



AUSTIN REAL ESTATE CONSULTANTS

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NOTES FROM

NAIOP METRO VANCOUVER OFFICE MARKET – SEPTEMBER 2013

(compiled by Peter Austin)

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DOWNTOWN

- 5 buildings comprising 1.7 million sf under construction in downtown.
- Less active lookers: mining a problem and other global issues.
- Not as many major leases expiring in 2016, when space will be available.
- Most tenants with expiry 2014-2016 have renewed or committed elsewhere.
- No real alternatives for tenants leasing large space today.
- Landlords nervous about losing tenants.
- Mining/commodities/ and associated businesses stagnant and giving up space.
- Engineering companies slower; need more infrastructure projects.
- Twitter, Amazon and Facebook have taken space – Vancouver needs more technology companies.

- Companies are trying to increase productivity (more people in less space). Goal is 100 sf of office space per person.
- Unlikely to see many planned buildings proceeding in next 2-3 years.
- New tenants could move if they can cut operating costs by moving to new buildings.
- Competition exists from the suburbs, particularly for the older less efficient buildings. However, B + C building tenants probably are content in downtown at lesser rental rates.
- Recent rents in existing buildings for smaller tenants higher than new rents because of the state of market at time of deal. Tenants don't have leverage. New towers are renting to big tenants and existing tenants of similar large size are getting similar rent. Large tenants can negotiate lesser rates than smaller.
- Congestion downtown and bike lanes do not appear to be having any effect on tenant occupation.
- Young people live downtown and hence it is often dismissed as a point of contention.
- Viaduct change may be an issue.
- Parking occupancy rates are down.
- People are using more transit to go to meetings.

SUBURBAN OFFICE

- A class Gross Rent = \$35-\$40 versus \$50-55 downtown.
- Many downtown tenants feel \$15 difference is not enough to attract them to the suburbs.
- Rapid transit locations will be a temptation.
- Governments are not leasing space.
- Richmond: 3-4 years of very low demand.

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- Suburbs are over supplied.
- Transit desirability has increased importance of suburbs.
- Richmond is weak due to its geographical location; difficult for staff; however, Central Richmond is tight near transit hubs.
- Mixed use; uses must be separated.
- Business parks have significant vacancy. Glen Lyon is not doing well. Business parks do offer tenants different features (eg. Large floor plates).

STRATA

- Limited demand; downtown possibly.
- A lot of cash needed.
- 98% of tenants worldwide lease space.
- Mostly appealing to professionals, but only a limited amount of those groups interested.

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