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NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
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25TH ANNUAL

# Regional OFFICE Cost of Business Survey

Winter 2024

The Stack
by Oxford Properties

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# Message from the President

On behalf of NAIOP Vancouver, I am pleased to present the 2024 edition of the NAIOP Cost of Business Survey (COBS). This is the 25th year that NAIOP has asked Metro Vancouver and Fraser Valley municipalities to provide their input about the development application process and the respective requirements and timeline associated with a hypothetical development project. This year, the focus is on office development.

The survey provides a framework to identify municipalities that have excelled in fostering entitlement and development cost regimes that support job creation and regional economic growth. The COBS awards recognize the municipalities that have outranked their peers in the following categories: Most Improved Fees and Most Business-Friendly. In past years we have also asked about application timelines, but this year we found that there were too many external factors impacting timelines that we have chosen to not award this category.

This year's report also contains interviews with the Mayor of our winner, a market overview highlighting the latest statistics and trends in the office asset class, and perspectives on the current office market from experts in the industry.

Office real estate in Metro Vancouver remains an attractive asset class. The current economic realities of construction costs and access to capital are making the industry sharpen their pencils in order to ensure successful projects. This further drives important discussions around municipal policy, development approvals, and development costs.

With this in mind, we hope that you find the 2024 COBS report to be particularly valuable in this time of evolving expectations in the office market.

Sincerely,

**Blaire Chisholm**
**Chief Operating Officer**
**Pooni Group**
**President of NAIOP 2025**

# 2024 Highlights

The 2024 NAIOP Cost of Business Survey offers annual awards to municipalities that have implemented improvements in development costs and processing times. Our assessment of 18 Metro Vancouver and Fraser Valley municipalities provides our membership and the business community at large with an essential reference tool for considering development areas. The survey is also a tool for municipalities themselves as a gauge for their own development costs and approval processes as compared to their neighbors.

This year, the 2024 NAIOP Awards for Municipal Excellence will be acknowledging one municipality that has excelled in creating a positive environment for real estate development. This year, the City of Surrey has won both categories of awards, including:

## The 2024 winners are:

### Most Improved – Fees: **City of Surrey**

The City of Surrey demonstrated the largest improvement in reducing total municipal fees from 2022 to 2024 relative to other municipalities. The City of New Surrey recorded a net decrease in overall fees of 4.3%, primarily driven by lower DCC/DCL costs between 2022 and 2024.

### Most Business-friendly: **City of Surrey**

The City of Surrey ranked the most business friendly in the 2024 survey through their support for office development projects, based on lower fees, including Amenity Cost Charges, permitting times, introducing Artificial Intelligence into their permitting process, and for creating a developer task force to consult with and action improvements to the overall permitting process in an effort to expedite permitting time. In addition to scoring high in multiple categories of the Cost of Business Survey, Surrey recorded the lowest overall municipal fees and is among the fastest for approval timing.

We interviewed the Mayor of Surrey, Brenda Locke, about the improvements the City has made and the impact those changes have had on businesses and the real estate community.

## Index

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# 2024 Winner Q & A

**City of Surrey – Most Improved Fees & Most Business Friendly**

**Mayor Brenda Locke,
City of Surrey**

**What changes have you implemented to lower fees in Surrey? How have you managed to do that and what impact is that having on real estate developments in Surrey?**

The City of Surrey has made several changes in an effort to lower fees in Surrey and encourage development.

We introduced a streamlined Houseplex Development Permit approval process, which includes a rapid approval process and a reduced flat fee. This reduced the Development Permit fee for these projects from approximately $5,000 to approximately $400.

We also introduced a DCC waiver for non-market rental housing, which has greatly improved the financial viability of these projects and ultimately benefits some of our most vulnerable populations.

Additionally, we implemented a Development Incentive Program that provides rebates on application fees for significant housing projects near rapid transit.

These financial incentives helped us achieve over 2,560 housing units within our 2024 record breaking year of 6,297 housing units.

**Approval timing has become a big challenge for real estate developments. But Surrey is among the fastest for approving projects. How have you managed to do that and what impact is that having on real estate developments in Surrey?**

Reducing development approval times has been a major focus for Council. In the fall of 2024, we approved a plan with a goal to cut development and permit approval times by a minimum of 30%. To help facilitate meeting this target, Surrey has used a portion of the grant money that was received from the Federal Government through the Housing Accelerator Fund (HAF) to implement process improvements that will improve the efficiency of our processes.

By using a data-driven framework, our staff teams have access to real-time data about permit approval timelines and targets. This helps clarify Council's expectations and empowers our teams to make adaptive changes to meet those targets.

The targets also provide the development industry with transparency so they can plan construction projects accordingly.

**What was behind the decision to introduce AI into the permitting process and what results have you seen so far?**

AI technology is advancing rapidly, and we saw an opportunity to leverage it to improve our operations. By using AI responsibly, we aim to balance innovation, learning, and accountability in the development approval process.

In Surrey, a complete and compliant application is approved quickly. AI can help us with this, and we have two exciting AI projects in the permitting space.

Our Development Inquiry Assistant (DIA) offers a ChatGPT-style engagement, helping homeowners and developers understand permitting requirements. Launched in late 2024 after a successful beta program, it now answers over 460 questions per month. Its conversational, multilingual features help provide information about development requirements and reduce simple inquiries to staff, allowing our teams to focus on application approvals.

The Automated Rule-Based Zoning Compliance project is another exciting initiative. Launching in 2025, it will allow single family house designers to pre-assess their submissions against common, and time consuming, zoning deficiencies. Our goal is to help the development industry better understand our requirements, reduce application deficiencies, lower resubmissions, and ultimately speed up approval times.

**What about the developer task force: how did that emerge and what results have you seen so far?**

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# 2024 Winner Q & A

I created the Development Approval Process Improvement Task Force in recent months to increase collaboration between the city and developers, ensuring their feedback and concerns are addressed promptly. This initiative will lead to more streamlined processes and improved communication.

The Task Force will assist us in positioning Surrey as the leader in the region in development approvals and permitting processes and help us shift from a model of regulation to one of facilitation.

The task force will continue its work in 2025, and I look forward to seeing how it can further improve our partnership with the development industry.

**What other noteworthy changes have been implemented in Surrey to improve business for real estate developers?**

Over the past year, we've made over 25 major updates to our development and approval processes. This level of process improvement is unprecedented for most cities.

We've introduced several noteworthy changes for real estate developers, including:

- **Early Excavation for Multi-Family Housing:** Introduced a pilot program to allow for excavation building permits to be issued ahead of final adoption of rezoning and development permit issuance which will help facilitate the construction of new housing.
- **Simplified Houseplex Development Permit:** Introduced a simplified development permit process with reduced fees and faster approval times.
- **Development and Permit Approval Timelines:** Introduced Development and Permit Approvals Targets, aiming for a minimum reduction of 30% of permit timelines for all major development types.
- **Contract Award to Archistar:** Introduced an automated rule-based zoning bylaw compliance tool and initiated implementation.
- **Revamped Permitting Portal:** Enhanced the functionality of the Online Development Inquiry system and launched online trade permitting and inspection request capabilities.
- **Incentive Programs:** Introduced the Rapid Transit and Non-Market Rental Housing Incentive Programs to accelerate development.
- **Provincial Housing Legislation Bylaw amendments.** Updated Zoning By-law to meet the provincial housing legislation related to small-scale multi-unit housing.

A complete list of improvements delivered or planned is available on our website at www.surrey.ca/development.

**What are some current or upcoming highlight real estate projects in Surrey?**

There are several transformative initiatives underway that will shape our City's future and pave the way for significant real estate growth in our community.

Our Council is committed to focusing on bringing more entertainment options to the City. Our vision is to build two entertainment districts: One in City Centre and the other in Cloverdale. And we will be looking to private investment opportunities to help create the sports, nightlife, theatre, dining, and retail options for resident to enjoy.

We're also seeing investment in health care and education, with the construction of the new Cloverdale Hospital and the establishment of the SFU School of Medicine. Additionally, the SkyTrain extension along Fraser Highway to Langley, along with plans for Bus Rapid Transit along King George Boulevard, will greatly enhance connectivity, making our city more accessible and attractive to residents and businesses alike.

Meantime, to support our growth, staff are reviewing the development financing framework, focusing on Community Amenity Contributions (CAC) and Density Bonusing. We aim to recommend the use of Alternative Compliance Criteria (ACCs) to improve the development financing of projects.

We're also introducing new standard zones to streamline the development process, including new townhouse and mid-rise mixed-use zones. Additionally, we're exploring pre-approved designs for housing to make the process more efficient.

**What feedback have you received to date about your City's fiscal policies around development, and about your business process for developers?**

The feedback has been overwhelmingly positive. Developers appreciate the streamlined processes, reduced fees, and the city's commitment to leveraging technology to improve efficiency. These changes have made Surrey an attractive destination for real estate development. These compliments further our desire for continual improvement and to find new ways to facilitate development projects faster.

**Any advice for the real estate community wanting to develop projects in Surrey?**

Surrey is a great place to invest. We are charting a new path that recognizes our extraordinary opportunity and place as an economic powerhouse in BC.

Surrey is poised to reach one million people by 2042, and we recognize that this growth needs to be accompanied by an efficient, business-friendly approval process and a sustainable development financing framework.

The Development Incentive Programs, offering rebates on application fees near rapid transit, has a deadline of August 2026 to get your building permit issued. There's still time for many more projects to be processed by the 2026 deadline. Visit surrey.ca/development for more information or call our Client Services Centre at 604-591-4086.

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VANCOUVER CHAPTER

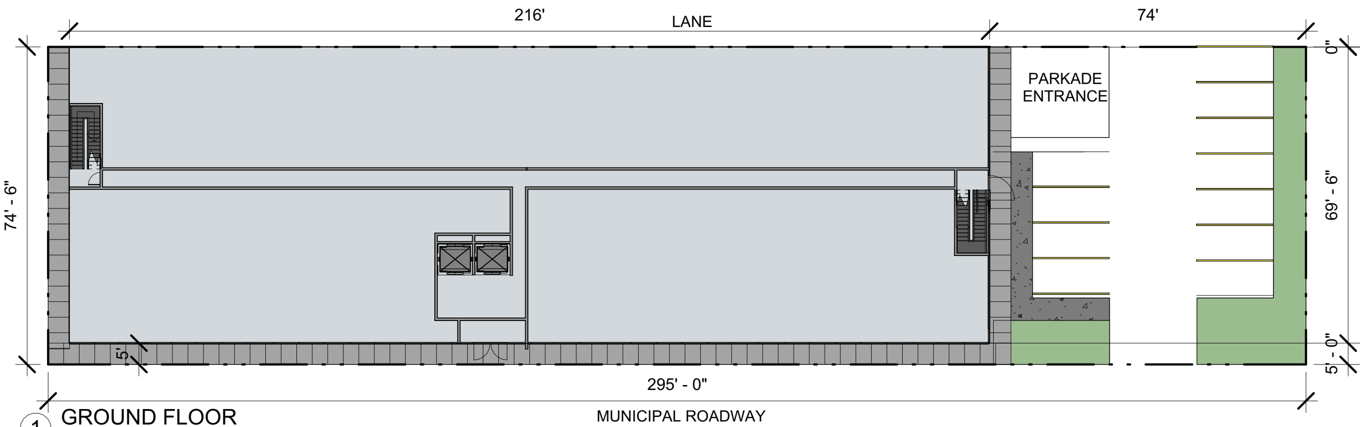


# Office Building Prototype

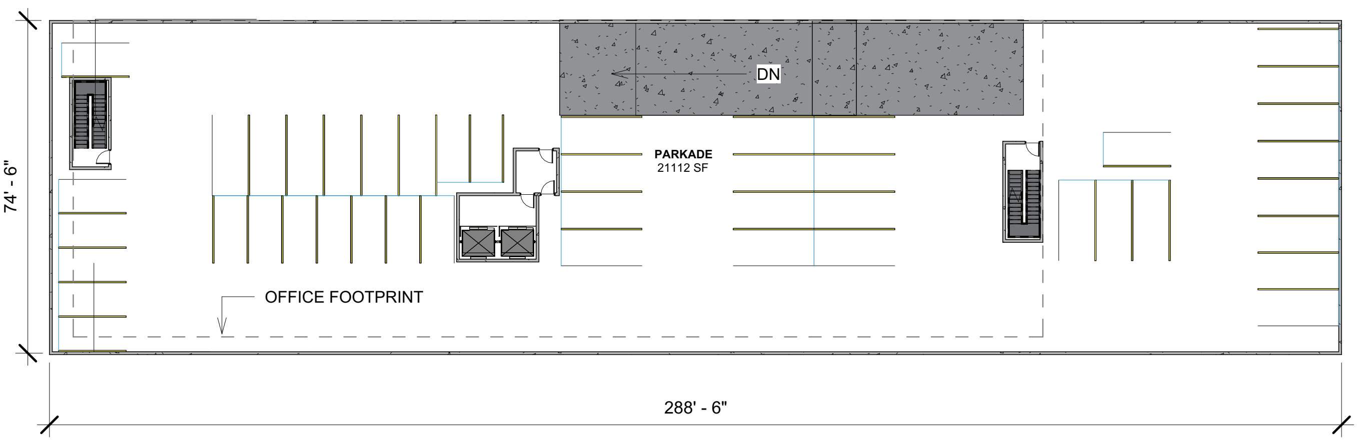
The proposed development for 2024 is a 75,000 square foot (6,968 square metre) "Class B" office building comprising a total of five (5) storeys with a 15,000 square foot (1,394 square metre) floor plate. The building is proposed for an unsubdivided, non-office/commercial zoned half-acre lot which requires a number of approvals as listed below. Importantly, this year's prototype represents a 50% increase in building size, from the 50,000 sf office building contemplated in the 2022 NAIOP Cost of Business Survey. This is increase in size reflects the economies of scale required to offset the rise in construction costs under the existing build standards. As such the Total Fees from 2022 have been grossed up by a factor of 1.5x to reflect the increased building size, which has been applied to all survey participants consistently.

**Development Context:**

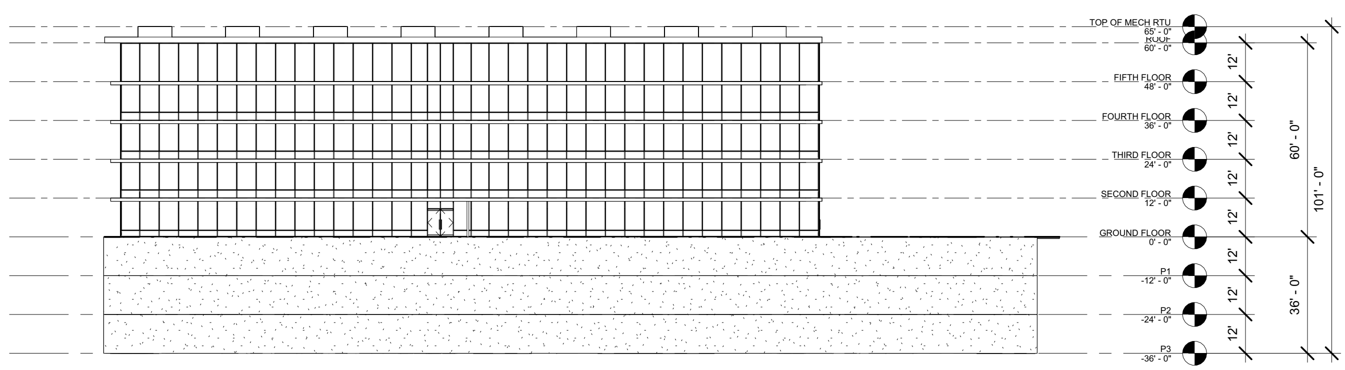
- Located within an area designated in the municipality's Official Community Plan and Metro Vancouver's Regional Growth Strategy as suitable for office and commercial use
- Located within a DP area
- Located within an ACC/DCC/




1 GROUND FLOOR
1 : 350




2 P1 TO P3
1 : 350




1 South
1" = 30'-0"

# Office Building Prototype

DCL-applicable area

- 295 feet (90 metres) of lot frontage on a 15-year-old dedicated municipal roadway and interior parcel lines with adjacent lots after subdivision
- Site is assumed to have been cleared of all trees and filled to a suitable elevation

**Building Assumptions:**

- Complies with all design bylaw regulations within the governing jurisdiction
- The application and its content have been prepared using the services of a registered architect, landscape architect, and professional engineer
- Fully sprinklered throughout

**Development Requirements:**

- Rezoning to general office zoning as per jurisdiction, assuming proposed density conforms to zoning bylaw
- Land subdivision to create one parcel of 0.50 net acres less road and other dedications
- All required permits and fees

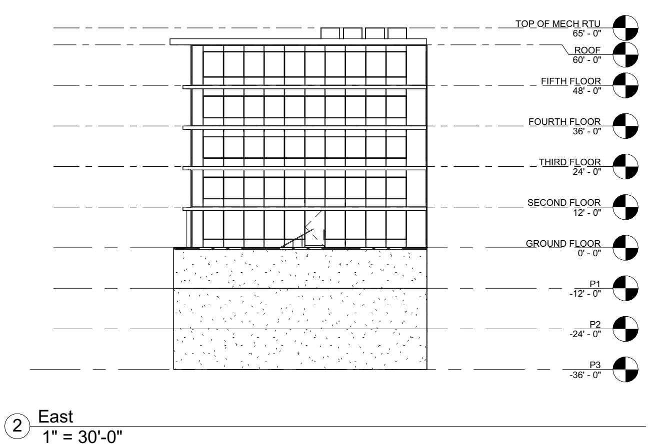
**Construction Costs:**

- $500 per square foot/$37,500,000
- $1,200,000 for offsite works (street and drainage improvements - not DCC rebatable)

| SITE DATA | | | | |
|---|---|---|---|---|
| AREA TYPE | ACRES | SQFT | FSR | SITE COVERAGE |
| GROSS | 0.50 acres | 21,995 SF | 3.41 | 68% |

FRONTAGE: 295 feet (90 metres)

CONSTRUCTION COST OF BLDG.: $37,500,000
COST OF OFF-SITE IMPROVEMENTS: $1,200,000




| BUILDING AREA | | | |
|---|---|---|---|
| | | Level | AREA |
| BUILDING A | FOOTPRINT | GROUND FLOOR | 15,000 SF |
| BUILDING A | FOOTPRINT | SECOND FLOOR | 15,000 SF |
| BUILDING A | FOOTPRINT | THIRD FLOOR | 15,000 SF |
| BUILDING A | FOOTPRINT | FOURTH FLOOR | 15,000 SF |
| BUILDING A | FOOTPRINT | FIFTH FLOOR | 15,000 SF |
| BUILDING A | | | 75,000 SF |
| TOTAL BUILDABLE AREA | | | 75,000 SF |

| PARKING STALLS | | | | |
|---|---|---|---|---|
| | AREA | STALLS PER SQFT | REQUIRED | PROVIDED |
| OFFICE | 75,000 SF | 1 PER 501 SF | 150 | 150 |
| TOTAL STALLS | 75,000 SF | | 150 | |

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# Survey Summary

Total municipal fees from 2022 to 2024 for the NAIOP benchmark office development increased by an average of 50.3% across all participating municipalities. Canada's average annual inflation rate from 2014 to 2024 YTD was approximately 2.8%, with 2022 & 2023 recording notably higher inflation compared to previous years.

The City of Surrey recorded a net decrease in overall fees of 4.3%, primarily driven by lower DCC/DCL costs between 2022 and 2024. The Township of Langley also recorded a net decrease in overall fees of 1.5%. In contrast, the remaining municipalities saw annual average fee increases of over 56.9%.

| Municipality | 2024 Total Fee | 2024 Approval Timing (days) |
|---|---|---|
| City of Surrey | $549,360 | 180 |
| Township of Langley | $914,246 | 180 |
| City of North Vancouver | $830,075 | 660 |
| City of Abbotsford | $1,020,813 | 485 |
| City of Maple Ridge | $596,414 | 730 |
| Corporation of the City of White Rock | $864,013 | 485 |
| City of Chilliwack | $721,084 | 120 |
| District of North Vancouver | $1,622,988 | 730 |
| City of New Westminster | $870,146 | 360 |
| City of Delta | $602,602 | 545 |
| City of Port Moody | $904,640 | 480 |
| City of Pitt Meadows | $790,267 | 300 |
| City of Richmond | $1,875,746 | 180 |
| City of Burnaby | $617,668 | 365 |
| City of Port Coquitlam | $872,763 | 300 |
| District of West Vancouver | $1,236,562 | 545 |
| City of Langley | $1,506,418 | 180 |
| City of Mission | $2,619,761 | 300 |

# Building Permit Data

Across the Metro Vancouver and Fraser Valley survey participants, office development progressed well, with the total value of office building permits for new construction and major renovations reported at $1,061,579,108 in 2023. This reflects a significant increase from $230,745,969 in 2022 for the same survey participants. However, this value excludes the City of Vancouver and the City of Coquitlam, which did not participate.

| Municipality | 2023 Total Building Permit Value | 2023 Total Number of Building Permits |
|---|---|---|
| City of Surrey | $31,868,403 | 137 |
| Township of Langley | $18,000,000 | 80 |
| City of North Vancouver | N/A | N/A |
| City of Abbotsford | $23,443,313 | 10 |
| City of Maple Ridge | N/A | 55 |
| Corporation of the City of White Rock | $0 | 0 |
| City of Chilliwack | $13,000,000 | 7 |
| District of North Vancouver | $14,811,787 | 2 |
| City of New Westminster | $5,944,800 | N/A |
| City of Delta | $1,757,585 | 8 |
| City of Port Moody | $1,652 | 1 |
| City of Pitt Meadows | $0 | 0 |
| City of Richmond | $27,903,900 | 2 |
| City of Burnaby | $900,536,617 | 184 |
| City of Port Coquitlam | $10,926,742 | 31 |
| District of West Vancouver | $0 | 0 |
| City of Langley | $11,683,310 | 41 |
| City of Mission | $1,701,000 | 40 |

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# Municipal Fees

| Municipality | Rezoning & Subdivision Application Fees | Development & Building Permit Fees | Administration, Processing & Sprinkler Inspection Fees | DCC/DCL Fee | 2024 Total Fees | 2024 Approval Timing (days) | Adjusted 2022 Total | % Change from 2022 Adjusted Total | Sewer Connection Fee | Water Connection Fee |
|---|---|---|---|---|---|---|---|---|---|---|
| City of Surrey | $9,111 | $391,936 | $9,510 | $138,803 | $549,360 | 180 | $573,936 | -4.3% | N/A | $37,500.00 |
| Township of Langley | $11,093 | $321,773 | $51,750 | $529,630 | $914,246 | 180 | $927,715 | -1.5% | At Cost | At Cost |
| City of North Vancouver* | $8,625 | $364,867 | $52,288 | $404,295 | $830,075 | 660 | $815,554 | 1.8% | At Cost | At Cost |
| City of Abbotsford | $5,203 | $229,102 | $43,825 | $742,682 | $1,020,813 | 485 | $883,363 | 15.6% | $150.00 | $50.00 |
| City of Maple Ridge | $15,306 | $373,010 | $49,041 | $159,057 | $596,414 | 730 | $515,659 | 15.7% | $32,000.00 | $15,000.00 |
| Corporation of the City of White Rock | $6,276 | $502,729 | $44,837 | $310,171 | $864,013 | 485 | $746,723 | 15.7% | $8,160.00 | $8,240.00 |
| City of Chilliwack | $3,729 | $310,362 | $16,883 | $390,111 | $721,084 | 120 | $572,955 | 25.9% | $26,000.00 | $25,000.00 |
| District of North Vancouver | $12,665 | $549,038 | $54,275 | $1,007,010 | $1,622,988 | 730 | $1,221,343 | 32.9% | $49,457.00 | $31,883.00 |
| City of New Westminster | $8,367 | $491,849 | $55,440 | $314,490 | $870,146 | 360 | $632,538 | 37.6% | N/A | N/A |
| City of Delta | $7,462 | $284,448 | $800 | $309,892 | $602,602 | 425 | $416,869 | 44.6% | $64,000.00 | $5,586.00 |
| City of Port Moody | $14,864 | $497,599 | $62,151 | $330,027 | $904,640 | 480 | $615,977 | 46.9% | $219 + Actuals | $73 + Actuals |
| City of Pitt Meadows | $11,708 | $381,534 | $33,000 | $364,026 | $790,267 | 300 | $499,330 | 58.3% | $80,000.00 | $20,000.00 |
| City of Richmond | $4,310 | $400,686 | $48,000 | $1,422,750 | $1,875,746 | 180 | $1,176,322 | 59.5% | $15,800.00 | $15,100.00 |
| City of Burnaby | $14,924 | $588,767 | $13,977 | $0 | $617,668 | 365 | $383,646 | 61.0% | N/A | $34,000.00 |
| City of Port Coquitlam | $5,973 | $341,600 | $40,240 | $484,950 | $872,763 | 300 | $520,624 | 67.6% | Actuals + Fees | Actuals + Fees |
| District of West Vancouver | $19,000 | $406,621 | $5,930 | $805,011 | $1,236,562 | 545 | $645,040 | 91.7% | $8,160.00 | $10,560.00 |
| City of Langley | $6,202 | $360,857 | $54,858 | $1,084,500 | $1,506,418 | 180 | $730,024 | 106.4% | $20,000.00 | $15,000.00 |
| City of Mission | $7,280 | $299,990 | $6,590 | $2,305,901 | $2,619,761 | 300 | $794,068 | 229.9% | Cost Plus + 15% + Fees | Cost Plus + 15% + Fees |

*The column entitled "Adjusted 2022 Total" reflects a 1.5x gross up factor to account for the increased building size from 50,000 sf in 2022 to 75,000 sf in 2024, and is applied to all survey participants

# Approval Timing

| Municipality | Rezoning Process (days) | Development Permit Process (days) | Subdivision Approval (days) | Building Permit (days) | 2024 Approval Timing (days) | 2022 Approval Timing (days) | % Change from 2022 |
|---|---|---|---|---|---|---|---|
| City of Surrey | 120-180 days | Concurrent | Concurrent | N/A | 180 | 180 | 0% |
| Township of Langley | 120-180 days | Concurrent | Concurrent | 120-180 days | 180 | 180 | 0% |
| City of North Vancouver* | 180-240 days | N/A | 180-240 days | 120-180 days | 660 | 360 | 83% |
| City of Abbotsford | Over 365 days | Concurrent | Concurrent | 60-120 days | 485 | 365 | 33% |
| City of Maple Ridge | 240-365 days | Concurrent | Concurrent | 240-365 days | 730 | 240 | 204% |
| Corporation of the City of White Rock | 240-365 days | Concurrent | Concurrent | 60-120 days | 485 | 730 | -34% |
| City of Chilliwack | N/A | Concurrent | 60-120 days | Concurrent | 120 | 120 | 0% |
| District of North Vancouver | 240-365 days | Concurrent | Concurrent | 240-365 days | 730 | 360 | 103% |
| City of New Westminster | 180-240 days | N/A | 60-120 days | Concurrent | 360 | 360 | 0% |
| City of Delta | Over 365 days | Concurrent | Concurrent | <60 days | 425 | 240 | 77% |
| City of Port Moody | 180-240 days | Concurrent | <60 days | 120-180 days | 480 | 485 | -1% |
| City of Pitt Meadows | 120-180 days | Concurrent | Concurrent | 60-120 days | 300 | 605 | -50% |
| City of Richmond | 120-180 days | Concurrent | Concurrent | Concurrent | 180 | 180 | 0% |
| City of Burnaby | Over 365 days | N/A | Concurrent | Concurrent | 365 | 180 | 103% |
| City of Port Coquitlam | 120-180 days | Concurrent | Concurrent | 60-120 days | 300 | 360 | -17% |
| District of West Vancouver | Over 365 days | Concurrent | <60 days | 60-120 days | 545 | 545 | 0% |
| City of Langley | 60-120 days | Concurrent | Concurrent | <60 days | 180 | 180 | 0% |
| City of Mission | 180-240 days | Concurrent | Concurrent | <60 days | 300 | 420 | -29% |

# Mill Rates

| Municipality | 2024 Commercial Mill Rate | 2024 Residential Mill Rate | Commercial-to-Residential Tax Ratio |
|---|---|---|---|
| City of Surrey | 3.792 | 1.499 | 2.531 |
| Township of Langley | 5.152 | 1.788 | 2.882 |
| City of North Vancouver | 5.674 | 1.769 | 3.207 |
| City of Abbotsford | 5.677 | 2.559 | 2.218 |
| City of Maple Ridge | 9.487 | 2.486 | 3.816 |
| Corporation of the City of White Rock | 3.684 | 2.313 | 1.593 |
| City of Chilliwack | 4.741 | 2.674 | 1.773 |
| District of North Vancouver | 4.549 | 1.639 | 2.776 |
| City of New Westminster | 8.001 | 2.628 | 3.045 |
| City of Delta | 3.160 | 2.117 | 1.493 |
| City of Port Moody | 4.477 | 2.389 | 1.874 |
| City of Pitt Meadows | 2.400 | 6.190 | 0.388 |
| City of Richmond | 3.58 | 1.670 | 2.144 |
| City of Burnaby | 4.841 | 1.490 | 3.249 |
| City of Port Coquitlam | 5.080 | 2.005 | 2.533 |
| District of West Vancouver | 3.406 | 1.598 | 2.131 |
| City of Langley | 5.555 | 2.184 | 2.543 |
| City of Mission | 9.149 | 2.569 | 3.561 |

# Future of Office Space

As many of you know, the office sector in Metro Vancouver has faced significant headwinds due to a combination of pandemic-related remote work trends, market conditions, inflation and interest rates. For the last two years, rising occupancy rates in office buildings, along with an increase in sub-lease space on the market, has created challenging conditions for this asset class. But is optimism re-emerging in the market? We canvassed some industry leaders on how they have handled these challenges and their thoughts on the future of office in Vancouver

**Brad Jones,** Chief Development Officer
Wesgroup

"New office development in Metro Vancouver is facing significant challenges. The extreme increase in Metro Vancouver's Development Cost Charges (DCCs), approved in 2024, has dramatically raised the cost of delivering new job spaces, including office buildings. Furthermore, in many Metro Vancouver municipalities, demand for office space remains limited. With downtown Vancouver office vacancy rates ending 2024 around 11%, and the broader Metro Vancouver vacancy rate hovering around 10%, the market is clearly struggling to absorb new supply, even with declining rents. Lack of pre-leasing or pre-sales, high government fees, and escalating construction costs collectively render office development unviable in many cases- similar to residential, it is a cost of delivery crisis as much as anything. Yet, local governments are increasingly seeking to mandate office requirements in mixed use projects and since they don't pencil, the housing component ends up subsidizing the office component, challenging the overall feasibility of housing projects and stalling developments that include office.

The Vancouver office market will likely remain under pressure in 2025, particularly in suburban markets. The education sector occupies approximately 20 - 25% of the Greater Vancouver office supply; they will be hesitant to make new commitments until there is clarity on government policy towards foreign students. 2025 will be the year we stop talking about 'work from home.' The narrative has shifted toward how office spaces are being used rather than whether they're needed. But all levels of governments must create a more investment-friendly environment. Only then will our region experience a rebound, not only in the office market but also across other sectors of commercial and residential development."

**Jarvis Rouillard,** Senior Vice President
PCI

"We're seeing a flight to quality in the Vancouver office market. Tenants are prioritizing well-located, amenitized buildings with strong sustainability features. In 2025, prime office space in Metro Vancouver will continue to attract tenants, ane we expect to see healthy absorption rates as the market stabilizes. At PCI, we're focused on providing top-tier locations with excellent transit access, desirable amenities, and efficient floorplates that meet the evolving needs of modern businesses. Our 'Stories at South Granville Station' project exemplifies our approach, with its prime location, integrated transit access, and focus on amenities and sustainability. The office sector will evolve, but high-quality, well-located spaces that foster collaboration and provide a superior tenant experience will remain in demand. Metro Vancouver's appeal to talent ensures a strong future for the office market."

**Andrew Chang,** Chief Executive Officer
LowTide Properties

"Vancouver's office leasing market is still seeing relatively high vacancy rates, with many businesses choosing move-in-ready, short-term sub-leases instead of long-term leases. Over the next year, we expect the market to stabilize as demand slowly recovers with companies navigating hybrid work setups and right-sizing efforts. Demand is likely coming from tenants looking to upgrade or relocate to A-class buildings long-term, as both demand uncertainty and high construction costs have led to limited supply of new office development scheduled to be delivered after 2025.

As the pendulum swings further towards in-person work, at Low Tide Properties we prioritize on improving tenant service, workplace experience and building amenities that help tenants draw their workers back to the office. Our current active development projects are primarily in the multi-family rental sector, with the exception of Lab 29, a 233,000 square foot LEED Gold office/ lab building located near the new St. Paul's Hospital in False Creek Flats for which we just received our development permit. As a long-term real estate investor, we continue to be confident about the future of the office market in Vancouver. With its strategic location on the west coast of North America offering easy access to Asia and other global markets, high quality of life, a diverse and well-educated talent pool, and comparatively lower payroll costs, Vancouver remains an attractive location for both domestic and international companies to set up offices."

CONTINUED ON PAGE 12

# Future of Office Space

**Chuck We,**
Chief Executive Vice President Pacific Northwest/ Canada
Hudson Pacific Properties

Over the past few years, the conversation among employers in Vancouver has shifted significantly to upgrading their spaces and inspiring productivity and creativity among their teams. They're not just evaluating the office space itself, but also prioritizing the building's overall experience – amenities, retail options and the landlord's ability to foster a dynamic and engaging environment. As access to capital improves, we expect to see capital deployed across projects, ranging from revitalizing lobbies, adding amenities and restaurants and creating vibrant, amenitized spaces designed to energize and attract tenants. This renewed focus on reinvestment will drive the evolution of office environments and strengthen their appeal in a competitive market.

In the current market, we have prioritized points of differentiation that we know create real value for our tenants and their employees. One example is hosting events and activations at our Bentall Centre campus. In 2024 alone, we organized over 140 days of activations, attracting more than 12,000 attendees. Additionally, we've introduced a series of pop-up retailers to support local businesses while gaining valuable insights into the offerings our tenants and visitors are most interested in. We've seen success with activations like our local craft and farmer's markets. Building on this momentum, we're excited to unveil the highly anticipated Central Restaurant and additional yet-to-be-announced dining options later in the year.

Looking ahead, we are seeing companies increasingly return to more time in the office to improve productivity and ingenuity. The long-term future of office lies in reimagined and engaging environments that inspire people to recommit to "work from work." Offices will continue to evolve as spaces that foster collaboration, creativity and connection, offering experiences that cannot be replicated remotely.

# Interview with Mr. Graeme Silvera

## founder of the NAIOP COB Report

**Graeme Silvera, Founder of the NAIOP Cost of Business Report**

This year marks the 25th anniversary of the NAIOP Vancouver COBS Report. Real estate veteran, Graeme Silvera, started the COB survey and on the occasion of this anniversary, we asked him about the history, evolution and future potential of the influential annual report.

Silvera started the NAOIP COBS Report in 2000, after joining NAOIP. At that time, the only way for developers to understand the various fees and processes across the 21 different member municipalities was to have someone drive around to every planning department, make an appointment, meet the planner, get the fee schedule and then put together a proforma. As a service to members, Silvera thought it would be valuable to understand the general development costs across different municipalities without going through that tedious process.

"It was a logistical nightmare," he said. "I thought: what if municipalities could do this as a service to industry? It was a shot in the dark. We weren't sure how we'd be treated, or whether they'd want to participate, as it was putting them in a competition against each other." But he succeeded, and after the first year where a few municipalities did not participate, by the second year, they had a 100% response rate. The report was a "great peer pressure tool that encouraged municipalities to do better," he said. "And no one else was doing it."

The report, which was always intended to be shared as an open source of information and data, influenced similar reports that began to be produced by other real estate organizations, like UDI and ULI. It won awards over the years in the US, and the Vancouver report was distributed to a lot of other NAOIP chapters who adapted it to their own markets. "It's a really useful tool that saves a lot of time for developers and gives municipalities a benchmark for where they are at."

In the first decade, it was a highly influential report that showed municipalities there were ways to streamline approval processes. "We were able to show that some municipalities could process things in parallel to shave significant time off approvals. And as the report matured, a lot of municipalities adopted that parallel process and that ended up speeding up approvals across the board."

Today, with municipal costs exceeding the rate of inflation, particularly DCCs, the report provides value in showing how costs increase, but a report can't reduce those inflationary increases. "No study can do that," said Silvera. "That requires regional and provincial leadership to stop costs from being downloaded onto development."

Looking forward, Silvera hopes the report will look at property taxation and the imbalance between residential and business, to give local business more of a voice. The COBS report could start to focus on the ratios, to shine a spotlight on what is a significant challenge for real estate growth in the coming years.

Graeme Silvera has worked in the real estate industry for 35 years, in single and multi-family residential development and construction, sales and marketing, IC&I real estate brokerage, retail shopping center development, industrial and institutional construction. He works with Westbank, Ivanhoe Cambridge and others in his own consultancy.

NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
VANCOUVER CHAPTER

# Market Update

## CBRE Q4 2024 Vancouver Office

▲11.2% Availability Rate

▲64K SF Net Absorption

▼583K SF Under Construction

▼$33.67 PSF Avg. Asking Rental Rate

### Market Highlights

- Overall Metro Vancouver office market vacancy increased 30 basis points (bps) to 11.2% in Q4 2024. However, a notable difference exists between Suburban vacancy which increased 80 bps to 10.8%, and Downtown vacancy which dropped 30 bps to 11.5% overall.
- While vacancy within the Downtown core remains elevated, previous quarters ranging between 11.0% - 12.0% suggest a plateau has been reached. We are at the end of the current construction cycle, and 91.2% of the new supply has been occupied. Going forward, a lack of new supply indicates that vacancy should decline.
- Suburban vacancy has undergone a significant year-over-year increase of 310 bps to 10.8%.This is concurrent with the flight-to-quality trend which remains prominent as we are witnessing some occupiers relocate their offices to highly amenitized buildings.
- Historically, Downtown vacancy for Class AAA & A inventory has moved in tandem with Class B & C assets, however, presently the spread in vacancy between these two assets types has now grown to 520 bps suggesting that lower quality unamentized buildings have lost tenants to better quality buildings.

### The current office landscape

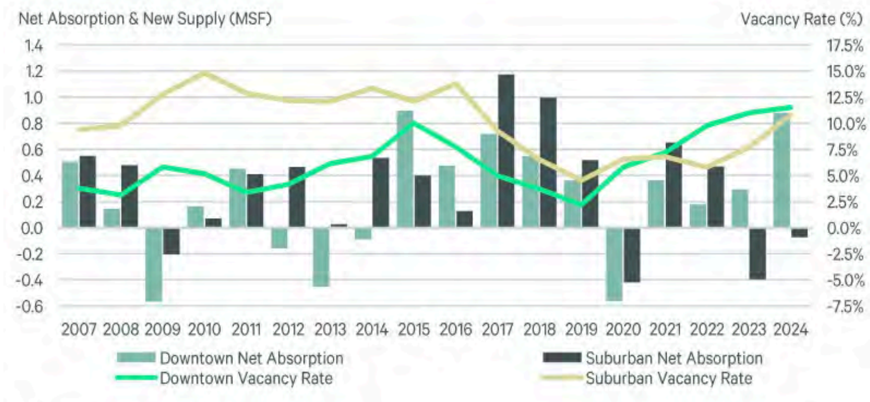
To conclude the year, both vacancy and availability rates in Metro Vancouver's office market experienced quarterly increases of 30 bps, reaching 11.2% and 13.9%, respectively. The ongoing delivery of vacant new supply in the Suburban markets, along with vacant subleases, continues to pose challenges. Consequently, headlease vacancy throughout Metro Vancouver has risen by 40 bps to 8.8%, while sublease vacancy has decreased by 10 bps to 2.4%. When considering the quality of the product across the entire market, vacancy rates within Class AAA & A inventory experienced a 10 bps quarterly decline to 10.8%, whereas Class B & C inventory saw an increase of 80 bps to 11.8%. Over the past four quarters, both types of assets have experienced a 180 bps increase. However, the rise in Class AAA & A vacancy rates was driven exclusively by the Suburban markets, in contrast to Class B & C inventory, which was propelled by buildings in the Downtown core.

In the Downtown core, overall vacancy rates experienced a 30 bps decline quarter-over-quarter, dropping to 11.5%. Head lease vacancy rates declined by 20 bps, reaching 9.3% for all asset classes, while sublease vacancy rates remained steady at 2.3% of total Downtown inventory. Compare this to the end of 2023, when head lease vacancy rates for the Downtown core had increased by 110 bps, while sublease vacancy rates had declined by 50 bps. As a result of rising headlease vacancy rates over this period, average asking lease rates across all asset classes in the Downtown core compressed to $37.20 per sq. ft. through 2024, noting a 3.8% annual decline.

In the Suburban markets, overall vacancy rates experienced an 80 bps increase quarter-over-quarter, reaching 10.8%. To provide additional context, vacancy rates have risen by 310 bps over the past year. A significant portion of this increase is attributable to the delivery of vacant new supply, totaling 110,000 sq. ft. in Q4 2024. Over the same period, Suburban sublease vacancy rates have only increased by 40 bps to 2.5% in Q4 2024. Driven by elevated vacancy rates, particularly from new construction, average asking lease rates in the Suburban markets have inflated to $29.47 per sq. ft., marking a 7.2% annual increase.

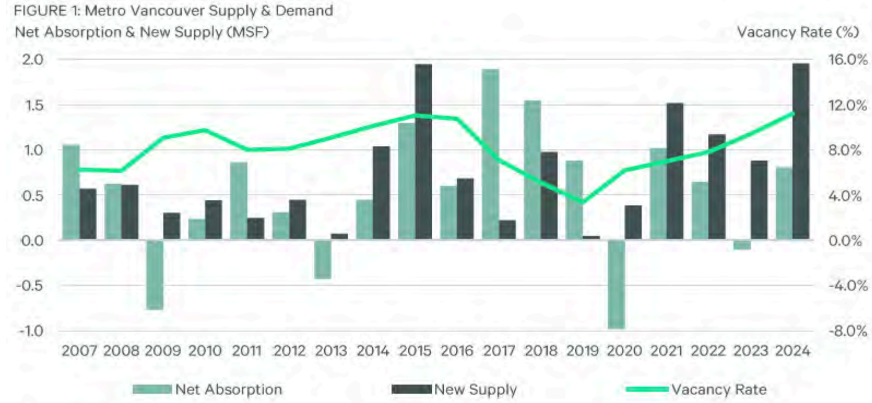
While both regions of the Metro Vancouver office market are experiencing phases of elevated vacancy, their narratives are closely tied to new supply, which posted a record annual total of 2.0 million sq. ft. Both regions were at record low vacancy rates pre-pandemic, which spurred the current development cycle. However, the Downtown core has nearly capped this cycle and is only expected to deliver one competitive building (29,000 sq. ft at 837 Beatty St) in late 2025, paving the way for the

FIGURE 2: Regional Supply & Demand



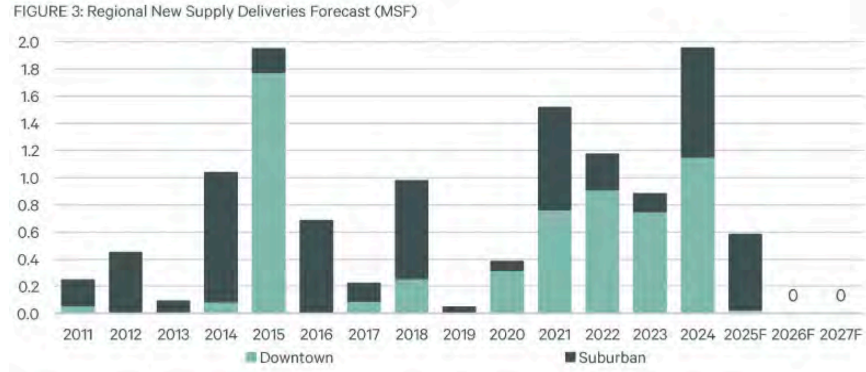

Source: CBRE Research, Q4 2024.

FIGURE 1: Metro Vancouver Supply & Demand




Source: CBRE Research, Q4 2024.

FIGURE 3: Regional New Supply Deliveries Forecast (MSF)




Source: CBRE Research, Q4 2024.

# Market Update

market to absorb vacant inventories, a process that has already begun. In contrast, the suburbs are expected to deliver an additional 553,000 sq. ft. of new supply over the next 12 months, in a market where pre-pandemic demand has yet to return.

## A bifurcated Downtown market

Throughout Q4 2024 and across all asset classes, the Downtown market recorded nearly 550,000 sq. ft. of gross leasing activity and net positive absorption levels of 76,000 sq. ft., ultimately compressing vacancy rates. However, there remains a divide between segments of inventory classes.

Dating back to the end of 2022 and inclusive of previous years, vacancy rates between the combined Class AAA & A inventory moved in tandem with the combined Class B & C inventory. The spread in vacancy between these two types of assets from 2010 to 2022 averaged 180 bps. By the end of 2024, this spread has inflated to 520 bps, driven by a three-year annual decline in Class AAA & A inventory to 9.4%, while Class B & C inventory recorded a 270 bps annual increase to 14.6%.

Sustained leasing activity within quality buildings that are well positioned and highly amenitized is expected to further compress vacancy rates in AAA & A buildings, especially given that no major office developments are expected to be delivered within the Downtown core for the foreseeable future. Additionally, while an estimated 130,000 sq. ft. of subleases are expected to expire in 2025, nearly two-thirds of this is localized to Class B & C buildings, which could further inflate the combined vacancy rate and increase the spread.

## A thinning, but varied, sublease pool

In recent months, total sublease availability in the Downtown market has modestly declined. However, there remain a few notable large blocks of space larger than 20,000 sq. ft. with expiries recorded in the next three calendar years. Together, these comprise 26.0% of all space available for sublease within the Downtown core. Availability of sublease space larger than 20,000 sq. ft. thins out through 2028 onwards and makes up just 16.4% of all space within the Downtown market. For sizable occupiers still considering their real estate solutions, the pool of turnkey availabilities with extended terms continues to thin.

Proportionately, all contiguous blocks of space 10,000 sq. ft. or smaller within the Downtown core make up just 30.1% of available sublease inventory, regardless of their noted lease expiration date. Considering the continued flight to quality in recent years, there remains a significant lack of smaller turnkey occupier solutions at below-market rents.

The sentiment in the Suburban markets is vastly different compared to the Downtown market. Of the fifteen options larger than 20,000 sq. ft., only three have lease expiration dates within the next three years, totaling 139,000 sq. ft. The remaining twelve options, set to expire in 2028 or later, amount to 627,000 sq. ft., with 65.6% of the total 766,000 sq. ft. localized to the Burnaby submarket.

Turnkey solutions smaller than 10,000 sq. ft. are fairly evenly distributed between the Burnaby market and the other Suburban markets combined, accounting for 56,000 sq. ft. and 47,000 sq. ft., respectively. Lease expirations for this inventory smaller than 10,000 sq. ft., however, are significantly skewed to the next three calendar years and consist of 73.7% of total suburban sublease availability.

One consistent theme that holds between both the Downtown and Suburban markets is the general lack of small-scale turnkey office solutions. There are a total of 41 suites smaller than 5,000 sq. ft., amounting to only 6.4% of all sublease availability. Continued absorption of this product is expected given the absence of built-out headlease product and continual strong demand in this size range.

As a result of these market dynamics, annual absorption for Class AAA & A inventory more that tripled the prior four-year annual average, and exceeded the these years combined (2020 - 2023). Based on available transaction data for headlease deals larger than 5,000 sq. ft., more than 70% of the transacted sq. ft. signed leases with terms of five years or longer.

FIGURE 4: Downtown Gross Leasing Activity (000s SF)

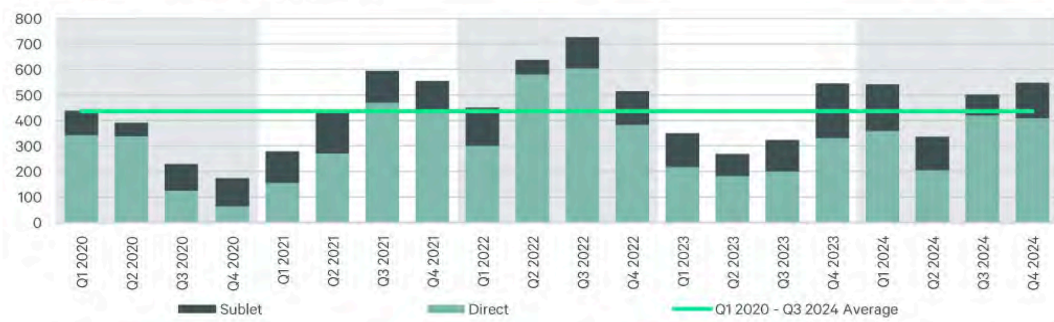



FIGURE 5: Segmented Downtown Vancouver Supply & Demand

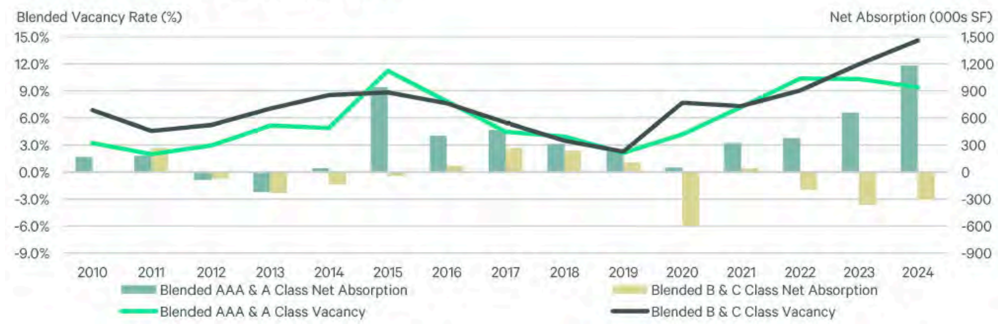
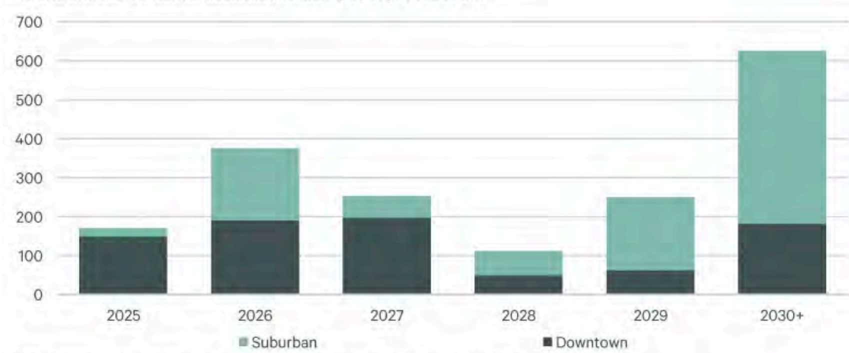



FIGURE 6: Metro Vancouver Sublease Availability by Expiry (000s SF)




Note: Sublease availabilities above contain no restrictions surrounding occupancy dates.
Source: CBRE Research, Q4 2024

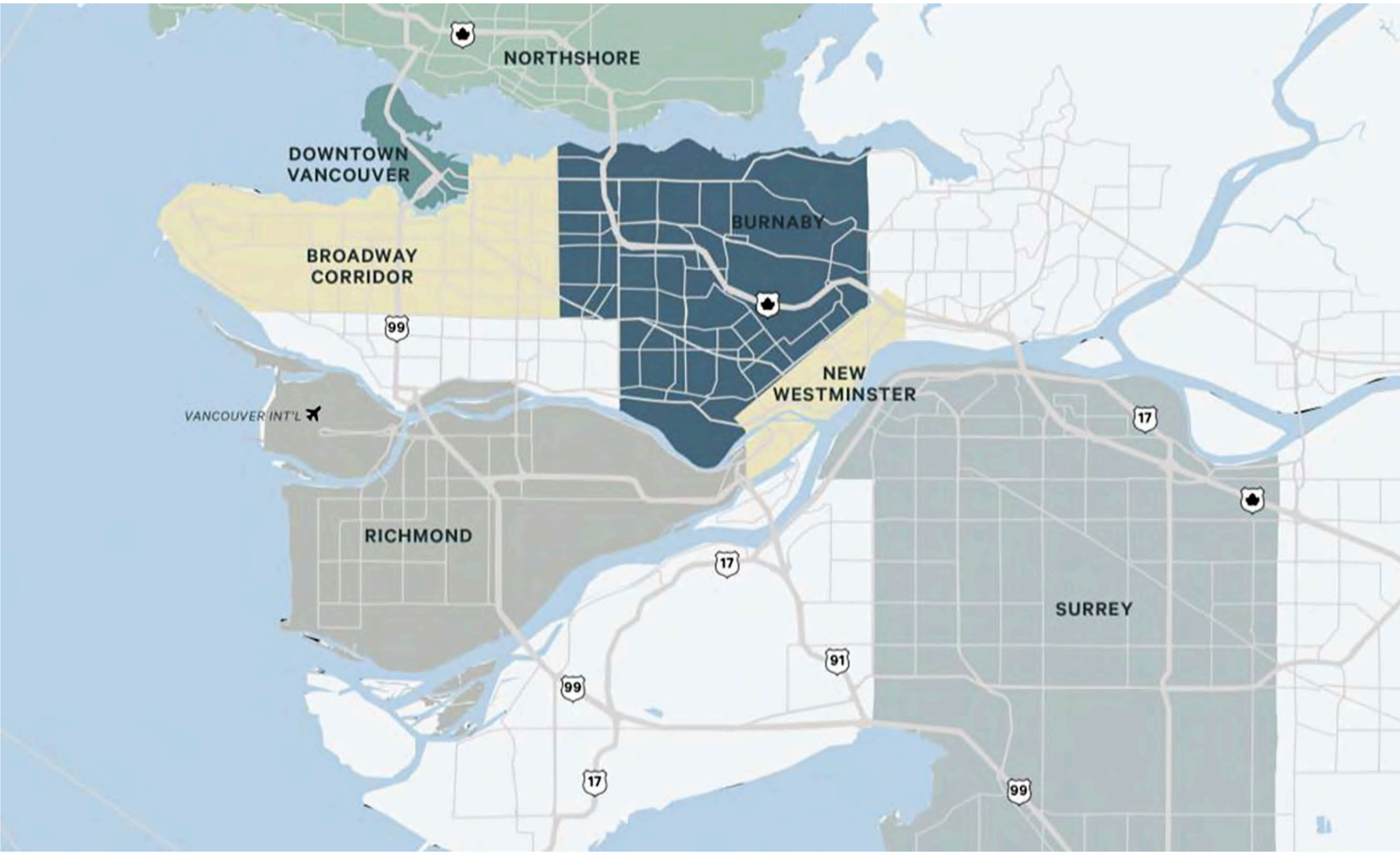
FIGURE 7: Notable Metro Vancouver Lease Transactions

| Size (SF) | Tenant | Address | Submarket | Industry | Deal Type |
|---|---|---|---|---|---|
| 82,108 | Connor, Clark & Lunn | 1090 W Pender Street | CBD | Financial Services | Direct |
| 48,000 | Sony Pictures Imageworks Canada | 349 W Georgia Street | CBD | Creative Industries | Direct |
| 41,558 | AECOM Canada Ltd | 3292 Production Way | Burnaby | Engineering | Direct |
| 33,000 | AtkinsRealis | 733 Seymour Street | CBD | Engineering | Sublease |
| 26,350 | Boeing Canada Operations Ltd. | 13575 Commerce Parkway | Richmond | Aerospace | Direct |

Source: CBRE Research, Q4 2024.

# Market Update

## Market Area Overview




### Definitions

Average Asking Lease Rate A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft of the building, typically taken at the "drip line" of the building. Net Absorption: The change in occupied sq. ft from one period to the next Net Lease Rate: Rent excludes one or more of the "net" costs Creal property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Vacancy Rate: Total vacant sq. ft divided by the total building area. Vacant sq. ft: Space that can be occupied within 30 days. Availability: All current and future marketed lease availabilities in existing inventory Full floor: a floor over 8,000 sq. ft

### Survey Criteria

Includes all competitive office buildings in Greater Vancouver. Under construction refers to buildings which have begun construction as evidenced by site excavation or foundation work.