by co-working operators such as **WeWork** and **Regus/Spaces**, leasing demand by co-working has remained limited with just 8.4% of total demand in 2018 (although that had spiked to 15.6% in 2017) and a 10-year average of just 3.4% of total space leased annually. While co-working is changing the downtown office leasing environment (and its percentage of leasing demand will increase in 2019 due to its substantial prelease commitment in B6), it remains a much smaller player at this time than the tech firms it is often compared with.

OFFICE DEMAND IN DOWNTOWN VANCOUVER*

TECH 24.2%

FINANCE 18.3%

LAW 12.4%

ENGINEERING 10.8%

**10-year annual average by total sf leased*

Source: Avison Young ressearch, Vancouver

Brian Wong, director of leasing, BC, for **GWL Realty Advisors** highlighted the role that not only tech has to play in Downtown Vancouver, but other tenant types as well.

"It is without question that tech firms are driving much of the (new) demand for the new office buildings that are currently under construction," he explained. "That being said, for our project, VC2, we are seeing relatively balanced demand from both tech companies and traditional office users such as resource-based companies, law firms, etc."

According to Avison Young's analysis of 10-year annual averages, other key tenant types that typically represent less than 10% of annual demand but more than 3% include natural resources (7.4%), real estate/construction (3.6%) and education (3.4%). Other companies outside the eight tenant types listed collectively made up an average of 16.5% of annual leasing demand over the past 10 years.

It also appears that the tenant types that generate the most demand for new office space in Downtown Vancouver are not just focused on large office towers.

David Ferguson, chief investment officer for **Low Tide Properties**, indicated that technology firms currently form the largest share of demand for their developments as Low Tide Properties' projects – which do not include highrise office towers – are typically located in areas that appeal to tech tenants.

He also added that it is not just tech companies seeking space in Low Tide Properties' developments, but also architects, designers and media companies that are driving demand for new office space.

continued from page 1

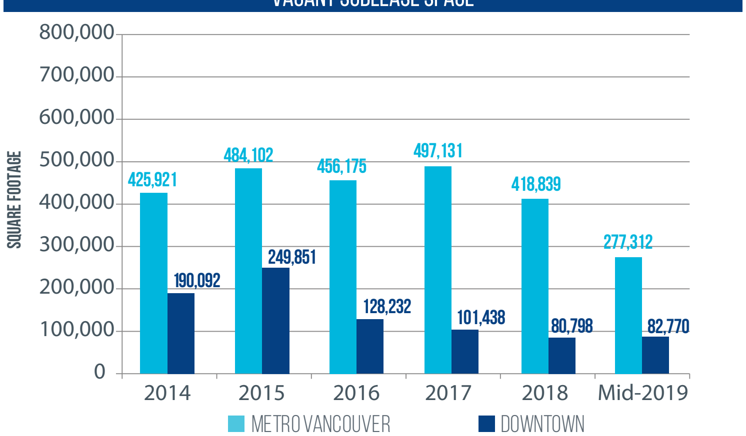
office buildings throughout Metro Vancouver. The three strongest markets in the region in terms of first-half absorption were Downtown (202,168 sf), Burnaby (179,136 sf) and Vancouver-Broadway (134,046 sf). First-half absorption in Yaletown (27,758 sf) and the North Shore (36,834 sf) remained very strong despite the small amounts of absorption as both markets have a severely limited supply of new and existing office space. Only 38% of Metro Vancouver's regional first-half 2019 absorption was recorded Downtown; however, the city of Vancouver, which includes the core markets of Downtown, Yaletown and Vancouver-Broadway, captured 74% of the region's first-half 2019 absorption. While this continues to highlight the attraction that core markets have for businesses, it is also a reflection of the core markets simply having more existing space to accommodate new and expanding tenants. The slightly negative first-half absorption recorded in Surrey was due to a single firm vacating leased space to occupy new strata office, while the negative absorption registered in Richmond was largely due to a single tenant reducing its footprint.

At mid-year 2019, there was 194,542 sf available for sublease outside Downtown Vancouver, while Downtown sublease space totalled 82,770 sf for a total of 277,312 sf or 12.4% of the overall vacancy region-wide – up slightly from 10.9% a year earlier. Burnaby continues to have the most sublease vacancy in Metro Vancouver with a single building making up 22% of the region's total sublease vacancy. There is more sublease space in 3777 Kingsway in Burnaby than in Vancouver-Broadway, Yaletown and on the North Shore combined.

A substantial gap in new-product delivery and availability has formed in almost all of Metro Vancouver's primary office markets, particularly Downtown, Yaletown and Burnaby, with little relief likely to appear for at least another 24 to 36 months. While the Vancouver-Broadway and Surrey markets will receive some new supply in the next 18 months, the impact on vacancy will likely be minimal. This crimp in supply will likely lead to less positive absorption in 2019 and through 2020 as leasing opportunities dwindle due to lack of options while vacancy remains at or near historic lows. Rental rate appreciation will manifest in each market, particularly in core markets such as Downtown, Yaletown and Vancouver-Broadway. Burnaby faces its own set of unique challenges as the second largest office market in the region (9.3 msf) with rapidly declining vacancy and almost no new supply scheduled to be delivered before 2024.

As a victim of its own success, Metro Vancouver's office market has entered a historical phase when record-low vacancy and record-high rental rates combine across the region with a severe lack of new supply. The next 24 to 36 months will present challenges for both tenants and landlords, particularly if preleasing commitments start to take up substantial space in buildings that will not be delivered until 2022/23. This scenario, while highly limiting tenant options for the next 48 months, would also force developers to look further into the future and contemplate the commencement of their next project years before current developments are completed. This will require a fundamental shift in perspective to understand Metro Vancouver's ongoing transformation into a global office market and redefine the city's traditional dynamics of supply and demand. ■

VACANT SUBLEASE SPACE



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