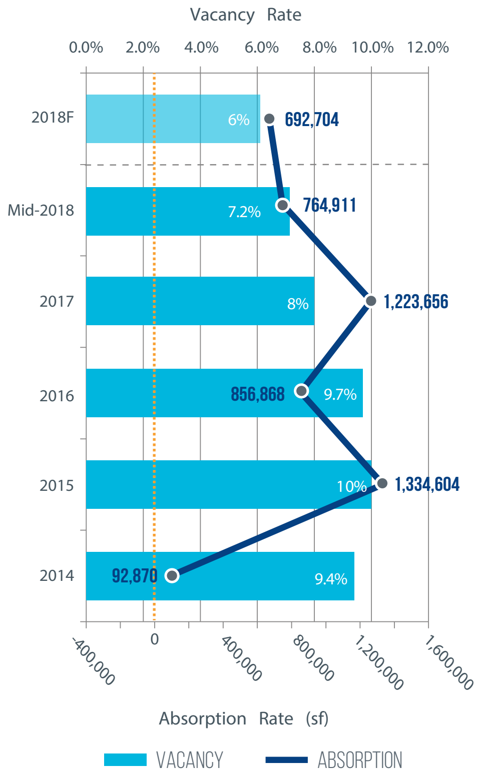
AVISON YOUNG

2018 Mid-Year Office Market Report

Metro Vancouver, BC

METRO VANCOUVER VACANCY & ABSORPTION TRENDS



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

Regional supply constraints exposed as downtown and suburban office leasing activity accelerates

Healthy demand for office space throughout Metro Vancouver in the first half of 2018 has rapidly highlighted shortfalls of new supply in multiple markets as regional vacancy tightened to its lowest point since 2012 and is likely to approach the record low vacancies of 2007-08 within 18 months. Vacancy in the 51.4-million square foot (msf) regional market slid to 7.2% at mid-year 2018 from 9.1% a year earlier and 10.4% just 24 months ago. First-half 2018 absorption of 764,911 sf was the second most first-half absorption recorded since mid-year 2006 and was only surpassed in recent memory at mid-year 2015 during the last wave of new development.

With vacancy set to tighten further by year-end due to a number of significant occupancies during the second half of 2018 in the Downtown, Vancouver-Broadway and New Westminster markets, annual absorption is expected to be among the strongest since the last development wave crested in 2015. Vacancy in Vancouver-Broadway will decline significantly by year-end as a number of new buildings were delivered vacant in the first half and will be primarily occupied by year-end.

After sitting mostly vacant since 2014, the **Anvil Centre** in New Westminster will be occupied in 2018. And a number of significant occupancies in the Downtown market will also exert further downward pressure on an already tight market that will likely approach record lows in the next 12 to 18 months. Sublease vacancy remains extremely limited in Metro Vancouver, particularly downtown.

At mid-year 2018, there was just 329,096 sf available for sublease outside Downtown Vancouver, while Downtown sublease space totalled 71,464 sf, for a total of 400,560 sf or 10.9% of the overall vacancy region-wide – down significantly from 12.8% 12 months earlier. Burnaby continues to have the most sublease vacancy in Metro Vancouver with a single building – 3777 Kingsway – making up more than 25% of the region's total suburban vacancy.

Despite more than 60% of regional first-half absorption being recorded downtown, suburban markets such as Burnaby and the North Shore also contributed fairly substantially to overall

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METRO VANCOUVER OFFICE VACANCY SUMMARY (MID-YEAR 2018)

DISTRICT	INVENTORY (SF)	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	VACANCY RATE (%)	6-MONTH ABSORPTION (SF)
Downtown	22,943,145	1,078,646	71,464	1,150,110	5%	471,532
Yaletown	2,047,372	44,138	4,453	48,591	2.4%	37,540
Vancouver-Broadway	6,936,588	661,296	28,962	690,258	10%	53,299
Burnaby	9,256,790	465,288	180,230	645,518	7%	184,662
Richmond	4,215,800	299,678	113,885	413,563	9.8%	-779
Surrey	2,906,607	278,787	0	278,787	9.6%	14,598
New Westminster	1,688,572	303,674	1,566	305,240	18.1%	-24,464
North Shore	1,450,898	159,341	0	159,341	11%	28,523
TOTAL	**51,445,772**	**3,290,848**	**400,560**	**3,691,408**	**7.2%**	**764,911**

VACANCY RATE JUNE 30, 2018 7.2%
VACANCY RATE DECEMBER 31, 2017 8%

Absorption (demand) ↗ Vacancy (supply) ↘ Rental Rates ↗

DOWNTOWN

Downtown vacancy tightening rapidly and expected to accelerate

VACANCY TRENDS

Vacancy slipped to 5% at mid-year 2018, down significantly from 6.8% a year earlier; however, it is anticipated that vacancy will tighten further by year end as demand remains strong and several notable tenants take occupancy. With vacancy at its lowest point since year-end 2013 and little new office space for lease set to deliver until mid-2020, Downtown vacancy will likely approach the record lows of 2007-08 when vacancy ranged between 2.5% and 2.7% for 24 months. While class AAA vacancy temporarily rose to 6.9% at mid-year 2018 from 5% at mid-year 2017 due to the delivery of **The Exchange**, class AAA vacancy is set to decline again due to the lease-up and occupancy of The Exchange by year end. Class A vacancy slipped to 4.6% from 8.4% a year earlier, while class B vacancy also dropped to 3.5% from 6.1%. Class C vacancy remained largely unchanged, dipping slightly to 6.4% from 6.8%. The strong demand prevalent in the first half, which also consisted of a number of significant prelease commitments being signed, is anticipated to continue in the back half of 2018 but deal velocity may be tempered due to a lack of opportunities in existing buildings. There are extremely limited options for large blocks of space (contiguous 25,000 sf+) in the current market. Tenants seeking to lease large spaces are often signing renewals or preleasing new space years in advance of their lease expiries.

MORE THAN **1 MSF OF OFFICE SPACE** WILL BE DELIVERED IN THE POST ON GEORGIA WITH **AMAZON PRELEASING MORE THAN 400,000 SF**

ABSORPTION TRENDS

First-half 2018 absorption of 471,532 sf was the most first-half absorption recorded since mid-year 2015 and marked a significant change from first-half 2017 when just 31,352 sf was absorbed. With tenants such as **WSP Global** (**Robson Court**), **Scanline VFX** (580 Granville Street) and **Hyperwallet Systems** and **National Bank** (The Exchange) occupying their spaces in the first half, there were very few examples of significant negative absorption. One of the few buildings to record negative absorption in the first half was 510 West Hastings, which is undergoing substantial renovations. With a number of substantial occupancies scheduled for the second half, including **WeWork** in **Bentall Centre II** and 333 Seymour Street and the **College of Registered Nurses of BC** at 200 Granville, it is anticipated that annual absorption will be the strongest since more than 1.1 msf was absorbed in 2015.

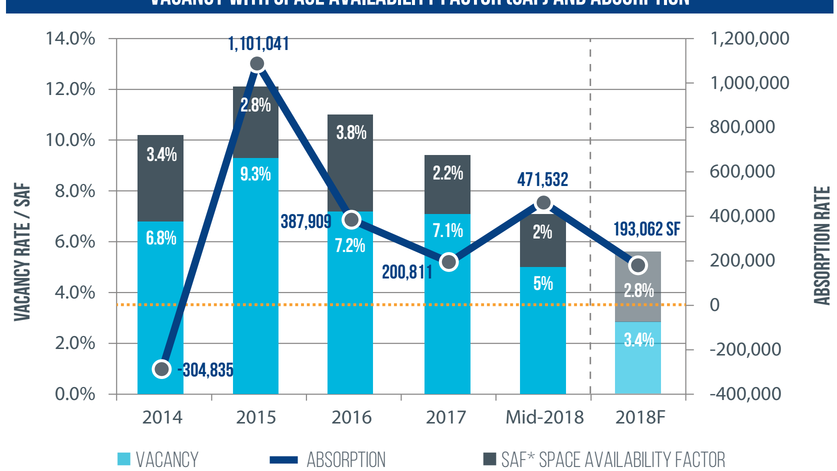
SPACE AVAILABILITY FACTOR

The space availability factor, or 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. SAF decreased substantially to 2% at mid-year 2018 from 3.4% 12 months earlier. Combined with vacant space, the amount of space being marketed for lease in the Downtown core is 7% (or approximately 1.62 msf) – the lowest overall availability since mid-year 2012 (5.9% or 1.16 msf).

RECENT LEASE DEALS - MID-YEAR 2018 (>10,000 SF)

TENANT	BUILDING	SF
Amazon	The Post	416,000
Deloitte Canada	400W. Georgia	117,000
Amazon	The Exchange	90,000
Blake, Cassels & Graydon LLP	1133 Melville Street	80,000
WeWork	333 Seymour Street	75,600
EY Canada	1133 Melville Street	70,000
BDO Canada	Royal Centre	45,000
Mastercard Technologies Canada ULC	The Exchange	44,300
IBI Group (renewal & expansion)	1285 West Pender Street	38,720
Bennett Jones LLP	Park Place	34,060
Harris & Co (renewal)	Bentall 5	30,000
Manning Elliott	1030 West Georgia Street	23,200
Rancho Management	1125 Howe Street	21,430
Teck Resources Ltd. (expansion)	Bentall 5	20,600
Fluor Canada	1185 West Georgia Street	20,390
Pan American Silver Corp.	625 Howe Street	19,910
Grow Technologies Inc.	1285 West Pender Street	14,930
Ledingham McAllister (renewal)	1285 West Pender Street	14,890
airG Inc.	89 West Georgia Street	14,910
Ascenda School of Management	Park Place	13,880
Lighthouse Labs (sublease)	401 West Georgia Street	13,300
Mott MacDonald (renewal & expansion)	Bentall 5	13,200
Ledcor	Guinness Tower	12,400
Glance Technologies Inc. (sublease)	Granville Square	12,300
MCAP Financial	The Exchange	12,100
Groundswell Cloud Solutions	650 West Georgia Street	11,850
Burgess, Cawley & Sullivan	1050 West Pender Street	11,120
Scalar IT Solutions	Manulife Place	10,440

VACANCY WITH SPACE AVAILABILITY FACTOR (SAF) AND ABSORPTION



12-month projection based on 5-year average absorption and known net absorption in new inventory, and 10-year average SAF.

NEW CONSTRUCTION

The largest wave of new Downtown office development on record is shaping up with more than 4.3 msf of space for lease likely delivered by the end of 2022 – an astonishing 19% increase to the current total Downtown inventory. The issue is that virtually none of that new supply will be delivered before 2020. Only two small projects are scheduled for completion in 2019: The **Cardero** near Coal Harbour, which could also be sold as strata office space, and **Creative Space @ Vancouver House** in Downtown South, which is a strata office project. The two largest buildings to come online in 2020 – 402 Dunsmuir and **400W. Georgia** – are already a combined 53% preleased at mid-year 2018 with that total expected to rise in short order as deals go firm at 400W. Georgia. Remaining lease options in 2020 include **Bench** in Railtown (although the project could also be sold as strata office space) as well as the **Offices at Burrard Place** tower in Downtown South and 155 Water Street in Gastown. In 2021, the much larger **Vancouver Centre II, Bosa Waterfront Centre** (only 45% is available for lease) and 601 West Hastings will add more than 740,000 sf of office space for lease. It is not until 2022 that three of the largest office developments in Downtown Vancouver's history are delivered: **Oxford Properties'** 532,000-sf 1133 Melville Street (28% preleased), **Bentall Kennedy's** 530,000-sf 1090 West Pender and **QuadReal Property Group's** massive redevelopment, **The Post on Georgia**, a mixed-use office/retail complex that will include 1.07-msf of office space in two office towers, one of which is largely preleased by **Amazon**.

MARKET FORECAST

Rental rates in Downtown Vancouver – already among the highest in Canada – increased in the first half of 2018 and are expected to continue to rise through 2019 as the number of options dwindle due to a lack of new supply and strong demand. Vacancy is expected to drop significantly by year-end 2018 and, barring any substantial economic or environmental shifts, will likely approach record lows by mid-2019. Tenants seeking large blocks of space will likely have few options other than to prelease space in the next wave of development or to backfill the space that is to be vacated by those tenants who have. Strata office space has not yet had a huge impact on the Downtown office market with almost all new construction continuing to target tenants despite the early successes of the Bosa Waterfront Centre and Burrard Place. Co-working firms such as WeWork and Regus/Spaces continue to make their presence felt and have rapidly become one of the largest tenant types in the downtown core, while tech behemoth Amazon has committed to more than 650,000 sf in the past 12 months alone and now accounts for more than 800,000 sf. These two have been responsible for an inordinate amount of leasing activity in downtown since 2017 and in part accelerated the need for additional development.

VACANCY AT LOWEST SINCE 2013

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1281 Hornby Street (mixed use)	99,000 (office podium)	Strata	100% sold	Q3 2019
Westbank	Creative Space @ Vancouver House, 1410 Granville Street (building 4)	37,550	Strata	0% sold	Q3 2019
Bosa Properties/ Arpeg Holdings	The Cardero, 1575 West Georgia Street & 620 Cardero Street (mixed use)	45,346 (office)	Lease/Strata	Lease/Strata	Q4 2019
Oxford Properties	402 Dunsmuir Street	147,000	147,000	100%	Q1 2020
Rendition Developments	Bench, 353 Railway Street (I-4 zoning)	35,050	Lease/Strata	Lease/Strata	Q1 2020
Westbank/Allied REIT	400W. Georgia, 400 West Georgia Street and 725 & 731 Homer Street	353,000	117,000	33%	Q2 2020
Reliance Properties/ Jim Pattison Developments	The Offices at Burrard Place, 1280 Burrard Street (mixed use)	146,375 (office tower)	0	0%	Q3 2020
Low Tide Properties	155 Water Street	75,000 (office)	0	0%	Q3 2020
GWL Realty Advisors	Vancouver Centre II, 753 Seymour Street	368,115	0	0%	Q2 2021
Bosa Developments	Bosa Waterfront Centre, 320 Granville Street	374,790 (45% for lease)	Lease/Strata*	0%	Q2 2021
PCI / Greystone	601 West Hastings Street	205,000	0	0%	Q4 2021
Uptown Property Group	625 West Hastings Street	120,000	0	0%	Q1 2022
Oxford Properties	1133 Melville Street	532,000 (office)	150,000	28%	Q2 2022
QuadReal Property Group	The Post on Georgia, 349 West Georgia Street (mixed-use)	South tower: 510,000 North tower: 560,000	416,000 (south tower)	39%	Q3 2022/ Q2 2023
Bentall Kennedy	1090 West Pender Street	530,000	0	0%	Q4 2022
Asia Standard Americas	1468 Robson Street	29,115 (office)	-	-	Demolition
Terma GP Inc.	*Eight 55 on Granville. 855 Granville Street (mixed use)*	*29,785 (office)*	-	-	*Planning*
Omicron / Rendition Developments	*Maker Exchange, 488 Railway Street (I-4 zoning)*	*152,000*	-	-	*Planning*
Niels Bendtsen	*411 Railway Street (I-4 zoning)*	*111,934*	-	-	*Planning*
Reliance Properties	*1166 West Pender Street*	*359,000 (office)*	-	-	*Proposed*
Reliance Properties	*902 Davie Street*	*27,500 (office)*	-	-	*Proposed*
Reliance Properties	*The Offices at Burrard Place, 1261 Hornby Street (building C)*	*40,252 (office)*			*Proposed*
Aquilini Development and Construction	*Aquilini Centre East, 777 Pat Quinn Way*	*TBD*	-	-	*Proposed*
Westbank	*720 Beatty Street*	*TBD*	-	-	*Proposed*
Cadillac Fairview	*Waterfront Tower, 555 West Cordova Street*	*TBD*	-	-	*Proposed*

**The building contains 45% lease space and 55% strata space. The strata space is 100% sold. No preleasing had been completed by mid-year 2018.*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)	GROSS OCCUPANCY COST (PSF)
AAA	4,980,576	334,532	6,647	341,179	6.9%	67,273	34,951	0.7%	$32 - $60	$52 - $85
A	8,103,253	334,601	34,706	369,307	4.6%	176,560	208,399	2.6%	$28 - $50	$48 - $70
B	6,714,398	212,463	25,654	238,117	3.5%	166,786	144,409	2.2%	$25 - $40	$38 - $58
C	3,144,918	197,050	4,457	201,507	6.4%	60,913	80,092	2.5%	$20 - $30	$31 - $48
Total	**22,943,145**	**1,078,646**	**71,464**	**1,150,110**	**5%**	**471,532**	**467,851**	**2%**	**-**	**-**

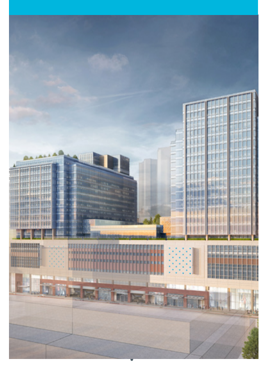
DOWNTOWN DEVELOPMENT TIMELINE



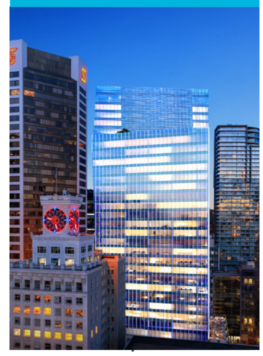
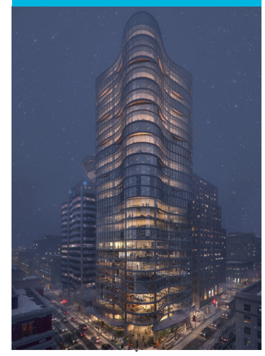


	THE OFFICES AT BURRARD PLACE 1281 HORNBY STREET	CREATIVE SPACE, 1410 GRANVILLE STREET (BUILDING 4)	THE CARDERO, 1575 W. GEORGIA STREET & 620 CARDERO STREET	402 DUNSMUIR STREET	BENCH, 353 RAILWAY STREET
	Q3 2019	Q3 2019	Q4 2019	Q1 2020	Q1 2020
DEVELOPER	Reliance Properties/ Jim Pattison Developments	Westbank	Bosa Properties/ Arpeg Holdings	Oxford Properties	Rendition Developments
STOREYS	7-storey podium (3 floors)	5	3 floors in mixed-use building	9	6
OFFICE SF	99,000 (strata)	37,550 (strata)	45,346 (lease/strata)	147,000	35,050 (lease/strata)
TENANTS	Sold (phases 1 & 2 - 99,000 sf)	No owners at this time	3,000 sf - Arpeg Holdings	147,000 sf - Amazon	None at this time
OCCUPANCY	100%	0%	7%	100%	0%




	601 WEST HASTINGS STREET	625 WEST HASTINGS STREET	1133 MELVILLE STREET	THE POST ON GEORGIA, 349 WEST GEORGIA STREET	1090 WEST PENDER STREET
	Q4 2021	Q1 2022	Q2 2022	Q3 2022/Q2 2023	Q4 2022
DEVELOPER	PCI /Greystone	Uptown Property Group	Oxford Properties	QuadReal Property Group	Bentall Kennedy
STOREYS	25	28	36	17 (south tower)/18 (north tower)	32
OFFICE SF	205,000	120,000	532,000	1,070,000	530,000
TENANTS	No tenants at this time	No tenants at this time	80,000 sf - Blake, Cassels & Graydon 70,000 sf - EY Canada	416,000 sf - Amazon	No tenants at this time
OCCUPANCY	0%	0%	28%	39%	0%

	400W. GEORGIA 400 WEST GEORGIA STREET	THE OFFICES AT BURRARD PLACE, 1280 BURRARD STREET	155 WATER STREET	VANCOUVER CENTRE II, 753 SEYMOUR STREET	BOSA WATERFRONT CENTRE, 320 GRANVILLE STREET
					
	Q2 2020	Q3 2020	Q3 2020	Q2 2021	Q2 2021
DEVELOPER	Westbank / Allied REIT	Reliance Properties / Jim Pattison Developments	Low Tide Properties	GWL Realty Advisors	Bosa Developments
STOREYS	24	13	7	33	30
OFFICE SF	353,000	146,375 (office tower)	75,000	368,115	374,790
TENANTS	117,000 sf - Deloitte Canada	No tenants at this time	No tenants at this time	No tenants at this time	Approx. 55% of the building has been sold as strata office space; no tenants at this time
OCCUPANCY	33%	0%	0%	0%	0%

PROPOSED DOWNTOWN/RAILTOWN DEVELOPMENTS

MAKER EXCHANGE, 488 RAILWAY STREET

DEVELOPED BY
OMICRON & RENDITION DEVELOPMENTS

STOREYS / OFFICE AREA
7 / 152,000 SF

Developers of this 152,000-sf, seven-storey mixed-use building featuring 'creative manufacturing' uses and office uses applied for a development permit in September 2017. The City's director of planning approved the project's development permit application on December 17, 2017, subject to a number of conditions. The permit will be issued once all the conditions have been satisfied. Project marketing materials indicate building construction is scheduled to be complete by Q3 2020.

411 RAILWAY STREET

DEVELOPED BY
NIELS BENDTSEN

STOREYS / OFFICE AREA
6 / 111,934 SF

The developer of this 111,934-sf, six-storey mixed-use building featuring 'creative manufacturing' uses on the first four floors and office uses on the top two floors applied for a development permit in May 2018. Under the site's existing I-4 zoning, the application is "conditional" so it may be permitted; however, it requires the decision of the Director of Planning. The building is expected to be the new home of Bendtsen's furniture design and manufacturing company, Bensen.

WATERFRONT TOWER, 555 WEST CORDOVA STREET

DEVELOPED BY
CADILLAC FAIRVIEW

STOREYS / OFFICE AREA
25 / TBD

The Urban Design Panel (UDP) did not support the original building design in 2015. The architect subsequently presented nine alternative concepts in a UDP workshop in June 2015. A public engagement session was held in December 2015. As of June 30, 2018, the developer remains in process with the City and had successfully completed a pre-application workshop with the Vancouver Heritage Commission and the Gastown Historic Area Planning Committee.

1468 ROBSON STREET

DEVELOPED BY
ASIA STANDARD AMERICAS

FLOORS / OFFICE AREA
3 / 29,115 SF

A revised development permit application was filed in February 2017. The new project design was supported by the UDP in March 2017 and appeared before the development board in June 2017. While the development permit has not been issued as the applicant continues to work through the conditions of approval, demolition of the former hotel tower on site has commenced with project construction proposed to potentially start in early 2019.

EIGHT 55 ON GRANVILLE, 855 GRANVILLE STREET

DEVELOPED BY
TERRMA GP I INC.

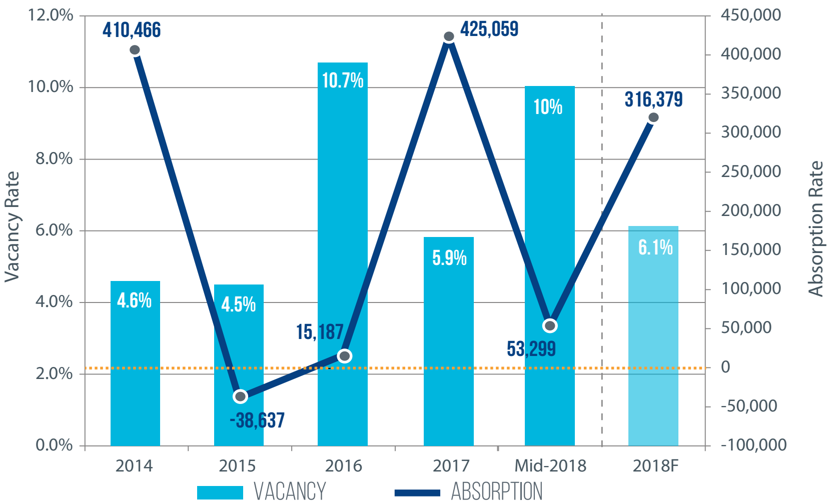
STOREYS / OFFICE AREA
3 / 29,780 SF

A development permit application was filed to provide interior & exterior alterations and a change of use to include 27,011 sf of retail in the basement/ground floor and 29,780 sf of office space on the 2nd and 3rd floors. The development permit application was approved by the city with conditions on January 27, 2017. A building permit was applied for in July 2017. As of June 30, 2018, exterior renovations had not yet started, but interior construction is underway.

VANCOUVER-BROADWAY

Preleased new deliveries hide upcoming plunge in vacancy

VACANCY AND ABSORPTION (OVERALL)



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

VACANCY TRENDS

Vacancy in the Vancouver-Broadway market temporarily rose to 10% at mid-year 2018, up from 7.5% a year earlier, due to the vacant delivery of four new office buildings that are scheduled to be occupied in the second half of the year. All four buildings – 204 West 6th Avenue and the **Lightworks Building** in Mount Pleasant, 988 West Broadway and 565 Great Northern Way – were substantially preleased prior to completion. Vacancy is forecasted to drop to 6.1% by year end once the tenants, who include **iA Financial Group**, **Saje Natural Wellness**, **Finning International**, **Samsung**, **Spaces** and **Blackbird Interactive** among others, occupy their respective spaces. Deal velocity was muted in the first half of 2018 due to a lack of leasing opportunities, particularly in the core Broadway corridor submarket where vacancy had also temporarily risen to 8.2% at mid-year 2018, up from 3% a year earlier. Three of the new buildings are located in the core corridor submarket. Vacancy in the periphery market declined to 12.3% at mid-year 2018, down from 13.8% a year ago. Sublease space is virtually non-existent in the Vancouver-Broadway market. The largest block of head lease vacancy at mid-year 2018 – approximately 116,000 sf – was located at **Marine Gateway** in South Vancouver; however, the entire space is under contract to three tenants and expected to go firm in the third quarter of 2018 with occupancy in early 2019.

ABSORPTION TRENDS

First-half absorption of 53,299 sf marked the seventh consecutive year of positive first-half absorption recorded in the Vancouver-Broadway market. However, absorption was significantly curtailed by a lack of tenant options and was aggravated further by the delivery of new product that is substantially preleased. There will be significant positive absorption when 204 West 6th Avenue, 565 Great Northern Way, 988 West Broadway and the Lightworks Building are primarily occupied during the second half of the year. The majority of first-half absorption arose from the **Health Employers Association of BC** occupying 47,750 sf at **Renfrew Centre;** however, **HSBC** vacating more than 27,000 sf at **Broadway Tech Centre** offset much of that gain in occupied space.

NEW CONSTRUCTION

Construction activity remains elevated but concentrated in specific submarkets (or nodes) such as Mount Pleasant, False Creek Flats (including Great Northern Way) and the northern end of the Cambie Corridor. The majority of new projects scheduled for delivery by 2019 are largely preleased (or in the case of strata developments, presold) as the first wave of new development centred in Mount Pleasant and along Great Northern Way comes to a close. A second wave of new buildings arriving in 2020-21 is already underway with projects coming from **Conwest Group**, **Mondivan**, **Wesgroup Properties**, **Cressey Development**, **Westbank**, **Onni** and **Rize Alliance**. One distinguishing characteristic of most of these new projects is the significant increase in the building sizes and heights (which range from 130,000 sf to more than 270,000 sf) from the previous wave of new development that were typically less than 50,000 sf. The proposed expansion of **Broadway Tech Centre** in East Vancouver is currently the only significant office development proposed outside of Mount Pleasant, False Creek Flats and the Cambie Corridor.

SEVENTH CONSECUTIVE YEAR OF FIRST-HALF POSITIVE ABSORPTION

MARKET FORECAST

With record rental rates being achieved in Mount Pleasant in the first half and upward pressure on rent manifesting along the rest of the Broadway Corridor, rates will likely continue to rise in 2018, particularly for existing class A and new development space due to the lack of supply in the near term. Strata projects will gain a larger profile in the market as land prices influence developers to build strata office as prevailing rental rates are not adequate for development pro formas given land prices. The market is expected to stabilize by year-end as recently completed projects are occupied and most large-block space to be delivered is under offer or preleased. There will continue to be limited options for completed product; however, there are a number significant preleasing options available. Large tenants wanting to be in this market need to start looking at least three years in advance of expiry. For existing product, Broadway is a landlord's market, but for preleasing it is a tenant's market for the time being.

NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
WeWork	2015 Main Street	43,180
Hootsuite Media Inc. (renewal)	5 East 8th Avenue	33,280
Cinesite Studios	565 Great Northern Way	24,550
Axiom Zen	565 Great Northern Way	20,200
MD Management (renewal)	575 West 8th Avenue	17,620
Anandia Laboratories Inc.	887 Great Northern Way	12,700
Royal Bank of Canada (expansion)	Broadway Tech Centre	12,630
Serscha Studios (sublease)	149 West 7th Avenue	11,620
3V Geomatics Inc.	204 West 6th Avenue	7,205
Thunderbird Entertainment (sublease)	204 West 6th Avenue	7,205
Christian City Church	8 East Broadway	6,300
Vancouver Coastal Health	255 East 12th Avenue	6,000

Mount Pleasant Employment Area (I-1 Zoning)

While office vacancy in Mount Pleasant temporarily spiked at mid-year 2018 due to the vacant delivery of two significantly preleased buildings that will be occupied in the second half, demand remains strong and vacancy is expected to tighten by year-end. A lack of available space has impacted deal velocity as many tenants are either awaiting leasing opportunities to arise or are considering preleasing or acquiring space in an upcoming development in the area. There are a number of strata or lease projects coming to market after 2020 with most new supply being delivered prior to that already leased/sold.

Rental rates will continue to rise in 2018 and into 2019 with select new projects currently marketing net effective rental rates of up to $31 psf. Recently inked deals in new preleased buildings had net effective rental rates of between $25 psf to $26 psf. While lease and strata options continue to be delivered to the submarket, the scale of new development is not comparable with Downtown Vancouver despite the area's vibrancy and popularity.

Land pricing is playing an outsized role in determining the occupancy form of many of the new buildings. As land prices have reached new record highs, most developers will have to build with strata ownership in mind in order to make the metrics work. Most new leasing product will have to come from existing owners who can either develop the property on their own or through a joint venture with a more experienced developer.

DEVELOPER	BUILDING	SF	PRELEASE %	COMPLETION
Rize Alliance	The Independent at Main, 275 East 10th Avenue	17,000 (office)	0%	Q3 2018
Chard Development	34 | W7, 34 West 7th Avenue	54,347 (office/light industrial)	Strata: 87.5% sold	Q4 2018
Porte Commercial	The George, 1157 Parker Street	34,308 (office/light industrial)	0%	Q1 2019
PC Urban Properties	Nickel, 275 West 5th Avenue	71,000 (office/light industrial)	66%	Q2 2019
Rendition Developments	The Beltline Off Broadway, 224 West 8th Avenue	32,898 (office/light industrial)	Strata: 68% sold	Q3 2019
Wesgroup Properties	2131 Manitoba Street	44,000 (office/light industrial)	0%	Q3 2020
Mondivan	161 East 4th Avenue (formerly 137 East 4th Avenue)	55,011 (office/light industrial)	10%	Q3 2020
Cressey Development	425 West 6th Avenue	155,807 (office)	0%	Q4 2020
Westbank / Hootsuite	Main Alley (M2), 114 East 4th Avenue	170,543 (office/light industrial)	0%	Q4 2020
Onni Group	Voxel, 399 East 1st Avenue	129,207 (office/high-tech industrial)	0%	Q2 2021
Rize Alliance	The Onyx, 1296 Station Street	271,500 (office)	0%	Q3 2021
Conwest Group (Medali Developments (West 6th) LP)	35 & 43 West 6th Avenue	52,713 (office/light industrial)	Lease/Strata	Planning
Chard Development	2238 Yukon Street	54,492 (office/light industrial)	Strata	Planning
Champion Development Group	151 West 5th Avenue	54,770 (office/light industrial)	0%	Planning
QuadReal Property Group	Broadway Tech Centre, 3030 East Broadway (five buildings)	962,300	0%	Planning
Reliance Properties/Porte Communities	339 East 1st Avenue	133,594 (office)	0%	Planning
CRS Group of Companies	2395 Cambie Street	39,270 (office)	0%	Planning
Pacific Crown Management Ltd.	510 West Broadway	43,425 (office)	0%	Planning
Vanlux Development	CityLink, 525 West 8th Avenue	62,165 (office)	0%	Planning
PCI Group / Low Tide Properties	901 Great Northern Way	400,000	0%	Proposed
Westbank / Hootsuite	Main Alley (M4), 110 East 5th Avenue	142,579 (office/light industrial)	0%	Proposed

NEW PROJECTS BY 2021 11

NEW SF BY 2021 **948,376**

CURRENTLY PRELEASED 5.5%

CORE

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,186,551	206,237	24,497	230,734	10.6%	-12,908	$25 - $32	$42 - $50
B	1,244,433	25,853	3,455	29,308	2.4%	6,554	$18 - $25	$31- $41
C	470,010	57,964	0	57,964	12.3%	5,230	$15 - $19	$28 - $33
Total	**3,900,994**	**290,054**	**27,952**	**318,006**	**8.2%**	**-1,124**	**-**	**-**

PERIPHERY

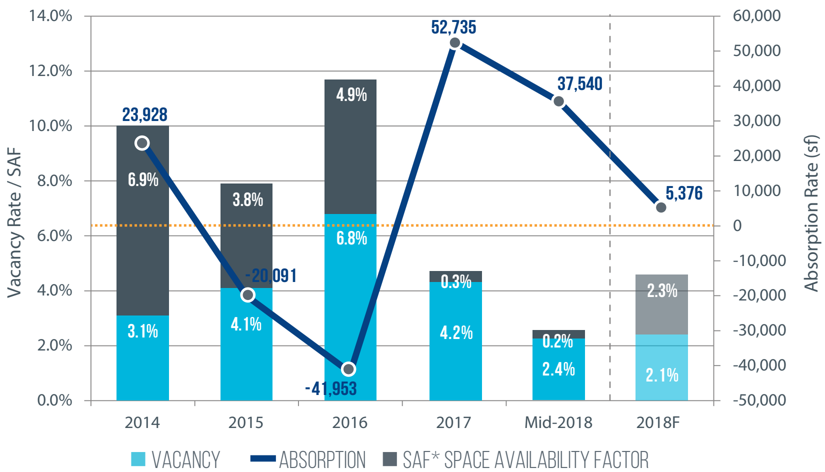
CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,344,299	342,380	0	342,380	14.6%	46,307	$22 - $32	$40 -$50
B	625,797	20,083	0	20,083	3.2%	16,642	$18- $23	$31 - $38
C	65,498	8,779	1,010	9,789	14.9%	-8,526	$15 - $19	$28 - $33
Total	**3,035,594**	**371,242**	**1,010**	**372,252**	**12.3%**	**54,423**	**-**	**-**

OVERALL

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	4,530,850	548,617	24,497	573,114	12.6%	33,399	$22 - $32	$39 - $50
B	1,870,230	45,936	3,455	49,391	2.6%	23,196	$18 - $23	$31 - $38
C	535,508	66,743	1,010	67,753	12.7%	-3,296	$15 - $19	$28 - $33
Total	**6,936,588**	**661,296**	**28,962**	**690,258**	**10%**	**53,299**	**-**	**-**

Vacancy hits record low at mid-year 2018

VACANCY AND ABSORPTION



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

VANBEX GROUP SIGNED THE LARGEST NEW LEASE DEAL IN YALETOWN DURING THE FIRST HALF OF 2018 AT 860 HOMER STREET

VACANCY TRENDS

Vacancy sank to a historic low of 2.4% at mid-year 2018 (from 3.9% a year earlier), the tightest since Avison Young started tracking the submarket in 2000. The previous record low was 3.1%, which was recorded at both year-end 2014 and mid-year 2007. The sharp decline is due to an increase in demand primarily from growing creative and tech firms in the submarket, no new supply and very limited availability. Demand for character office space, particularly among existing tenants in the market, remains strong. Tight vacancy in the Downtown market has also been a factor as Yaletown tenants are unable to relocate downtown and are forced to grow in place or relocate further away from the core.

ABSORPTION TRENDS

First-half absorption of 37,540 sf is a reflection of how tight the submarket is not of a lack of demand for space in this highly desirable neighbourhood. It also marks the second year in a row that first-half absorption has been greater than 35,000 sf after first-half absorption totals recorded in 2014, 2015 and 2016 were all negative. **Segment** occupied 1050 Homer Street, while **FORM Athletica** moved into 1090 Homer Street and **Nomadic Films** started operating out of 780 Beatty Street.

SPACE AVAILABILITY FACTOR

The space availability factor (SAF) refers to head lease and/or sublease space that is being marketed, but is not physically vacant. The SAF plummeted to a record low of 0.2% (3,742 sf) at mid-year 2018 from 2.4% (47,833 sf) a year earlier. Hence, the amount of available space currently being marketed (occupied and vacant) in Yaletown is 2.6%, or approximately 52,333 sf – the lowest since Avison Young started tracking SAF in the submarket in 2007.

NEW CONSTRUCTION

Boffo Developments' mixed-use project, **The Smithe**, includes 31,000 sf of office space in a three-floor podium. A three-storey, 17,100-sf office addition on top of the two-storey heritage building at 1290 Homer Street has been proposed.

MARKET FORECAST

Rental rates are expected to continue to rise in what is a clearly a landlord's market due to a lack of new supply and competitive bid situations beginning to arise when opportunities do come available. Vacancy is expected to continue tightening at year-end 2018 and remain near historic lows for the next 12 months as no new supply is anticipated until 2020 and Downtown vacancy is likely to approach historic lows in the next 12 to 18 months. No large blocks of space are anticipated to come to market until the third quarter of 2019 when **Relic Entertainment** vacates three floors (32,140 sf) at 1040 Hamilton Street in order to relocate to its 47,000-sf prelease in the new Nickel building currently under construction at 275 West 5th Avenue in Mount Pleasant.

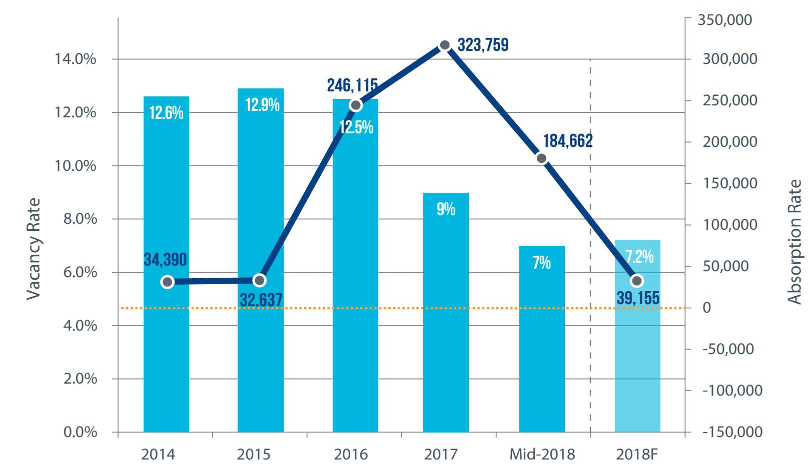
NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
Apple Canada (renewal)	1190 Homer Street	22,000
Vanbex Group	860 Homer Street	10,150
FORM Athletica	1090 Homer Street	9,140
AvenueHQ (sublease)	1128 Homer Street	8,700
PayByPhone	1071 Mainland Street	8,660
MediaValet (renewal & expansion)	990 Homer Street	8,000
FCV Technologies Ltd.	1120 Hamilton Street	5,500
Select Wine Merchant Corp. (renewal)	1122 Mainland Street	5,410

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Boffo Developments	The Smithe, 885 Cambie Street	31,000	0	0%	Q3 2020
Sylvia House Inc.	*1290 Homer Street (3-storey addition)*	*17,100*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	SAF (SF)	SAF (%)	NET RENTAL RATE RANGE (PSF)	GROSS OCCUPANCY COST (PSF)
A	576,938	0	0	0	0%	3,039	2,612	0.5%	$33.50 - $36	$50.50 - $53
B	998,357	20,198	4,453	24,651	2.5%	11,329	1,130	0.1%	$28 - $30.50	$45 - $47.50
C	472,077	23,940	0	23,940	5.1%	23,172	0	0%	$22.50 - $25.50	$38.50 - $40.50
Total	**2,047,372**	**44,138**	**4,453**	**48,591**	**2.4%**	**37,540**	**3,742**	**0.2%**	-	-

VACANCY AND ABSORPTION



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

VACANCY SLIPS TO LOWEST POINT SINCE 2008

MARKET FORECAST

Upward pressure on rates is expected to continue due to a significant gap in the development pipeline and the diminishing number of options available to tenants. Landlord inducements have remained relatively stable for the time being in part due to a significant increase in occupancy costs. Vacancy is anticipated to tighten further, likely as a result of a reduction in class A sublease space availability, and then stabilize in the next six to 12 months. The market is likely to remain tight for the next 24 to 36 months as many spaces considered vacant at mid-year 2018 have offers outstanding and even options that are located a distance from SkyTrain stations are becoming few and far between.

VACANCY TRENDS

Vacancy plunged to 7% at mid-year 2018, down from 13.3% a year earlier, and marking the tightest office market in Burnaby since year-end 2008. Existing inventory is being rapidly leased up due to a lack of new supply and vacancy has tightened as a significant number of tenants who signed lease deals during the past 12 months occupied space in the first half of 2018. Deal velocity has increased substantially since mid-year 2017 in what is traditionally a more measured market. Both existing tenants and those new to the market have been active in all classes with larger deals closing in class A and B properties and a lot of smaller deals in class C premises. Sublease space still remains an option in Burnaby for the time being with the majority located in **Telus'** former head office at 3777 Kingsway. Substantial sublease options also exist at **Solo District** and **Glenlyon Business Park**.

ABSORPTION TRENDS

First-half absorption of 184,662 sf at mid-year 2018 was the most first-half absorption recorded since mid-year 2011 and the second-most since Avison Young started tracking the market in 1997. There has been a significant uptake of space since the first half of 2017 when negative absorption was recorded. The Burnaby market has traditionally favoured tenants but has rapidly shifted to a landlord's market resulting in occupancy costs increasing significantly.

NEW CONSTRUCTION

While millions of square feet of office space is proposed as part of the multi-year buildouts of massive mixed-use redevelopments including **The Amazing Brentwood**, **Gilmore Place** and **The City of Lougheed**, virtually none of that office space is included in the initial phases of these projects and the timeline for its delivery has remained largely undefined and unlikely before 2020. Other than 62,000 sf of office space in phase two of **Station Square** set for completion in 2018, no new office space for lease is likely to be delivered until 2022.

NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
BC Liquor Distribution Branch	3383 Gilmore Way	146,570
ICBC (sublease)	3777 Kingsway	43,210
Allteck	4333 Still Creek Drive	18,490
Crius Financial Services Corp. (renewal)	4720 Kingsway	13,610
Binnie Consulting Ltd. (expansion)	4940 Canada Way	12,570
Cymax (renewal)	4170 Still Creek Drive	11,940
BC ALC (renewal & expansion)	4940 Canada Way	10,630
CFT Engineering Inc.	1901 Rosser Avenue	10,470
CGI	2025 Willingdon Avenue	10,310
SWITCH Materials Inc.	3650 Gilmore Way	10,070
E-Comm	4170 Still Creek Drive	9,500
Reel One Pictures	3920 Norland Avenue	9,160
XPO Logistics Inc.	4180 Lougheed Highway	8,170
BC Ministry of Social Development and Poverty Reduction	4601 Canada Way	7,640
HUB International	4370 Still Creek Drive	6,230

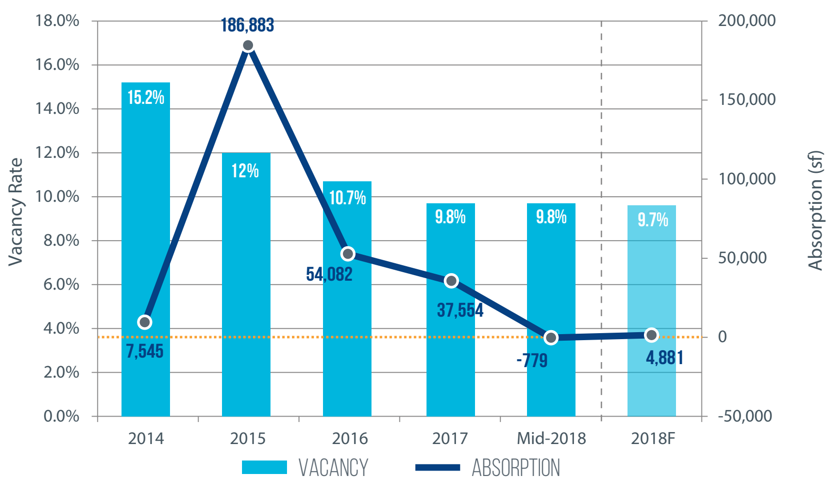
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Anthem Properties	Station Square (phase 2), 6060 Silver Avenue	62,000 (office)	0	0%	Q3 2018
Cressey Development	Kings Crossing, 7350 Edmonds Street	74,016 (office)	Strata	85% sold	Q2 2019
Onni Group	3355 North Road	162,000 (office)	0	0%	Q1 2022
Belford Properties	The Centre at Sun Towers, 4458 Beresford Street	70,000 (office)	Strata	NA	Under construction
Kingswood Capital	*Discovery Place Business Park, 3555 Gilmore Way*	*50,000*	*0*	*0%*	*Awaiting prelease*
Shape Properties	*The Amazing Brentwood (redevelopment)*	*500,000 (office)*	*0*	*0%*	*Proposed*
Onni Group	*Gilmore Place (redevelopment)*	*400,000 (office - 2nd phase)*	*0*	*0%*	*Proposed*
Shape Properties	*The City of Lougheed (redevelopment)*	*Up to 1,000,000 (office)*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	6,306,081	298,609	162,677	461,286	7.3%	133,833	\$22 - \$28	\$38 - \$44
B	2,081,671	133,789	17,553	151,342	7.3%	18,702	\$16 - \$22	\$29 - \$35
C	869,038	32,890	0	32,890	3.8%	32,127	\$15 - \$20	\$28 - \$33
Total	**9,256,790**	**465,288**	**180,230**	**645,518**	**7%**	**184,662**	-	-

RICHMOND

Vacancy stable as development pipeline continues to fill

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy stabilized at 9.8% at mid-year 2018 – unchanged from year-end 2017 – but down from 11.2% recorded 12 months earlier. Vacancy has been hovering around 10% since mid-year 2016. This stabilization can be attributed to no new supply, existing tenants moving around within the market and tenants from outside the market occupying the larger sublease opportunities that have arisen. Tenants in class A properties were the most active, typically renewing or relocating within or between the market's two major office parks; however, tenants in class B premises appeared to be the most mobile with a number leaving the market and whose spaces were subsequently backfilled by businesses relocating to Richmond. Vacancy remains significantly tighter along the popular No. 3 Road corridor than in the rest of the market.

ABSORPTION TRENDS

Negative first-half absorption of 779 sf was not a reflection of a lack of activity but more of equilibrium. While **RecycleSmart Solutions** leased 8,000 sf at **Airport Executive Park #6**, the building still has the largest contiguous space available in Richmond. Tech firm **Kabuni** secured 32,300 sf in **Crestwood Corporate Centre** in part due to a sublease opportunity from **Cooledge Lighting**, which also calls the office park home.

NEW CONSTRUCTION

Richmond's new development pipeline continues to fill with rezoning and development permit applications, but the first new delivery of office space for lease – **Yuanheng Seaview Development's** multi-phase **ViewStar** project - is not expected until the end of 2020.

DEVELOPMENT APPLICATIONS SURGED IN THE FIRST HALF OF 2018

MARKET FORECAST

Rental rates will remain stable in 2018, particularly in Richmond's established office parks, as vacancy remains balanced and largely unchanged from the previous two years. Some upward pressure on rates will manifest in opportunities that emerge in buildings located along No. 3 Road. Vacancy is not anticipated to fluctuate substantially in the next six to 12 months. Richmond will remain a cost-effective market that can accommodate tenant expansion needs including large-block requirements.

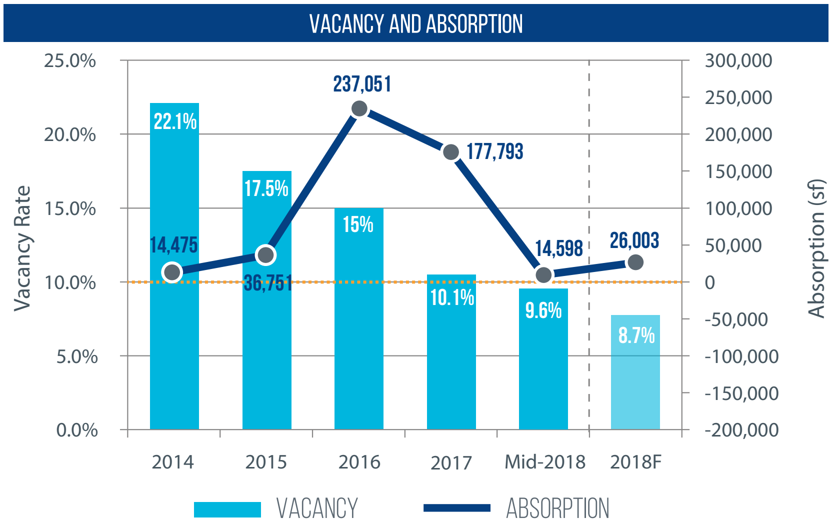
NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
Sage Software Canada (renewal)	13888 Wireless Way	41,860
Graymont Ltd. (renewal)	Airport Executive Park #7	35,000
Kabuni	Crestwood Corporate #4	16,620
Kabuni	Crestwood Corporate #3	15,680
EllisDon (renewal & expansion)	Crestwood Corporate #8	14,180
Cooledge Lighting Inc.	Crestwood Corporate #4	11,990
RecycleSmart Solutions	Airport Executive Park #6	8,470
Ji Sheng Capital	Crestwood Corporate #10	5,640
Kids & Company (expansion)	Airport Executive Park D	4,320
G-III Apparel Group Ltd.	Crestwood Corporate #5	3,880

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Yuanheng Seaview Developments	ViewStar, 3031-3351 No. 3 Road, 8151 Capstan Way & 8051/8100 River Road	205,141 (office - second phase)	0	0%	Q4 2020
iFortune Homes Inc.	iFortune Centre, 6860 No. 3 Road	105,420 (office)	0	0%	Q3 2021
CIBT Education Group Inc.	GEC Richmond, 7960 Alderbridge Way (part of Atmosphere redevelopment)	144,742 (office)	0	0%	Q1 2022
MYIE Development	International Trade Centre at Versante, 8477 Bridgeport Road	100,000 (office)	Strata	NA	Under construction
Townline Ventures	*5591, 5631, 5651 and 5671 No. 3 Road*	*77,740 (office)*	*0*	*0%*	*Proposed*
Beckwith Development	*9466 Beckwith Road*	*128,600 (office)*	*0*	*0%*	*Proposed*
Keltic (Brighouse) Development Ltd.	*6340 No. 3 Road*	*104,000 (office)*	*0*	*0%*	*Proposed*
Park Village Investment Ltd. & Grand Long Holdings Canada Ltd.	*8071 & 8091 Park Road*	*58,605 (office)*	*0*	*0%*	*Proposed*
Vanhome Properties Inc.	*9080, 9086, 9100 & 9180 Odlin Road and 4420 & 4440 Garden City Road*	*48,000 (office)*	*0*	*0%*	*Proposed*
New Continental Properties	*8320, 8340 & 8440 Bridgeport Road and 8311 & 8351 Sea Island Way*	*50,527*	*0*	*0%*	*Proposed*
CIBT Education Group Inc.	*GEC CyberCity, 7780, 7800, 7810, 7820 & 7840 River Road*	*196,000 (office)*	*0*	*0%*	*Proposed*
Bene (No. 3) Development Ltd.	*4700 No. 3 Road*	*63,479 (office)*	*0*	*0%*	*Proposed*
Vanprop Investments	*Lansdowne Centre (redevelopment)*	*TBD*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,895,256	230,655	99,912	330,567	11.4%	5,496	$17 - $18	$28.85 - $29.85
B	972,346	58,355	13,973	72,328	7.4%	-2,250	$14 - $16	$26 - $28.50
C	348,198	10,668	0	10,668	3.1%	-4,025	$13 - $14	$20.35 - $22.50
Total	**4,215,800**	**299,678**	**113,885**	**413,563**	**9.8%**	**-779**	-	-

Vacancy drops below 10% for first time since mid-year 2012



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

VACANCY TRENDS

Vacancy slid to 9.6% at mid-year 2018 – the lowest vacancy recorded since mid-year 2012 – from 13% just 12 months earlier. Leasing activity in the first half of 2018 has primarily consisted of tenants relocating within the market as vacancy has declined only slightly from the 10.1% recorded at year-end 2017 as market vacancy started to stabilize. Deal velocity has remained steady with buildings located near SkyTrain stations registering more tour and leasing activity than the market as a whole. Overall, the market is substantially tighter than it was a year ago with limited large-block opportunities. However, significant pockets of vacancy remain in select buildings, including phase two of **Centre of Newton** (7327 137th Street) and **Guildford Commerce Court D** (10334 152A Street).

ABSORPTION TRENDS

First-half 2018 absorption of 14,598 sf was the least amount of first-half absorption since mid-2014 when negative absorption of 6,894 sf was recorded. The departure of the **Vehicle Sales Authority of BC** from phase one of **Benchmark Business Centre** in order to relocate into a building in Langley offset absorption gains from **Read Jones Christoffersen** occupying space in **Station Tower**. The occupancies of **All Roads Construction** and **Best Built Homes** in **Guildford Office Park** helped offset some smaller vacancies and maintain overall positive first-half absorption.

NEW CONSTRUCTION

New supply remains limited as many discussions around future development centre around SkyTrain stations and to a lesser extent, the proposed Surrey LRT line. The next new building for lease will be **The Professional Centre at South Point**, which is 45% preleased and set for completion at the end of 2019. One of the largest new office developments in Metro Vancouver is the proposed **Central City Tower 2**, which calls for 25 storeys and more than 530,000 sf of office/retail space. A construction timeline has not been provided for the proposal. **PCI Group** is adding another 160,000 sf of office space at its **King George HUB at the Stations** development scheduled for completion at the end of 2021. Building on its previous successes, the **Lark Group** recently launched its **CityCentre 3** project for presale/prelease for delivery in early 2020.

RENTAL RATES TO RISE AS VACANCY CONTINUES TO SLIDE

MARKET FORECAST

With vacancy likely to continue tightening (albeit at a slower pace than the previous two years) and no new supply until the end of 2019, rental rates are likely to increase as tenant options dwindle and landlords grow more bullish. Fewer leasing opportunities are likely to emerge in buildings located near rapid transit lines as properties close to SkyTrain continue capturing the lion's share of leasing activity. There will be limited options for tenants as existing pockets of vacancy are slowly absorbed while the market awaits the delivery of new supply.

NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
First West Credit Union	19933 88th Avenue, Langley	62,500
GroupHEALTH	15303 31 Avenue	50,000
FinancialCAD Corp.	13450 102nd Avenue	19,000
BC Ministry of Children & Family Development	15117 101 Avenue	14,000
Frozen Mountain Software	5455 152nd Street	11,480
One, Two Buckle My Shoe Childcare Ltd.	5660 192nd Street	8,100
Canadian Back Institute	15117 101 Avenue	6,050
Read Jones Christoffersen Ltd.	13401 108 Avenue	5,900

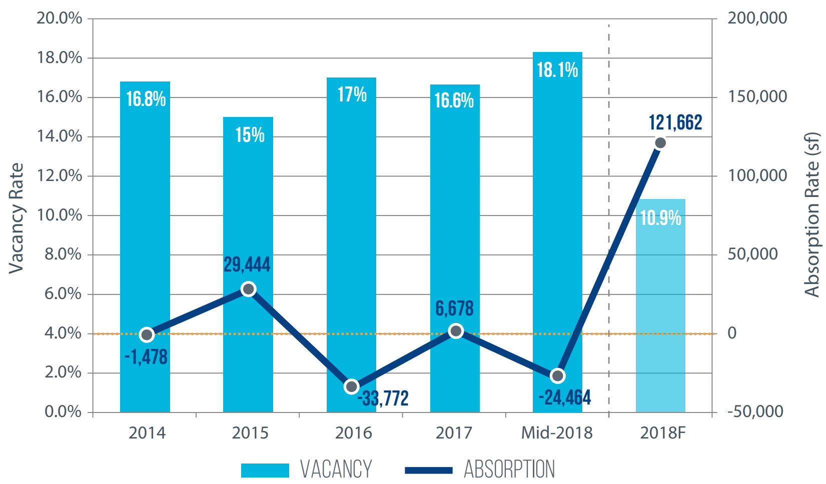
DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Avondale Development / Monarck Group	The Professional Centre @ South Point, 3231 152nd Street	71,780	32,300	45%	Q4 2019
Lark Group	CityCentre 3, 13775 96th Avenue	108,500 (office)	Lease/Strata	Lease/Strata	Q1 2020
Croydon Drive Development LLP	Southpointe99 (phase 2), 15303 31 Avenue	50,000	50,000	100%	Q2 2020
PCI Group	19933 88th Avenue, Langley	105,000 (office)	62,500	50%	Q2 2020
PCI Group	King George HUB at the Stations (phase 2), 9900 King George Boulevard (office/retail)	160,000 (office)	0	0%	Q4 2021
Landview Construction	GTC Professional Building, 10189 153rd Street	100,550	0	0%	Q4 2021
Blackwood Partners	*Central City Tower 2, 100 Avenue & King George Boulevard*	*512,305 (office)*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6- MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	2,074,968	170,055	0	170,055	8.2%	4,961	$24 - $32	$38 - $45
B	626,010	75,596	0	75,596	12.1%	5,762	$16 - $20	$29 - $33
C	205,629	33,136	0	33,136	16.1%	3,875	$11 - $14	$25 - $27
Total	**2,906,607**	**278,787**	**0**	**278,787**	**9.6%**	**14,598**	**-**	**-**

NEW WESTMINSTER

Anvil Centre tenants set to occupy in second half

VACANCY AND ABSORPTION



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

VACANCY TRENDS

Vacancy remained elevated at 18.1% at mid-year 2018, up from 17.5% a year earlier, but is expected to decline substantially by year-end after the **Anvil Centre** is occupied in the second half of 2018 by three significant tenants. **Century Group, LTSA BC** and **Douglas College** are scheduled to occupy more than 100,000 sf in the 137,000-sf Anvil Centre, which had remained largely vacant since 2014. The departure of the **BC Safety Authority** from the New Westminster office market to new offices in Vancouver-Broadway further contributed to the increase in vacancy. Deal velocity has remained muted during the past six months, which has left New Westminster as a tenant's market with several quality options in all floorplate size ranges.

ABSORPTION TRENDS

Negative first-half absorption of 24,464 sf – almost entirely due to the BC Safety Authority vacating 42,000 sf at **Latitude Uptown** to move to the new **Renfrew Centre** in Vancouver – was the most negative first-half absorption recorded in New Westminster since mid-year 2003. It was also the third year in a row in which negative first-half absorption was registered. **Vancouver International College** also vacated a full floor in the **Royal Bank Building** at 628 6th Avenue. Nearly five years after initially consolidating operations at its new head office located in the **Brewery District**, **TransLink** recently occupied the single remaining floor in the building that had remained vacant since the development was completed in 2013.

NEW CONSTRUCTION

Progress on the development permit application process for **QuadReal Property Group's** proposed **Sapperton Green** development adjacent to the Braid Street SkyTrain station remains ongoing. A proposed construction timeline has not been outlined. A valid and active development permit for two office buildings up to 400,000 sf still remains in place for the property, but a prelease commitment would be necessary to start construction.

LARGE-BLOCK AVAILABILITY HAS OPENED UP AT **LATITUDE UPTOWN** AFTER **BCSA RELOCATED** TO **RENFREW CENTRE** IN VANCOUVER

MARKET FORECAST

Rental rates are forecasted to increase slightly in the back half of 2018 and into 2019 despite flat market conditions in the first half. There was a notable uptick in inquiries and tours in the first half as vacancy tightened further in neighbouring office markets and tenants started exploring available options in New Westminster. With class A vacancy set to decline in New Westminster to a more balanced level after the occupancy of the Anvil Centre by the end of 2018, landlords are likely to attempt to push rents slightly upwards after years of little-to-no movement on lease rates. More balanced market conditions are expected in 2019 as the supply overhang that has overshadowed this market since 2014 is finally addressed.

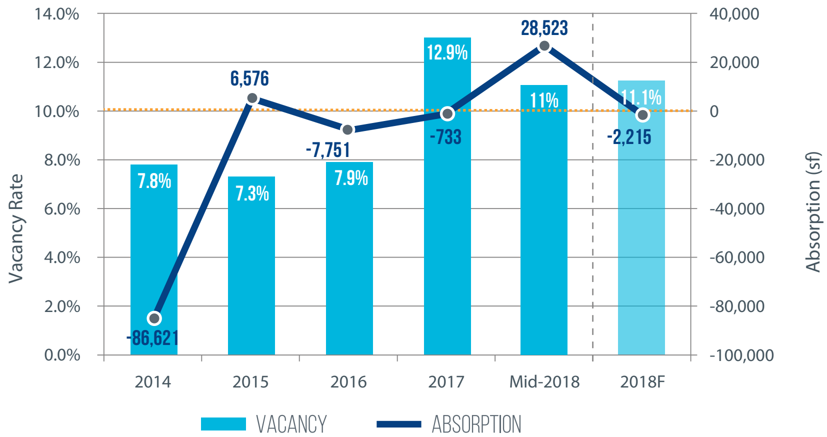
NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
Hanson International Education & Employment Services (renewal)	810 Quayside Drive	6,500
McLaren Trefanenko Inc.	Latitude Uptown	4,500
Vivint Canada	625 Agnes Street	4,500
Live Well	Latitude Uptown	2,100

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
QuadReal Property Group	*97 Braid Street (near Braid Street SkyTrain station) part of Sapperton Green mixed-use redevelopment site*	*Up to 400,000 (office)*	*0*	*0%*	*Proposed*

CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	780,114	214,455	1,566	216,021	27.7%	-30,248	$23 - $29	$35 - $43
B	700,684	74,718	0	74,718	10.7%	5,784	$15 - $19	$27 - $34
C	207,774	14,501	0	14,501	7%	0	$10 - $14	$24 - $28
Total	**1,688,572**	**303,674**	**1,566**	**305,240**	**18.1%**	**-24,464**	-	-

VACANCY AND ABSORPTION



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

CENTREVIEW, DELIVERED AT THE END OF 2017, IS APPROXIMATELY **TWO-THIRDS LEASED.**

VACANCY TRENDS

Vacancy increased to 11% at mid-year 2018 from 9.8% a year earlier but declined from 12.9% at year-end 2017 as new supply at **CentreView** that was delivered vacant at the end of 2017 was partially occupied in the first half of 2018. Tenant expansion into 788 Harbourside Drive and a moderate increase in leasing activity overall with a particular uptick in activity and deal velocity in certain areas such as Lower and Central Lonsdale helped further reduce vacancy from year-end 2017. Remaining vacancy at CentreView continues to contribute to slightly elevated vacancy, but with no new supply and sublease space virtually non-existent, vacancy is expected to tighten further in 2018 and return to more of a balanced market by year's end.

ABSORPTION TRENDS

First-half 2018 absorption of 28,523 sf was the most first-half absorption recorded since mid-year 2007, marking significant increase in leasing activity and tenants occupying space in the recently delivered CentreView development. The occupancies of **Keith Plumbing & Heating** and **Intrahealth Canada** in the Harbourside area also contributed to overall absorption.

NEW CONSTRUCTION

Only one new project that includes office space is currently under construction and available for prelease on the North Shore. **Hollyburn Properties'** mixed-use development at Lonsdale and West 14th Street features 13,890 sf of office space. No firm prelease commitments have been secured yet. The recently proposed **North Shore Innovation District**, which has been billed as the largest single development project on the North Shore in decades, will offer almost 1 msf of office space once completed. The rezoning application, which was to have appeared before the **District of North Vancouver** council for its first reading in summer 2018, was subsequently postponed by council until after the municipal election scheduled for October 20, 2018.

MARKET FORECAST

Rental rates are expected to remain flat given that it is a relatively balanced market. A moderate increase in deal velocity is anticipated and a reduction in vacancy is expected in the first half of 2019. Vacancy and absorption are likely to remain stable in the short term as **Seaspan Shipyards** has vacated 6,000 sf at **Capilano Business Park** and will be vacating additional space as it consolidates operations in its recently completed build-to-suit office building. The pending redevelopment of the **Northmount Medical Centre** site will likely contribute to an increase in deal velocity by year end as tenants start relocating. The proposed mixed-use redevelopment includes 31,720 sf of medical office space in the podium.

NOTABLE LEASE DEALS - MID-YEAR 2018

TENANT	BUILDING	SF
Intrahealth Canada Ltd. (renewal & expansion)	889 Harbourside Drive	8,420
Jane Software Inc. (sublease)	111 Forester Street	4,180
Ioticiti Networks Inc. (renewal & expansion)	50 Lonsdale Avenue	3,140
First Circle Financial Services Ltd.	224 West Esplanade	3,130

DEVELOPER	BUILDING	SF	PRELEASE SF	PRELEASE %	COMPLETION
Hollyburn Properties	1301-1333 Lonsdale Avenue and 120-141 West 14th Street	13,890	0	0%	Q2 2020
Concert Properties	*801, 889 & 925 Harbourside Drive and 18 Fell Avenue*	*TBD*	*0*	*0%*	*Proposed*
Millennium Development	*123-145 East 13th Street*	*31,720 (office)*	*0*	*0%*	*Proposed*
Darwin Properties	*The Offices at Harry Jerome*	*54,759 (office)*	*Strata*	*NA*	*Proposed*
The Tsleil-Waututh Nation & Darwin Properties	*North Shore Innovation District, 2420 Dollarton Highway*	*978,830 (office)*	*0*	*0%*	*Proposed*

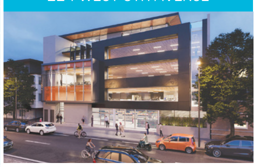
CLASS	INVENTORY	HEAD LEASE VACANCY (SF)	SUBLEASE VACANCY (SF)	TOTAL VACANCY (SF)	TOTAL VACANCY (%)	6-MONTH ABSORPTION (SF)	AVERAGE NET RENTAL RATE (PSF)	GROSS OCCUPANCY COST (PSF)
A	871,813	99,427	0	99,427	11.4%	35,544	\$22 - \$35	\$39 - \$50
B	481,395	54,124	0	54,124	11.2%	-8,401	\$17 - \$23	\$26 - \$38
C	97,690	5,790	0	5,790	5.9%	1,380	\$15 - \$19	\$24 - \$33
Total	**1,450,898**	**159,341**	**0**	**159,341**	**11%**	**28,523**	-	-

SUBURBAN DEVELOPMENT TIMELINE (TO 2020)





	STATION SQUARE (PHASE 2) 6060 SILVER AVENUE	34 I W7 34 WEST 7TH AVENUE	THE GEORGE 1157 PARKER STREET	NICKEL 275 WEST 5TH AVENUE	KINGS CROSSING 7350 EDMONDS STREET
	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q2 2019
CITY	Burnaby	Vancouver-Broadway	Vancouver-Broadway	Vancouver-Broadway	Burnaby
DEVELOPER	Anthem Properties	Chard Development	Porte Commercial	PC Urban Properties	Cressey Development
STOREYS	Two floors	4	4	4	8
OFFICE SF	62,000	54,350	34,310	71,000	74,016
TENANTS	No tenants at this time	Strata	No tenants at this time	47,000 sf - SEGA (Relic Entertainment)	Strata
OCCUPANCY	0%	87.5% sold	0%	66%	85% sold





	THE BELTLINE OFF BROADWAY 224 WEST 8TH AVENUE	TPC @ SOUTH POINT 3231 152ND STREET	CITYCENTRE 3 13775 96TH AVENUE	1301-1333 LONSDALE AVE. & 120-141 WEST 14TH ST.	161 EAST 4TH AVENUE
	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
CITY	Vancouver-Broadway	Surrey	Surrey	North Shore	Vancouver-Broadway
DEVELOPER	Rendition Developments	Avondale Development/Monark Group	Lark Group	Hollyburn Properties	Mondivan
STOREYS	4	4	10	1 floor	7
OFFICE SF	32,989	71,780	108,500 (office)	13,890	55,011
TENANTS	Strata	Unavailable	Strata/Lease	Unavailable	5,483 sf - Mondivan
OCCUPANCY	68% sold	45%	0%	0%	10%





	THE SMITHE 885 CAMBIE STREET	2131 MANITOBA STREET	425 WEST 6TH AVENUE	MAIN ALLEY (M2) 114 EAST 4TH AVENUE	VIEWSTAR 3031-3351 NO. 3 ROAD
	Q3 2020	Q3 2020	Q4 2020	Q4 2020	Q4 2020
CITY	Yaletown	Vancouver-Broadway	Vancouver-Broadway	Vancouver-Broadway	Richmond
DEVELOPER	Boffo Developments	Wesgroup Properties	Cressey Development	Westbank / Hootsuite	Yuanheng Seaview Developments
STOREYS	3 floors	4	10	8	11
OFFICE SF	31,000	44,000	155,807	170,543	205,141
TENANTS	No tenants at this time	No tenants at this time	No tenants at this time	No tenants at this time	No tenants at this time
OCCUPANCY	0%	0%	0%	0%	0%

SPECIAL FEATURE

Rapidly rising construction costs for developers of commercial properties in Metro Vancouver have joined a growing list of factors that threaten to curtail the timely delivery of new supply and contributing additional costs. While shortages of skilled trades have contributed to rising construction expenses for some time, more recent price increases for materials such as steel are also providing additional upward pressure on costs. When combined with other factors such as elevated land prices and lengthy permit processing times, developers are increasingly required to invest more capital and carefully consider project viability in terms of achievable market rents and timing.

According to the Canadian government's building construction price indexes for the first quarter of 2018 (released in May), the pricing for construction of both new residential buildings and new non-residential buildings rose during the previous one-year and three-month periods. Prices charged by contractors for new non-residential building construction rose by an average of 2.7% across 11 Canadian census metropolitan areas (CMAs) over the past year ending in first-quarter 2018. However, prices in Metro Vancouver increased by 4.7% – the highest in Canada – during that same period. The quarterly change in contractor pricing – from fourth-quarter 2017 to first-quarter of 2018 – was 1.1% in Metro Vancouver – the second highest in Canada – compared with 0.9% across the country.

"Increases for both building types were driven, in part, by higher costs for masonry work, as well as for materials including steel, lumber and concrete," according to the federal government. These statistics and commentary were released prior to the implementation of a new 25% tariff on U.S. steel products that came into effect July 1, 2018.

The president and CEO of the **Canadian Institute of Steel Construction**, **Ed Whalen**, told the CBC on July 9 that a lack of supply of steel, particularly weathering steel, heavy plate steel and the reinforcing steel used in concrete that Canada typically imports from the U.S., could impact Metro Vancouver infrastructure projects through project delays and increased costs. According to Whalen, Canadian steel mills do not produce enough of those varieties of steel to fuel all infrastructure projects currently underway. Developers of commercial projects are facing similar issues when it comes to sourcing construction materials as well as labour.

Altus Group's *Canadian Cost Guide*, which is published annually in the first quarter, specifically highlighted the rising construction costs associated with office buildings in Vancouver. According to Altus, the per square foot cost range increased by $5 between 2017 to 2018 for office buildings under five storeys with surface parking (2018: $200-$265 psf) as well as for class A office towers from five to 30 storeys (2018: $270-$340 psf) and 31 to 60 storeys (2018: $295-$390 psf). These estimates were also released prior to the recent implementation of tariffs on U.S. steel products.

With construction plans downtown calling for nine office towers less than 30 storeys (but greater than five) and four developments greater than 30 storeys, the impact of rising construction costs is significant and will be one of the key factors – along with low vacancy – contributing to rising rental rates. The combination of these factors, among others, has led to a requisite boost in non-residential building construction investment in order to proceed, which industry has provided to date.

According to **Helmut Pastrick**, chief economist for **Central 1 Credit Union**: "The latest estimate of non-residential building construction investment in BC was positive and continued the upswing that began in early 2017. Total spending in the second quarter of 2018 was 2.8% higher than in the first quarter of 2018 and 8.6% higher than in the same quarter last year. After adjusting for construction cost inflation, investment spending advanced 2.8% over the first quarter and 7% from a year ago."

He adds: "Construction of commercial buildings – office, retail, hotel, warehouse, and other – advanced 2.5% while there was little change in government building construction spending. Non-residential building investment spending is expected to post further gains this year and until the current business cycle ends. The demand for non-residential building space increases with the economy and the supply, or investment spending response, occurs with a time lag. Vacancy rates in commercial and industrial building are low or declining with a corresponding increase in rental rates, which are strong market signals for more investment."

As the need for new office supply in Metro Vancouver enters a critical stage, the headwinds facing the development industry are more challenging than ever.

BUILDING COSTS FOR VANCOUVER OFFICE SPACE

UNDER 5 STOREYS
$200-$265

5-30 STOREYS*
$270-$340

31-60 STOREYS*
$295-$390

ALL PRICES ARE ON A PSF BASIS FOR 2018.

Source: Altus Group
**Class A building*

continued from page 1

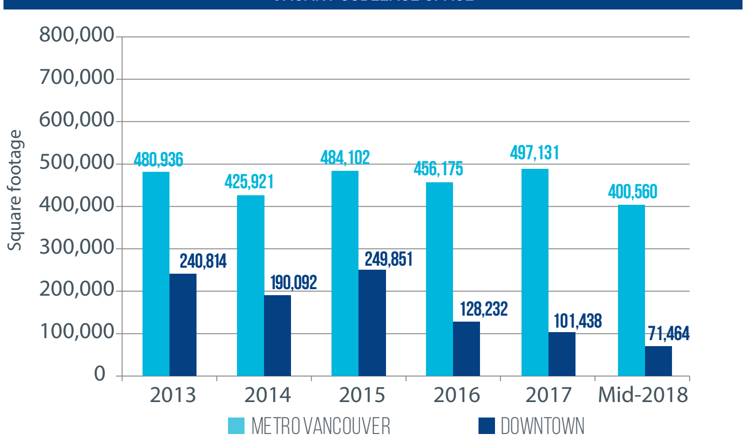
first-half absorption. While deal velocity slowed in Vancouver-Broadway due to a lack of lease opportunities, absorption is expected to climb markedly in the second half as lease deals completed in 2017 start to commence. A similar situation also emerged in Yaletown with vacancy hitting a record low of 2.4% at mid-year 2018 and deal velocity slowing to a crawl as there are virtually no lease options and competitive bid situations arising when space does come available. New Westminster and Richmond (technically) were the only two markets in the region to record negative absorption in the first half. While the Richmond market remained largely unchanged and absorption skewed slightly negative, the departure of the **BC Safety Authority** from New Westminster was largely responsible for the only meaningful negative absorption recorded in the first half in the entire region.

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, Burnaby, Richmond and, to a lesser extent, Surrey and Vancouver-Broadway.

There is virtually no new space for lease being delivered downtown until 2020. However, the two buildings set for 2020, 402 Dunsmuir Street (100% preleased by Amazon) and 400W. Georgia (33% preleased by Deloitte Canada) are substantially preleased. In reality, meaningful amounts of new supply downtown will not be available until 2021. Burnaby, the second largest office market in Metro Vancouver, has only a single project completing in the back half of 2018 with no other deliveries of office space until 2022. While substantial amounts of new office space have been proposed as part of massive redevelopments in Burnaby such as The Amazing Brentwood, Gilmore Place and the City of Lougheed, developers have not clearly articulated the construction schedules and phasing for the office components of the projects. Richmond, which has not built any new office space for lease in more than a decade, will have to wait until the end of 2020 for new supply in the form of the ViewStar development. Only two projects are set to deliver in Surrey by 2020, one of which is currently 45% preleased and the other may be sold as strata office. Vacancy in all of these markets has been tightening and that trend is expected to continue with deal velocity likely to slow as leasing opportunities grow fewer. While new development in Vancouver-Broadway continues to break ground, most of the new office space being delivered in the next two years has already been leased or sold.

Municipal elections scheduled for October 2018 are widely expected to usher in mayors and councils that may be more wary of development activities than their predecessors and could lead to further delays in the processing of rezoning and development applications. These changes in the political landscape along with a lack of new supply on a regional basis amid an environment of strong demand is likely to push vacancy to record lows and push rents upward across Metro Vancouver through 2019. ■

VACANT SUBLEASE SPACE



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