



Media Release

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Editors/Reporters

· Please click on link to view and download Avison Young's Year-End 2018 Metro Vancouver Office Market Report:
https://www.avisonyoung.ca/documents/95750/47239315/MetroVancouverOMR_YearEnd2018final

Leasing crunch imminent as vacancy approaches record lows amidst constrained regional supply

Avison Young releases its Year-End 2018 Metro Vancouver Office Market Report

Vancouver, BC - Metro Vancouver is becoming a victim of its own success after office vacancy plunged to near-record lows at year-end 2018 in a market starved of new product for most of the next 24 months and rental rates climbing steadily. Annual absorption, which is being driven by market disruptors such as co-working and big tech in the core, is approaching record highs. Vacancy in the 51.4-million-square-foot (msf) regional market tightened to 5.1% from 8% a year earlier and 9.7% just 24 months ago. Annual absorption of 1.8 msf in 2018 was the most annual absorption recorded since year-end 2005 and the third most since Avison Young began tracking the market in 1996.

With regional vacancy set to tighten to a new record low in 2019 due to a number of significant occupancies and an overall lack of new supply being delivered in the region in the next 12 to 24 months, Metro Vancouver's office market is likely entering uncharted territory with demand far outstripping available space and exerting upward pressure on rental rates that are already at record highs. Much of this demand is located in the core markets of Downtown, Yaletown and Vancouver-Broadway, but has also manifested in Burnaby and Richmond and, to a lesser extent, Surrey and the North Shore. Suburban vacancy slipped to 7.3% at year-end 2018 (from 9.2% a year earlier) – the tightest suburban vacancy since mid-2008 and just slightly more than the record-low suburban vacancy of 7.1% recorded at mid-year 2006.

These are some of the key trends noted in **Avison Young's Year-End 2018 Metro Vancouver Office Market Report**, released today. The semi-annual survey covers vacancy, absorption and new construction trends in the Downtown, Yaletown, Vancouver-Broadway, Burnaby, Richmond, Surrey, New Westminster and North Shore markets, which total 51.4 msf of office space.

According to Avison Young Principal **Robin Buntain**, who specializes in Downtown office leasing, vacancy in the core will continue to tighten during the next 24 months, reducing the options for tenants seeking to relocate or expand.

“Deal velocity remained strong in 2018 thanks to a combination of both prelease commitments in new inventory and extensions in existing buildings as intensifying supply constraints and new developments stoked leasing activity. As a result, tenants are demonstrating a willingness to address space needs well in advance of lease expiries with developers competing for prelease commitments.”

Buntain continues: “Supply constraints and escalating leasehold improvement construction costs will narrow the delta between net effective rates for new construction and existing, higher-calibre buildings in the near term.”

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“While the development pipeline in Metro Vancouver has typically maintained a relatively steady stream of new supply, a gap in both new-product delivery and availability has formed in key markets such as Downtown, Yaletown, Burnaby, Richmond and, to a lesser extent, Vancouver-Broadway and Surrey,” states **Josh Sookero**, a Principal based in Avison Young’s Vancouver office who specializes in suburban office leasing. “Vacancy in Surrey dropped to 6.8% at year-end 2018 from 10.1% a year earlier, a continuation of the rapid declines in vacancy recorded in a market that posted a vacancy rate of 15% just 24 months ago.”

Vacancy also slipped to 13% in New Westminister at year-end 2018 from 16.6% a year earlier due primarily to tenants occupying the Anvil Centre, he added.

The largest wave of new Downtown office development on record is shaping up with more than 4.6 msf of space for lease or sale likely being delivered by the end of 2023 – an astounding 20.1% increase to the current total Downtown inventory. The issue is that virtually none of that new supply will be delivered before 2020. In the suburban markets, more than 1.6 msf is under development in the Vancouver-Broadway submarket alone with the majority of development located in Mount Pleasant, False Creek Flats or the north end of the Cambie Corridor. Delivery of new supply in the next 24 months remains very limited in other suburban Metro Vancouver markets.

On page 15 of the report, Avison Young reviews the economic forecasts for BC in 2019 and beyond from some of the leading provincial economists.

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