



Tenant Profile One

Size Requirement: 1,500 sf to 2,500 sf

Tenant Profile:

- This tenant is a small and growing professional services firm that requires an upgrade in its location in regard to transit and amenities and is seeking to occupy improved space.
- Considering moving to a central location downtown with rapid transit access but wants to minimize occupancy costs and maximize space efficiency.
- Access to a SkyTrain station that is within walking distance (500 metres) is a requirement for employee recruitment and retention.

Competitive Set:

Any class B building in Downtown Vancouver with vacant improved space that is available immediately and within walking distance of a SkyTrain station.

Q3 Relevant Statistics:

Applicable Inventory	5,410,331 sf
Direct Lease	29,437 sf
Sublease	15,776 sf
Total Availability	45,213 sf
Direct Availability Rate	0.54%
Sublease Availability Rate	0.29%
Total Availability Rate	0.84%
Average Base Rent	\$32.63
Average Ops Costs	\$19.98

46
TOTAL # OF
BUILDINGS IN
DEFINED
INVENTORY

23 ↑
EXISTING
OPTIONS

Stats are based on tenant requirements as defined by each profile type.

Downtown office availability remains constrained through third quarter of 2020 despite COVID-19

Tight vacancy conditions in downtown Vancouver's office market have largely persisted despite the economic fallout related to the arrival of COVID-19 in spring 2020, according to Avison Young's most recent *Downtown Office Tenant Profile Report*. While rental rates for select spaces have started to show signs of softening and sublease vacancy increased sharply, availabilities remain highly constrained.

As of September 30, there were no options available within the next 12 months for large tenants seeking contiguous office space of 30,000 sf or more in a class AAA building. Availability is not anticipated to rise substantially in these buildings in the near term as most large corporate office tenants continue to employ a mix of work-from-home and/or return-to-office strategies and generally have not decided what their longer-term space considerations may be as it relates to their current requirements. For mid-sized tenants, the number of full-floor opportunities available in the next six months rose to seven at an average asking rate of almost \$40 per square foot (psf) – off markedly from the \$50 psf recorded six months ago in this select building set. Meanwhile, small tenants also had more options than they did six months ago with the average rental rate slipping slightly to \$32.63 psf from \$34.03 psf at spring 2020.

COVID-19 containment measures to date appear to have impacted mid-sized office tenants (Tenant Profile Two), which resulted in the availability rate rising to 1.28% at fall 2020 from 0.66% six months earlier. The increase in availabilities has largely come about as a result of sublease space with sublease availability for Tenant Profile Two climbing to 0.7% at the end of September from 0% in March 2020. Landlords' efforts to work with tenants and limit vacancy in their buildings, along with a very limited number of lease transactions in the past six months, contributed to the notable (but likely temporary) decline in average rental rates in the Tenant Profile Two building set.

Location, amenities, eco-friendly standards, access to public transit, floorplate size, IT infrastructure and building security along with lease costs are important considerations for tenants reviewing their real estate requirements. However, combinations of these variables can limit the amount of options available to tenants and may have significant implications for overall cost and deal structure. A real estate professional can significantly help prospective tenants maximize value and find the right option that fits their needs.

To better understand the challenges tenants face when renewing, relocating or entering the Downtown market, Avison Young has created the semi-annual *Downtown Office Tenant Profile Report*, which details the availability rates for three hypothetical office tenants common in the Vancouver market. Each hypothetical company possesses a different set of real estate requirements in the Downtown market that subsequently generates a unique competitive set of buildings that meets the tenant's requirements and aligns to the company's business strategy.

Available options for Tenant Profile One rose to 23 in the third quarter of 2020 from 16 in the first quarter of 2020 with eight sublease options, slightly increasing the total availability rate to 0.84%. The number of available options for Tenant Profile Two increased to seven (four of which are sublease options), which led the availability rate to double. There are no available options for Tenant Profile Three. The initial impacts of COVID-19 on Vancouver's Downtown office market are starting to manifest; however, availabilities remain extremely limited with impacts largely limited to a specific subset of office buildings and tenant size.

Note: To determine the number of options for a tenant requirement, each availability is only listed once despite the suite size. For example, if the requirement is for 3,000 sf and a suite that is 6,700 sf is demisable, the suite provides only one option rather than two. ■



Tenant Profile Two

Size Requirement: 10,000 sf to 15,000 sf

Tenant Profile:

- This tenant would prefer improved space in a high-profile location that is close to amenities and which heightens the company's profile.
- However, overall costs remain a concern for the tenant. Tenant would prefer to reduce costs associated with common areas and be located on a single floor. As a result, the floorplate must exceed 10,000 sf.
- Similar to the first tenant, access to a SkyTrain station within walking distance (500 metres) is a requirement for employee recruitment and retention.

Competitive Set:

Any downtown class A property with the ability to accommodate the tenant and that is available within the next six months.

Q3 Relevant Statistics:

Applicable Inventory	6,833,636 sf
Direct Lease	39,606 sf
Sublease	48,096 sf
Total Availability	87,702 sf
Direct Availability Rate	0.58%
Sublease Availability Rate	0.70%
Total Availability Rate	1.28%
Average Base Rent	\$39.82
Average Ops Costs	\$22.39



Stats are based on tenant requirements as defined by each profile type.



Tenant Profile Three

Size Requirement: 30,000 sf +

Tenant Profile:

- This tenant is a high-profile, well-established multi-national company that is looking to upgrade its existing offices in a class AAA building.
- To meet the firm's corporate sustainability goals, the building must achieve some level of industry-standard certification.
- Floors must be contiguous and the space may be improved or unimproved.
- Building and location amenities are essential to this tenant as the building must have onsite amenities and access to rapid transit.

Competitive Set:

Any available space that can be occupied within the next 12 months in an existing downtown class AAA property that has an industry-standard sustainability accreditation, onsite amenities and access to SkyTrain.

Q3 Relevant Statistics:

Applicable Inventory	4,674,084 sf
Direct Lease	0 sf
Sublease	0 sf
Total Availability	0 sf
Direct Availability Rate	0%
Sublease Availability Rate	0%
Total Availability Rate	0%
Average Base Rent	NA
Average Ops Costs	NA



Stats are based on tenant requirements as defined by each profile type.

For more information, please contact:

Andrew Petrozzi,

Principal & Practice Leader, Research (BC)
Direct Line: 604.646.8392
andrew.petrozzi@avisonyoung.com

Michael Keenan,

Principal & Managing Director
Direct Line: 604.647.5081
michael.keenan@avisonyoung.com

Office Leasing Team

Nicolas Bilodeau
nicolas.bilodeau@avisonyoung.com

Jason Mah*
jason.mah@avisonyoung.com

Robin Buntain*
robin.buntain@avisonyoung.com

Justin Omichinski*
justin.omichinski@avisonyoung.com

Fergus Cameron
fergus.cameron@avisonyoung.com

Zac Osinchuk
zac.osinchuk@avisonyoung.com

Tanner Clarkson
tanner.clarkson@avisonyoung.com

Brian Pearson
brian.pearson@avisonyoung.com

Matthew Craig*
matthew.craig@avisonyoung.com

Ronan Pigott*
ronan.pigott@avisonyoung.com

Bill Elliott
bill.elliott@avisonyoung.com

Josh Sookero*
josh.sookero@avisonyoung.com

Glenn Gardner*
glenn.gardner@avisonyoung.com

Terry Thies*
terry.thies@avisonyoung.com

Sean Keenan
sean.keenan@avisonyoung.com

Tammy Stephen
tammy.stephen@avisonyoung.com

Nabila Lalani
nabila.lalani@avisonyoung.com

Matt Walker
matt.walker@avisonyoung.com

Derek Lee
derek.lee@avisonyoung.com

Ian Whitcelo*
ian.whitcelo@avisonyoung.com

James Lewis
james.lewis@avisonyoung.com

Stephanie Yeargin
stephanie.yeargin@avisonyoung.com

*Personal Real Estate Corporation

Disclaimer: The spread of COVID-19 and the containment policies being introduced are changing rapidly, and some of the views expressed herein may not reflect the latest opinion of Avison Young.

Avison Young
#2900-1055 W. Georgia Street
Box 11109 Royal Centre
Vancouver, BC V6E 3P3, Canada

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