



## Q3 2015: THE NAI QUARTERLY COMMERCIAL REAL ESTATE REPORT FOR METRO VANCOUVER

### Big buzz about Bentall

Before we start our report on Metro Vancouver, let's revisit the most momentous news of the year: the pending sale of the Bentall Centre (Towers 1, 2, 3 and 4) by Ivanhoe Cambridge.

Although Cadillac Fairview is Vancouver's largest office and retail landlord, the dominant business centre – the city's financial core – is the Bentall Centre complex. The four towers contain 1,460,000 square feet (SF) of office space, with a further 53,000 SF in their underground mall.

The Centre, built between 1969 and 1981, is jointly owned by Ivanhoe Cambridge (60 percent) and Great West Life Assurance (40 percent). As it is one of Canada's largest integrated business centres, the sale price is expected to approach or exceed \$1 billion. That would make it the single largest commercial real estate sale in Vancouver history – and may mark the beginning of a new generation of ownership in Vancouver.

Why is the sale happening now? Ivanhoe Cambridge hasn't given a detailed reason. However, speaking speculatively, the sale could maximize the company's value, especially with the Canadian dollar and interest rates near historical lows, and with cap rates compressed and as tight as some analysts believe is possible.

### Now, let's look at the Q3 market

As predicted the vacancy, or availability, rate continued to climb through the quarter. In Metro Vancouver, with some 55.4 million SF of commercial inventory, overall vacancy rates rose during the quarter from 11.5 to 11.8 percent. In the Downtown Vancouver area, vacancies rose from 10.9 percent of inventory to 11.1 percent, resulting from a negative absorption for the quarter of 175,912 SF (147 new spaces came onto the market, but only 135 spaces were removed).

Downtown deals of interest included the renewal of Stantec's lease of 71,000 SF at 111 Dunsmuir, Teck's renewal at Bentall 5, and the Fleur Corp. renewal at 1075 West Georgia for 45,000 SF.

LGM Financial relocated to 24,400 SF at 1021 West Hastings; Lululemon expanded into 17,300 SF at 1380 Burrard Street; and Unbounce Design committed to 25,000 SF at 401 West Georgia Street.

The vacancy rate in suburban markets increased by 0.5 percent to 15.1 percent over the last 90 days. Although 102 spaces were removed from inventory and only 95 spaces came back on the market, there was still a negative absorption of 147,136 SF. Deals in the suburban market were mainly smaller transactions, with London Life committing to 17,000 SF at 4730 Kingsway and Associate Engineering expanding by 12,000 SF at 4940 Canada Way.

### Ninety Day Report

Market	Vacancy Rate	% Change from Prev. Quarter	No. Spaces Added	Total Area Added	No. Space Removed	Total Area Removed	Absorption for Quarter	Prev. Quarter Absorption
Downtown	11.10%	-1.80%	147	680,810	135	504,898	-175,912	36,195
Suburban	15.10%	-3.31%	95	465,161	102	318,025	-147,136	-77,937
Van. Periphery	4.60%	-4.35%	21	76,896	27	44,423	-32,473	-1,542
Total							-355,521	-43,284

In the Vancouver Periphery market, vacancies remain stable at just 5.2 percent, yet it too saw an increase in available inventory. This is not a large market – inventory is just 7,470,353 SF. Overall, 21 spaces were added to the market and 27 spaces were removed. But again, there was still a small negative absorption of 32,473 SF.

**Recommendations for landlords**

As a landlord, given current conditions, you would be wise to talk with your tenants early and often. Also, make sure your marketing materials are current and compelling across all media, including your own website and every listing site where your information is found.

To those landlords who engage with us to review your marketing and provide objective feedback – we welcome and appreciate the opportunity!

**Recommendations for tenants**

As a tenant, do your research and evaluate your changing business needs. Either do the research yourself, or retain someone to research the market for you well before it's time to renew your lease. But be cautious of any advice that pushes you too quickly into a new lease – usually you have more time and options than you think.

To those tenants who have requested reviews and comments from us, we welcome and appreciate all opportunities to connect and share our honest opinions with you!

**NAI supporting the BC Professional Fire Fighters' Burn Fund**

Lastly, we at NAI are pleased to be able to volunteer our time and expertise to work with the BC Professional Fire Fighters' Burn Fund. We've been working to help the Fire Fighters tenant their new Burn Fund Centre, and hope to be able to announce the perfect partnership for their ground floor space next month. Check out the project here:  
<http://burnfund.org/burn-fund-centre-2>

**General Market Statistics**

Market	# of Buildings	Existing Office Area	Availability Rate	Sublet Avail. Rate	Buildings Under Const.	Area Under Construction	% of Invent. Under Const.	Change from Prev. Year
Office Market	4,781	507,969,093	12.3	16.0	88	17,949,603	3.5	5,060,161
British Columbia	696	55,386,863	11.8	16.2	15	1,893,255	3.4	1,590,302
Greater Vancouver	696	55,386,863	11.8	16.2	15	1,893,255	3.4	1,590,302
Downtown Vancouver	225	25,424,615	11.1	20.7	5	602,892	2.4	1,652,104
Suburban Vancouver	339	22,491,895	15.1	12.9	5	643,304	2.9	-61,802
Vancouver Periphery	132	7,470,353	4.6	12.6	5	647,059	8.7	0

**NAI Commercial – we're here to help**

NAI Commercial offers a full-service consulting approach to help you get the most out of your inventory. We do whatever it takes to make it easy for you to attain your objectives. Whether you want to retain us to represent your interests, are simply curious to learn more about our services, or would like us to provide a free opinion on your current properties or leases – we are here to help with good, honest advice. ▲

Thanks for taking the time to read this.

Regards,  
**Rob DesBrisay**  
 Managing Partner, BC

**For more information...**

To learn more about NAI Commercial, Rob DesBrisay and the many ways we can help with your commercial real estate needs, please call (604) 691-6602.

You can also reach us by email at [rob@naicommercial.ca](mailto:rob@naicommercial.ca) or visit us online at [www.naicommercial.ca](http://www.naicommercial.ca)

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