

Office Snapshot Q2 2016

Vancouver, BC



VANCOUVER OFFICE

Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Vancouver Employment	1.37 mil	1.43 mil	▲
Vancouver Unemployment	5.9%	6.1%	▼
Canadian Unemployment	6.8%	6.9%	▲

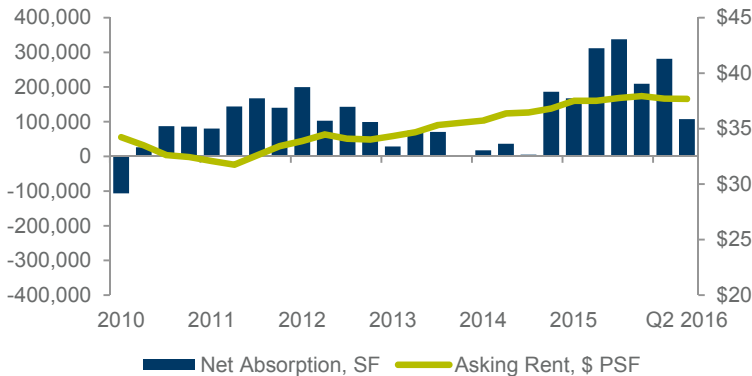
Market Indicators (Overall, All Classes)

	Q2 15	Q2 16	12-Month Forecast
Vacancy	10.3%	8.5%	▼
Net Absorption (sf)	737,393	42,932	▲
Under Construction (sf)	1,895,580	1,471,024	▼
Average Asking Rent*	\$37.67	\$37.53	■

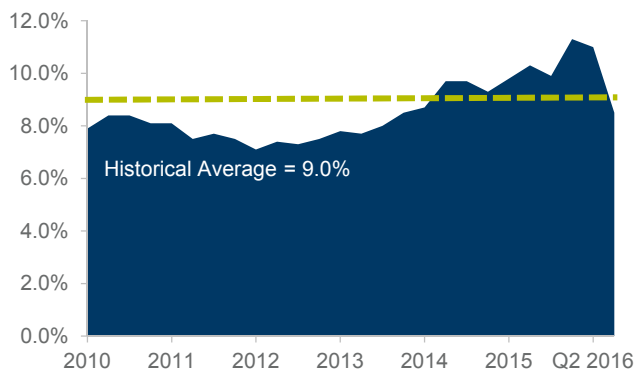
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

As we continue through 2016, so does the positivity from the strong start seen at the beginning of the year. British Columbia continues to be the nation's leader for GDP growth, housing sales, job growth, and consumer spending. GDP growth is poised to be 3% in 2016, and is expected to see only a slight decline in 2017. Due to a 12 month 100,000 job growth spurt, the province's unemployment rate is the lowest in the country at 5.8%.

Source: RBC Economics

Market Overview

Leasing activity climbed in the second quarter with several deals completed within the Central Business District (CBD). More noteworthy; however, is that several larger deals were completed in the Suburban market as well. In North Vancouver, Onni's new development (CentreView) was kicked off by Buckland & Taylor's 37,000-sf lease. Not to be outdone, Bosa's SOLO District inked two very significant deals this quarter with Yellow Pages and Capcom at 75,000 square feet (sf) and 50,000 sf respectively. These two transactions, along with several other smaller lease deals, have resulted in this spec building being 93% leased. McCarthy Tétrault moved into their new offices located at 745 Thurlow Avenue which contributed in part to the 232,000 sf of positive absorption in class AAA space (subsequently negatively impacting class A space). Rocky Mountaineer also took occupancy this quarter at 980 Howe Street. As mentioned earlier, the overall Suburban market saw heightened leasing activity this quarter; however, most of the markets experienced negative absorption due to prior residual market activity. Asking lease rates have remained relatively unchanged for several quarters in both the Central and Suburban areas as overall vacancy rates have remained stable.

Outlook

As the massive wave of new office development (more than 2.2 million square feet (msf) was added within Metro Vancouver in 2015) comes to a close, owners are looking at new ways to accommodate tenants who may not require brand new "chrome" office space, which was absorbed for the most part by brand name tech firms and affluent law and engineering firms. Owners are looking at the tier 2 tenants who are currently in class B or C space and are contemplating how these tenants could be better accommodated or how aging stock buildings can be retrofitted or redeveloped altogether. Also in moderate demand is strata office space which has seen a rise in popularity as of late. 999 Seymour recently closed on its final unit and prior to that, Bosa's Jameson House, both located in the downtown core. In a recent study, we have seen the annual growth of strata office sales ebb and flow. Several strata projects are in development discussions in both the central business district and the suburban markets. The owner of the Anvil Centre Office Tower is considering stratification due to the demand for owner-occupied office space in the region.

MARKETBEAT

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Vancouver, BC



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown Vancouver	236	26,397,443	234,089	1,631,806	7.1%	68,278	379,797	582,487	\$44.68	\$53.15
Broadway Corridor	136	6,941,478	41,684	306,511	5.0%	13,657	32,544	362,689	\$38.85	\$42.21
Burnaby	119	10,763,543	189,087	896,611	10.1%	(78,370)	(93,630)	321,048	\$33.60	\$36.14
Richmond	74	4,418,727	33,838	328,741	8.2%	(1,145)	15,212	0	\$24.31	\$28.33
North Shore	41	1,629,828	24,722	84,261	6.7%	(4,676)	(97,426)	98,800	\$35.51	\$38.62
New Westminster	31	1,523,335	0	236,190	15.5%	5,912	17,847	0	\$31.29	\$33.20
Surrey/Langley	92	5,280,458	26,008	834,389	16.3%	39,276	20,250	106,000	\$27.82	\$29.62
VANCOUVER TOTALS	729	56,954,812	549,428	4,318,509	8.5%	42,932	274,594	1,471,024	\$37.53	\$41.13

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT(SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	AVERAGE ASKING RENT OVERALL*
Class A/AAA	269	30,923,215	299,456	2,731,390	9.8%	30,276	344,003	1,471,024	161,356	\$41.13
Class B	296	19,084,302	105,765	1,126,790	6.5%	5,476	(94,682)	0	0	\$35.54
Class C	164	6,947,295	144,207	460,329	8.7%	7,180	25,273	0	0	\$31.12

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
SOLO	76,545	Yellow Pages	Lease	Burnaby
SOLO	50,428	CapCom	Lease	Burnaby
CentreView	37,000	Buckland Taylor	Lease	North Shore
3500 Gilmore Way	11,071	SAAB Technologies Inc.	Lease	Burnaby
13775 Commerce Parkway	10,791	Cogent Industrial Technologies Ltd.	Lease	Richmond
4259 Canada Way	10,307	Encorp Pacific Inc.	Lease	Burnaby

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Bentall Centre (Bentall I, II, III & IV)	1,474,000	Ivanhoe Cambridge / Anbang Insurance Group	\$660,000,000 / \$668	Financial Core *
Bentall Centre (Bentall I, II, III & IV)	1,474,000	GWL Realty Advisors / Anbang Insurance Group	\$367,156,655 / \$755	Financial Core
Revenue Canada Building	139,569	Greystone Managed Investments Inc. / Reliance Properties Ltd..	\$71,400,000 / \$511	Financial Core *
Yaletown Square	14,753	The Canada Trust Company / Sylvia House Inc.	\$9,750,000 / \$660	Financial Core
10183 152A Street	24,000	West Coast Hay Management / Guildford Central Management Inc.	\$9,500,000 / \$396	Surrey

* Share Sale

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