

VICTORIA OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Victoria Employment	187k	192.3k	▲
Victoria Unemployment	5.0%	4.4%	▲
Canadian Unemployment	7.0%	5.8%	▼

Economy

British Columbia's economy kicked off 2018 on a strong note, although it is expected that the extended booming economy will slow over the next two years. By no means does this demonstrate a sign of weakness; rather, there is little slack left to take up in an economy that currently boasts a record low unemployment rate, strong consumer spending, and a buoyant housing market. Projected growth remains positive at 2.3% in 2018, and then somewhat moderating to 1.7% in 2019.

Canadian GDP growth came in below the Bank of Canada's 2.5% forecast in the fourth quarter of 2017, but strong domestic demand tempered that disappointment. Stronger wage and inflation data supports the Bank of Canada's tightening bias, but policy makers are right to be cautious amid growing trade concerns. How tariff discussions and NAFTA talks evolve in the next month or so will impact the bank's next rate decision.

Source: RBC Economics

Office rental rates are currently estimated as follows:

Class	Rates – Downtown	Rates – Suburban
Class AAA	\$29 - \$32 psf net	\$26 - \$29 psf net
Class A	\$23 - \$27 psf net	\$22 - \$26 psf net
Class B	\$18 - \$22 psf net	\$16 - \$22 psf net
Class C	\$14 - \$17 psf net	\$12 - \$16 psf net

Market Overview

Through the first quarter of 2018, the Capital Regional District (CRD) office market has been increasingly active with a number of large scale office tenants taking possession of new spaces.

Large blocks of space that have been absorbed this quarter include bclMC's occupation of approximately 180,000 square feet (sf) out of the total 185,000 sf in 750 Pandora of Class AAA space in mid-March 2018. It is anticipated that bclMC could have up to 700 employees at their new premises in coming years. CGI Group Inc. has moved into approximately 30,000 sf over 3 floors at 1175 Douglas Street, and Babcock International is expanding into another 30,000 sf, for a total of 60,000 sf, at 3680 Uptown Boulevard.

Downtown core businesses are feeling the pressure of a busier core, with the increasing unavailability of parking. Cycling infrastructure is being added in an attempt to alleviate this problem, but it is paradoxically impacting the accessibility of on-street parking in the Downtown core. As a result of this issue, some core tenants are starting to look to the perimeter of Downtown. For example, the Lasik MD building at 3645 Tillicum has 3,000 sf remaining out of 15,500 sf that was once available, and McKenzie Professional Centre has added 3 new tenants this quarter, for a total of 7,000 sf.

The overall vacancy rate for downtown office space currently stands at 7.4%. The downtown office market indicates a high demand for Class A space, represented by 2.3% vacancy - the lowest across all asset classes. Bolstering this statement, the anticipated mid-year completion of 1515 Douglas Street will introduce approximately 108,000 sf of new office inventory, of which approximately 60% has been pre-leased. As Class A space continues to be absorbed, pockets of Class B and C space are being vacated which has pushed vacancy rates to 9.3% and 11.4%, respectively. Notably, the Ministry of Children and Family Development's move to Capital Park Phase I created a 65,000-square-foot block of vacancy in 765/777 Broughton Street.

Outlook

A strong second quarter of 2018 is anticipated in the office market sector as development continues to thrive, improving the overall economic health of the city. Recent provincial mandates are bolstering demand for medium to large blocks of space, as well as a successful tech sector that continues to grow. As space is absorbed, revitalization of older buildings such as 777 Broughton and the Victoria Press Building will garner more interest from the market.

MARKETBEAT

Victoria, BC

Office Q1 2018



Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3680 Uptown Boulevard	30,000	Babcock Canada	Expansion	Saanich
1000 – 730 View Street	9,500	BMO Financial Group	Renewal	Downtown
1595 McKenzie Avenue	3,600	IDHHC	Lease	Saanich
3645 Tillicum Road	3,000	Condo Group	Lease	Saanich
736 Broughton Street	2,275	Freshworks	Expansion	Downtown
400 - 3 Fan Tan Alley	1,874	Momentum Dashboard Inc.	Lease	Downtown

Key Sale Transactions Q1 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
3795 Carey Road – Apex Building	39,074	Undisclosed	Undisclosed	Saanich
3375 Whittier Avenue	30,660	Trillium Capital Properties Ltd. / Whittier Holding Ltd.	\$6,025,000 / \$197	Saanich
850 Courtney Street	7,141	850 Courtney Holdings Ltd. / N/A	\$2,310,000 / \$323	Downtown
1560 Church Avenue	5,238	Varsity Mews Development Ltd. / N/A	\$1,550,000 / \$296	Saanich

Key Projects Under Construction

PROPERTY	SF	DEVELOPER / BUILDER	SUBMARKET	COMPLETION DATE (estimated)
Capital Park Phase 2 545 Superior Street	118,000	Jawl / Concert	Downtown	August 2019
1515 Douglas Street	111,428	Jawl Properties	Downtown	April 2018
376 Harbour Road	15,000	Owner / Occupier	Victoria West	December 2018
Esquimalt Town Centre	40,000	Aragon Properties	Esquimalt	2019

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