

# Office Snapshot Q2 2016

Victoria, BC



## VICTORIA OFFICE

### Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Victoria Employment	186k	191k	▲
Victoria Unemployment	6.1%	5.1%	▼
Canadian Unemployment	6.8%	6.9%	▲

### Economy

British Columbia is currently holding the top ranked spot in Canada for growth thus far in 2016. The solid growth momentum that the province saw throughout 2014 and 2015 has carried into 2016. The economic growth has been fueled primarily by domestic sources with external sources playing an ever-increasing role. Households in B.C. are poised to create substantial activity again in the retail, services, and housing sectors, similar to the past two years. Businesses are ready to boost capital spending throughout the province. While the provincial external trade sector has been less prosperous than expected, consistent increases in non-energy exports bode well for an improvement in growth. Predictions are for exports to be a key driver of the province’s forecasted growth rate of 2.3% in 2017.

### Market Overview

There has been a positive turn around in the Greater Victoria office market in Q1 2016, with overall vacancy decreasing slightly along with positive absorption figures; the second time this has occurred in tandem since 2011. In recent years there has been both a lack of demand and lack of new supply in downtown Victoria of high quality class A space. However, with increased demand from a continuously buoyant private sector, particularly the technology industry, it has prompted developers to commence construction on new projects such as 1515 Douglas Street - 111,428 square feet (sf). It is safe to assume this property will be substantially pre-leased by completion in Q1 2018 to strong class A office tenants in varying sectors. The continued good news story is that the market is seeing such high demand for office space that the space being vacated in lower class office buildings is being absorbed just as quickly; therefore the added new supply will not necessarily adversely affect the overall vacancy rate. The other factor that substantiates this strong office market is that local private landlords are purchasing existing office buildings with vacancy with the intent to upgrade the buildings with bike storage, showers, and sustainable features to attract office

tenants who are expanding and are in need of office space quickly. On several occasions, office buildings with vacancy have had leases in place before the new owners even completed the purchase.

### Outlook

New office supply continues to arrive to the market throughout Victoria and the Capital Regional District. It is currently expected that approx. 900,000 sf of office space will rise in Victoria over the next 2-3 years. The expectation of this new product is that approximately 193,000 sf will be absorbed by the provincial government, 180,000 sf will be absorbed by BCIMC, and the remainder will be absorbed by strong private sector tenants, including local and global technology tenants. In addition, it has been speculated that the provincial government is also considering taking an additional 67,000 sf of this new Class A office space, but this has yet to be confirmed. In anticipation of the vacant space coming on the market when these tenants move, there has emerged a new demand from class B and C tenants interested in upgrading and expanding to absorb this existing supply of office space.

Office rental rates are currently estimated as follows:

New Construction - Class A	\$23 - \$31 psf net
Existing Inventory - Class A	\$20 - \$25 psf net
Class B	\$18 - \$20 psf net
Class C	\$14 - \$18 psf net

There is currently a serious shortage of large blocks of quality office space available for lease in Victoria. As a result, this has prompted landlords to commence construction of new builds. In addition, due to the conversion of many downtown surface parking lots into residential, Victoria is starting to experience a decided lack of parking options. There are currently few buildings that can provide parking for their office tenants since a large majority of the existing office buildings are considered heritage status, therefore those buildings that can provide parking are in high demand from tenants. Other qualities that are proving to be very attractive to tenants are buildings with unique features such as high ceilings, sustainable features, and outdoor space.

## MARKETBEAT

# Office Snapshot Q2 2016

Victoria, BC



### Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1515 Douglas Street	21,075	Workday Canada	New Lease	Victoria
26 Bastion Square	3,094	Workday Canada	Renewal	Victoria
3962 Borden Street	6,217	Sunlife	Renewal	Saanich
1120 Yates Street	3,809	Perкуро Clinical Research	New Lease	Victoria
26 Bastion Square	3,421	Workday Canada	New Lease (expansion)	Victoria

### Key Sale Transactions 2016

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
45 Erie Street	26,344	Alpha Waterfront Development Inc.	\$8,150,000 (listed)	James Bay
1107 Wharf Street	28,400	Kai De Ming Holdings Ltd.	\$10,380,000 / \$365	Victoria
844 Courtney Street	28,374	844 Courtney Street Holdings Inc.	Undisclosed	Victoria
1022 Government Street – 2 <sup>nd</sup> floor office	19,761	Purdey Ventures Ltd.	\$11,000,000 / \$556	Victoria

### Key Projects Under Construction

PROPERTY	SF	DEVELOPER / BUILDER	SUBMARKET	COMPLETION DATE
1950 Blanshard "Azzuro"	10,800	GVRDS	Victoria	Q4 2016
1515 Douglas St	111,428	Jawl Properties	Downtown	Q1 2018
Capital Park	235,000	Concert & Jawl Properties	Downtown	Q2 2017
Hudson Place	Up to 72,000	Townline	Downtown	Q3 2018
3645 Tillicum Road	Up to 12,162	King Lasik	Saanich	Q4 2016

Cushman & Wakefield  
340 – 730 View Street  
Victoria, B.C. V8W 3Y7  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Melissa Morris  
Market & Research Analyst  
Tel: 250 410 3004  
[Melissa.morris@ca.cushwake.com](mailto:Melissa.morris@ca.cushwake.com)

#### About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

Copyright © 2016 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.