

SPOTLIGHT ON: VANCOUVER

Vancouver emerging from Portland's shadow

Although Portland's downtown and close-in eastside office submarkets have been receiving a lot of attention lately, the Vancouver office market is performing well and is on the verge of breaking out of Portland's shadow.

Leading the way is Gramor Development's 32-acre master-planned \$1.5 billion public/private partnership known as The Waterfront. The project will deliver approximately 5 million square feet in the coming years, including 1.25 million square feet of creative office space, 250,000 square



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feet of restaurant and retail space, and 3,300 housing units along the

Columbia River, just northwest of the Interstate Bridge.

Construction is now underway on Grant Street Pier, a cable stay pier that extends out over the Columbia River. It broke ground this month as part of the half-mile long riverfront experience. Twiggs Bistro & Martini Bar and WildFin American Grill have committed as the first two restaurants and Hotel Indigo and M.J. Murdock Charitable Trust will be notable additions. With the first 70,000-square-foot Class A office forecast to break ground shortly, there

will undoubtedly be more exciting announcements soon. The rise of the waterfront development is no coincidence as Vancouver's office market fundamentals have been steadily improving year-over-year.

Gramor isn't the only developer taking notice of Vancouver's office market emergence. Killian Pacific is behind The Hudson, downtown Vancouver's first new office development in years. The 48,000-square-foot, three-story building was delivered first quarter of this year with well over half of the building pre-leased. The building was designed to attract "creative" tenants. Banfield Pet Hospital is also making a significant investment in east Vancouver with a 17.5 acre, \$23.3 million corporate campus under construction. It is scheduled to deliver the third quarter of 2016 and the campus is forecast to result in 600-plus jobs moving from Portland to Vancouver.

Has Vancouver been overlooked by the wave of tech and creative companies? Not at all – notable leases over the past 12 months include DiscoverOrg's 15,975-square-foot expansion in January, now occupying a total 43,018 square feet of space at the 805 Broadway Building. Their continued commitment to downtown will no doubt contribute to Vancouver's growing tech scene with new development and redevelopment leading the way.

So far in 2016, Vancouver posted nearly 75,000 square feet of positive absorption, with 38,424 square feet in the second quarter, an impressive sixth straight quarter of positive absorption. The overall vacancy rate for the second quarter of 2016 ended at 8.8 percent, a 2.5 percentage point decline from second quarter 2015 and a 14.2 percentage point decline from Vancouver's 10-year vacancy rate high of 23 percent in the fourth quarter of 2009. Class A office space ended the second quarter at 10.6 percent vacancy a 3.7 percentage point decline over the last 12 months, so it is no surprise that asking rents are rising.

Vancouver continues to be one of the strongest markets in the Portland metro area given there are only 21 spaces available between 5,000 and 10,000 rentable square feet and no notable sublease space actively on the market. The development/redevelopment activity will continue to put an exclamation point on the fact that demand for Vancouver office space, both downtown and in the suburbs, is here to stay.

In addition to the strong commercial real estate market, it is important to note that Vancouver boasts a growing beer, coffee and arts scene which makes it a desirable place to live and work.



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