

Office Snapshot Q4 2015

Victoria, BC



VICTORIA OFFICE

Economic Indicators

	2014	2015	12-Month Forecast
Victoria Employment	182k	194k	▼
Victoria Unemployment	4.9%	6.1%	▲
Canadian Unemployment	6.6%	7.1%	■

Economy

As 2015 comes to an end, all signs point to British Columbia leading the way for GDP growth in Canada for 2016, outpacing the other provinces. This is due in part to rising housing valuations and a strengthening labour market. The unsustainable growth in housing prices coupled with the expected reduction in the monetary policy stimulus in late 2015 present's challenges for major housing markets in the province going forward. Although, export growth should provide an anchor for economic activity in 2016 as the U.S. economy is poised to strengthen and the tailwinds from the low Canadian dollar are set to persist. Real GDP growth is forecasted to record a 2.9% rate at year-end 2015 and accelerate slightly to a 3.1% rate in 2016.

Market Overview

There has been a positive turnaround in the Greater Victoria office market in 2015, with overall vacancy decreasing slightly and positive absorption figures; the first time this has occurred in tandem since 2011. In recent years there has been a lack of new supply in downtown Victoria of high quality class A space; however, with increased demand from a buoyant private sector, particularly in the technology industry, may prompt developers to commence construction on new builds. In anticipation of this landlords of sub-'A' class space are taking action to secure leases prior to new buildings being completed in the downtown core. Owners not actively pursuing leases are considering selling their buildings to buyers who are willing to take on the risk of transforming these buildings into desirable lease space.

Outlook

To meet demand of a strengthening and expanding private sector, particularly within the high-tech industry, new office supply will continue to arrive to the market over the next two years. One of these projects is Jawl Properties new office development at 1515 Douglas Street. It is suggested that this building will be 100% pre-leased before construction is completed in Q1 2018. Capital City Park located directly behind the Legislature buildings will offer 235,000 square feet (sf) of office space in two 4-5 storey buildings. Finally Eagle Creek Village located in View Royal is constructing an 76,000-sf office building and is situated directly across from the Victoria General Hospital. Also, in anticipation of and requirements supporting this demand, several landlords are renovating downtown office buildings with hopes to capture tenants out in the market. The general consensus in the Victoria market is that tenants are in expansion mode, are upgrading their space, and have better financial covenants in hand.

Office rental rates have risen since 2014/2015 and are currently estimated as follows:

New Construction - Class A	\$25 - \$32 psf net
Existing Inventory - Class A	\$20 - \$25 psf net
Class B	\$16 - \$20 psf net
Class C	\$13 - \$16 psf net

There is currently a lack of large blocks of quality, class A office space available for lease in Victoria, a strong incentive for landlords to commence construction on new buildings. In order to attract tenants these buildings will have to include amenities that are in high demand - such as bike storage, showers and lockers, parking, sustainable building efforts, LEED design, high ceilings and outdoor space.

MARKETBEAT

Office Snapshot Q4 2015

Victoria, BC



Key Lease Transactions 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
St. Andrews Square	8,145	Investors Group	Renewal	Victoria
Midtown Court	8,118	Western Cardiologist	New Lease	Victoria
Bastion Square	22,000	Ministry of Technology	New Lease	Victoria
Eagle Creek	15,315	Western Financial Group	New Lease	View Royal
1221 Broad Street	8,200	Change.org	New Lease	Victoria

Key Sale Transactions 2015

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Redbrick Building	24,348	0873201 B.C. Ltd. / Tim Quocksister	\$4,500,000 / \$185	Victoria
Bastion Square	32,089	8 – 10 Bastion Square Inc. / CIC Equities Corp.	\$6,275,000 / \$196	Victoria
908 Pandora Ave	40,867	690114 B.C. Ltd. / Winspan Holdings Ltd	\$10,500,000 / \$257	Victoria
838 Fort St	19,307	Sunstore (Fort Street) Holdings Inc. / 838 Fort Holdings Ltd.	\$3,200,000 / \$166	Victoria
977 Fort St	9,564	Fort Street Holdings Ltd. / 977 Fort Street Ltd.	\$3,350,000 / \$350	Victoria

Key Projects Under Construction

PROPERTY	SF	DEVELOPER / BUILDER	SUBMARKET	COMPLETION DATE
23 Helmcken Road "Eagle Creek"	76,000	Omicron	View Royal	Q1 2016
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

Cushman & Wakefield
340 – 730 View Street
Victoria, B.C. V8W 3Y7
cushmanwakefield.com

For more information, contact:
Melissa Morris
Market & Research Analyst
Tel: 250 410 3004
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 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.