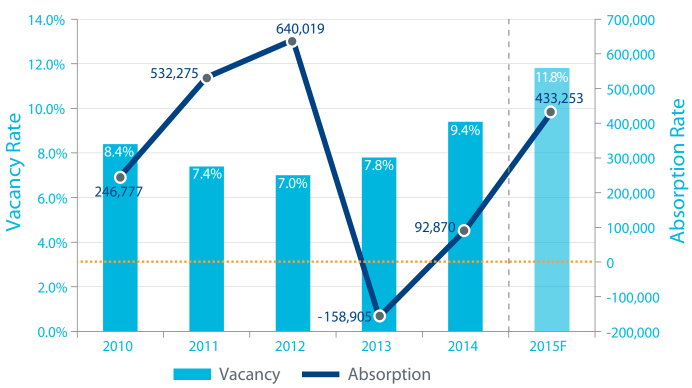
Metro Vancouver
Office Market Report

Year-End 2014

Vacancy rate December 31, 2014 9.4%
Vacancy rate June 30, 2014 9.7%

ABSORPTION (DEMAND)	VACANCY (SUPPLY)	RENTAL RATES
↗	↔	↘

Metro Vancouver - Vacancy and Absorption Trends



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

Positive absorption in Metro Vancouver powered by stable suburban submarkets in face of rising Downtown vacancy

Despite office vacancy in Metro Vancouver remaining at its highest point in nearly a decade at year-end 2014, the mainly stable suburban markets were able to offset rising Downtown vacancy and still generate positive annual absorption for the region overall. With the exception of 2013, Metro Vancouver has recorded positive annual absorption each year since 2009. Regional absorption was 92,870 sf in 2014 compared with negative 158,905 sf in 2013. The majority of positive annual absorption emerged from the Broadway submarket as Downtown recorded its second consecutive year of negative annual absorption in 2014. Metro Vancouver's vacancy rate of 9.4% at year-end 2014 marked a slight improvement from mid-year 2014, but was up substantially from the 7.8% recorded 12 months earlier. More than 1 million square feet (msf) of new inventory was added to Metro Vancouver's office market in 2014, with more than 2.5 msf still to come in 2015. While much of the new construction is located in the Downtown core, a number of substantial projects in the suburbs are also scheduled for completion in 2015. The new Downtown office towers that were to be completed by year-end 2014 were subsequently delayed until the first half of 2015 and are not included in this report's statistics.

Despite almost 310,000 sf of negative annual absorption Downtown from January 1 to December 31, 2014, more than 490,000 sf of positive annual absorption in the Broadway, Yaletown, Burnaby, Richmond and Surrey submarkets combined to help offset Downtown's impact on the region. New Westminster had little impact on regional absorption statistics. The forthcoming demolition of the formerly occupied **Esplanade Centre** on

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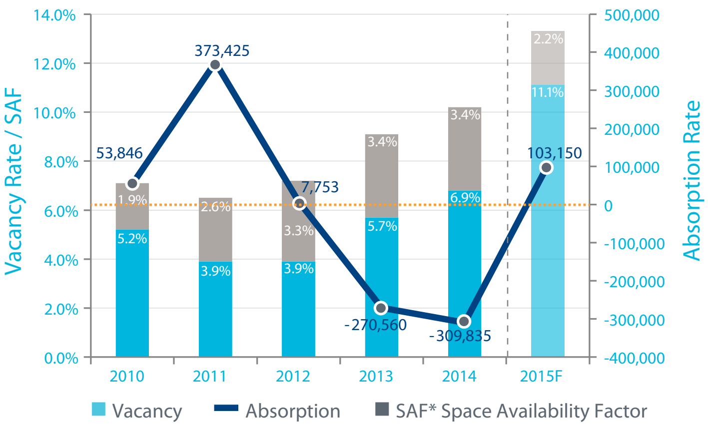
Metro Vancouver Office Vacancy Summary (Year-End 2014)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	12 MONTHS ABSORPTION (SF)
Downtown	21,315,394	1,288,560	190,092	1,478,652	6.9%	-309,835
Yaletown	2,029,244	60,831	1,875	62,706	3.1%	23,928
Broadway	7,186,599	296,800	32,341	329,141	4.6%	410,466
Burnaby	9,592,817	1,156,072	52,054	1,208,126	12.6%	34,390
Richmond	4,200,538	592,659	45,399	638,058	15.2%	7,545
Surrey	2,759,572	522,199	86,607	608,806	22.1%	14,475
New Westminster	1,688,572	275,926	7,200	283,126	16.8%	-1,478
North Shore	1,372,098	96,803	10,353	107,156	7.8%	-86,621
TOTAL	**50,144,834**	**4,289,850**	**425,921**	**4,715,771**	**9.4%**	**92,870**

Vacancy with Space Availability Factor (SAF) and Absorption:



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

Vacancy Trends

Downtown vacancy rose to 6.9% at year-end 2014 (the highest since mid-year 2005) and a 120-bps increase from year-end 2013 (5.7%). Vacancy increased in all building classes when compared with year-end 2013, with the largest increases coming in class B and C properties (+2.1% and +1.8%, respectively). Smaller hikes in vacancy occurred in class AAA and A premises (+1.3% and +0.4%, respectively). Headlease vacancy has increased by more than 30% since year-end 2013, while sublease vacancy has decreased by more than 20% in that same period. Deal activity in the second half of 2014 was robust and in line with historical volumes. Downtown continues to shift in the tenants' favour with an overall availability rate (vacancy and SAF) of 10.3% suggesting a fairly well-balanced market, albeit at the higher end of the range. Availability will continue to increase, particularly in light of the significant vacancy remaining in 980 Howe Street, 89 West Georgia, the **Exchange** tower and **Burrard Place**, which is scheduled to start construction at mid-year 2015. Large-block opportunities continue to emerge with head lease and sublease options in new and existing buildings. Partial-floor tenancies still exist and are possible options for smaller tenants seeking to benefit from the efficiencies and amenities in new office developments.

Note: New Downtown office towers and their related absorption will not be added to inventory and factored into absorption at year-end 2014. Avison Young has determined that it will include these factors in its mid-year 2015 Metro Vancouver office market report.

Absorption Trends

In 2014, the Downtown submarket recorded its greatest amount of negative annual absorption since 2009 (-556,876 sf). The Downtown submarket has not recorded positive annual absorption since 2012. Three-quarters of the negative annual absorption in 2014 occurred in class B and C premises. In the second half of 2014, **Hemmera** vacated 17,000 sf at 1380 Burrard Street when it moved to **Metrotower III** in Burnaby. **ICBC** also vacated 20,000 sf at 808 Nelson Street. However, **Sony Pictures Imageworks** occupied 27,000 sf at 609 Granville Street as it prepares to occupy its new home at 725 Granville Street in the spring of 2015.

Space Availability Factor (SAF)

SAF refers to head lease or sublease space that is being marketed but is not physically vacant, and new supply that is nearing completion and available for lease. The space availability factor, or SAF, remained unchanged from year-end 2013 (3.4%). The actual amount of existing building space currently being marketed (occupied and vacant) in the Downtown core is 10.3% or approximately 2.2 msf.

National Bank will be the anchor tenant in **The Exchange**, a 369,000-sf office tower set for completion in spring 2017. National Bank will occupy 45,000 sf.

Recent Lease Deals – Year-End 2014

TENANT	BUILDING	SF
Goldcorp Inc. (renewal & expansion)	Park Place	70,000
Global Relay (renewal & expansion)	The Leckie Building	62,000
National Bank	The Exchange	45,000
Methanex Corp. (renewal)	Waterfront Centre	35,600
RGN Management LP (renewal)	Park Place	34,000
Chartered Professional Accountants of BC	Harbour Centre	31,500
Adler School of Professional Psychology	FiveTen Seymour	30,500
RBC Dominion Securities	745 Thurlow Street	29,730
RBC Dominion Securities	Royal Centre	28,500
Sony Pictures Imageworks (sublease)	Canaccord Financial Place	27,000
Grant Thornton LLP (renewal)	Grant Thornton Place	27,000
Onlineshoes.com	FiveTen Seymour	24,000
FCV Technologies Ltd. (renewal)	Grant Thornton Place	21,600
Omicron (renewal)	Bentall 3	21,300
B2Gold Corp. (renewal)	Bentall 3	21,000
Avison Young Commercial Real Estate (expansion)	Royal Centre	19,600
Wolrige Mahon LLP (renewal)	Commerce Place	18,400
RBC Dominion Securities (renewal)	Park Place	17,200
Roper Greyell LLP	745 Thurlow Street	17,000
D&B Companies of Canada ULC	720 Robson Street	14,000
ZLC Financial Group (renewal & expansion)	Park Place	13,600
Dolden Wallace Folick LLP	Canaccord Financial Place	13,500
Canaccord Genuity Group Inc.	Canaccord Financial Place	13,500
NORAM Engineering (sublease)	Granville Square	12,300

New Construction

Several new office towers will redefine the Downtown skyline with the addition of more than 1.1 msf of new office space in the first half of 2015. Several of **MNP Tower's** tenants were fixturing in late 2014 and started occupying in January 2015. Confirmed office tenants include **MNP** (56,000 sf), **CBRE** (28,000), **Atimi Software** (24,400 sf) **Dassault Systemes** (24,000 sf), **Vertex One** (16,000 sf), **Regus** (16,000 sf), **Silver Wheaton** (16,000 sf), **MacLean Law Group** (8,000 sf), **Wallstreet Systems** (8,000 sf), **Intrinsyc Venture Corp.** (8,000 sf), **Korn/Ferry** (8,000 sf), **HRA Group** (5,000 sf) and **Canpotex** (4,000 sf). With construction primarily complete, fixturing in **Telus Garden** is set to commence in the first quarter of 2015 with occupancy set for the second quarter. The new 22-storey office tower will house **Telus** (212,000 sf), **Amazon** (157,000 sf), **Bull, Housser & Tupper LLP** (67,000 sf) and **Capstone Mining** (22,500 sf).

Fixturing is ongoing at 725 Granville as **Sony Pictures Imageworks** (73,000 sf) prepares to occupy the building this spring. Microsoft is also leasing 146,000 sf in the building. Microsoft's lease is scheduled to commence in January 2016. Law firm **Miller Thomson** (48,000 sf) will occupy in April 2017. **Aquilini Development's** mixed-use office/residential tower, which contains 106,000 sf of office space, remains mostly vacant with about 27,000 sf leased to **Aquilini Investment Group** (AIG)-owned companies and another 7,000 sf set aside for the **Vancouver Canucks**.

RBC Royal Bank (29,730 sf) and **Roper Greyell** (19,130 sf) join **SNC-Lavalin** (210,000 sf) and **McCarthy Tétrault** (72,000 sf) at **745 Thurlow**, which is scheduled to be substantially completed by June 2015 with fixturing commencing in April 2015. Delivery of **Manulife's** new 250,000-sf office tower at 980 Howe Street is planned for May 2015 and will be home to **BGC Engineering** (65,000 sf) and **Jarvis McGee Rice** (8,170 sf).

Construction has begun on **Serracan Properties' FiveTen Seymour** office tower, with **Adler School of Professional Psychology** (26,000 sf), **Onlineshoes.com** (25,500 sf), **Hardy Capital Partners** (4,500 sf) and **Serracan Properties** (4,000 sf) as tenants. Occupancy is scheduled for late 2016. Site excavation work continues for the **Exchange**, a 369,000-sf office tower that has secured a 45,000-sf commitment from **National Bank** as its anchor tenant. It is estimated the building will be complete by spring 2017. Construction on the mixed-use **Burrard Place** development is anticipated to start in mid-2015, with the 13-storey office tower completed by mid-2017. The residential tower and accompanying podium, which will include an additional 100,000 sf of office space, is slated to be delivered in early to mid 2018.

Market Forecast

Downward pressure on net effective rates will continue to build as vacancy rises and new office space comes online. Landlords are attempting to defend face rental rates by offering improved leasing inducements. Expect the pressure on net rental rates to continue for the next 12 to 24 months as new inventory is delivered and physical vacancies emerge in existing and new inventory. SNC-Lavalin and McCarthy Tétrault have listed approximately 65,000 sf and 10,000 sf, respectively in 745 Thurlow for long-term sublease. Dassault Systemes is also subleasing 8,000 sf in MNP Tower. BGC Engineering also listed 18,880 sf for long-term sublease at 980 Howe Street. While market fundamentals remain relatively stable, expect vacancy and availability rates to move higher, particularly if instability in commodity markets continue. Vacancy could exceed 11% within the next 12 to 18 months as the market continues to re-balance and adjust for the arrival of more than 2.5 msf of new office product. A sustained downturn in commodities and a slowing provincial economy may boost availability as expansion plans are delayed and growing vacancy contributes additional downward pressure to rental rates.

Developer	Building	SF	Prelease SF	Prelease %	Completion
Westbank Projects/ Telus	Telus Garden, 510 West Georgia Street (mixed use)	477,185 (office)	458,500	96%	Q1 2015
Oxford Properties	MNP Tower, 1021 West Hastings Street	271,000	218,400	81%	Q1 2015
Aquilini Development and Construction	89 West Georgia Street (mixed use)	106,580 (office) (west tower)	34,000	32%	Q1 2015
Cadillac Fairview	725 Granville Street (office/retail)	290,000 (office) (redevelopment)	264,300	91%	Q1 2015
Bentall Kennedy	745 Thurlow Street (office/retail)	368,080 (office)	330,860	90%	Q2 2015
Manulife Financial	980 Howe Street	250,000	73,170	29%	Q2 2015
Century Group	Ormidale Block, 151 West Hastings Street (office/retail)	35,610	0	0%	Q3 2015
Westbank Projects/ Telus	Telus Garden (podium), TBD	48,050	0	0%	Q3 2015
Serracan Properties	FiveTen Seymour (510 Seymour Street)	71,247 (office)	65,856	92%	Q2 2016
Aquilini Development and Construction	800 Griffiths Way (mixed use)	70,000 (office) (east tower)	0	0%	Q1 2017
Credit Suisse AG/ SwissReal Group Canada	The Exchange, 475 Howe Street	360,000 (office)	45,000	13%	Q2 2017
Jim Pattison Developments/Reliance Properties	Burrard Place, 1290 Burrard Street (mixed use)	230,000 (office including tower & podium)	0	0%	Q2 2017
Bosa Properties	*1575 West Georgia & 620 Cardero Street*	*45,346 (office)*	-	-	*Proposed*
Carrera Management Corp.	*320 Granville Street*	*350,000*	-	-	*Proposed*
Morguard	*601 West Hastings Street*	*215,000 (office)*	-	-	*Proposed*
GWL Realty Advisors	*753 Seymour Street*	*336,000*	-	-	*Proposed*
Bentall Kennedy	*1090 West Pender Street*	*415,000 (office)*	-	-	*Proposed*
Oxford Properties	*1133 Melville Street*	*500,000*	-	-	*Proposed*
Cadillac Fairview	*555 West Cordova Street*	*408,523*	-	-	*Proposed*
Canadian Metropolitan Properties Corp.	*750 Pacific Boulevard*	*TBD*	-	-	*Proposed*

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
AAA	3,596,476	127,611	53,769	181,380	5.0%	-49,040	169,343	4.7%	\$28 - \$45	\$47 - \$69
A	7,605,870	380,888	38,547	419,435	5.5%	-28,466	397,936	5.2%	\$20 - \$38	\$38 - \$63
B	6,829,205	503,415	60,601	564,016	8.3%	-114,999	106,148	1.6%	\$18 - \$32	\$34 - \$52
C	3,283,843	276,646	37,175	313,821	9.6%	-117,330	55,618	1.7%	\$14 - \$26	\$26 - \$42
Total	**21,315,394**	**1,288,560**	**190,092**	**1,478,652**	**6.9%**	**-309,835**	**729,945**	**3.4%**	-	-

Vacancy tightens as expanded lease opportunities emerge

Coho Data will sublease 22,000 sf at 1110 Hamilton Street in the second quarter of 2015.

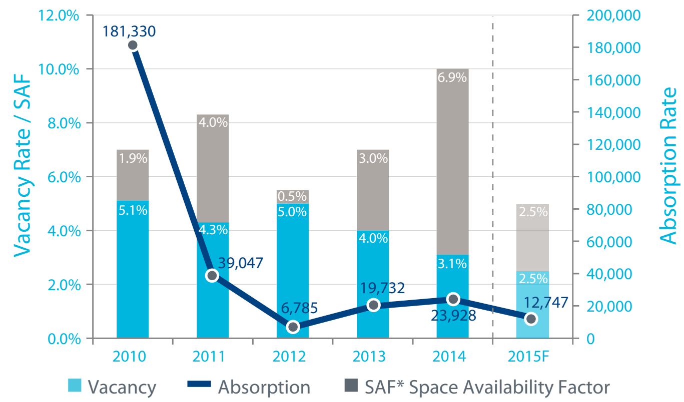
Vacancy Trends

A significant shift during the next 12 to 24 months in the firms that call Yaletown home is set to refresh the popular office submarket with new tenants. Vacancy slipped to 3.1% at year-end 2014 – the lowest point since mid-year 2007. But with **Sony Pictures Imageworks** ("Sony") and **Microsoft** both consolidating operations in the Downtown submarket within the next 24 months and **United Front Games** vacating 1110 Hamilton and moving back into its former offices at 1128 Homer Street (which had been subleased to Sony), the submarket's space availability factor (SAF) has climbed to 6.9%, the highest since Avison Young began tracking SAF in this submarket in 2007. (SAF refers to head lease or sublease space that is being marketed but is not physically vacant.) This coming vacancy will provide a substantial array of lease options and floorplate configurations not typically available in the historically tight submarket.

Absorption Trends

Demand in the Yaletown submarket led to almost 24,000 sf of positive absorption in 2014, the highest level since 2011 (39,047 sf). Negative annual absorption has not been registered in the Yaletown submarket since 2009. In a flurry of leasing activity in the second half of 2014, **GenomeDX** took 6,300 sf at 1050 Homer Street while **Slack Technologies** leased 11,000 sf in the recently renovated 1028 Hamilton Street. **Coho Data** will subsequently sublease 22,000 sf in 1110 Hamilton Street, which became available as a result of United Front Games decamping to its former 17,500-sf space on Homer Street.

Vacancy with Space Availability Factor (SAF) and Absorption:



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

Recent Lease Deals – Year-End 2014		
TENANT	BUILDING	SF
Coho Data (sublease)	1110 Hamilton Street	22,000
United Front Games	1128 Homer Street	17,500
Slack Technologies Inc.	1028 Hamilton Street	11,000
Technicolor	840 Cambie Street	11,000
GenomeDX	1038 Homer Street	6,300

New Construction

No new construction is currently planned for Yaletown.

Market Forecast

Rental rates generally remained flat in the second half of 2014, but downward pressure on rates is manifesting in the submarket as landlords sharpen their pencils to compete with availability, improved tenant incentives and new supply being delivered in neighbouring submarkets. Add to that, a significant jump in the forecasted SAF and Yaletown rental rates are expected to remain under pressure through 2015, particularly if the large-block opportunities created by the departure of Sony and Microsoft are not backfilled prior to being returned to the submarket. With no new construction planned for the submarket, a rise in vacancy in 2015/16 is forecast to be absorbed in the short- to mid-term as new tenants explore large-block opportunities seldom available in the submarket, which has traditionally been home to boutique professional services providers and tech start-ups.

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	SAF (SF)	SAF (%)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	576,938	16,180	0	16,180	2.8%	28,308	73,262	12.7%	$28 - $34	$41 - $48
B	998,357	20,382	1,379	21,761	2.2%	-7,325	58,658	5.9%	$23 - $27	$35 - $40
C	453,949	24,269	496	24,765	5.5%	2,945	7,190	1.6%	$18 - $22	$28 - $33
Total	**2,029,244**	**60,831**	**1,875**	**62,706**	**3.1%**	**23,928**	**139,110**	**6.9%**	-	-

Vancouver - Broadway

Strongest positive absorption in Metro Vancouver

Vacancy Trends

Vacancy in the Vancouver-Broadway submarket decreased to 4.6% at year-end 2014 (the lowest since year-end 2012) and lower than the 5.1% recorded a year earlier. Occupancies by **Golder Associates**, **Mountain Equipment Co-Op** and **Cardiome** all helped decrease vacancy during the second half of 2014. While deal velocity slowed slightly in the second half, demand for class A space remained strong. New office inventory delivered (or proposed) in the former light industrial node of Mount Pleasant may contribute to vacancy in the mid-term. The City of Vancouver's decision to alter the former light industrial area's zoning has opened the door to development and quickly transformed the area into one of the city's hottest new office precincts.

Absorption Trends

With more than 410,000 sf of positive annual absorption in 2014, the Vancouver-Broadway submarket was the primary reason regional annual absorption remained positive and offset the negative annual absorption recorded Downtown. With the exception of 2013, the Vancouver-Broadway submarket has posted positive annual absorption each year since 2003 and remains one of the most active submarkets in all of Metro Vancouver.

New Construction

Westport Innovations has leased 115,000 sf and will occupy the top six floors of **PCI Group/Triovest's Marine Gateway** mixed-use project, which includes a 14-storey office tower. Phase two of **Renfrew Business Centre** is under construction. The seven-storey, 170,400-sf development has no prelease commitments and is planned to be completed in the first quarter of 2016. Phase two of **Rize Alliance's Containers** development was preleased this past fall by the **Canada Revenue Agency**, which has agreed to lease the entire eight-storey, 143,000-sf office tower for a 15-year term. Construction is scheduled for completion by the end of 2016 with occupancy to follow in the first quarter of 2017. Zoning changes in Mount Pleasant's former light industrial node has resulted in a range of proposed office developments in the neighbourhood, including the four-storey **Fifth**, which will feature ground floor (including mezzanine) space for retail/showroom/light industrial uses and office space on the upper three floors. Similar proposals in the area have also emerged from **Port Capital Group** and **PC Urban Properties Corp**. **Bentall Kennedy** is proceeding with its proposed business park at 3030 East Broadway (adjacent to **Broadway Tech Centre**) with its development permit application ideally finalized in the first quarter of 2015. The five-building, 973,000-sf development will be phased with the first building likely delivered in mid to late 2018.

Market Forecast

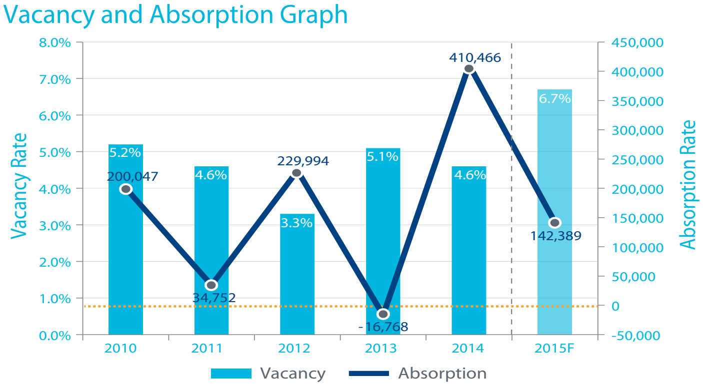
Rental rates are forecast to remain stable as demand and new supply continue to be well matched. Increased deal activity may result from forthcoming vacancies at Broadway Tech Centre and opportunities emerging in Mount Pleasant that could attract businesses from the more traditional office submarkets of Downtown and Yaletown. Leasing activity in the Broadway submarket will remain active in 2015 as tenants continue to review their options in both new and older developments amid rising vacancy.

Developer	Building	SF	Completion
PCI Group	Marine Gateway (mixed use)	250,000 (office)	Q3 2015
Blackwood Partners/ AIMCo	Renfrew Business Centre (phase II), 2665 Renfrew Street	161,610 (office)	Q1 2016
Rize Alliance	Containers (phase II), 468 Terminal Avenue	143,000	Q4 2016
BlueSky Properties	Broadway Commercial, 988 West Broadway	78,380 (office)	Awaiting prelease commitment
GNW Trust	Centre for Digital Media, 1933 Fraser Street	60,358	Awaiting prelease commitment
Cressey Development Group	Fifth, 380 West 5th Avenue	49,050 (office)	Awaiting prelease commitment
Bentall Kennedy	*3030 East Broadway (five buildings)*	*973,350*	*Proposed*
Discovery Parks Canada	*1980 Foley Avenue (807 Great Northern Way)*	*393,500 (two buildings)*	*Proposed*
Port Capital Group	*Origami Place, 328 West 2nd Avenue*	*37,800*	*Proposed*
PC Urban Properties Corp.	*22 East 5th Avenue*	*45,000 (office)*	*Proposed*
Porte Development Corp./ Reliance Properties	*339 East 1st Avenue*	*Up to 144,000 (office/commercial)*	*Proposed*
TBD	*601 Terminal Avenue (auto dealership and/or office complex)*	*108,000*	*Proposed*
Yuanheng Holdings Ltd.	*1395 West Broadway*	*200,000 (office/retail)*	*Proposed*
Westbank Development/ Ivanhoé Cambridge	*Oakridge Centre redevelopment*	*424,260 (office)*	*Proposed*

Recent Lease Deals – Year-End 2014

TENANT	BUILDING	SF
Canada Revenue Agency	468 Terminal Avenue	138,340
Double Negative Visual Effects	149 West 4th Avenue	46,790
Nerd Corps Entertainment Inc. (renewal)	2285 Clark Drive	20,340
Nerd Corps Entertainment Inc.	1256 East 6th Avenue	18,210
Union of BC Performers	380 West 2nd Avenue	18,100
Cathay Pacific (renewal)	550 West 6th Avenue	14,000
Suite Genius	225 West 8th Avenue	5,770

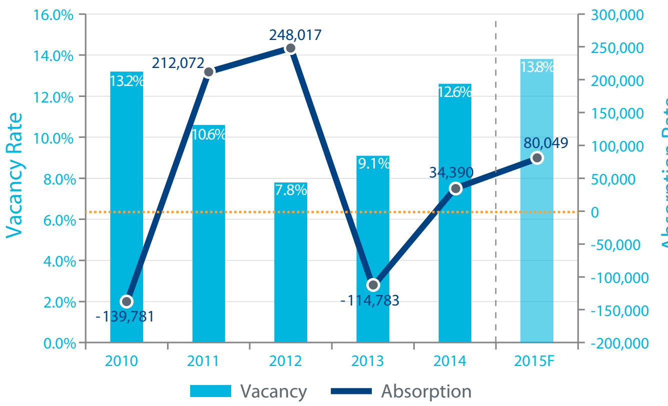
Vacancy and Absorption Graph



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

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	4,225,039	150,512	21,034	171,546	4.1%	420,437	$22 - $30	$38 - $47
B	2,237,567	121,392	7,215	128,607	5.7%	-35,849	$18 - $23	$32 - $39
C	723,993	24,896	4,092	28,988	4.0%	25,878	$15 - $19	$27 - $33
Total	**7,186,599**	**296,800**	**32,341**	**329,141**	**4.6%**	**410,466**	-	-

Vacancy and Absorption Graph



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

Vacancy Trends

Office vacancy increased in 2014 with the completion of **Metrotower III** reverberating throughout the submarket. The addition of the partially-occupied, 411,000-sf tower in early 2014 contributed to vacancy rising to 12.6% at year-end 2014 from 9.1% a year earlier. The departure of **Golder Associates Ltd.** from the Burnaby market to consolidate in the firm's new office space at **Broadway Tech Centre** also contributed to the rise in vacancy. (Avison Young considers Broadway Tech Centre a part of the Vancouver-Broadway market.) **Hemmera's** occupancy of Metrotower III helped offset the impact of Golder's departure. Total square footage of vacant office space in Burnaby at year-end 2014 reached its highest point since 1997. Increased market activity and deal volume in the second half of 2014 (compared with the first half) is a likely precursor to positive absorption in 2015. Several noteworthy tenants, including **Interfor Ltd.**, will relocate within the market in 2015 and others, such as **Tantalus Systems**, will relocate and expand. Despite almost 90,000 sf of advertised sublease vacancy (from **Telus Corp.**) at 3777 Kingsway, only one floor (of five) was available and unoccupied at year-end 2014.

Absorption Trends

Annual absorption returned to positive territory in 2014 after experiencing negative annual absorption in 2013 (-114,783 sf). The Burnaby market had recorded positive annual absorption in the preceding two years – 2012 and 2011. Occupancy of class A office space in 2014 contributed significantly to the overall positive annual absorption followed by tenants occupying class C premises. With a wide range of available options and access to public transit, Burnaby is a key office submarket in Metro Vancouver that is set to become more attractive to tenants in 2015 as landlords become increasingly competitive to secure tenants in the face of elevated vacancy.

New Construction

Construction on the second phase of **Appia Group's Solo District** continues with 230,000 sf of office space on 12 floors as part of a mixed-use, 54-storey tower. Construction is scheduled for completion in late 2015. **CMW Insurance** remains the sole confirmed tenant. Phase three of **Discovery Place Business Park**, a three-storey, 50,000-sf building, is on hold with no prelease commitments and existing vacancy remaining in phases one and two. **Shape Properties'** redevelopment of **Brentwood Town Centre** continues with the first phase focused primarily on retail and residential components of the project. Up to 100,000 sf of office could be completed for a signature tenant in the first phase. The approved master plan allows for up to two office towers of 30 to 40 storeys in height. Floorplate size is flexible, but could be up to 15,000 sf.

Market Forecast

The Burnaby submarket will be in digestion mode in 2015 with rental rates anticipated to remain flat as vacancy stabilizes (albeit elevated compared with pre-2014 levels). Landlords are willing to get creative in terms of deal structure to secure occupancy from quality tenants with strong covenants. A range of options, configurations and large-block opportunities exist in the market and will be aggressively marketed in the next 12 months in the face of significant new office product scheduled for delivery at the end of 2015.

Solo District will deliver an additional 230,000 sf of office space as part of the project's second phase scheduled for completion in late 2015.

Recent Lease Deals – Year-End 2014

TENANT	BUILDING	SF
Ericsson (renewal)	4333 Still Creek Drive	67,000
Novadaq Technologies Inc.	8335 Eastlake Drive	36,000
Tantalus Systems Corp. (expansion)	3555 Gilmore Way	32,000
Interfor Ltd.	4720 Kingsway	27,220
Allied Vision Technologies	4621 Canada Way	18,500
Digital Payment Technologies	4321 Still Creek Drive	17,000
International Genealogical Search Inc.	4585 Canada Way	12,800
Peter Kiewit Infrastructure Co. (expansion)	4350 Still Creek Drive	10,000

Developer	Building	SF	Completion
Appia Group	Solo District (phase II)	230,000 (office)	Q3 2015
Kingswood Capital	*Discovery Place Business Park, phase III*	*50,000*	*Proposed*
Sears Canada	*4750 Kingsway*	*Two office towers*	*Proposed*
Shape Properties	*Brentwood Town Centre*	*One/two office towers*	*Proposed*

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,574,078	848,895	42,322	891,217	13.6%	21,181	$18 - $28	$32 - $42
B	2,081,671	174,141	0	174,141	8.4%	-5,573	$13 - $17	$26 - $30
C	937,068	133,036	9,732	142,768	15.2%	18,782	$10 - $13	$22 - $25
Total	**9,592,817**	**1,156,072**	**52,054**	**1,208,126**	**12.6%**	**34,390**	-	-

The provincial **Industry Training Authority** expanded to 27,000 sf when it renewed in 8100 Granville Street.

Vacancy Trends

After three consecutive years of substantial reductions in vacancy, the Richmond office submarket stalled in its recovery in 2014 with vacancy at 15.2% at year-end 2014 (virtually unchanged from 15.4% a year earlier). Deal activity remained flat in 2014 as very few deals completed, with the handful of larger transactions in the submarket composed of renewals, expansions or downsizing. Activity remained limited to existing tenants located in the submarket with very little interest from tenants outside of Richmond. While head lease vacancy in 2014 remained at its lowest point since 2009, sublease space rose to its highest point since year-end 2012. A significant amount of sublease space (28,000 sf) is available at a single location (3600 Lysander Lane). With only a limited number of deals expected to be completed in the market in 2015, landlords are having to fight even harder to close deals and retain existing tenants.

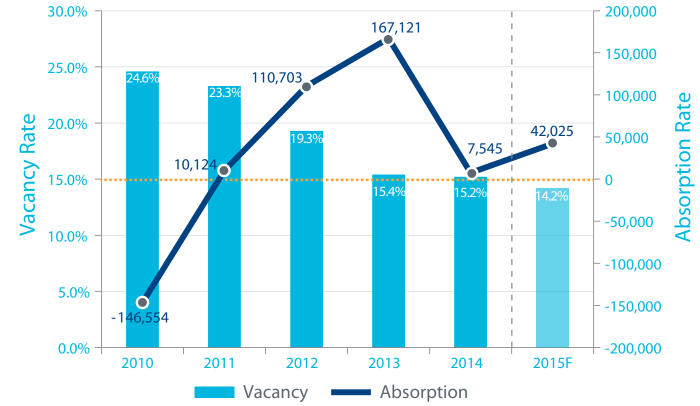
Absorption Trends

Richmond has registered positive annual absorption each year since 2011. Positive annual absorption in class A premises in 2014 was able to overcome negative annual absorption in class B and C properties. **DDS Wireless'** decision to reduce its footprint by 24,000 sf in the company-owned building at 11920 Forge Place was the prime driver of negative annual absorption in class B properties. Absorption is anticipated to be positive but minimal in 2015.

New Construction

New office construction remained at a standstill for the most part with only limited strata office product at the **International Trade Centre at Versante** being marketed. Proposals for the **Vancouver International Airport Authority's Sea Island Business Park** and **Ampar Ventures' Ampri International Gateway Centre** have been shelved. The airport authority is reviewing the proposal as part of an update of its 20-year master plan, a process that will continue through 2015. The three-building Ampri International Gateway Centre, plans for which call for a 12-storey, 105,000-sf office tower as well as two hotels, is unlikely to break ground in the foreseeable future as the developer has focused on other developments. The rezoning application for the proposed **Global Education City** on Sea Island Way, after being substantially revised in early 2014, remains in process, according to city staff. Two other projects that comprise office space, including **Westmark Development Group's** yet-to-be named mixed-use development at Garden City Road and Odlin Road and **Bene Development's** proposed nine-storey office building at 4700 No. 3 Road, remain in the rezoning process.

Vacancy and Absorption Graph



12-month projection based on 10-year average absorption

Recent Lease Deals – Year-End 2014		
TENANT	BUILDING	SF
McKesson Medical Imaging Group (renewal/expansion)	10711 Cambie Road / 10200 Shellbridge Way	132,000
Cooledge Lighting Inc.	13551 Commerce Parkway	32,000
Industry Training Authority BC (renewal/expansion)	8100 Granville Street	27,000
Wenco International Mining Systems Ltd.	13777 Commerce Parkway	25,000
Neovasc Inc. (expansion)	13560-13566 Maycrest Way	10,000
Apivio Systems Inc.	3751 Shell Road	3,000

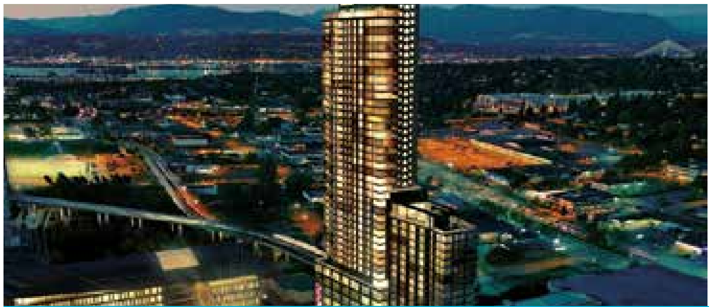
Developer	Building	SF	Completion
Ampar Ventures Ltd.	*Ampri International Gateway Centre (office/hotel)*	*105,000 (office)*	*Proposed*
New Continental Properties Inc.	*Global Education City (8320, 8340 & 8440 Bridgeport Way; and 8311 & 8351 Sea Island Way*	*100,000 (office/campus)*	*Proposed*
Westmark Development Group	*4100, 4120, 4126, 4140, 4180 & 4220 Garden City Road and 9131, 9151 & 9191 Odlin Road*	*71,770 (office/ commercial)*	*Proposed*
Bene Development Ltd.	*4700 No. 3 Road*	*Nine-storey building (retail/office)*	*Proposed*

Market Forecast

Rental rates remained flat in 2014 and are among the most cost-effective in Metro Vancouver, which is a compelling factor for many tenants to remain in the submarket. Landlords are vigilant and keen to do a deal but had published face rates in 2014 that remained largely unchanged despite little leasing activity and a stagnant vacancy rate. With deal activity expected to remain muted and few new tenants leasing space, the Richmond office submarket is unlikely to undergo significant change in 2015.

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	490,959	41,922	532,881	18.4%	16,804	$16 - $17.50	$26 - $28
B	972,346	78,289	3,477	81,766	8.4%	-4,726	$13 - $14	$23.50 - $25
C	332,936	23,411	0	23,411	7.0%	-4,533	$10 - $11	$18 - $19.50
Total	**4,200,538**	**592,659**	**45,399**	**638,058**	**15.2%**	**7,545**	-	-

Positive annual absorption recorded for first time since 2010



Kwantlen Polytechnic University has acquired 30,000 sf for a new campus at **3 Civic Plaza**.

Vacancy Trends

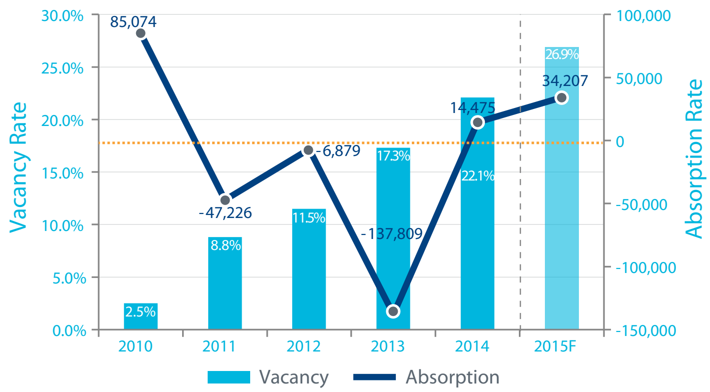
Despite office vacancy in Surrey rising to 22.1% at year-end 2014 – marking a significant increase from the 17.3% recorded 12 months earlier – mounting vacancy in the growing submarket appears to be slowing. Overall vacancy moderated slightly from the mid-year 2014 high-water mark of 23.2% but remained significantly elevated compared with the record low of 2.5% set at year-end 2010. Small- to mid-sized tenants occupied **Southpointe 99** in the second half of 2014, a new development backed by **Surrey City Development Corp.** and **KNV Chartered Accountants**. While class A vacancy rose to 17.2% at year-end 2014 from 15% 12 months earlier, it declined 220 bps from mid-year 2014's high of 19.4%. Class A vacancy was largely influenced by the sublease availability of **TransLink's** former space in **Station Tower**. Class B vacancy, which comprises a significant portion of the city's overall vacancy, was elevated due to the **City of Surrey** vacating its old city hall in 2013 and occupying a government-owned, build-to-suit development that is not counted in Avison Young's inventory. But with provincial Crown counsel scheduled to occupy approximately 32,200 sf in Surrey's old city hall, class B vacancy should tighten considerably in 2015.

Developer	Building	SF	Completion
PCI Group	9900 King George Boulevard (office/retail)	164,000 (office)	Q4 2015
Bosa Properties	Gateway Place, 13479 108th Avenue (office/retail)	60,000 (office)	Q2 2016
Century Group	3 Civic Plaza (mixed use)	50,000	Q1 2017
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	Awaiting prelease commitment
Circadian Projects	*9677/9681 King George Boulevard*	*178,000*	*Proposed*

Recent Lease Deals – Year-End 2014

TENANT	BUILDING	SF
Solaris Management Consultants Inc. (expansion)	5477 152nd Street	18,000
BC Ministry of Technology, Innovation & Citizens' Services	13401 108th Avenue	18,000
Creative Kids Learning Centers	7445 132nd Street	7,270
RCMP	14928 56th Avenue	7,000
Pro Administration Services Inc.	5577 153A Street	5,000

Vacancy and Absorption Graph



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

Absorption Trends

Positive annual absorption in 2014 – the first time since 2010 – is another indication the market may be positioned for a rebound in 2015. Leasing activity in class A and C premises offset the negative annual absorption registered in class B properties. The majority of positive absorption in class A properties occurred in Southpointe 99, **Panorama Place** on 153A Street and in the former **RCMP** space at 14928 56th Avenue. Small pockets of negative annual absorption emerged in **Surrey Central Business Park (SCBP)** and **Guildford Office Park**. Absorption of class B premises should swing to positive in 2015 with provincial Crown counsel scheduled to occupy a portion of Surrey's former city hall and new tenants occupying space at SCBP.

New Construction

Construction of **PCI Group/Triovest's** new office building at 9900 King George Boulevard is progressing and is expected to be complete by November 2015. The nine-storey, mixed-use tower, which has 164,000 sf of office space, has been primarily leased by **Coast Capital**, which took 112,000 sf. **Bosa Properties'** mixed-use **Gateway Place** development, which has 61,000 sf of office space and 39,000 sf of retail, is also under construction with phase one slated for completion in the second quarter of 2016. The second phase will include two 32-storey residential buildings. Construction continues on **3 Civic Place**, which will contain 50,000 sf of office space – the majority of which (30,000 sf) will be occupied by **Kwantlen Polytechnic University**.

Market Forecast

Vacancy is anticipated to rise as the scale of the delivery of new product outweighs the footprint of those tenants who are taking occupancy in 2015. Rental rates are likely to remain flat as landlords stay aggressive and creative when it comes to structuring deals to secure quality tenants. While a portion of the new construction set for delivery in 2015 to 2017 is preleased, the emerging space that needs to be backfilled as a result may hamper a rapid recovery. There are a multitude of options in the submarket for small and large tenants who are considering leasing space in any building class. Landlords will likely stretch to get a deal done and this flexibility could help accelerate the market's potential rebound in 2015.

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	1,850,055	250,498	68,553	319,051	17.2%	37,391	$17 - $24	$29 - $37
B	703,888	236,977	18,054	255,031	36.2%	-37,067	$13 - $17	$24 - $30
C	205,629	34,724	0	34,724	16.9%	14,151	$9 - $13	$21 - $27
Total	**2,759,572**	**522,199**	**86,607**	**608,806**	**22.1%**	**14,475**	-	-

Elevated vacancy remains as new office tower sits empty

The 137,000-sf **Anvil Centre** office tower remains vacant and will continue to significantly impact vacancy and leasing activity in New West.

Vacancy Trends

Vacancy will remain above historic levels until the fate of the city's newest office tower is decided. Vacancy was 16.8% at year-end 2014, the highest since year-end 2005, and is due primarily to the wholly vacant 137,000-sf **Anvil Centre** office tower. Sizeable pockets of vacancy in the **Brewery District**, **Royal City Centre** and **Queen's Court** are also contributing factors. Deal velocity remains tempered with many small tenants choosing to renew for the long term rather than relocate. Two small pockets of sublease space emerged in a market that typically has little to no sublease space available. Excessive class A vacancy skewed the market and subsequently overshadowed the performance of class B and C assets.

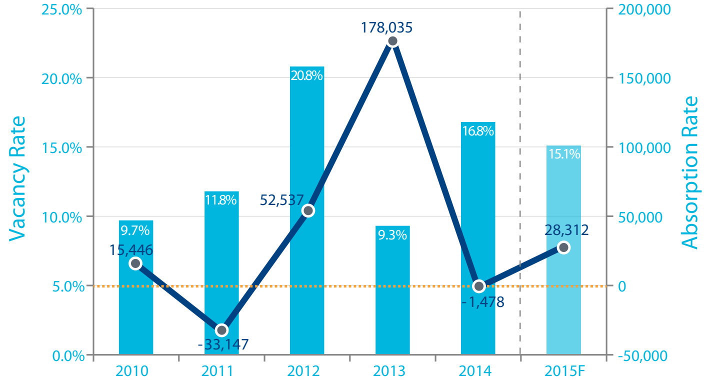
Absorption Trends

New Westminster recorded negative annual absorption in 2014 for the first time since 2011. Despite significant positive absorption in the Royal City Centre in 2014, the return of more than 13,500 sf at Queen's Court and more than 8,500 sf at **Royal Avenue Centre** resulted in overall absorption of negative 1,478 sf. Deal activity was not only muted in frequency but also limited in size and reduced the likelihood of quality leasing opportunities being recognized.

New Construction

After the delivery of new office product in 2013 and 2014, there is no new office construction underway in New Westminster. The 137,000-sf office tower at the new Anvil Centre remains vacant and is likely to raise questions regarding the viability of any new proposals involving office until the space is substanially occupied. The further development of **Bentall Kennedy's** site adjacent to Braid Street SkyTrain station remains on hold as the official community plan for the area is finalized. Up to 400,000 sf in two office buildings could be built on the site, but there are no prelease commitments. **Wesgroup** continues to market build-to-suit, lease and strata opportunities at its Brewery District development.

Vacancy and Absorption Graph



12-month projection based on 10-year average absorption

Developer	Building	SF	Completion
Bentall Kennedy	*Adjacent to Braid Street SkyTrain station (part of mixed-use development)*	*Up to 400,000 (office)*	*Proposed*

Recent Lease Deals – Year-End 2014

TENANT	BUILDING	SF
Sea to Sky Law Corp. (sublease)	Queen's Court (625 Agnes Street)	6,100
Spire Systems Inc.	Queen's Court (625 Agnes Street)	1,810
Cheshire Homes Society of BC	625 5th Avenue	1,540

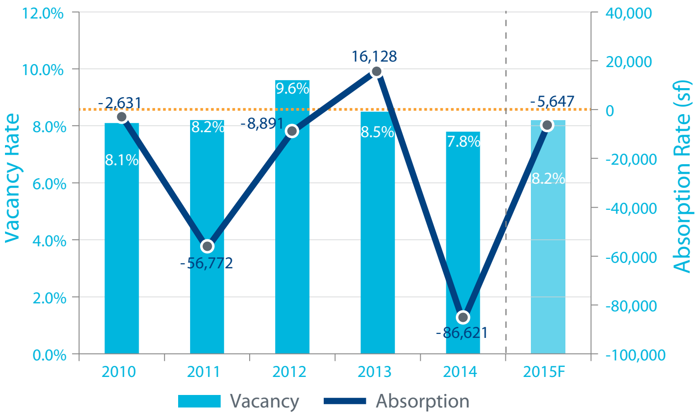
Market Forecast

Persistent availability has placed downward pressure on rental rates as landlords attempt to fill long-term vacancies. A supply overhang of class A space has also contributed to limit rental rate increases as landlords have had to remain flexible on face rates to be competitive. While the market tends to be characterized by stable long-term tenancies, it is also defined by long-term vacancies. Deal flow is anticipated to remain slow, which will place more pressure on landlords with long-term vacancy issues to offer better terms and enhanced tenant improvement allowances – especially with the abundance of class A space present in the market. Until the Anvil Centre office tower is substantially leased or stratified and sold, elevated vacancy and limited lease rate growth is set to define the submarket.

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	780,114	198,038	7,200	205,238	26.3%	-5,760	$19 - $23	$24 - $38
B	700,684	57,156	0	57,156	8.2%	1,781	$13 - $16	$24 - $27
C	207,774	20,732	0	20,732	10.0%	2,501	$8 - $11	$15 - $19
Total	**1,688,572**	**275,926**	**7,200**	**283,126**	**16.8%**	**-1,478**	-	-

Class C premises virtually non-existent in tightening market

Vacancy and Absorption Graph



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

Polygon's new development, **West Quay**, on West Esplanade will include 15,000 sf available to non-profits at reduced rates.

Vacancy Trends

Vacancy decreased to 7.8% at year-end 2014 (the lowest since mid-year 2011), down from 8.5% a year earlier. Much of that decline was due to the vacant space at **Esplanade Centre** (260 West Esplanade Centre and 255 West 1st Avenue) being taken off the market in the second half of 2014 due to redevelopment plans for the site. Remaining tenants were required to vacate the building by the second quarter of 2015. Class A vacancy rose slightly as a number of smaller tenants vacated premises, while class B vacancy tightened as tenants occupied phase three of **Capilano Business Park** and the **West Quay Centre**. The total inventory of class C premises in the market dropped to just 97,700 sf with the removal of Esplanade Centre. Older, inefficient buildings on the North Shore are being redeveloped or demolished and have virtually disappeared from the market. With no new office product set for delivery until mid-2017, vacancy is likely to continue to tighten during the next 12 to 18 months.

Absorption Trends

The North Shore market recorded negative annual absorption of 86,621 sf in 2014 due to the forthcoming demolition of the Esplanade Centre, a one-time event that is not indicative of general submarket conditions. Negative annual absorption in class A premises was primarily the result of small tenants returning space to the submarket. The redevelopment of Esplanade Centre effectively eliminated a significant portion of class C options for tenants and resulted in a large reduction of occupied space.

Recent Lease Deals – Year-End 2014		
TENANT	BUILDING	SF
Hollyburn Family Services	267 West Esplanade	9,380
Imtech Marine (expansion)	Capilano Business Park	7,460
Family Services of the North Shore	1111 Lonsdale Avenue	6,820
Providence Health Authority	140-148 West 15th Street	6,580
Anaid Productions (renewal)	889 Harbourside Drive	3,500
VMS Ventures Inc. / North American Nickel Inc.	200 West Esplanade	3,340
Ballet Russe BC Inc.	Cypress Business Centre	3,060
The Flight Shops Inc.	221 West Esplanade	3,000

Developer	Building	SF	Completion
Onni Group	1308 Lonsdale Avenue (mixed-use)	78,720	Q2 2017
Polygon Development	255 West 1st Street & 260 West Esplanade	38,000 (office)	Q2 2017
Concert Properties	*801 Harbourside Drive (mixed-use)*	*210,000 (office)*	*Proposed*

New Construction

The approval process for **Onni Group's Centreview** development at 1308 Lonsdale continued unabated. With the building permit for the five-storey building, which includes four floors and 78,800 sf of office space, expected in the first quarter of 2015, construction is slated to complete in mid 2017. **Polygon's** plan for a mixed-use development fronting West Esplanade calls for 44,300 sf of office/retail space (15,000 sf has been allocated for lease to non-profits at reduced rental rates). **Concert Properties' Harbourside** mixed-use district remains in process with the developer working on its development permit application for phase one of the project, which will include 45,000 sf of retail space. The development will include 210,000 sf of office space, 55,000 sf of retail space and 106,000 sf for a hotel along with residential uses when complete. With groundbreaking anticipated in 2017, the developer estimates it will take 10 to 15 years to build out the master-planned community.

Market Forecast

Rental rates will remain stable for the next six to 12 months, with some upward pressure potentially manifesting in the market towards the end of 2015 if vacancy decreases and leasing activity picks up. With no new supply for approximately 30 months, tenants may choose to renew instead of relocating and, as a result, hinder leasing activity. Vacancy may tighten if former tenants of Esplanade Centre relocate within the market, which could boost leasing activity in the short term. The lack of new supply may lead to pent-up demand if submarket conditions improve in 2015/16.

CLASS	TOTAL RENTABLE (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	12 MONTHS ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	793,013	41,505	4,206	45,711	5.8%	-6,220	$20 - $27	$31 - $43
B	481,395	42,341	6,147	48,488	10.1%	6,803	$15 - $19	$23 - $31
C	97,690	12,957	0	12,957	13.3%	-87,204	$13 - $16	$19 - $26
Total	**1,372,098**	**96,803**	**10,353**	**107,156**	**7.8%**	**-86,621**	-	-

Next generation of metro office inventory triggering businesses' renew or relocate response

Metro Vancouver's office market is in a state of flux unseen in decades as millions of square feet of new product is delivered throughout the region after years of limited new construction. With all this change comes opportunity as tenants re-evaluate their space requirements now and in the future and consider the changing nature and needs of their employees and office environment in 2015 and beyond.

The changing demographics of the workforce, new technologies and building systems, and the evolution of office design and efficiencies that integrate concepts such as "hot desking", collaboration spaces, and "hotelling" are all factors employers consider when it comes to deciding to renew or relocate. But before all that is taken into consideration, the basics such as location, accessibility, amenities and square footage need to be weighed and considered.

For environmental consultancy **Hemmera**, which recently relocated to **Metrotower III** in Burnaby, the largest single factor that drove its decision to relocate its Downtown Vancouver office to Burnaby was its people.

"Given the growing congestion in the Lower Mainland and the need to provide greater work/life balance for our staff, we determined that we could better accommodate our staff with a shorter commute and better access to public transit than what was available in our former location," says **Rhoni Whyard**, director, marketing and communications, for Hemmera. "By moving we sought to retain and attract great staff, create a collaborative work environment and provide easy access to the office via any transportation mode."

For other tenants, such as **HUB International Ltd**., the decision to relocate its head office came down to a lack of space and inability to expand within its existing premises.

"We were in 22,000 sf and occupied an entire building on Henning Drive [in Burnaby]. There was no room for expansion and we did not wish to open a satellite office nearby," comments company CFO **John Ellen**. "Based on our internal growth goals, we calculated the additional space we were going to require over the next five years, and it was apparent that we needed to relocate somewhere that was larger on day one, and offered further room to expand within the same location."

The company's head office had been in Burnaby for decades and they did not wish to move far from its previous location, he adds.

"In the end we took 31,000 sf in phase eight of **Willingdon Park** on Still Creek Drive, relocated our entire head office personnel and also closed two non-retail spaces in North Vancouver and Port Moody," says Ellen. "We also negotiated a right of first refusal on approximately 10,000 sf within our new building, which is now the only remaining available space."

Growth was also the reason that **Avison Young Commercial Real Estate (B.C.) Ltd.** needed to make a decision to renew or relocate as its lease expiry approached.

"We have doubled in size in three years and, given our continued growth, we needed to upgrade the quality of our premises and commit to significantly more space," says Vancouver managing director **Michael Keenan**.

Avison Young subsequently decided to remain in the **Royal Centre** but move from the 21st floor to take the 29th floor and half of the 30th floor. Both were in shell condition and permitted Avison Young the opportunity to design its work space. "It was the landlord's willingness to work with us towards a mutually beneficial solution that made the difference in the end," Keenan adds.

For both HUB International and Hemmera, relocation was the only option.

"Our old space was worn, outdated, and we were somewhat isolated on the edge of downtown," says Whyard. "With the Lower Mainland growing rapidly in the south and east where homes are more affordable, we see our current and future staff living in these areas."

For Ellen, it was purely the need to expand. "We were simply out of space in our old building. While we did look at existing inventory in the vicinity, including other older buildings within Willingdon Park, the benefits of moving into a totally vacant building, as the first major tenant, were too good to pass up."

For all parties, the process was a long but important one and offered many lessons when facing a decision to relocate or renew in the future.

"We learned that we will never be able to please everyone," says Hemmera's Whyard. "We also learned that you need to spend the time to understand where your staff live and to attempt to negatively impact as few people as possible."

Keenan learned to start the process much sooner than you think necessary and to secure top-quality advisors at the outset of the process. He also shared that those who decide to relocate should stretch "a little bit" beyond one's comfort zone in terms of quality and cost. Ellen shared Keenan's sentiment regarding how long the process ends up taking once a decision to make a change is made. "It takes longer than you think."

Ellen also added that it is was important to not underestimate the company's rate of growth and to keep things flexible. "Don't build out space you don't yet need as your plans are sure to change," he says. Adding small benefits such as televisions in common areas and improved coffee machine for employees "at a minimal expense in the grand scheme of things" will also build good will, Ellen adds.

It is also important to spend time reviewing all the options out there, adds Whyard.

"We tend to build a picture of what we think we want, but once you start looking at your options, your needs and wants may change – typically for the better."

continued from page 1

the North Shore resulted in negative annual absorption that was not indicative of local market conditions. Sublease vacancy in Metro Vancouver and Downtown also declined to its lowest point since year-end 2012.

Negative absorption in the Downtown core was concentrated in class B and C properties in 2014 and was attributed to tenants' reconsidering their size requirements and challenging economic conditions for Downtown Vancouver's more traditional office users in the natural resources and energy sectors. Tenants have also been preparing to occupy new premises in 2015 and shedding space in the lead-up to the relocation. The delivery of new Downtown office towers – the majority of which are preleased – should boost absorption in 2015, but vacancy is likely to continue to rise as space is returned to the market and blocks of vacancy in the new buildings remain unoccupied.

As of year-end 2014, vacancy in Metro Vancouver rose to 9.4% (a slight dip from mid-year 2014's 9.7%) from 7.8% at year-end 2013. Downtown vacancy rose to 6.9% (the highest vacancy registered since 2005) from 5.7% at year-end 2013. Vacancy in two of the three submarkets that constitute Vancouver proper – Broadway and Yaletown – declined from both mid-year 2014 and year-end 2013. Downtown vacancy continued to rise during that same period. This upward trend was also recorded in other Canadian metro cores in 2014.

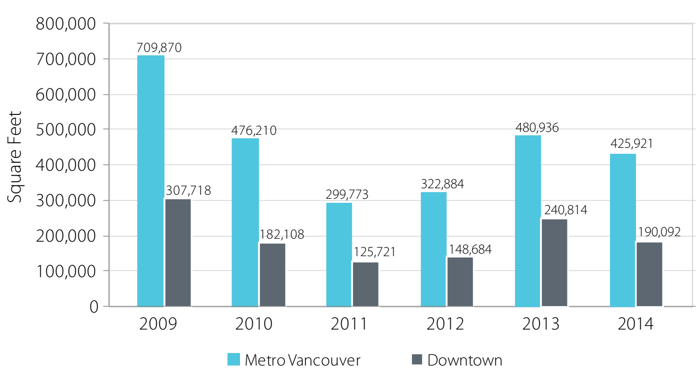
Overall suburban vacancy climbed to 11.8% at year-end 2014 from 9.9% at year-end 2013. Suburban vacancy was influenced by the delivery of new buildings that impacted vacancy on a submarket by submarket basis, but on a regional basis generated little net positive absorption. Delivery of primarily vacant office towers in New Westminster and Burnaby, along with submarket-specific factors in Surrey, were the primary culprits responsible for heightened suburban vacancy in Metro Vancouver. Richmond remained stable and was a non-factor in terms of contributing to regional suburban vacancy or absorption.

Net rental rates will face growing downward pressure Downtown as landlords attempt to maintain the status quo in the face of rising vacancy and new inventory. Improved inducements and more flexible terms are anticipated as 2015 progresses and new supply comes online. Suburban rates will likely remain stable during 2015 (with the possible exception of Surrey), but with four suburban submarkets registering double-digit vacancy, the opportunity for tenants to secure space on favourable terms is greater than it has been in recent years.

All of the new Downtown product scheduled for delivery in the second half of 2014 was pushed to the first half of 2015, including **MNP Tower**, **Telus Garden**, **725 Granville** and **89 West Georgia**. They join **745 Thurlow**, **980 Howe Street** and **151 West Hastings** and will total almost 1.85 msf of new office space in 2015, of which approximately 1.4 msf is preleased. In the suburbs, **Marine Gateway**, **Renfrew Business Centre (phase two)**, **Solo District** and **King George Station** will add another 800,000 sf in 2015, of which 430,000 sf is preleased.

Sublease vacancy in the 50-msf Metro Vancouver office market slipped to 9% of overall vacancy at year-end 2014, the lowest point since mid-year 2012. The record high level of sublease vacancy in Metro Vancouver was 28%, which was set at mid-year 2009. Year-over-year sublease vacancy increased in Yaletown, Burnaby, Richmond, New Westminster and the North Shore and decreased in Broadway, Surrey and Downtown. ■

Vacant Sublease Space



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