

MARKETBEAT

Victoria, B.C.

Retail Q2 2018



Economic Indicators

National

	2017	2018	12-Month Forecast
GDP Growth	1.2%	2.0%	▲
CPI Growth	1.1%	2.2%	▲
Consumer Spending Growth	1.1%	2.1%	▲
Retail Sales Growth	1.7%	3.0%	▲

Regional

	Q2 17	Q2 18	12-Month Forecast
Household Income	\$96,510	\$97,343	▲
Population Growth	1.2%	1.3%	▲
Unemployment	3.8%	4.2%	▲

Source: Statistics Canada / RBC Economics / Sitewise

Economy

British Columbia has been amongst Canada's growth leaders during the majority of the last decade and preliminary data from Statistics Canada shows the provincial economy grew at its fastest pace since the recession in 2017. Somewhat slower growth, but still above-average, is anticipated to continue through the remainder of 2018. Looking to 2019, British Columbia's growth will slow, reaching closer to the national average, as a tight labour market curtails employment growth and impediments to investment and trade growth weigh on the outlook. After growing by an estimated 3.7% in 2017, it is forecasted the provincial economy will grow by 2.3% in 2018 and 1.7% in 2019.

Source: RBC Economics

British Columbia: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Market Overview

Victoria continues to be a tight market with available space continuing to shrink. The most active tenants in the market are food/beverage related, entertainment based, and service orientated. Displaced tenants are having an impact on supply as developers continue to take existing underperforming retail units and develop them into mixed-use developments. If this trend continues, demand could outpace supply.

The majority of product remaining on the market is Class C spaces, with the demand from cannabis retailers decreasing as regulations start to become more defined. Additional product is likely to come back to market if licensing is not granted for those dispensaries that are currently operating without a license. If these spaces become available, they may be absorbed by some of the displaced tenants looking for space.

The Capital Regional District (CRD) has many development projects currently under construction. The Belmont Market, located in Langford, is scheduled to complete construction for Phase One in September 2018. When this mixed-use development is completed, there will be approximately 160,000 square feet of retail space that will be added to the market. Currently the project is approximately 62% leased throughout the three phases.

Outlook

Victoria has the highest concentration of self-employed people among Canada's metropolitan cities. Due to this constant inflow of entrepreneurs, the retail vacancy rate continues to sink to all-time lows. The CRD continues to reach the lowest unemployment rates in Canada. According to Statistics Canada, since January 2018 to present, the unemployment rate in the CRD has fluctuated between 3.8% and 4.6%. This is largely due to the onset of the dynamic change in demographics for the City of Victoria and CRD as a whole.

Demand for quality retail space that is centrally located remains high. Lease rates have remained stable with some pressure being placed on high profile lease premises. Landlords who tend to provide tenant improvement allowances are able to achieve upper end retail rates as they offset the startup costs for tenants.

Sources: RBC Economics, Statistics Canada, Sitewise

Significant 2018 Lease Transactions

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
184 Wilson Street	3,350	Browns Social House	New Lease	Victoria West
2680 Blanshard Street	5,225	Memory Express Computer Products Inc.	New Lease	Victoria
1609 Douglas Street	1,354	Undisclosed	New Lease	Victoria
1215 Government Street	3,164	Undisclosed	New Lease	Victoria
531 Yates Street	4,429	Dylan's Sports Bar & Grill	New Lease	Victoria

Significant 2018 Sale Transactions

PROPERTY	BUILDING SF	BUYER	PRICE / \$PSF	SUBMARKET
1023 Fort Street	6,860	Oak Bay Rental Investments Ltd.	\$1,256,000 / \$183	Victoria
2323 Millstream Road	8,842	1145316 B.C. LTD.	\$3,550,000 / \$401	Langford

Significant Projects Under Construction

PROPERTY	SIZE (SF)	PROPERTY TYPE	SUBMARKET
Mayfair Shopping Centre (Expansion)	554,000	Retail	Victoria
Belmont Market	200,000+	Mixed-Use	Langford
Sidney Crossing	100,000	Retail	Sidney
The Wade	20,000	Mixed-Use	Victoria
Black & White	8,000	Mixed-Use	Victoria
989 Johnson Street	9,082	Mixed-Use	Victoria

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.