



Commercial Leasing Insights:

GREATER VANCOUVER MARKET 2024-2025

Are you considering renewing or securing a commercial lease in the Greater Vancouver Area (GVA) in 2024 or 2025? As the landscape of the GVA office market undergoes significant shifts, it's crucial to stay informed and proactive in your leasing decisions.

Tenants who prepare increase can get vastly better results on their next office lease or lease renewal. In this educational document, we provide essential insights tailored to empower you in navigating the current market dynamics.

Q1 COMMERCIAL STATS FOR VANOUVER*

VACANCY

This Quarter

8.8%

↑ 230 bps
(year over year)

ASKING NET RENT

This Quarter

\$34.26 psf

↓ 1.4%
(year over year)

DEVELOPMENT

Under Construction

4.8M psf

169 SF
(new supply)

*made from information gathered from Colliers and CBRE



CURRENT COMMERCIAL MARKET SNAPSHOT

The Metro Vancouver office market has remained “relatively” stable in Q1 of 2024 with a **vacancy rate of 10.1%** according to Cushman and Wakefield. In the downtown core, the overall vacancy rate remained at a 30-year high of 14.0%. This trend in high vacancy rates reflects a changing landscape, influenced by various factors shaping the commercial real estate scene.



UNDERSTANDING THE SHIFT

Rising vacancy rates indicate deeper market dynamics, not a temporary issue. Delays in proposed developments have led to a surplus of office space, with over 16 million square feet completed nationally between 2021-2023 (JLL, 2024 Market Outlook). However, a sharp decrease in the office construction pipeline after 2024 is expected to stabilize the market as demand meets supply.

Despite two quarters of positive absorption, downtown Vancouver experienced a negative absorption of 16,000 square feet last quarter due to tenants moving into new builds and leaving vacancies. The lack of large-scale office developments through 2024 and early 2025 in Metro Vancouver suggests potential vacancy rate declines for higher-class buildings as new builds are leased, indicating a **preference for higher-quality spaces**.



Strategic Timing for Lease Renewals

In this evolving landscape, timing is crucial. Securing a lease renewal early not only provides stability but also empowers tenants with stronger negotiation power. As the market stabilizes and demand rises, lease negotiation dynamics are likely to shift. Hence, **early engagement in lease renewal discussions is paramount to maximizing favorable terms.**

The Standard Lease Timeframes

When handling commercial leases, strategic planning is essential. Whether renegotiating, renewing, or extending a lease, tenants benefit from conducting thorough market research and negotiation with ample time. Furthermore, the process of finding new space, negotiating a lease, designing, renovating, and furnishing a new space takes time. Several factors influence the timeframe, including company size, working dynamics, and anticipated growth.

TYPICAL COMMERCIAL LEASE TIMELINES FOLLOW THIS GENERAL TIMELINE:

01

For tenants needing over **40,000 square feet**, a **24-36 month** timeline is typical due to low inventory, especially for continuous floors

02

For tenants in the **10-35,000 square feet range**, it is standard to start the renewal process about **18-24 months prior to expiration**.

03

For tenants between **7,500- 10,000 square feet**, **14-18 months** is recommended with no less than 12 months for a standard space.





BENEFITS OF RENEWING A COMMERCIAL LEASE EARLY

Renewing a commercial lease early offers several benefits, including the opportunity to secure a more favorable rental outcomes, particularly in a competitive market. Canadian office vacancy rates are currently at multi-decade highs, prompting landlords to offer concessions to attract and retain tenants. Experts suggest that it's a **tenant's market, with landlords accommodating tenants** by providing incentives such as a month or so of free rent, space outfitting, and additional landlord services. With high vacancy rates and a projected trend toward a more stable market in the coming years, it's crucial for companies to explore lease renewals now while conditions remain favorable for tenants.

WORK WITH YOUR BROKER TO NEGOTIATE A TENANT IMPROVEMENT

If your workspace needs a refresh or renovation, **beginning the renewal process early can give companies leverage required to negotiate a tenant improvement (TI) allowance to augment your space.** In today's market, landlords are keen on retaining tenants and are willing to offer TI allowances as an incentive. By expressing your commitment to staying in the space early on, landlords are more inclined to provide concessions such as TI allowances, especially in exchange for an extended lease term. Moreover, your tenant representative broker can assist in exploring other available spaces to create leverage during negotiations. This proactive approach encourages landlords to offer concessions to retain tenants, particularly if there's a strong possibility of vacating at the lease's end.



Define Objectives and Priorities with a Well-Defined Workplace Strategy

Having a workplace strategy is fundamental in the realm of commercial leases, serving as the blueprint for understanding business objectives, long term goals, and current practices related to employee wellbeing, engagement, and growth.

Oftentimes, businesses hesitate on making real estate decisions and lease negotiations due to uncertainties about what is required for the next 5-10 years. **A well-defined workplace strategy works by providing clarity on maximizing efficiency, productivity, and alignment across all levels of the organization.** Furthermore, understanding how the workplace supports employee productivity, collaboration, and well-being empowers negotiators to advocate effectively for space configurations conducive to these objectives. Beyond mere logistics, a well-crafted workplace strategy delves into the very essence of how the physical environment influences employee performance, collaboration dynamics, and overall well-being.



AURA TIP

A comprehensive workplace strategy anticipates future needs, mitigating the risk of outgrowing or underutilizing leased space prematurely. In essence, integrating workplace strategy into lease negotiations not only ensures that physical space meets operational requirements but also cultivates an environment conducive to achieving broader business objectives.

Do you need workplace strategy?

Speak with an Aura workplace expert today.

Next Steps for Ensuring Success

As the commercial real estate landscape in Greater Vancouver continues to evolve, informed decision-making is key to navigating the market successfully.

By understanding the current market dynamics, strategically timing lease negotiations, and leveraging available incentives like TIAs, tenants can optimize their leasing experience amidst changing market conditions.

For personalized insights and expert guidance tailored to your specific leasing needs, we invite you to reach out to our team of professionals. Together, let's navigate the dynamic landscape of commercial leases in Greater Vancouver with confidence and foresight.





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