

## Downtown office vacancy nearing zero

New condos sprout up while offices are tough to find

**Derrick Penner**

Vancouver Sun

*Wednesday, February 14, 2007*

Companies waiting for Vancouver's downtown office-space crunch to let up can forget about it happening anytime soon, according to Barclay Street Real Estate.

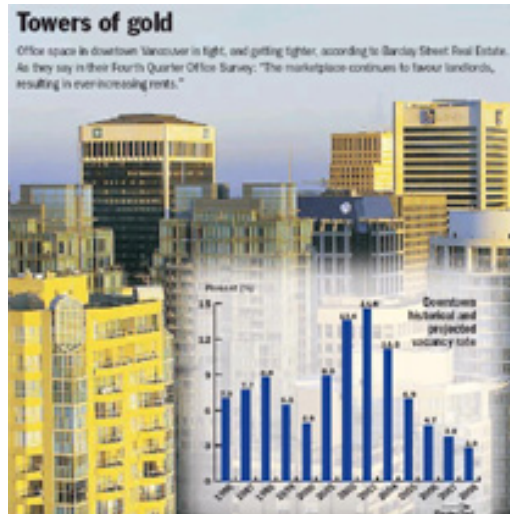
The saga of 2006 was one of shrinking vacancy, fewer choices for existing companies to expand, no big spaces for new companies to move into, and rising rents for anyone renewing leases in a downtown core surrounded by cranes furiously building new condominiums. Reports by the major commercial realtors -- from Colliers International to CB Richard Ellis, JJ Barnicke and Cushman Wakefield LePage -- tracked vacancies down and down throughout the year.

And now realtor Barclay Street is forecasting that the saga will continue, with downtown vacancy already at a 10-year low of 4.6 per cent. It predicts the rate will squeeze even further to 3.8 per cent by the end of this year, and to 2.9 per cent by the end of 2008.

"Now, for the first time in my memory, we have less than one million square feet vacant in downtown Vancouver," Fergus Cameron, Barclay Street's vice-president and general manager in Vancouver, said in an interview.

Vancouver is a landlord's marketplace, he added, "resulting in ever-increasing rents and limiting existing tenants' ability to either expand in their buildings, or relocate," Cameron added in the report.

In earlier reports, CB Richard Ellis market analyst Chris Clibbon noted that



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Burnaby, where one-quarter of all new office space in Greater Vancouver is being built, is fast becoming the suburb of choice for companies that don't need to be downtown.

Cameron said the only thing that will change downtown's vacancy story is a general economic correction that puts a lot more vacant space on the market, such as a drop in demand, which he sees as unlikely with the region's strong economic picture, or an increase in supply.

"In Vancouver it's very unlikely anybody's going to build an office building with all the land being used up by the residential juggernaut," he added.

Rising rents are another factor that may affect vacancy. Cameron said Vancouver's office rates, until recently, have not changed in 20 years.

Rents for Class B office space were in the high teens per square foot when he first started in commercial real estate more than 20 years ago, and rents have just begun to surpass that mark now.

"Rent, on a relative scale, is still a reasonable cost," Cameron said.

However, that rent represents a big part of the overhead for small- to medium-sized firms, so they will be the most sensitive to rent increases upon renewal of their leases.

"That's when that same tenant who wouldn't have dreamed of going to Main Street [before] is looking at that [option]," Cameron added.

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