

3Q24

Vancouver Office Market Overview



NEWMARK

Greater Vancouver Office Market Observations

Metro Vancouver remained one of the tightest office markets in North America after the first nine months of 2024 as vacancy and availability continued to stabilize with limited new supply.

Class A buildings continued to benefit from tightening vacancy at third-quarter 2024 due to the ongoing flight to quality with most office leasing activity being captured in class A premises.

Regional vacancy and availability rates are returning to pre-2017 levels, which are widely considered to be indicators of a healthy office market for both tenants and landlords.

Rising vacancy in the suburbs is now contributing more to the overall increase in regional vacancy than downtown where vacancy is seen to be stabilizing, particularly in class A/B.



Vancouver's office submarkets, the Broadway Corridor and the Periphery, are more exposed to rising vacancy from the flight to quality due in part to the higher percentages of dated buildings in their inventories.

Absorption of just ~707k sf after the first nine months of 2024, led by Downtown (529k) and Burnaby (173k), has the region on track to achieve the second-least amount of annual absorption since 2018.

New construction remained largely at a standstill in Downtown Vancouver, which poses the risk of a potential shortage of class A space in the late 2020s given development timelines.

Achievable office rents downtown will likely play a larger role in determining when new construction kicks off but a rebound in demand will also be needed along with substantially higher prelease commitments than seen in previous cycles.

Large tenants from outside the market, particularly global technology firms, were responsible for much of the growth in office development in the 2010s, and will need to re-engage with the market, especially downtown, to launch new development.

3Q24

Office Market Metrics



3Q24

Greater Vancouver Office Market

Market Overview				
	Current Quarter	Prior Quarter	Year Ago	12-Month Forecast
Total Inventory (SF)	66.8M	66.1M	65.2M	↑
Total Vacancy Rate	10.1%	9.2%	9.3%	↔
Quarterly Net Absorption (SF)	-14K	646K	286K	↑
Total Availability Rate	13.3%	12.5%	12.2%	↔
Deliveries (SF)	659K	575K	609K	↑
Under Construction (SF)	2.1M	2.7M	2.8M	↓



Greater Vancouver Office Market/Submarket Statistics | 3Q24

Market/Submarket Statistics – All Classes

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Direct Available Rate	Sublet Available Rate	All classes Est. Direct Gross Rent (\$/SF)
Greater Vancouver	66,842,010	2,112,888	10.1%	-13,796	707,587	10.2%	3.2%	C\$41.73
Downtown Vancouver	30,035,336	37,500*	12.7%	-77,641	528,907	13.2%	3.4%	C\$48.19
Vancouver Broadway Corridor	6,136,141	172,328	9.7%	109,358	156,155	12.6%	3.4%	C\$48.45
Vancouver Periphery	4,667,632	836,867	7.6%	-19,428	-75,117	7.3%	3.8%	C\$41.79
Vancouver Total	40,839,109	1,046,695	11.7%	12,289	609,945	12.5%	3.4%	C\$46.77
Burnaby	10,649,184	393,760	9.8%	58,419	173,481	7.0%	5.0%	C\$38.42
Richmond	4,961,275	80,004	8.4%	-40,854	-89,555	8.0%	2.8%	C\$29.43
Surrey	4,653,564	401,789	5.8%	-51,625	-50,794	6.2%	1.0%	C\$35.20
North Shore***	2,077,264	32,511	1.9%	14,604	25,026	2.8%	0.4%	C\$39.06
Langley	1,532,926	93,086	4.0%	-3,227	12,662	4.8%	0.0%	C\$39.65
New Westminister	1,474,469	0	5.4%	-7,099	6,585	5.9%	0.0%	C\$44.99
Tri-Cities**	578,201	57,782	8.5%	3,697	20,237	9.3%	0.0%	C\$25.85****

Source: Newmark Research, Altus Data Studio

* Does not include 150 West Georgia Street

**The Tri-Cities consists of Port Moody, Coquitlam and Port Coquitlam, but due to its small size is not covered in this report.

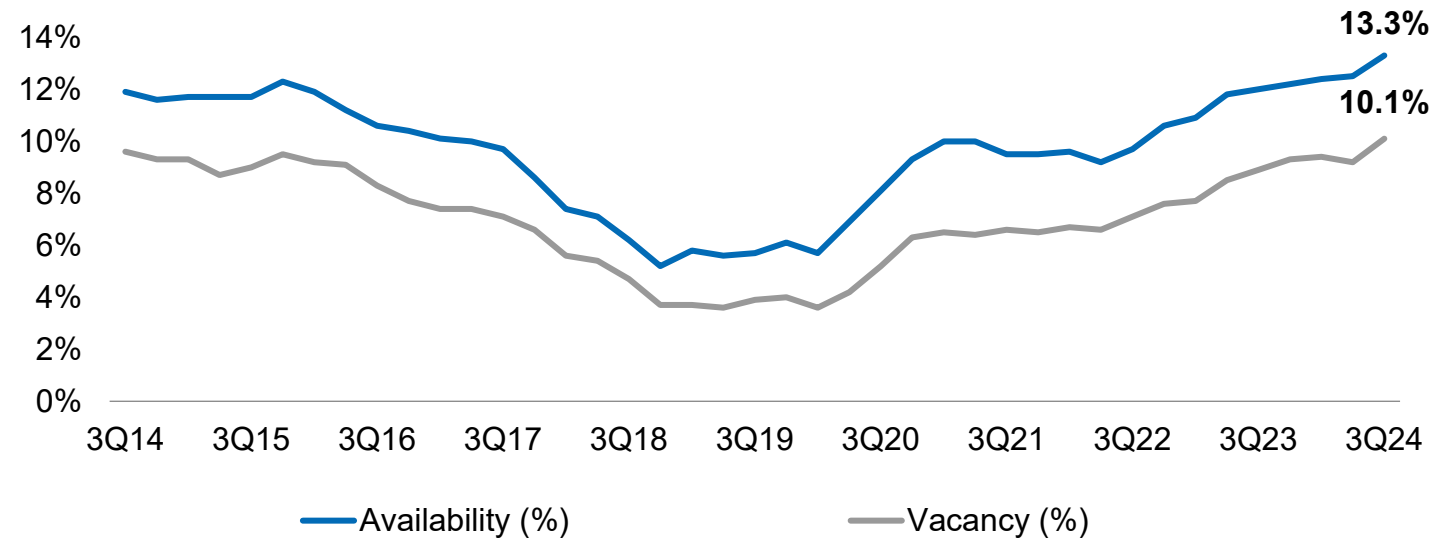
*** The North Shore consists of the District and City of North Vancouver and West Vancouver

**** Data from source not updated since Q4 2021

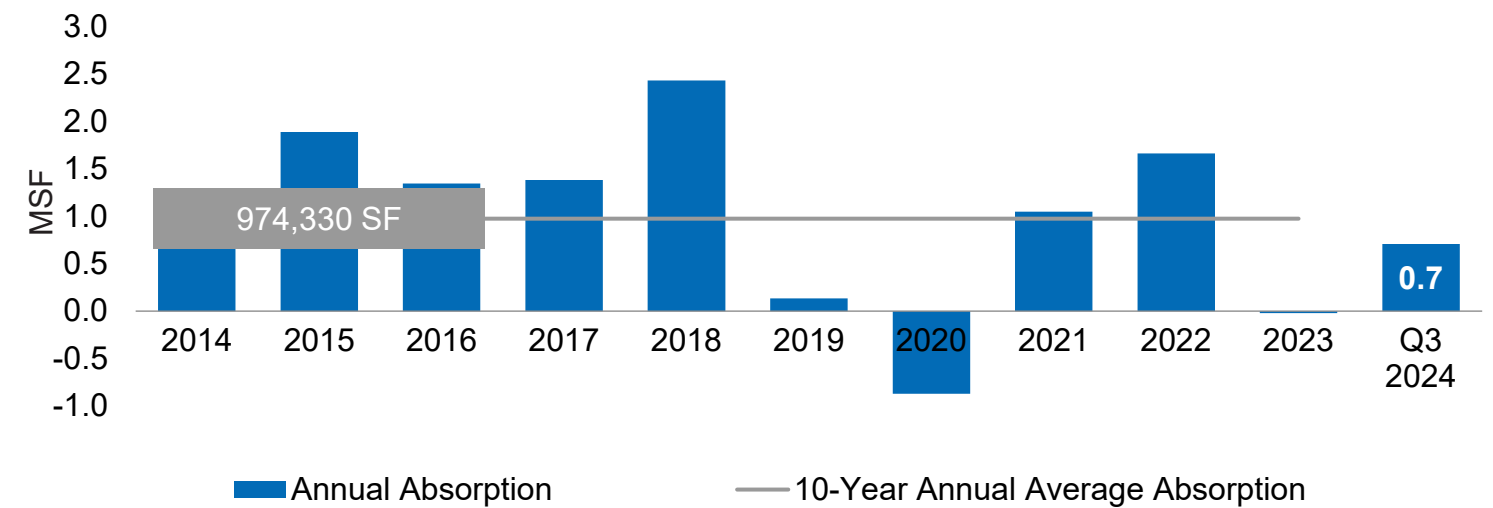
Greater Vancouver Area

Greater Vancouver remained one of North America's tightest office markets even as new supply and reduced demand nudged regional vacancy to a moderate 10.1% at the third quarter of 2024. Suburban vacancy, which had remained flat throughout the pandemic, continued rising through the first nine months of 2024 just as vacancy downtown was stabilizing. Regional absorption in that period marked a notable improvement from 2023 but remained constrained amid a lack of large tenants (outside The Post) occupying space.

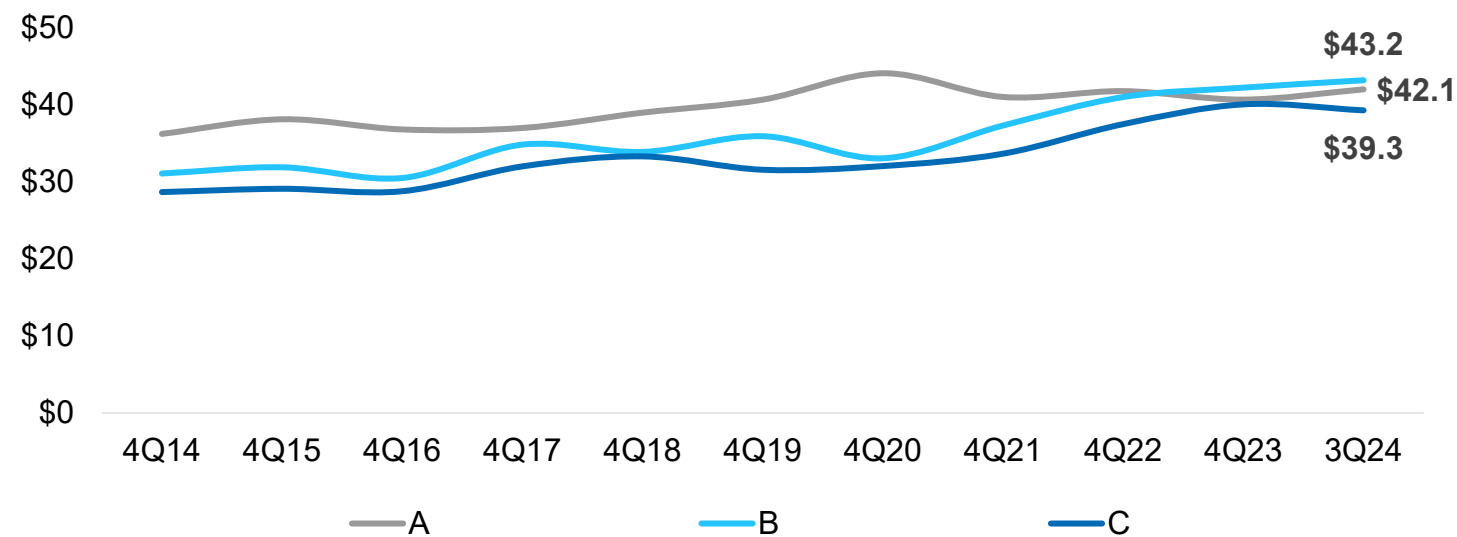
Overall Availability And Vacancy Rates – All Classes



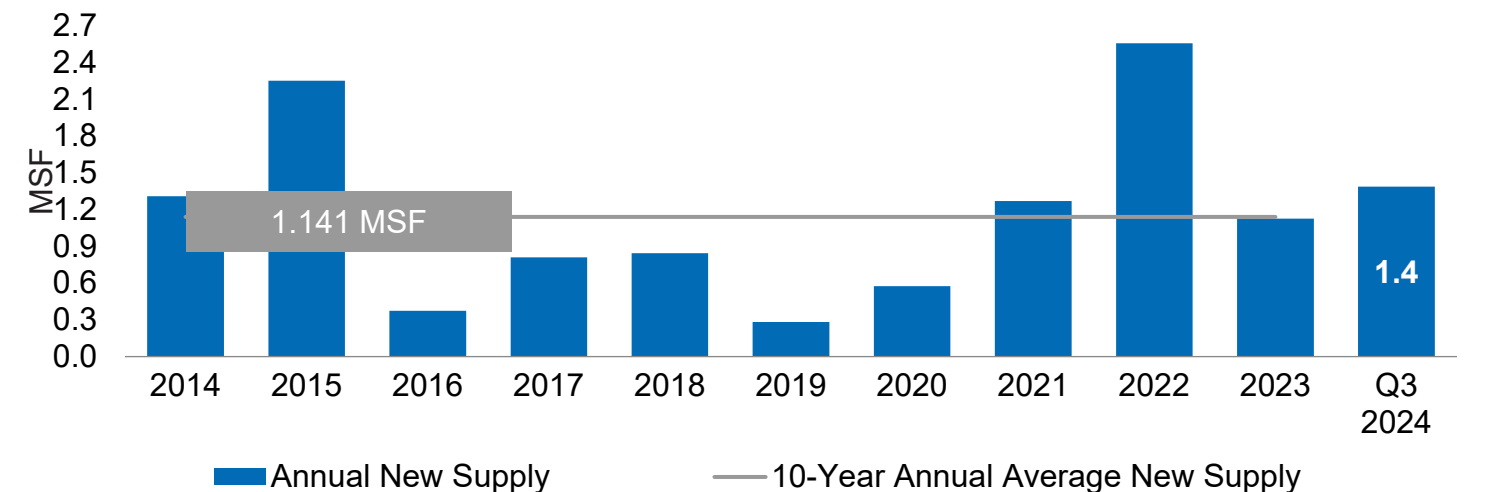
Annual Absorption – All Classes



Total Estimated Direct Gross Rent by Class (C\$/sf) – All Regions



New Construction Deliveries in Greater Vancouver

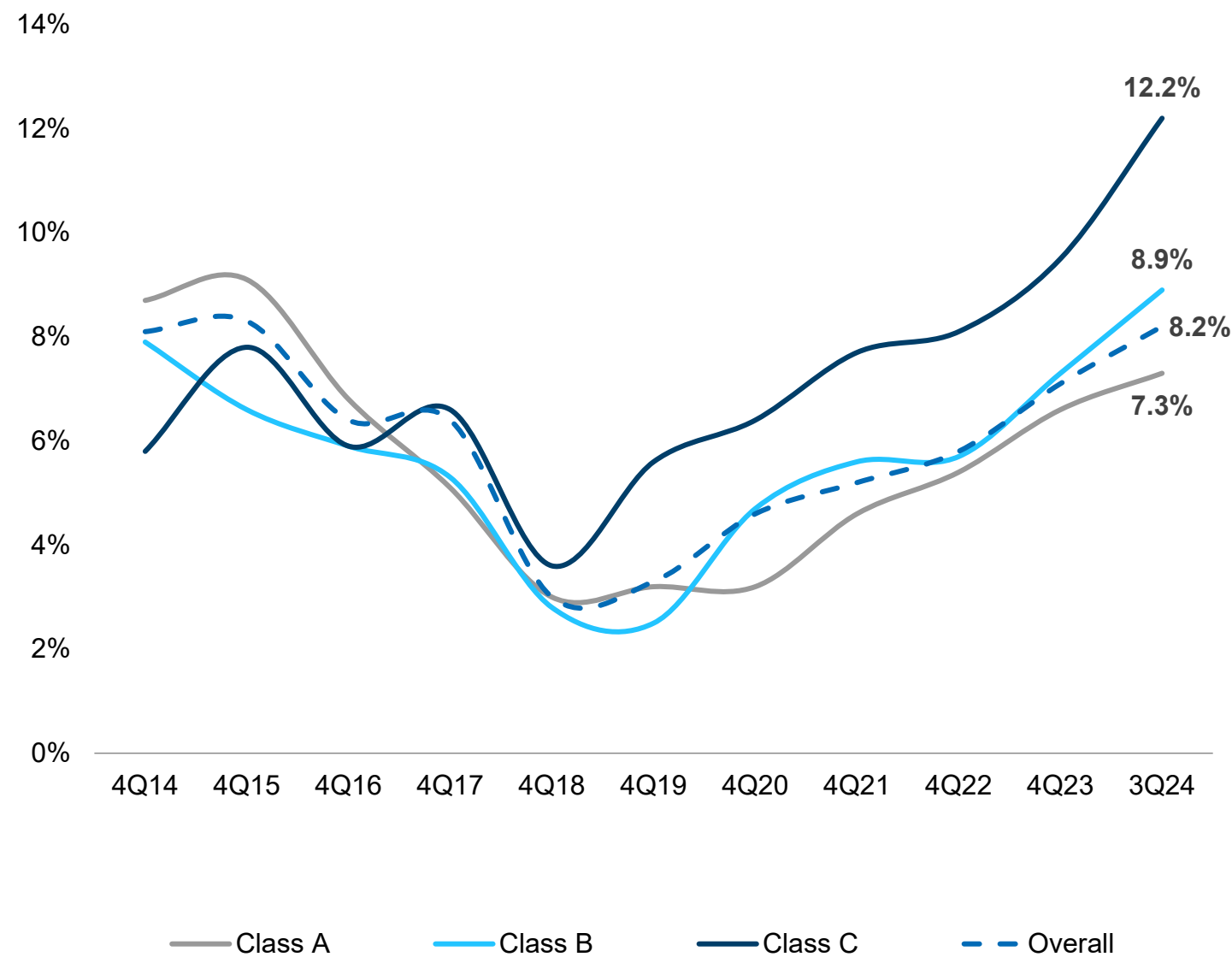


Source: Newmark Research, Altus Data Studio

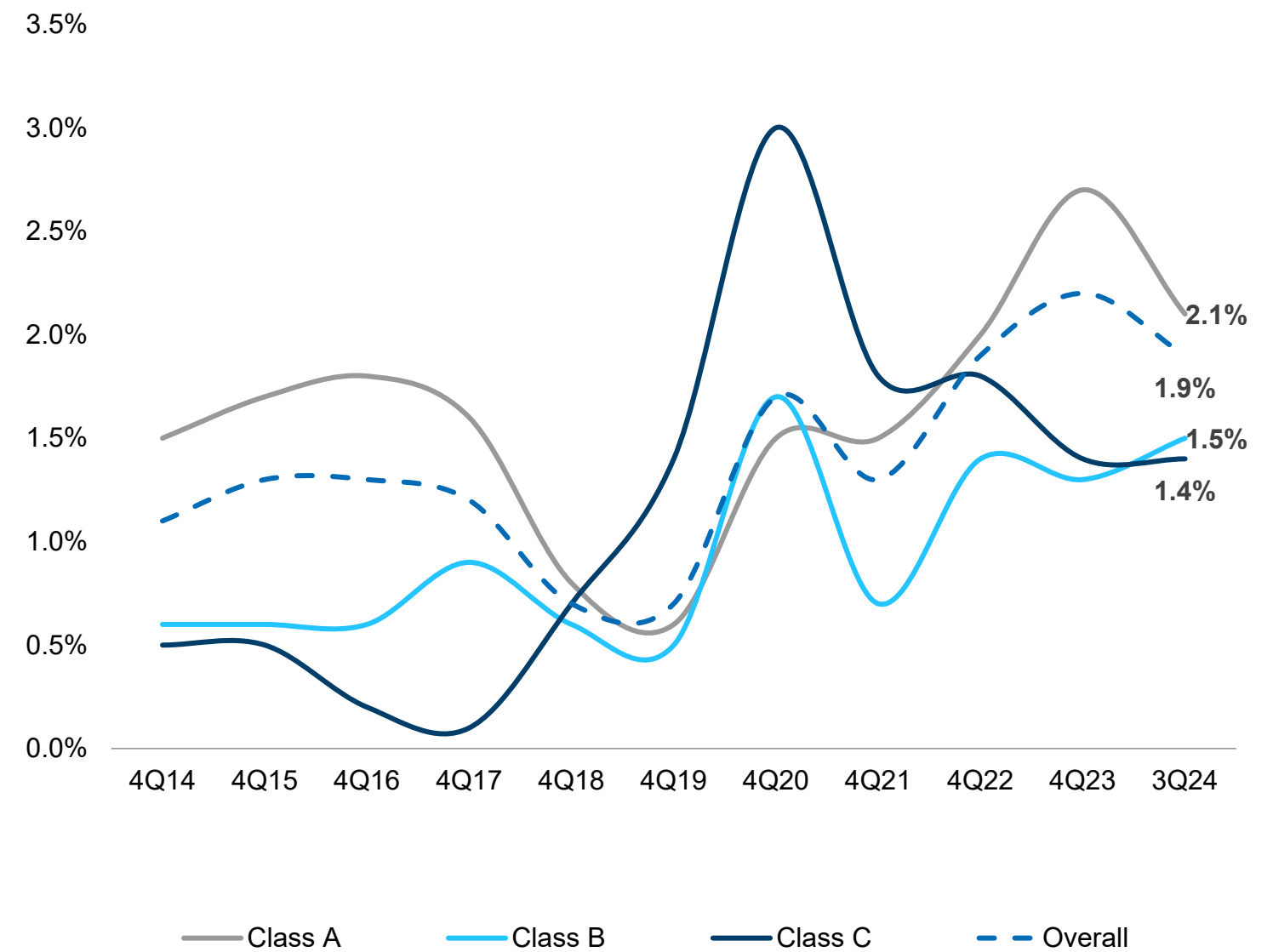
Class A/B Vacancy Settling Into Healthy Range As Class C Remains Challenged

Head lease vacancy in class A/B buildings across Greater Vancouver continued to stabilize in the third quarter of 2024. While class A/B head lease vacancy remained within a healthy range in what would typically be considered a balanced market, class C buildings will continue to face challenges into 2025. Sublease vacancy on a regional basis has been much more volatile in all building classes since 2020; however, in most cases, the recent trend has been to tighten or stabilize. Class C sublease vacancy dropped to less than class A/B.

Regional Office Headlease Vacancy by Class – 2014 to 2024



Regional Office Sublease Vacancy by Class – 2014 to 2024

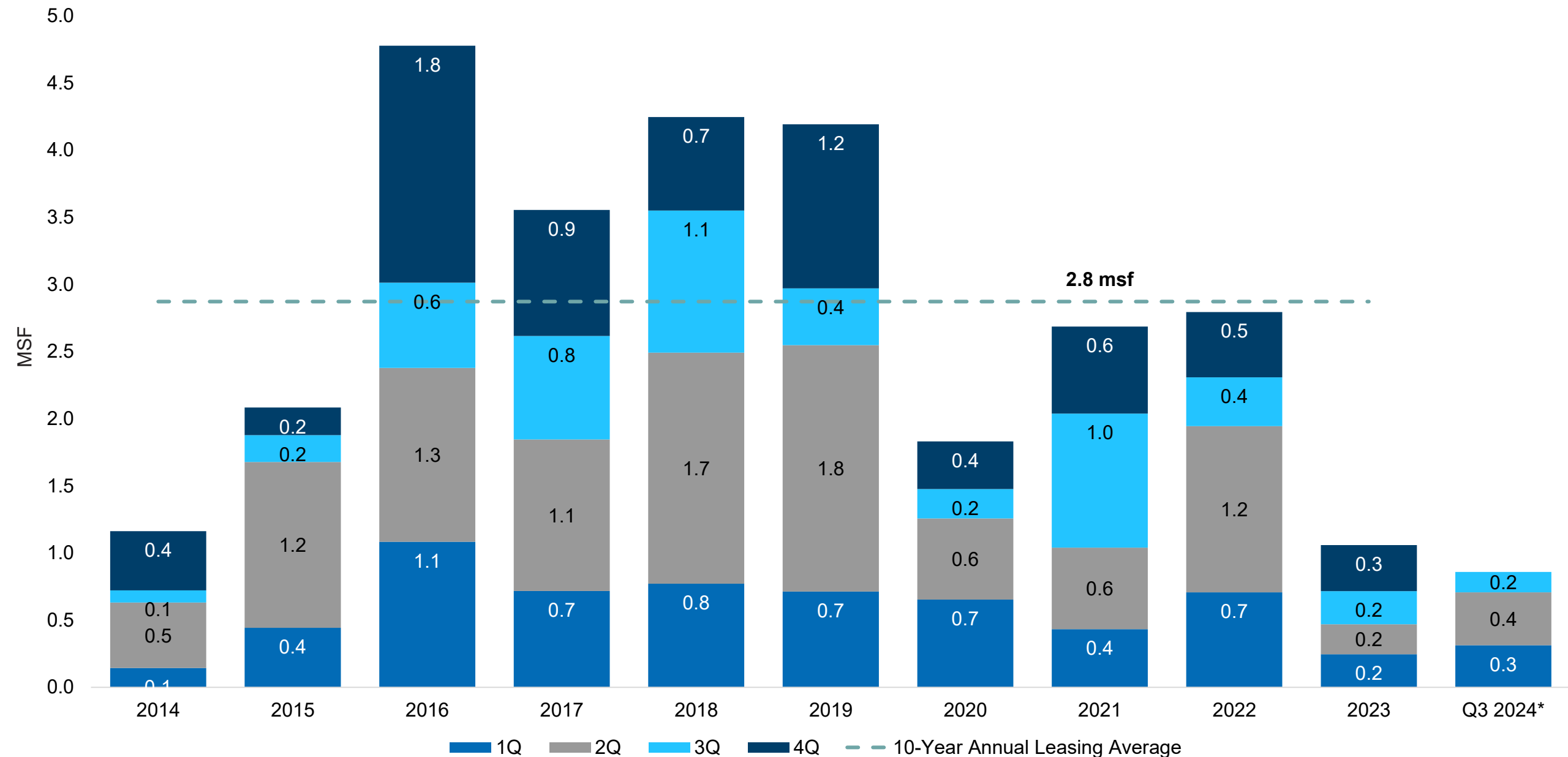


Source: Newmark Research, Altus Data Studio

Greater Vancouver Leasing Volume Stalling As Small Local Tenants Dominate Market

Preleasing and the subsequent delivery of new supply have been catalysts of office leasing activity in Greater Vancouver since 2014, which so happened to be when the presence of global tech firms began to make themselves known in the market. The absence of new commitments from large tenants in general, but global tech firms specifically, since 2020 has resulted in leasing activity reverting to Vancouver's more traditional mix of small- to mid-sized local tenants comprising professional services, natural resources and tech start-ups.

Total Leasing Activity in All Classes



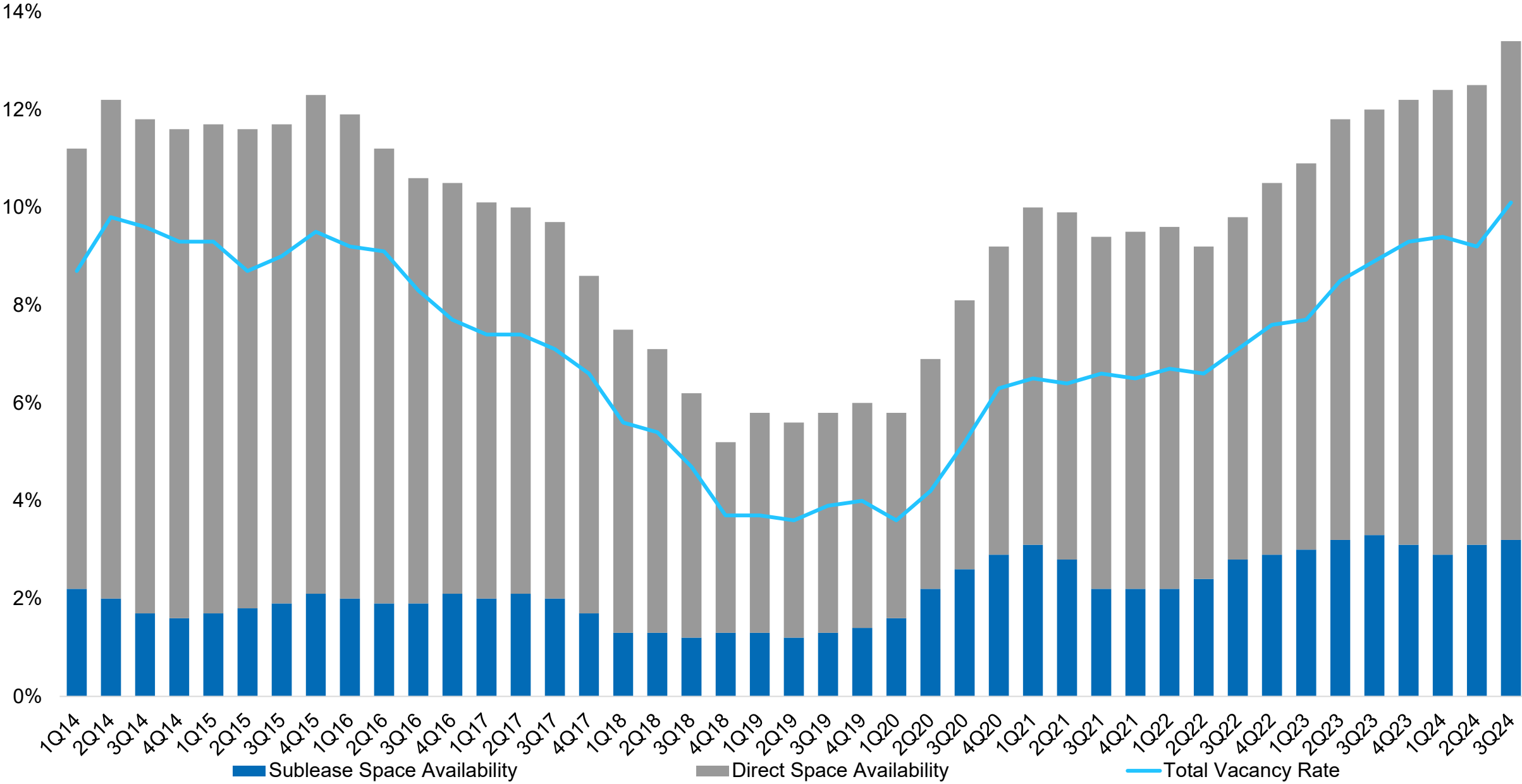
Source: Newmark Research, Altus Data Studio

*Based on Newmark's review of Q3 2024 leasing activity in downtown Vancouver, this data point represents an undercount of known class A activity.

Space Availability & Vacancy in Greater Vancouver Reverting To Long-Term Average

Regional vacancy and availability have returned to levels previously commonplace in the market prior to the period from mid-2017 to mid-2020 when a combination of strong demand and a lack of new supply pushed vacancy and availability to record North American lows. The three-year period preceding the arrival of COVID was not typical and led to rental rates achieving record highs. With virtually no downtown construction underway and limited suburban development, availability and vacancy are anticipate to peak in 2025 before declining.

Available Space and Tenant Demand as Per cent of Overall Market



Source: Newmark Research, Altus Data Studio

3Q24

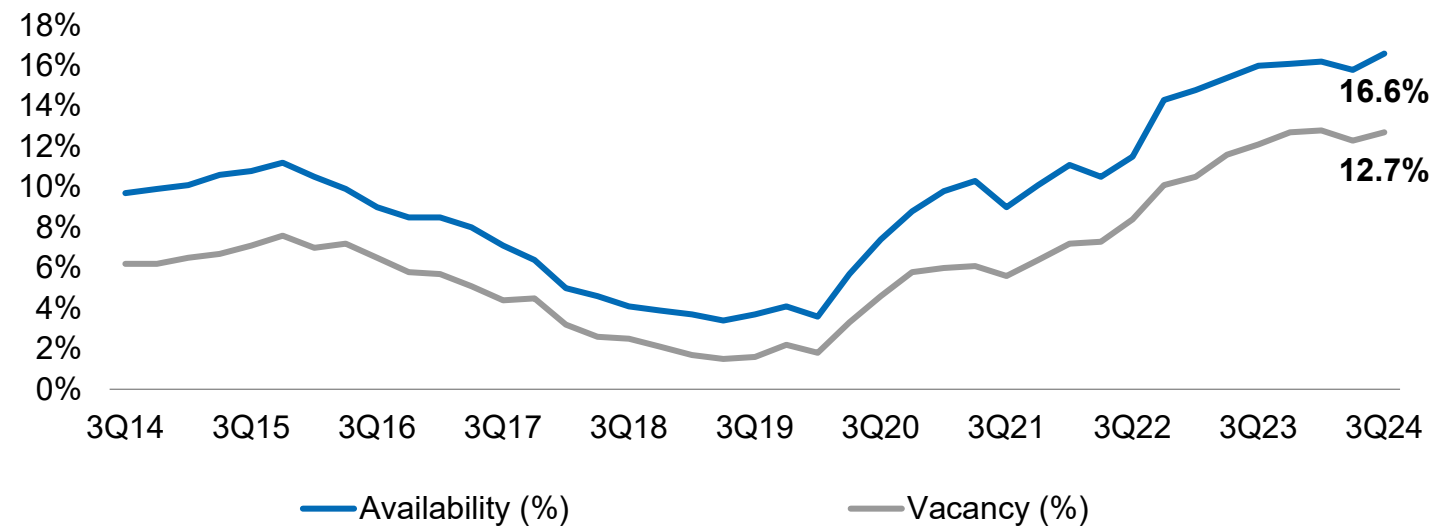
Downtown Vancouver



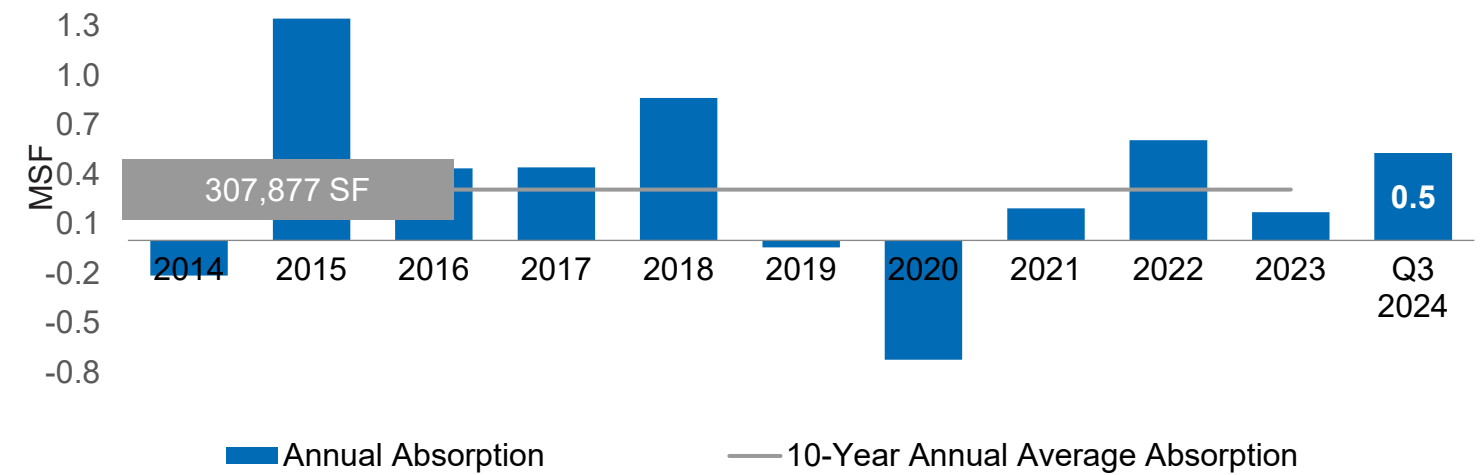
Downtown Vancouver (including Gastown & Yaletown)

Vacancy in Downtown Vancouver's office market has remained largely stable at ~12.5% since the third quarter of 2023. The decline was led by an ongoing tightening in class A vacancy. A flight to quality continues with leasing activity occurring mostly in class A space. Absorption of ~530k sf in the first nine months of 2024 was due largely to the delivery of ~575k of new preleased space in the second quarter of 2024. With virtually no office space under construction, large lease requirements in 2027+ may soon find new options limited.

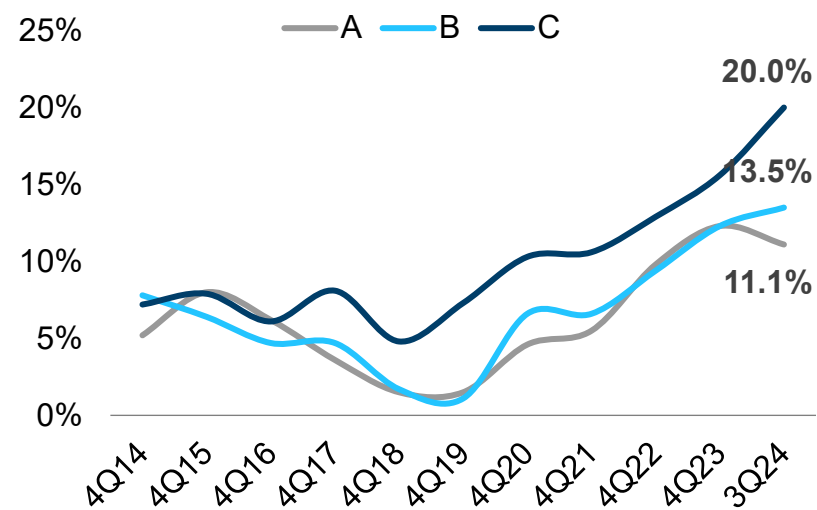
Overall Availability & Vacancy Rates – All classes








Annual Absorption – All classes



Vacancy by Class – 2014 to 2024



Third Quarter Deals

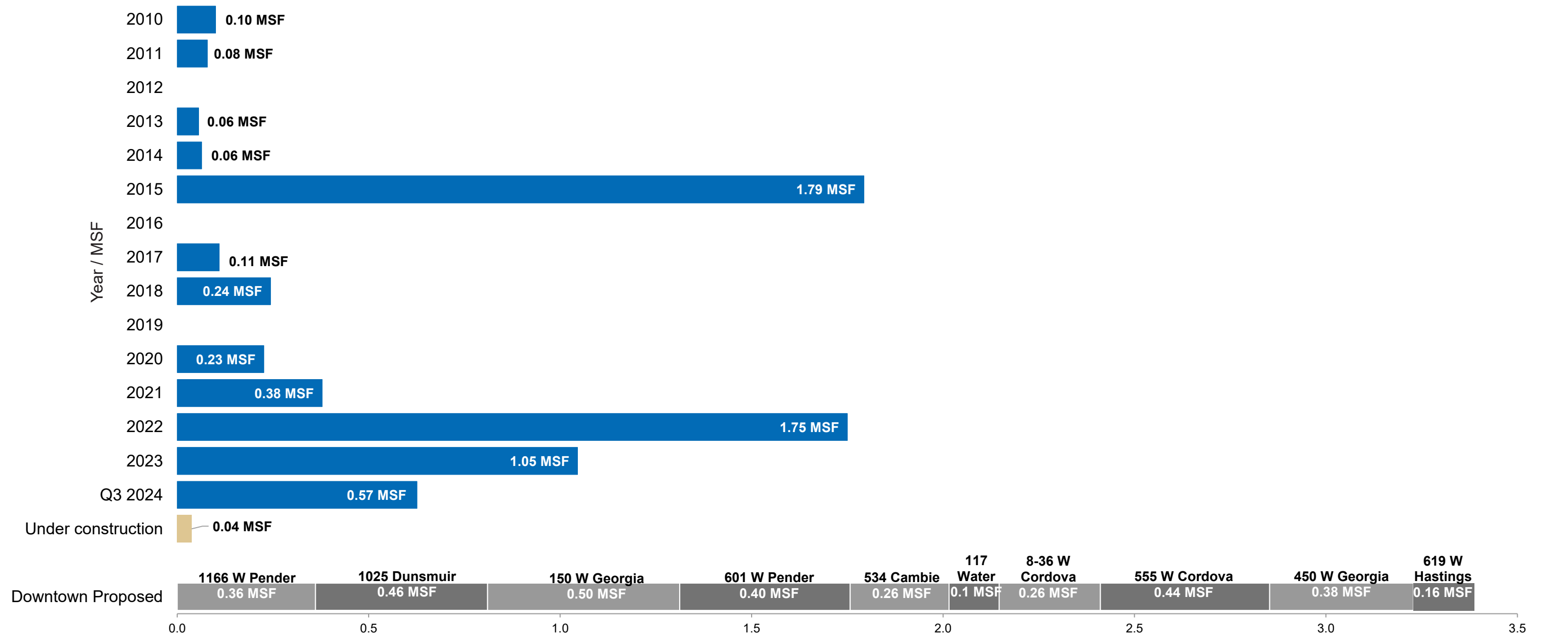
				
198 West Hastings Street	411 Dunsmuir Street	Three Bentall Centre 595 Burrard Street	The Packing House, 21 Water Street	The Ritz, 1205 Melville Street
Vancouver Film School	TI Corp.	Elk Valley Resources	ICON Creative Studio	ILSC Education Group
47,500 SF	37,500 SF	31,110 SF	22,960 SF	20,070 SF
Direct New	Sublease & Expansion	Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

Downtown Vancouver Construction Velocity

New office development in Downtown Vancouver’s 30-msf market remained at a standstill at the third quarter of 2024 with just one building totalling 37,500 sf under construction. While construction on Westbank’s large mixed-use development at 150 West Georgia is underway, the work to date has been underground on the district energy plant component. A handful of options indicate they are open to preleasing, but none have committed to construction. A potential supply crunch of class A space in 2027+ may see construction kick off in 2025/26.

Downtown Vancouver Deliveries

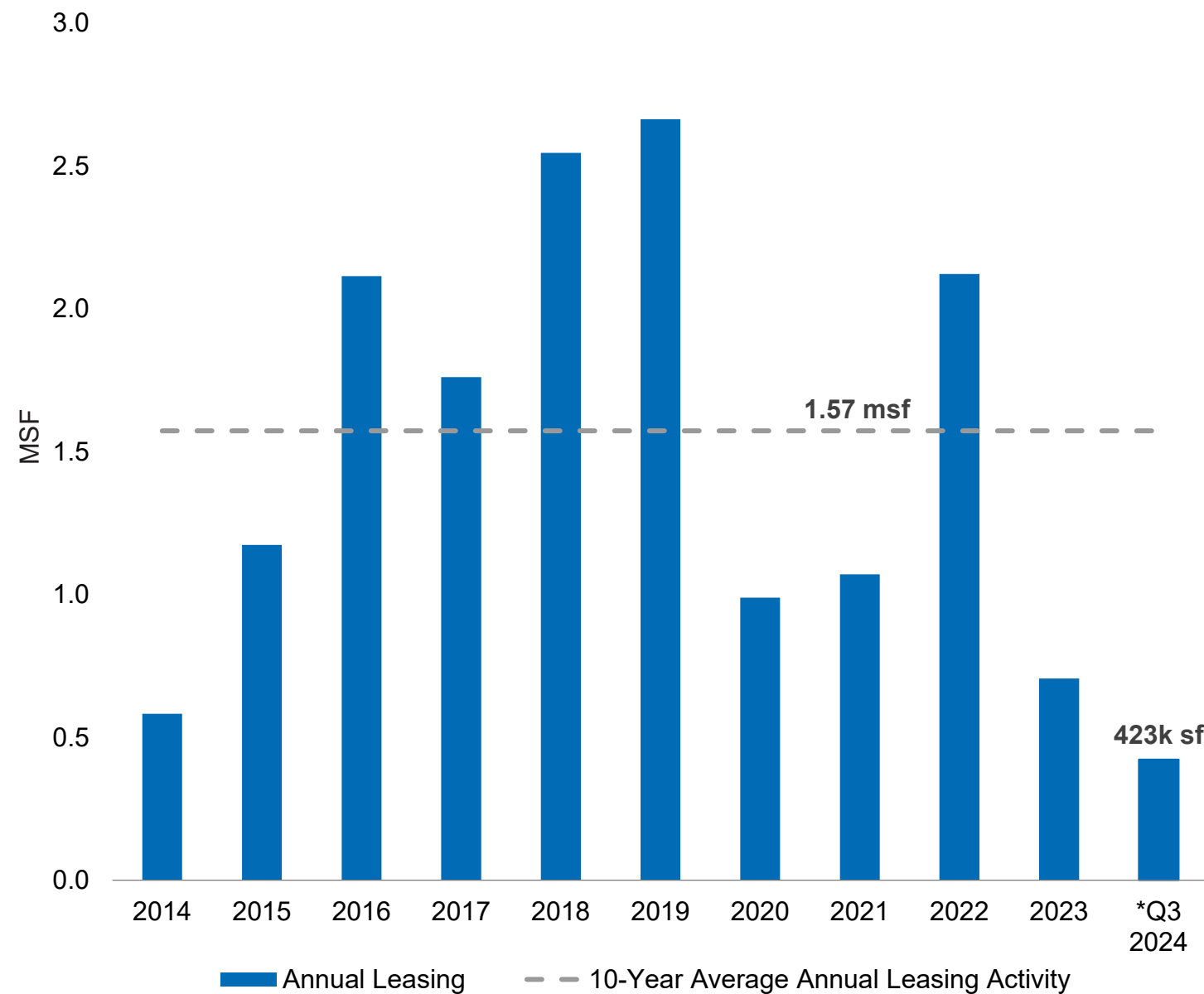


Source: Newmark Research, Altus Data Studio

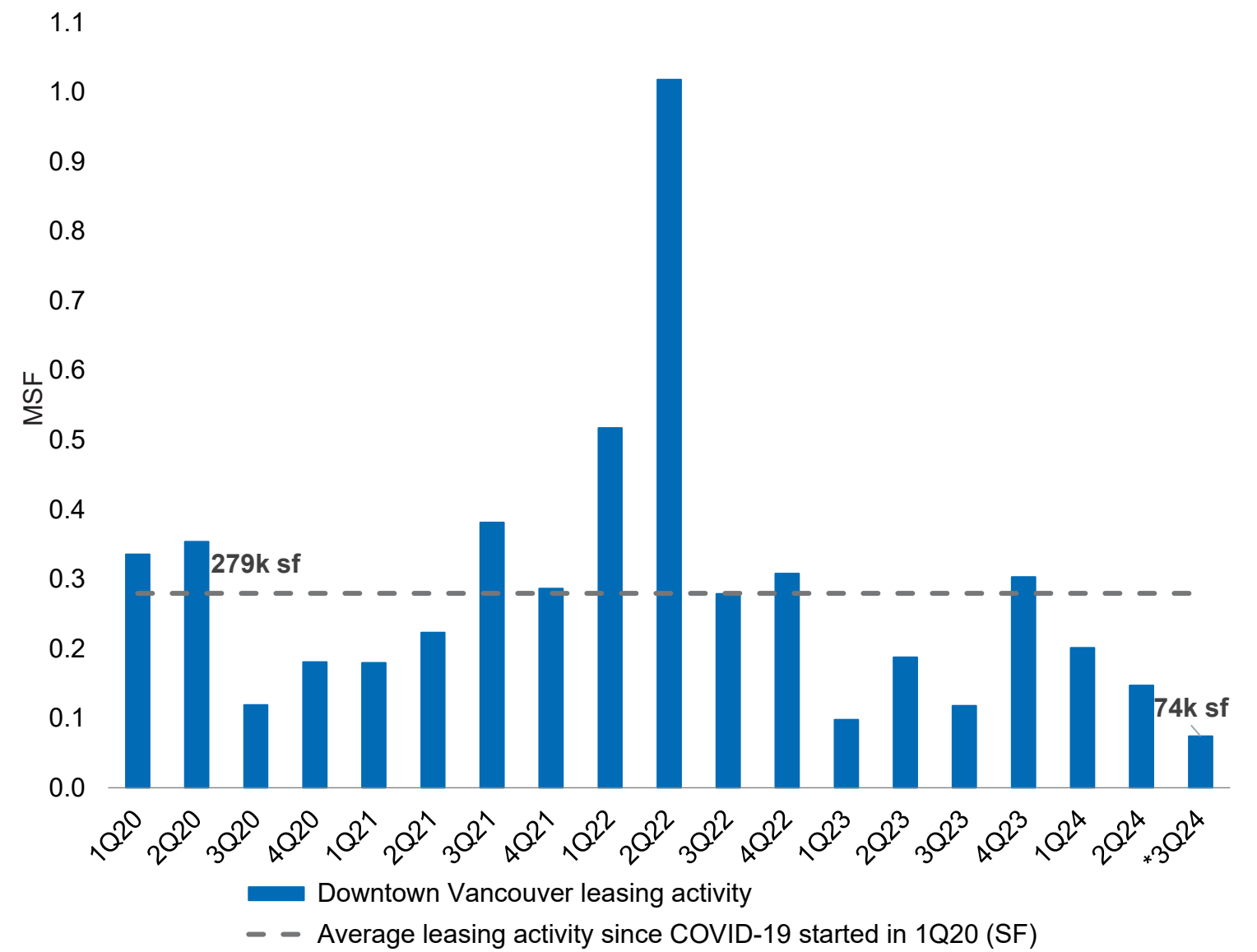
Downtown Vancouver Office Leasing Activity

Downtown office leasing activity in the first nine months of 2024 has been declining with leasing activity in the third quarter likely at its lowest point since 2020. Large technology firms – outside of Amazon’s occupation of The Post – have been absent from leasing downtown office space with the traditional Vancouver tenant mix left to make up the shortfall. Preleasing historically played a large role in boosting activity, particularly during the past decade, but it remains absent in lieu of commencement of new construction and a lack of tenant demand.

Annual Downtown Vancouver Leasing Activity – All classes



Downtown Vancouver Quarterly Leasing Activity – All classes

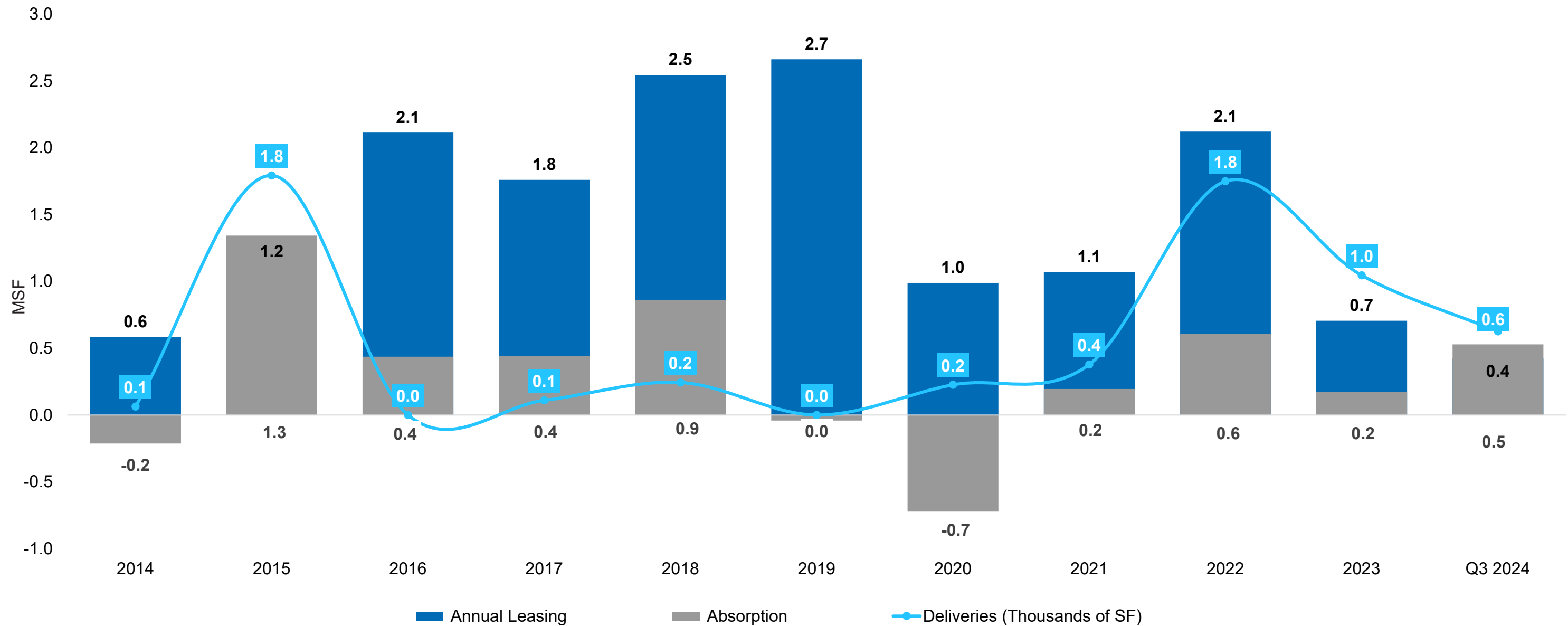


Source: Newmark Research, Altus Data Studio
 *Based on Newmark’s review of Q3 2024 leasing activity in downtown Vancouver, this data point represents an undercount of known class A activity.

Downtown Vancouver Leasing, Absorption and New Supply Analysis

Leasing activity in Downtown Vancouver is approaching a new low in 2024 and may even fall short of 2014, the slowest year in a decade. With the end of the most recent development cycle, absorption arising from the occupation of preleased space (namely The Post) was virtually the only source of absorption downtown. This last occurred in 2015. A rebound in leasing in 2025 will need to demonstrate that absorption can occur outside of preleased space to initiate the next development cycle, which will then trigger more (pre)leasing activity.

Downtown Vancouver Historical Leasing and Absorption – All classes

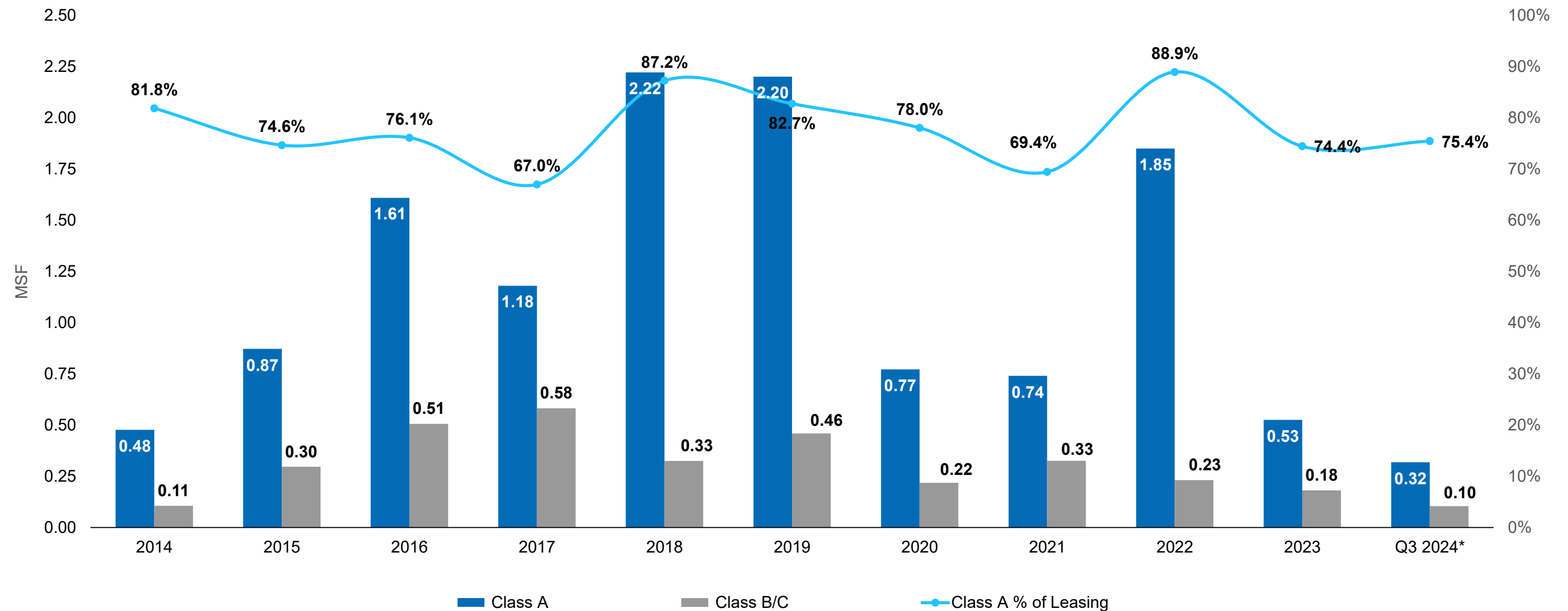


Source: Newmark Research, Altus Data Studio

Class A Vacancy Guiding Class B/C Activity | Downtown Vancouver Leasing Activity

Even as leasing activity stagnated through the first nine months of 2024, deals that did occur were largely in class A premises (75.4%). Slightly less than 25% of the square footage leased was in class B/C, a notable difference from other downtown markets with much higher class A vacancy rates such as Toronto where activity in 2024 has been almost entirely in class A space. Cost remains a greater consideration for select downtown tenants, which indicates a base albeit diminishing level of demand for options outside class A buildings.

Leased Area by Class



Source: Newmark Research, Altus Data Studio

*Based on Newmark's review of Q3 leasing activity in downtown Vancouver, this data point represents an undercount of known class A activity.

3Q24

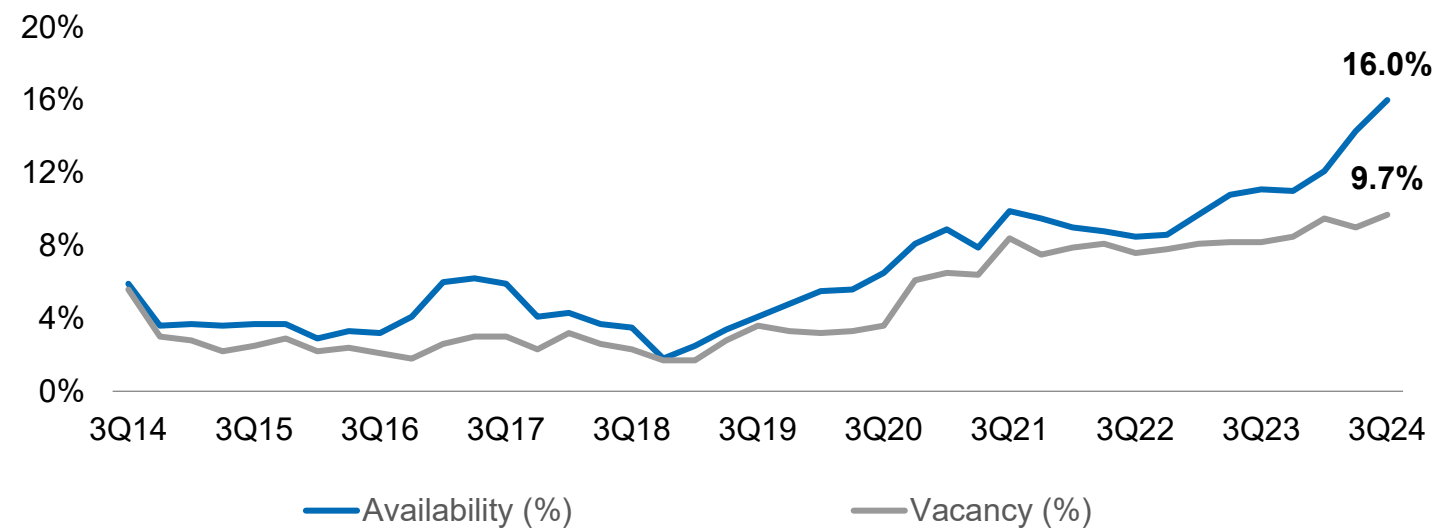
Vancouver Office Submarkets



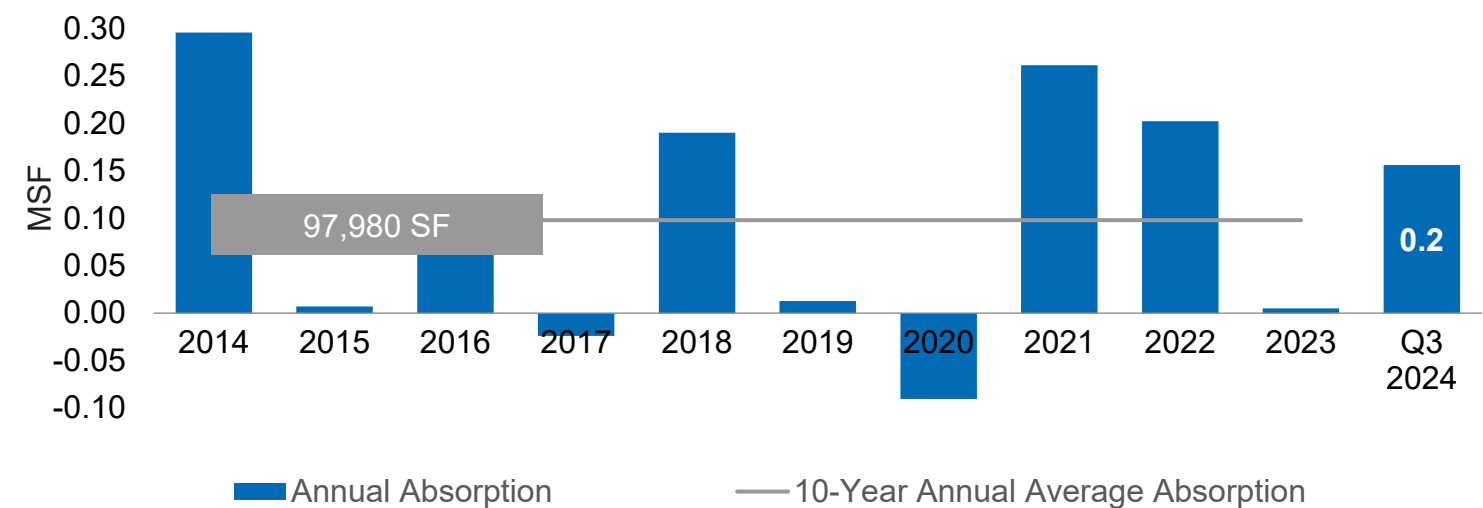
Vancouver – Broadway Corridor

Vancouver's 6.1-msf Broadway Corridor submarket has been subjected to a range of factors beyond COVID-19's impact on the submarket's mostly vintage inventory. Subjected to a years-long development moratorium as the city formulated the Broadway Plan, redevelopment of the class B/C space in much of the corridor was paused. The opening of the SkyTrain's Broadway extension in 2027 should appeal to perspective tenants in 2025+. New supply in the Mount Pleasant office node continues to support much of the submarket's leasing activity.

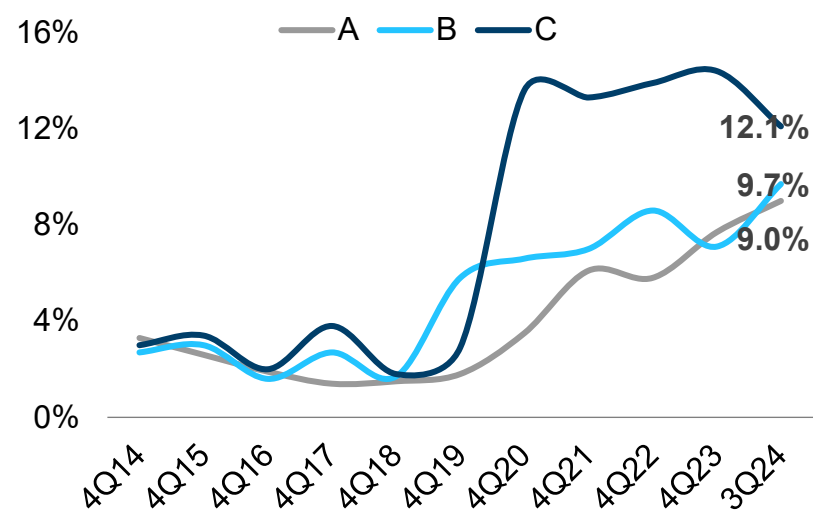
Overall Availability And Vacancy Rates – All Classes







Annual Absorption – All Classes



Vacancy by Class – 2014 to 2024



Third Quarter Deals

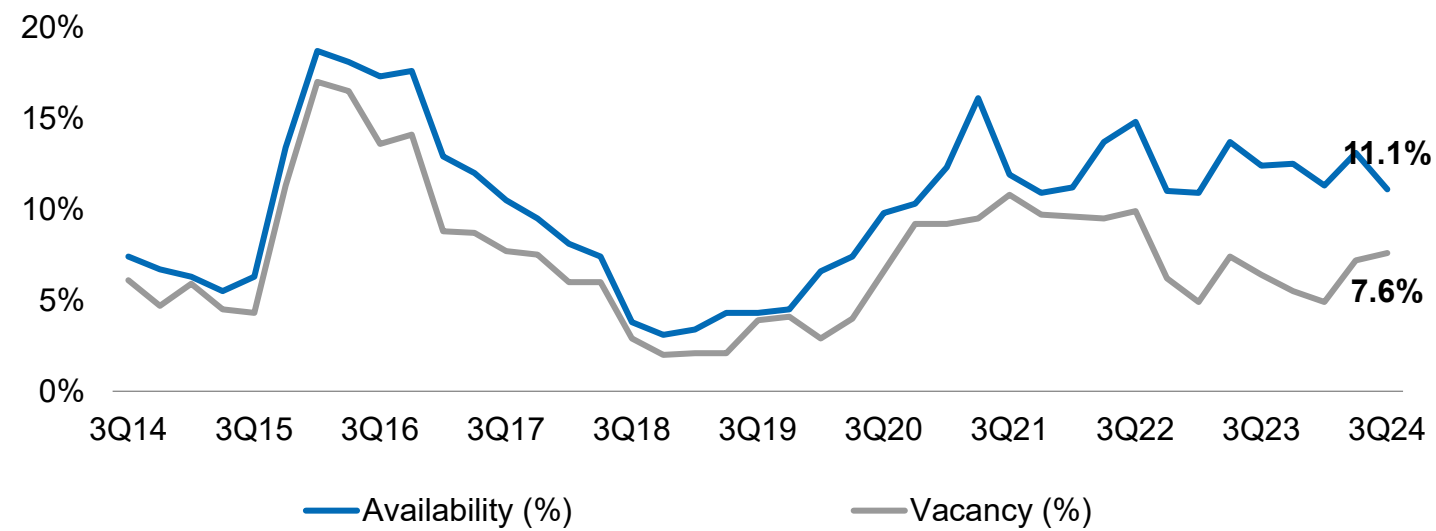
				
5th & Manitoba, 2131 Manitoba Street	Nickel, 285 West 5th Avenue	1333 West Broadway	Fifth + Columbia, 2055 Columbia Street	1639 West 2nd Avenue
Aspect Biosystems	Sanctuary AI	Provincial Health Services Authority (PHSA)	NetApp	Smallworks Studios
48,000 SF	32,290 SF	17,000 SF	13,260 SF	6,250 SF
Sublease	Sublease	Expansion	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

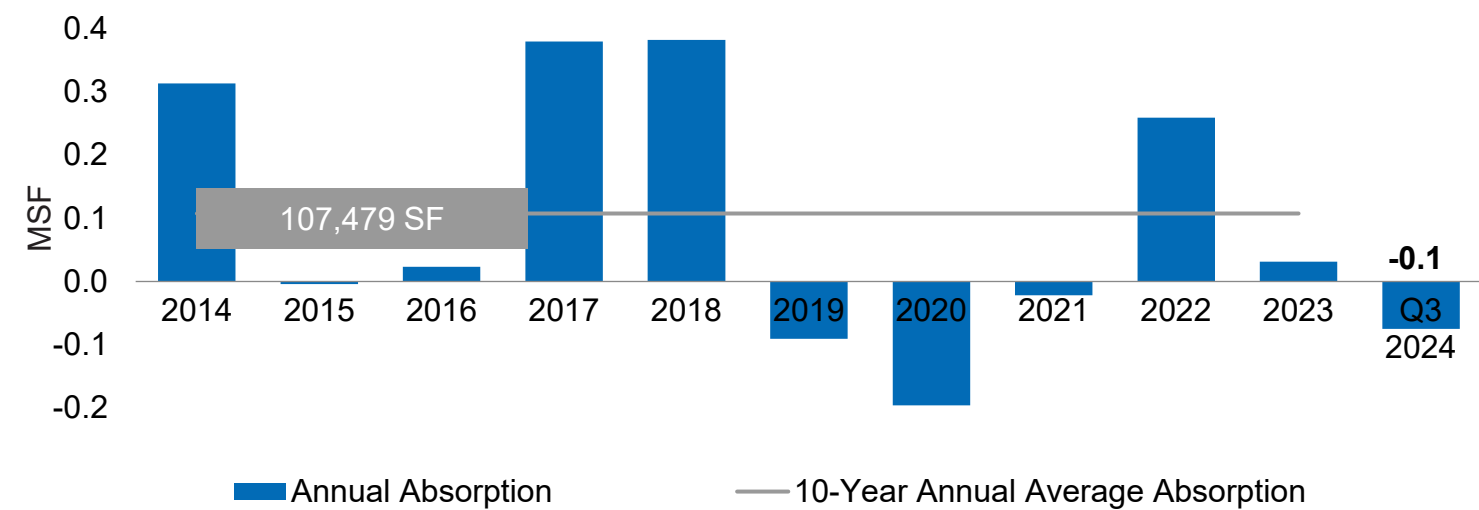
Vancouver – Periphery

Vancouver's 4.67-msf periphery office submarket was the only city submarket to record negative absorption at third-quarter 2024. While class A vacancy remained among the lowest in the region, declining 110 bps to 5.9% from the second quarter of 2024, class B/C vacancy has surged notably since the start of 2024. With ~835k sf of new space under construction in seven projects, demand for quality space in 2025 needs to outweigh tenants who are departing class B/C inventory if the submarket is to avoid entering an overbuild situation.

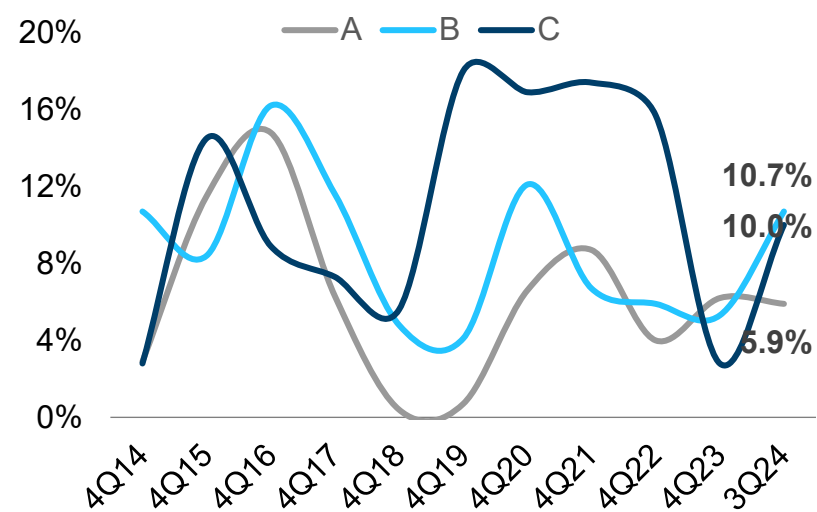
Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes



Vacancy by Class – 2014 to 2024



Third Quarter Deals

Broadway Tech Centre, 2985 Virtual Way	1200 West 73rd Avenue	1200 West 73rd Avenue	406-412 East Hastings Street	6402-6440 Victoria Drive
HTEC	Signia Construction	FN Fisheries	Undisclosed	Undisclosed
29,230 SF	8,030 SF	1,310 SF	1,000 SF	800 SF
Sublease	Direct New	Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

3Q24

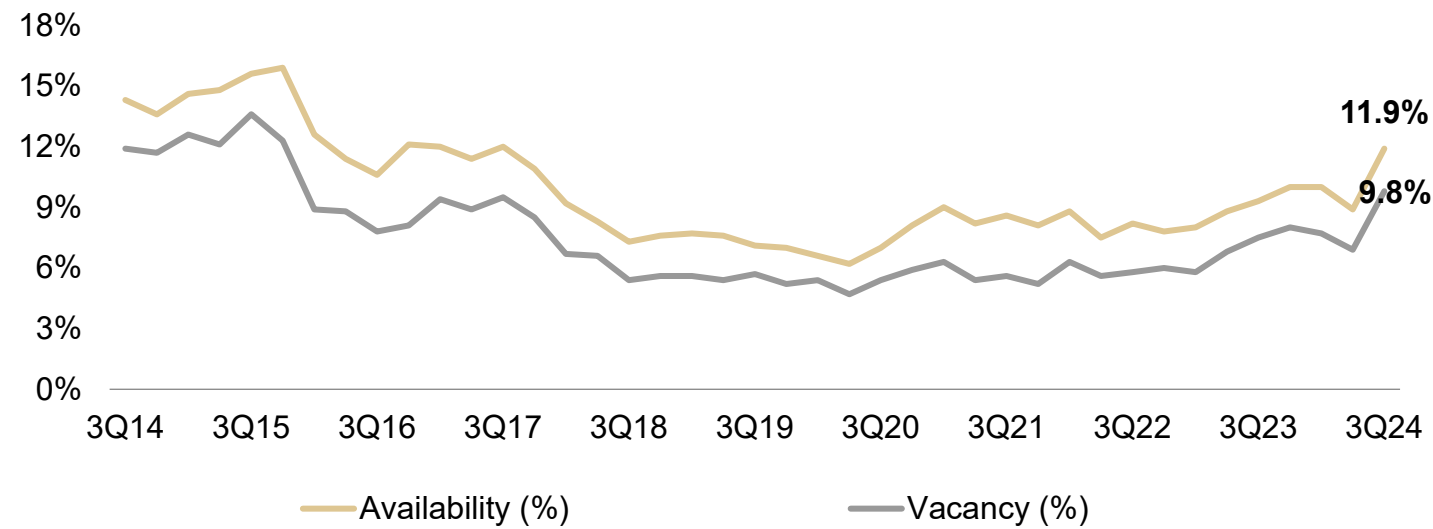
Greater Vancouver Office Markets



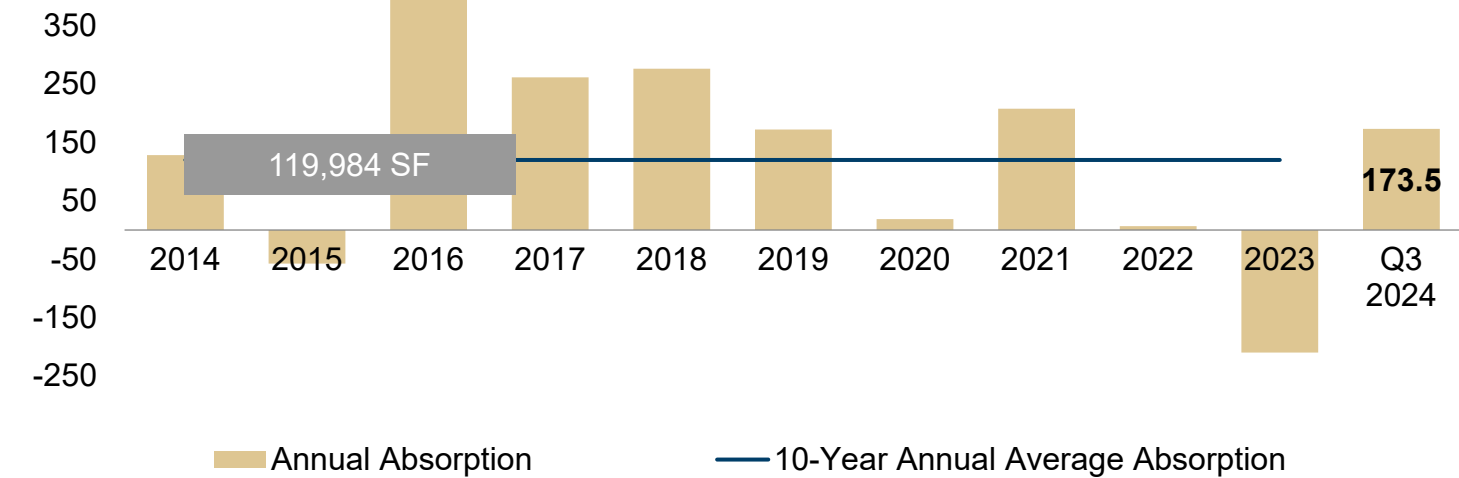
Burnaby, BC

Burnaby's 10.6-msf office market – the second largest in Metro Vancouver – has been one of the region's most stable in terms of vacancy and availability since 2017. The sudden uptick in vacancy and availability in the third quarter of 2024 was the result of four new buildings totalling almost 400k sf of new supply being delivered, which pushed vacancy to its highest point since 2015. Burnaby led all suburban markets in terms of absorption through the first nine months of 2024, second only to Downtown Vancouver regionally.

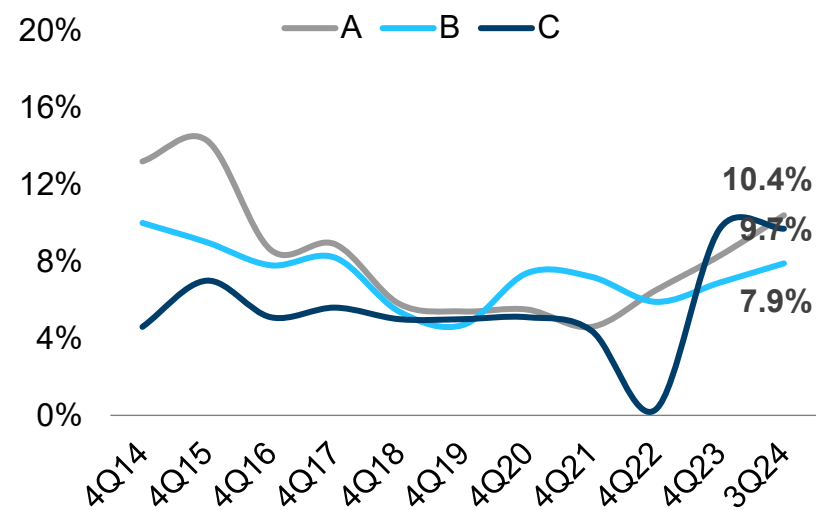
Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

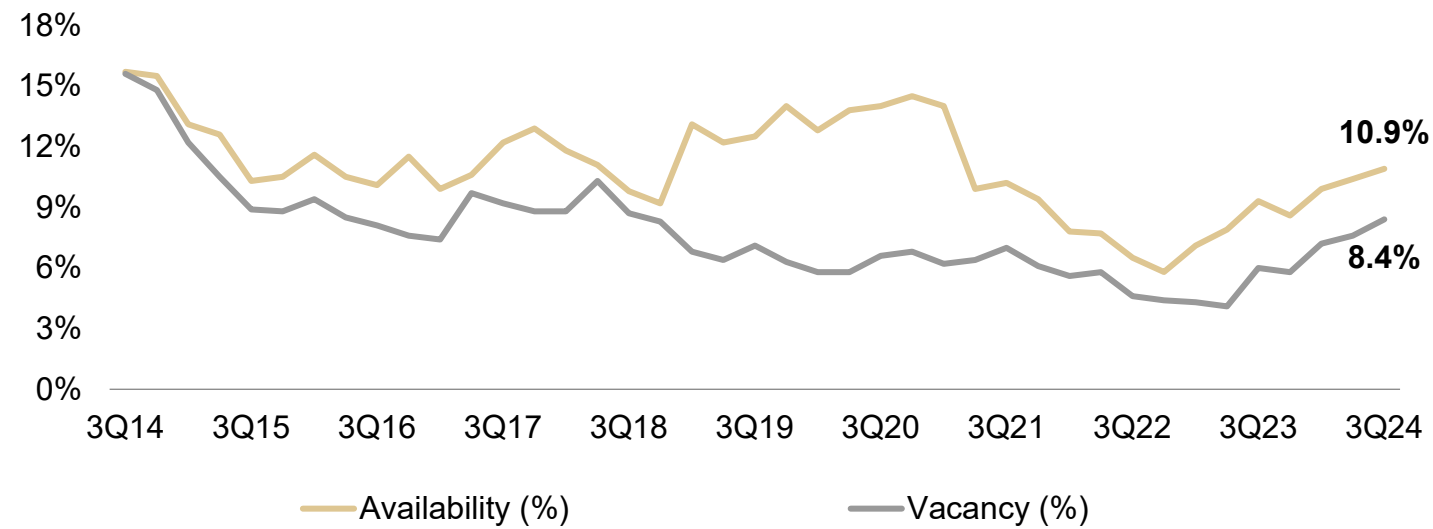
				
4350 Still Creek Drive	Solo District, 4402 Skyline Drive	Metrotower I, 4710 Kingsway	Central Park Place, 4555 Kingsway	2830 Douglas Road
Hub International	Nintendo	Altea Health	MSK Physiotherapy, Keyence Canada & Good Sleep Health	Allwest Reporting
30,970 SF	15,700 SF	10,800 SF	8,630 SF	2,150 SF
Renewal	Direct New	Sublease	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

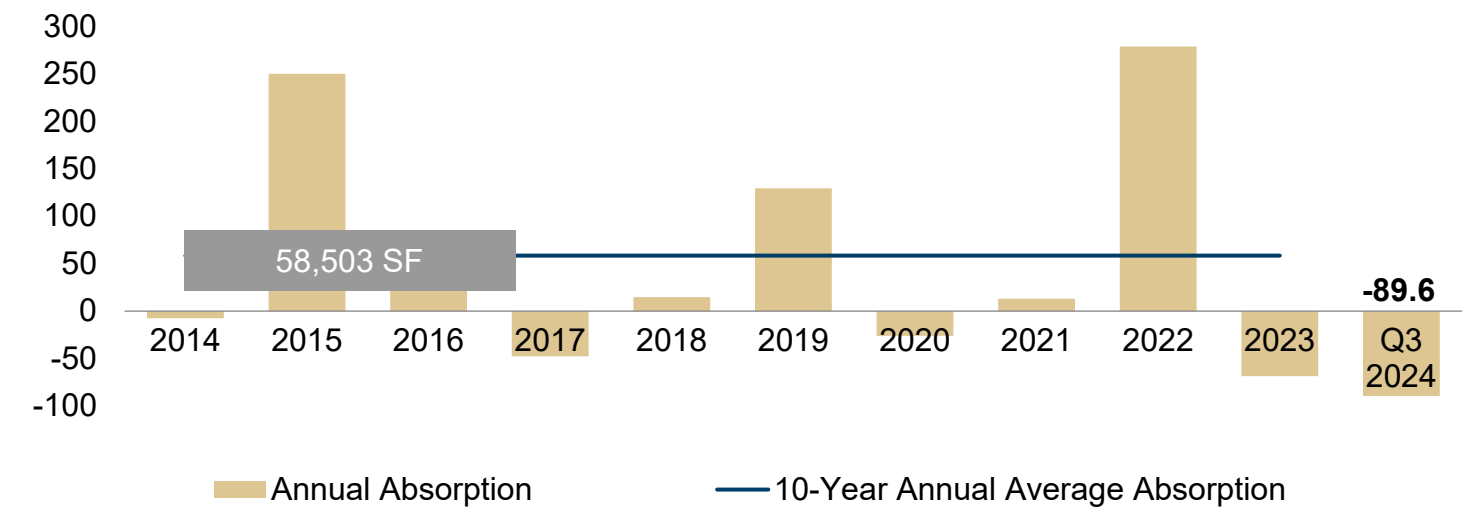
Richmond, BC

Vacancy in Richmond's 4.96-msf office market climbed to 8.4% at the third quarter of 2024, up 270 bps from a year earlier. Since mid-2023, leasing activity has declined as absorption skewed negative, a trend that persisted through the first nine months of 2024. With just 80,000 sf currently under construction, a lack of new supply has hampered leasing. The rapid rise in class B vacancy is the result of local tenants unable to secure space in Richmond's business parks moving to take advantage of elevated vacancy in neighbouring submarkets.

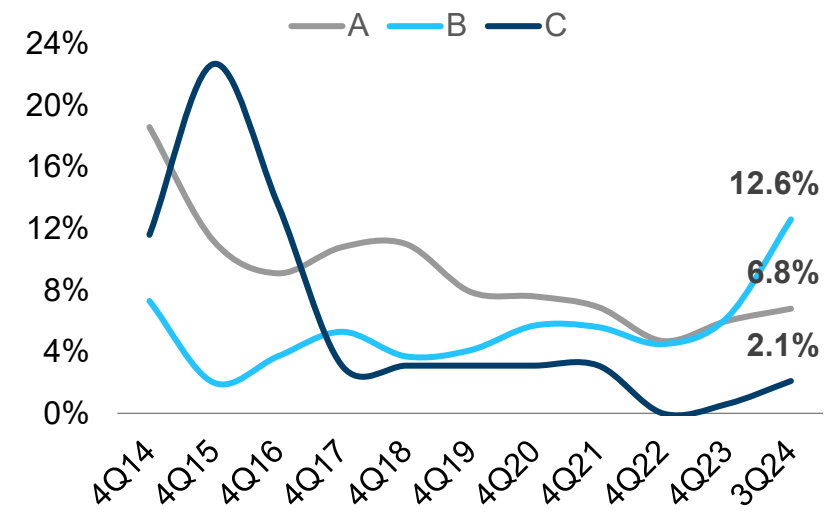
Availability And Vacancy Rates – All Classes








Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

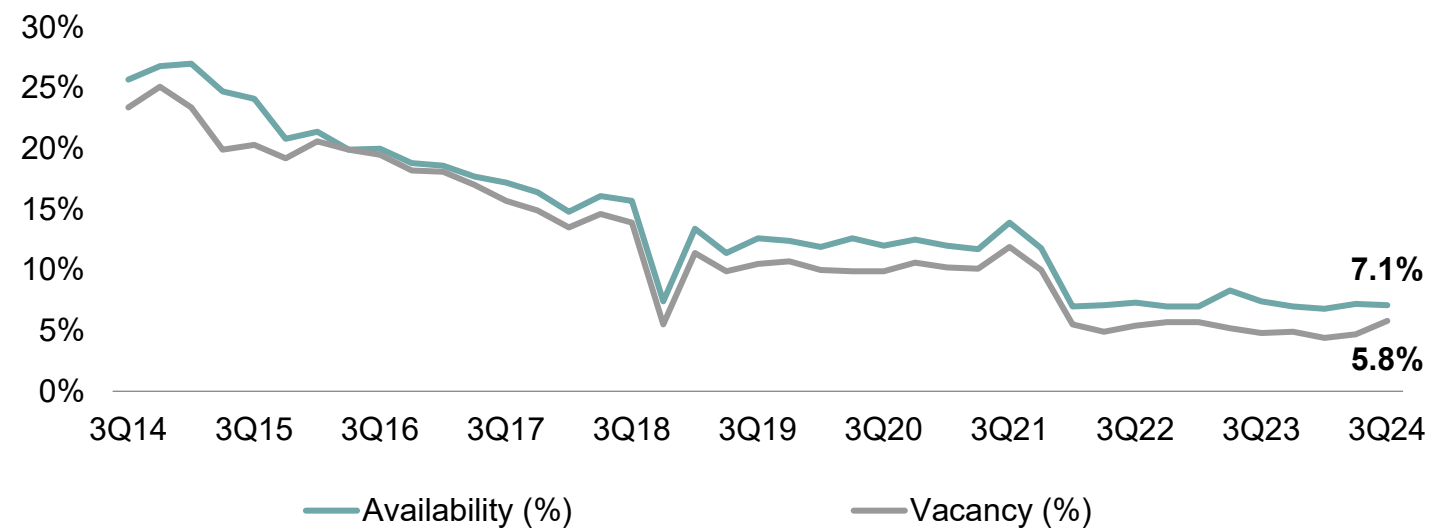
				
Brighthouse West, 6011 Westminster Highway	13888 Wireless Way	11800 River Road	Commerce Court International, 13351 Commerce Parkway	The Paramount, 6340 No. 3 Road
Richmond Archery	Undisclosed	GreenBamboo Landscaping	Undisclosed	Undisclosed
9,000 SF	2,390 SF	1,930 SF	1,920 SF	1,720 SF
Direct New	Direct New	Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

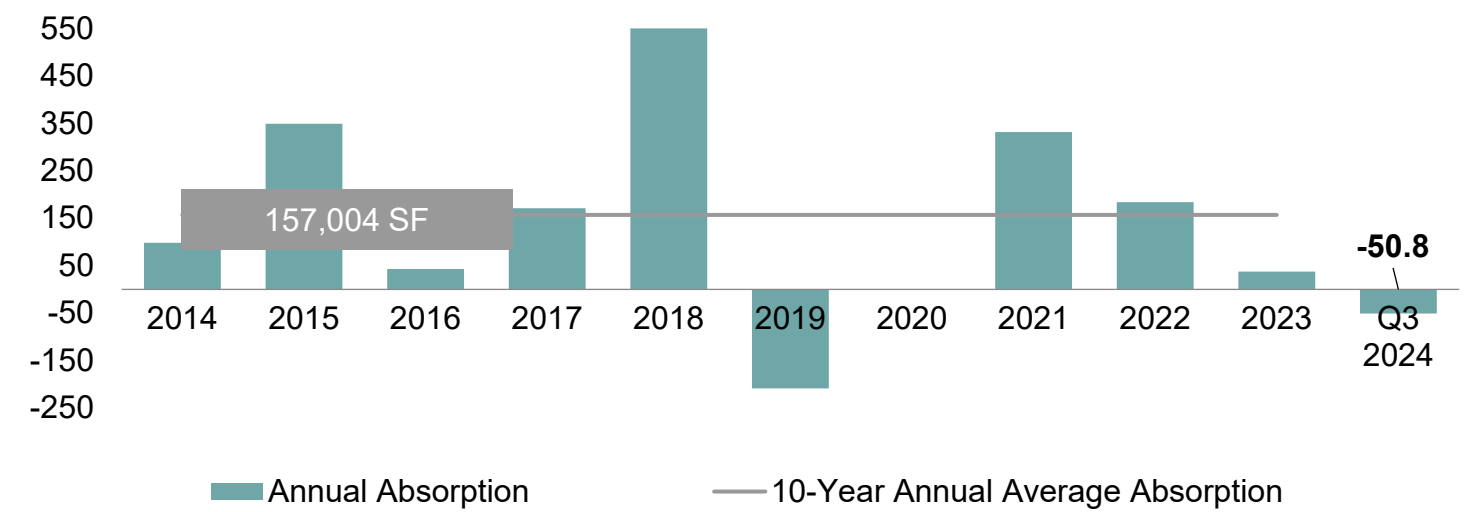
Surrey, BC

Surrey's 4.65-msf office market has demonstrated remarkable stability since 2022 and remained one of the tightest markets in the region after the first nine months of 2024. However, a notable lack of significant new supply for lease may be contributing to the rising amount of negative absorption since the end of the first quarter of 2024. This may result in Surrey recording negative annual absorption for the first time since 2019. Significant new supply has been proposed, but just three developments totalling ~77k sf are under construction.

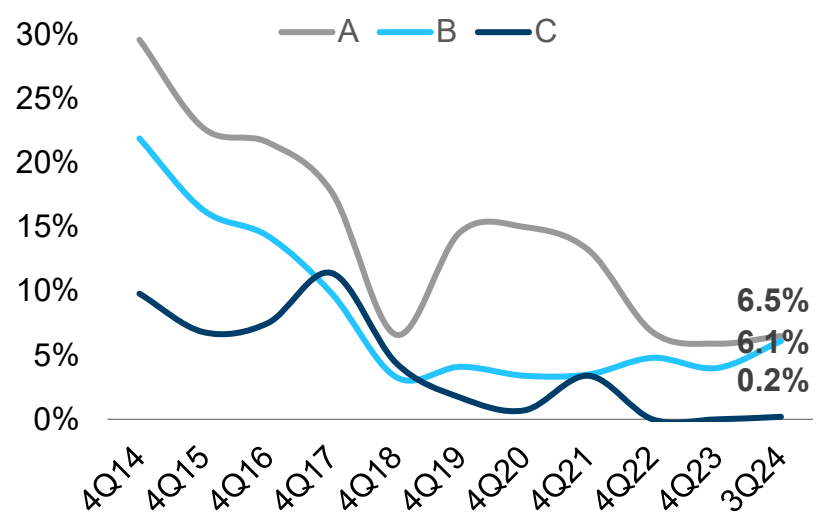
Availability And Vacancy Rates – All Classes








Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

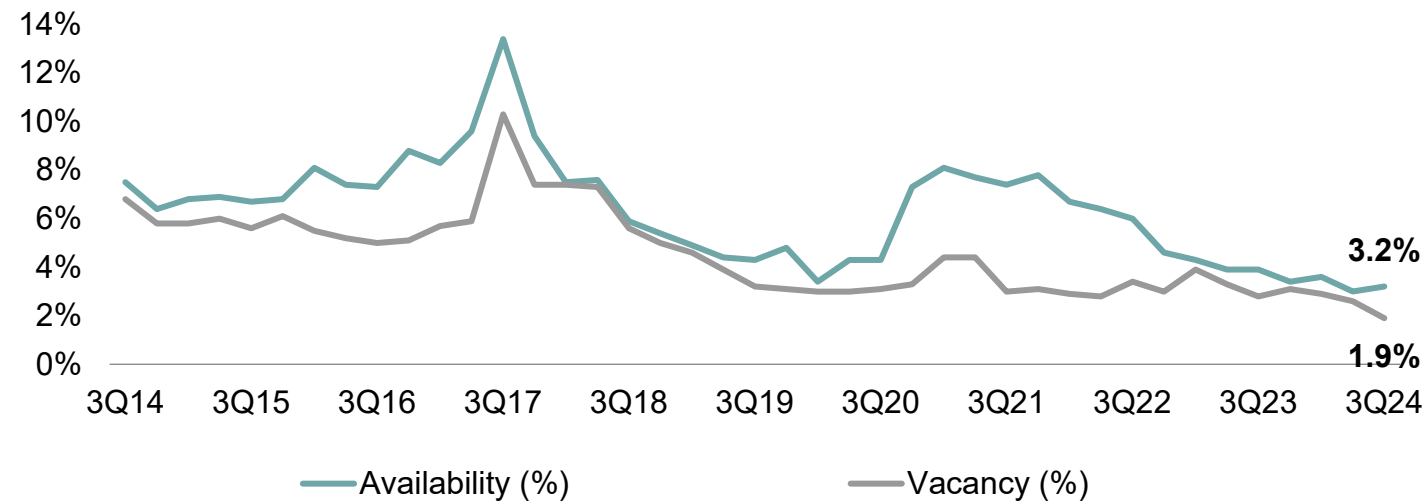
Comma King George, 9656 King George Boulevard	Central City, 13450 102nd Avenue	14357 104th Avenue	18535 53rd Avenue	19289 Langley Bypass
				
Surrey Willowbrae Child Care Academy	CitiWest	Undisclosed	Undisclosed	Undisclosed
28,100 SF	5,750 SF	3,100 SF	2,850 SF	2,090 SF
Preleasing	Direct New	Direct New	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

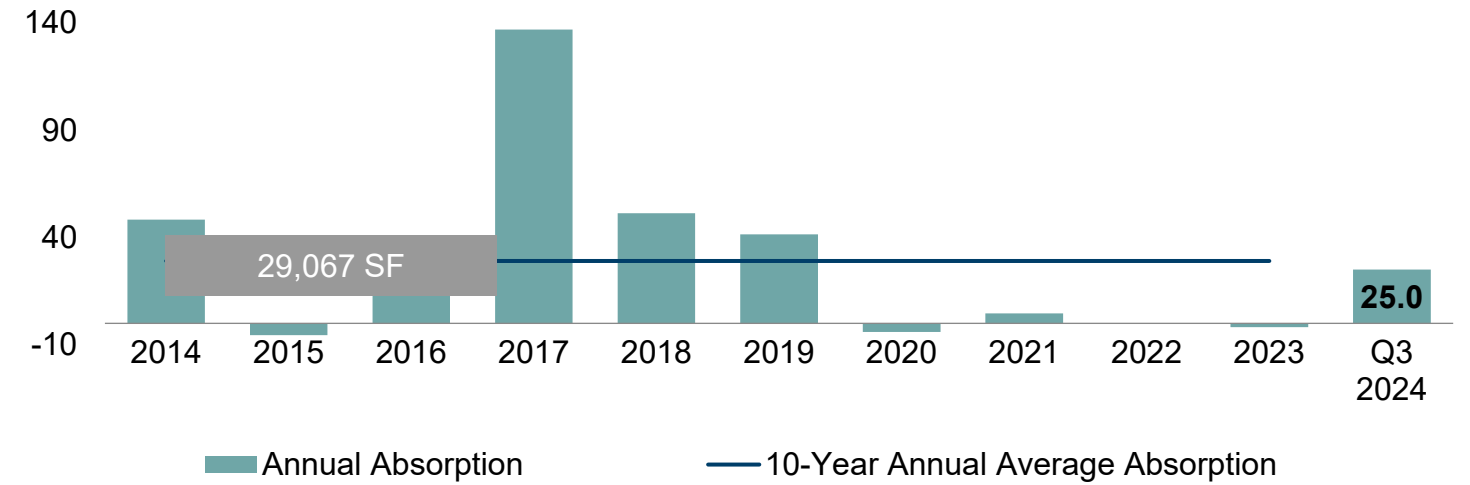
North Shore

The North Shore's 2.08-msf office market was the tightest in the region at the third quarter of 2024. With almost no new construction and annual absorption negligible since 2020 due to the small size of office leases and limited activity, the office market remained largely static. Leasing velocity will be constrained until vacancy emerges, or new supply is delivered. With vacancy at 1.9% and positive absorption after the first nine months of 2024 surpassing both New Westminster and Langley, the demand is there should opportunities materialize.

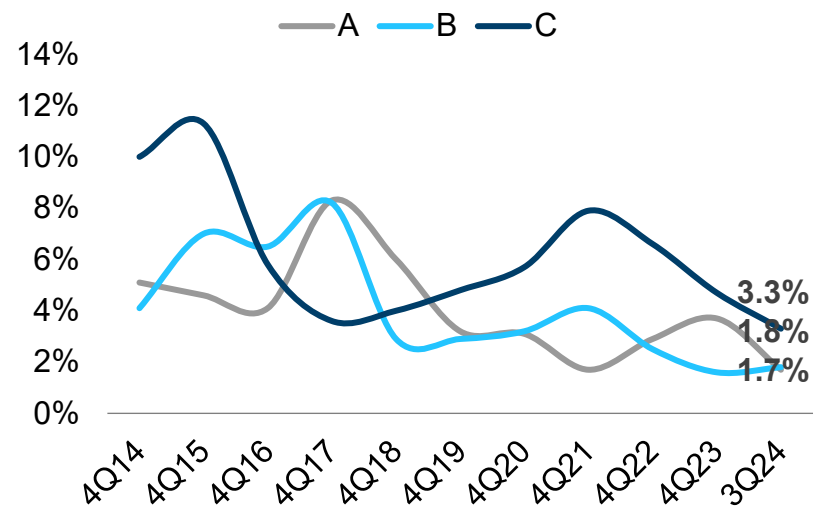
Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

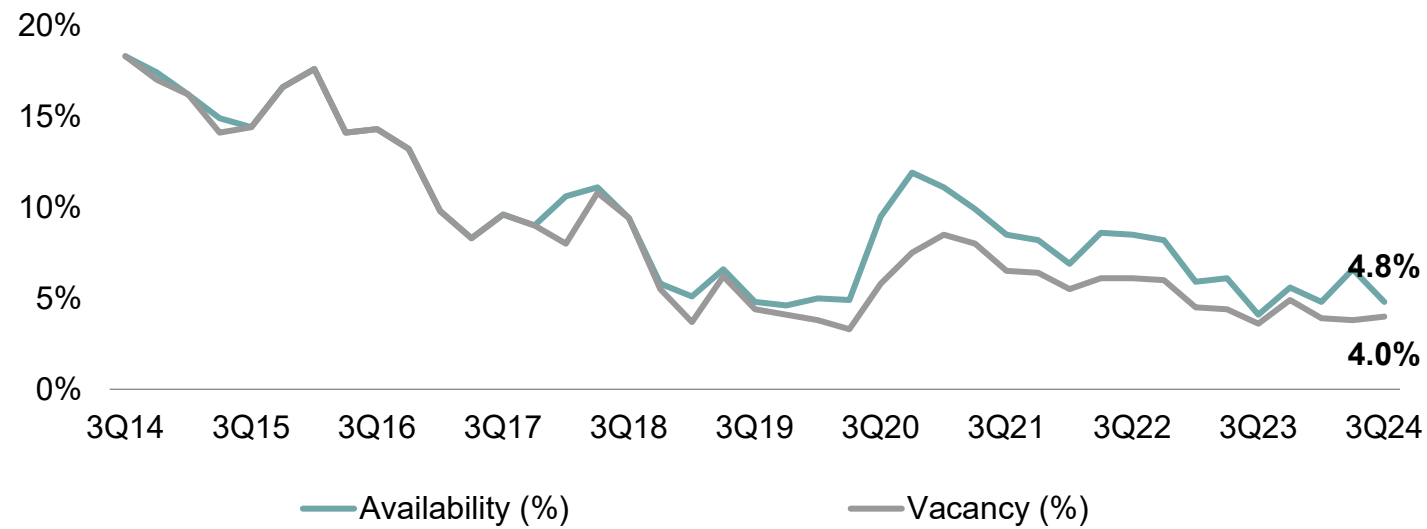
West Quay, 252 West Esplanade	2428-2448 Marine Drive	1900-1950 Lonsdale Avenue	1441-1461 Bellevue Avenue	2428-2448 Marine Drive
Undisclosed	Undisclosed	Mastermind Brain Optimization	Undisclosed	Undisclosed
1,690 SF	1,100 SF	790 SF	770 SF	700 SF
Sublease	Direct New	Expansion	Direct New	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

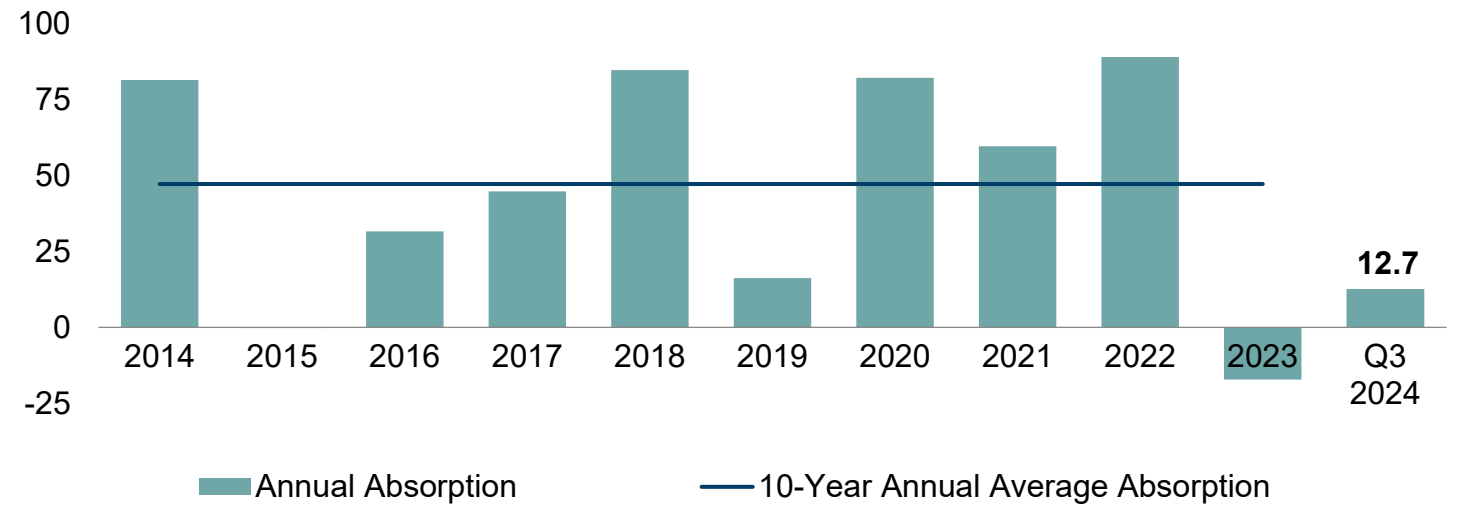
Langley, BC

Langley, the region's newest office market, had rapidly grown to 1.53 msf by the third quarter of 2024, surpassing New Westminster in terms of overall square footage. While initially characterized by elevated vacancy in the mid-2010s, Langley was the second tightest office market in the region at third-quarter 2024. With two buildings totalling ~93k sf under construction, Langley's low office vacancy and positive absorption after the first nine months of 2024 highlights that demand in the small but expanding office market is not yet satiated.

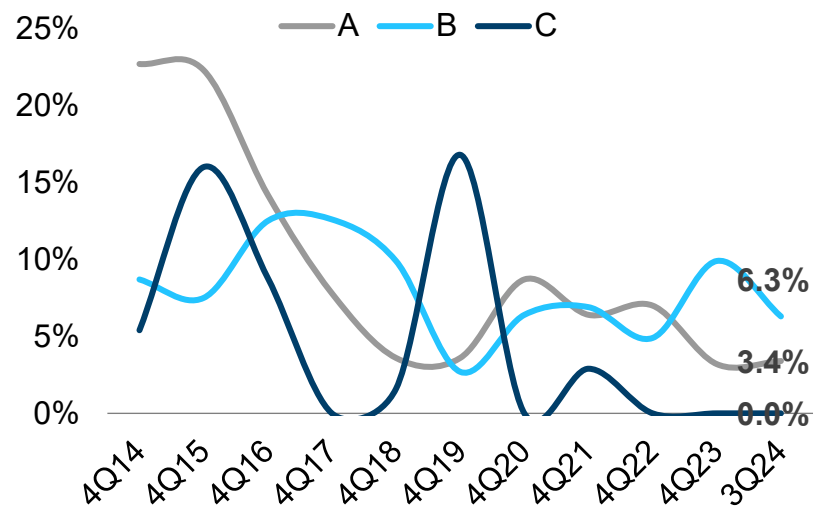
Availability And Vacancy Rates – All Classes



Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

		
20353 64th Avenue	9440 202nd Street	20171 92A Avenue
NAI Commercial	Working Enterprises and Consulting	GeoLink Land Surveying
2,000 SF	1,860 SF	1,450 SF
Direct New	Direct New	Sublease



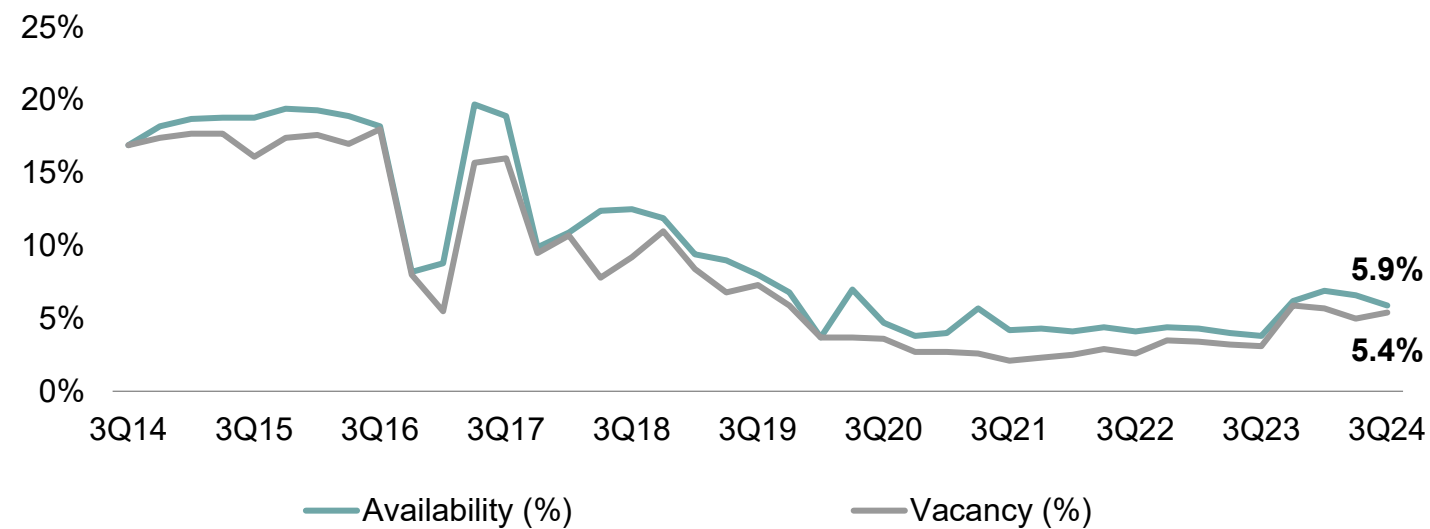
Golden Ears Bridge between Langley and Maple Ridge

Source: Newmark Research, Altus Data Studio, CoStar

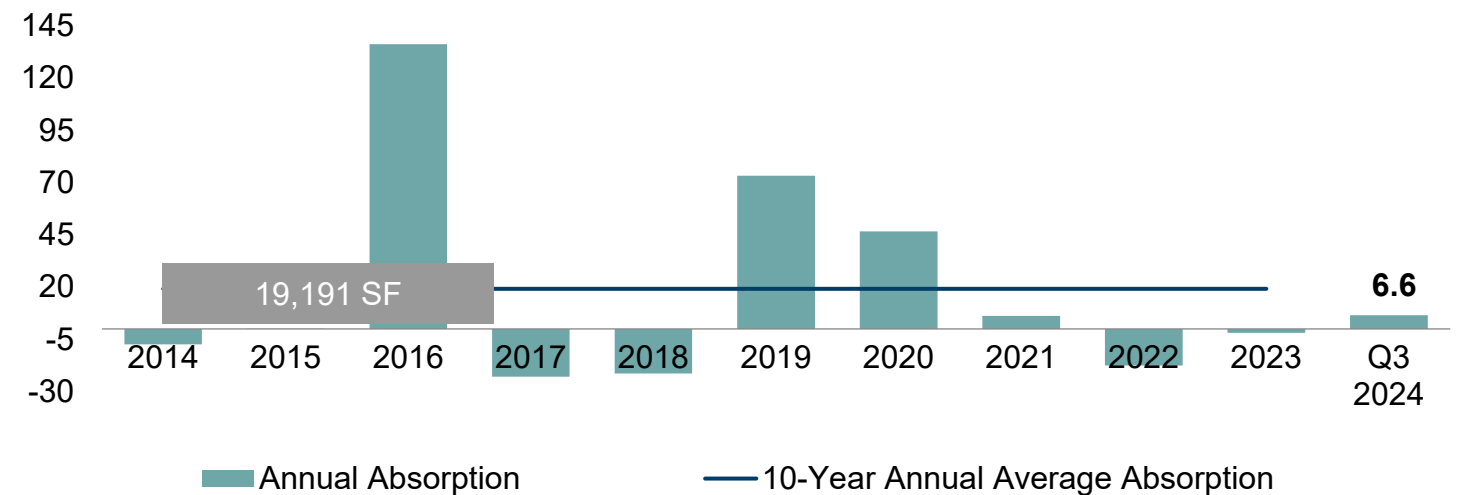
New Westminster, BC

Vacancy in New Westminster's 1.47-msf office market rose to 5.4% after the first nine months of 2024, up from 5% a quarter earlier but down from 5.9% at year-end 2023. Vacancy in New Westminster's class A properties (8.6%) remained one of the highest in Metro Vancouver at the third quarter of 2024 thanks to a 'spike' of 38,190 sf of vacant space in the last quarter of 2023. Small moves have outsized impacts in New Westminster and with no new supply in the pipeline, vacancy and availability rates are expected to remain stable into 2025.

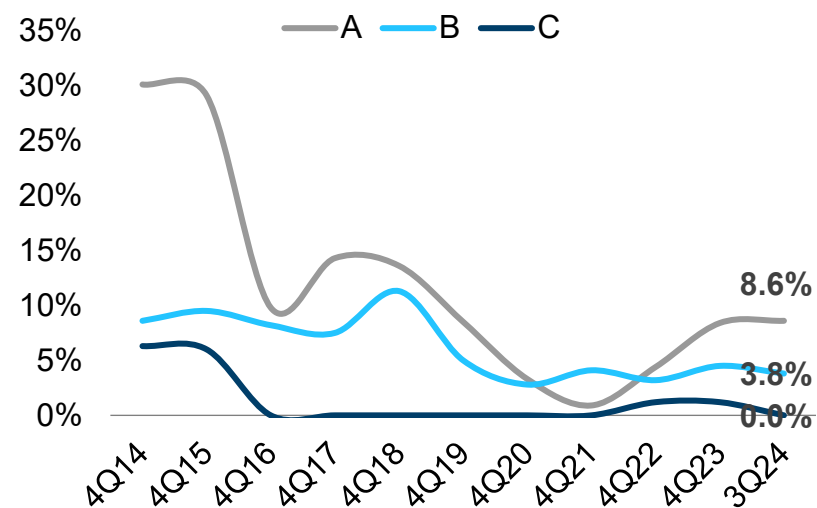
Availability And Vacancy Rates – All Classes






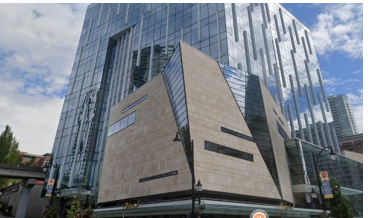

Annual Absorption – All Classes (Thousands of SF)



Vacancy by Class – 2014 to 2024



Third Quarter Deals

				
960 Quayside Drive	960 Quayside Drive	960 Quayside Drive	Anvil Centre, 777 Columbia Street	Royal City Centre, 610 6th Street
Undisclosed	Undisclosed	Undisclosed	Remitly	Vida First Aid
3,870 SF	3,870 SF	3,700 SF	3,660 SF	1,540 SF
Direct New	Direct New	Direct New	Sublease	Direct New

Source: Newmark Research, Altus Data Studio, CoStar

3Q24

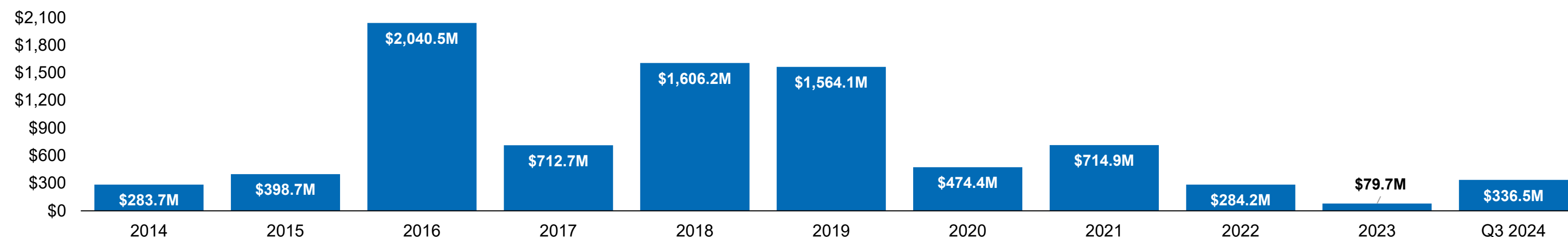
Office Sales Activity



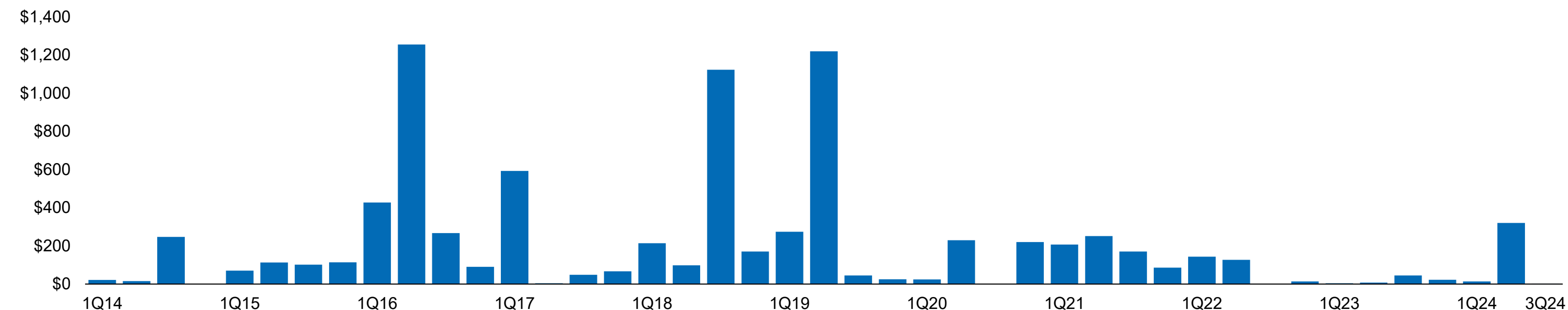
Vancouver Office Sales Volume Takeaways

Vancouver office sales* (excluding strata) generated \$336.5M in sale proceeds after the first nine months of 2024. Ninety per cent of those proceeds were the result of the disposition of 401 West Georgia and 402 Dunsmuir Street for reportedly \$300M, the largest office sale in Downtown Vancouver since the \$1.07B acquisition of Bentall Centre in 2019. Office transactions in Vancouver since 2022 totalled just 19 deals in 21 months and no sale surpassing \$18M (except 401 W. Georgia/402 Dunsmuir). Most sales occurred outside the core.

Vancouver Annual Sales Volume (\$ in Millions)



Vancouver Quarterly Sales Volume (\$ in Millions)*



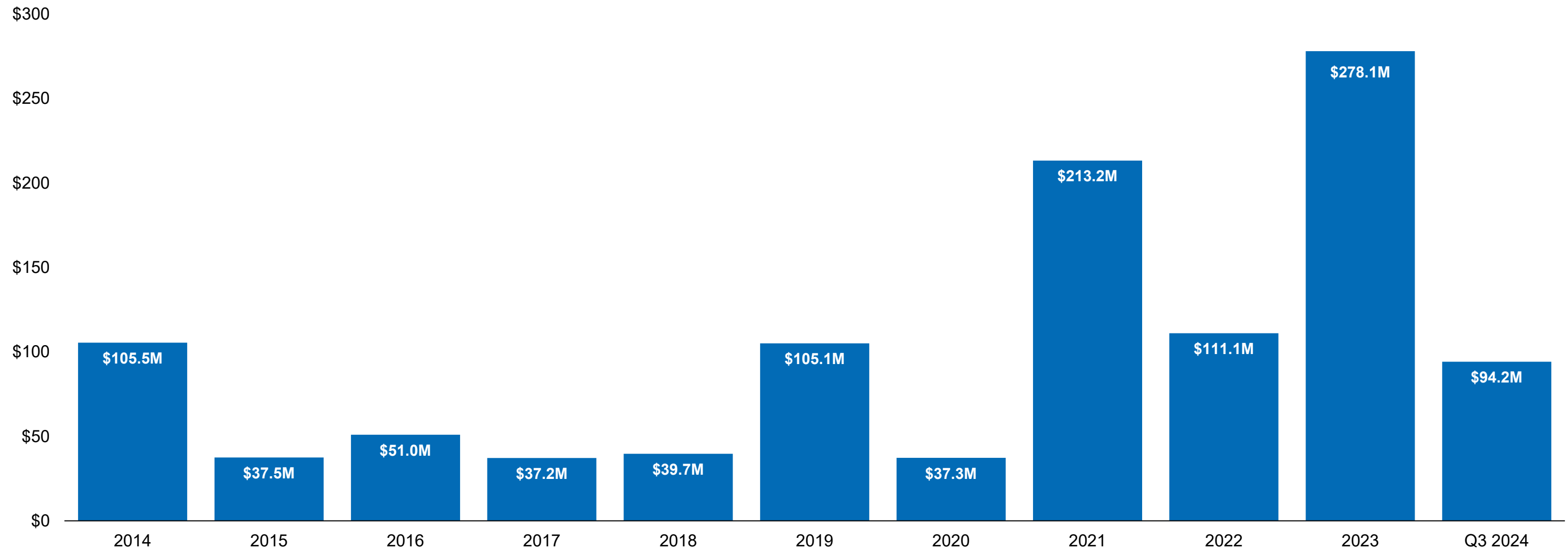
Source: Newmark Research, Altus Data Studio, CoStar

* Excluding non-arms transactions and select share sales where pricing was unavailable for certain asset sales that transacted in 2020, 2021 and 2022.

Vancouver Office Strata Sales Volume Takeaways

Vancouver strata office sales* totalled \$94.2M in the first nine months of 2024. Strata office sales were typically driven by low vacancy in the late 2010s that exerted upward pressure on rents when lease options were limited. Two large strata projects were subsequently completed downtown, Burrard Place in 2022 and Bosa Waterfront Centre in 2023. Mid-sized strata projects in Mount Pleasant such as HOUSS and The Yukon were delivered in 2021 followed by OFISWERKS in 2024. RiverWorks in South Vancouver also delivered in 2024.

Vancouver Strata Office Annual Sales Volume (\$ in Millions)



Source: Newmark Research, Altus Data Studio
* Excluding non-arms transactions

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

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