

VICTORIA RETAIL

National	2015	2016F	12-Month Forecast
GDP Growth	1.1%	1.4%	▲
CPI Growth	1.1%	1.6%	▲
Consumer Spending Growth	1.9%	2.1%	■
Retail Sales Growth	1.7%	3.4%	▲

Regional	2015	2016F	12-Month Forecast
Household Income	\$87,375	\$88,263	▲
Population Growth	1.0%	1.3%	▲
Unemployment	6.1%	6.2%	▼

Source: Statistics Canada / RBC Economics

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

Beginning this year downtown Victoria street-front retail space has begun to be leased steadily, although overall vacancy rates remain in the low teens. Given the increased demand in the retail leasing market in the last half of 2015 and the first quarter of 2016, the outlook for downtown retail in the latter half of 2016 is forecasted to be positive. Landlords have made adjustments in their leasing strategies to attract tenants and there is growing confidence among tenants that the downtown area is financially the right place for their business. This is expected to continue throughout the remainder of 2016.

The Suburban retail market appears to be absorbing availabilities at a steady rate with limited quality space available for qualified tenants. Well positioned new developments such as Eagle Creek are leasing quickly with various types of retailers who are attracted to the close proximity of the Victoria General Hospital.

Overall rental rates for retail within the City of Victoria and Suburban markets range between \$15-\$45 per square foot (psf) depending on class and location.

As the retail leasing market begins to stabilize, negative pressure on capitalization rates is anticipated throughout the remainder of 2016 and well into 2017. Traditional returns of 6% are becoming harder to find and buyers are becoming more creative with how they generate returns from assets

Outlook

The outlook for the remainder of 2016 appears to be positive. Long standing vacancies are now being absorbed with lease rates generally stabilizing over all asset classes. In addition, the retail leasing market is well positioned to benefit from continued upward pressure on the office leasing market and additional residential density. In the next 1-3 years, the Capital Regional District is expecting upwards of 780,000 square feet (sf) of retail space to be added to the area; space that is currently in the proposed or planning stages or is already under construction.

Significant 2016 Lease Transactions

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Eagle Creek	48,000	Quality Foods	New Lease	View Royal
910 Government Street	5,819	Frankie's Modern Diner	New Lease	Victoria
3090 Nanaimo Street	7,448	Westcoast Appliance Centre	New Lease	Victoria
3170 Tillicum Road	6,500	Anytime Fitness	New Lease	Victoria

Significant 2016 Sale Transactions

PROPERTY	SF	BUYER	PRICE/\$PSF	SUBMARKET
1126 Quadra Street	3,600	JRK Investment Management Inc.	\$755,000 / \$209	Victoria
1010 Fort Street	6,720	Abstract Holdings Inc.	\$1,075,000 / \$160	Victoria
1038 Fort Street	3,360	Steven Yeu Min Chin	\$720,000 / \$214	Victoria
111 – 866 Goldstream Avenue	2,215	Malidam Holdings Inc.	\$1,140,000 / \$514	Langford

Significant Projects Under Construction

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
1515 Douglas Street	32,399	TBA	Mixed-use	Victoria
Uptown Phase III	40,000	TBA	Mixed-use	Saanich
Capital City Park	6,200	TBA	Office & Retail	Victoria
The Janion	16,000	TBA	Mixed-use	Victoria
Belmont Market	200,000	TBA	Retail	Langford

About Cushman & Wakefield