

MARKETBEAT

Victoria, B.C.

Industrial Q2 2019



VICTORIA INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Victoria Employment	199.4k	189.4k	▲
Victoria Unemployment	3.9%	3.1%	▼
Canadian Unemployment	5.9%	5.4%	■

Economy

British Columbia recently lead all provinces in growth in 2016 and 2017. Although the B.C. economy slowed last year, growth was still a respectable 2.3%. The main contributor to this slowing expansion was the cooling in the housing market, which created a ripple effect across numerous housing-sensitive industries. However, the labour market remained strong, as the unemployment rate stood at the lowest among all provinces at 4.7%.

Softer undertones have carried forward into 2019. The Vancouver housing market fell to a decade low this past spring and prices have continued to slide. In addition, declining sales of building materials, furniture, and motor vehicles are clear indications that this economic blip is weighing on B.C. consumers. Vancouver's benchmark price is down 8.9% since its June 2018 peak, and housing policy tightening should only maintain this coolness in the market. It is suspected that policymakers are quite pleased with the current state of the market, knowing their intent was to tackle Vancouver and Victoria's affordability issues. It is expected that these policymakers will continue to suppress homebuyer demand to sustain the ongoing downward pressure on property value. However, despite more successful efforts in Vancouver, average home prices have climbed in Victoria by 7.3% this year.

Despite the fact that a soft housing market and cautious consumers are signs of a softer B.C. economy, an increase in spending on major capital projects is anticipated. Businesses plan to boost their capital spending by nearly \$4 billion (up 13%) this year – the largest increase ever. Non-residential construction will sustain an overall economic growth rate of around 2.5% in 2019 and 2020, which is strong enough to uphold B.C.'s top growth ranking.

Source: RBC Economics, Statistics Canada

Market Overview

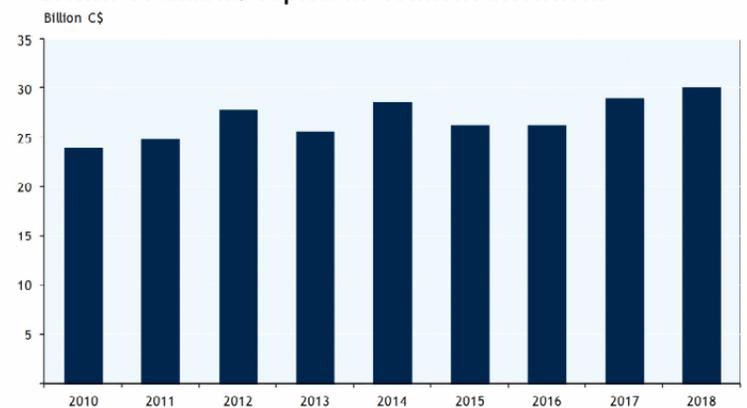
The Industrial Market in Greater Victoria remains moderately inactive as inventory remains low and availability is scarce. Tenants continue to struggle to find suitable space, as most available inventory suffers from either poor location outside of the city centre or issues with infrastructure and design. The surge in both single-family and multi-family construction has created a great demand for industrial space for contractors, suppliers and other trades-related businesses.

Outlook

Ongoing demand for land for housing projects has both industrial users and landowners concerned about the shrinking size of Greater Victoria's industrial land inventory. In the typically industrial-dominated area of Rock Bay, the president of the Ralmax Group, Ian Maxwell, reiterated the shrinking of industrial property in the region to make way for other commercial development. Overall, the theme for Victoria's industrial outlook is that inventory is in a critical under-supply and numerous traditional industrials are at capacity or close to it. Vacancy rates for industrial land have dropped to 1.7% in 2019, compared to 2.4% in 2017. This extremely tight market is pushing industrial users to the Westshore and other imperfect areas.

Source: Times Colonist

British Columbia: Capital investment intentions



Source: Statistics Canada, RBC Economic Research

MARKETBEAT

Victoria, B.C.

Industrial Q2 2019



Significant 2019 Lease Transactions

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
893 Van Isle Way	13,364	Undisclosed	New Lease	Langford
3303 Tennyson Avenue	5,769	First Light	New Lease	Saanich
2740 Bridge Street	11,536	Undisclosed	New Lease	Victoria
4420 Commerce Circle	6,338	Undisclosed	Renewal	Saanich

Significant 2019 Sale Transactions

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
808 Viewfield Road	60,000	Spinnakers Brew Pub Inc.	\$11,250,000 / \$187	Esquimalt
6858 Veyaness Road	22,760	Vey Holdings Ltd.	\$6,375,000 / \$280	Saanich
2333 Government Street	20,799	1172250 B.C. Ltd.	\$4,250,000 / \$204	Victoria
5-601 Boleskine Road	11,568	Araujo Holdings Ltd.	\$2,300,000 / \$198	Saanich

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

For more information, contact:
Andrew Vandermay
Research Analyst
Tel: 250 410 3002
andrew.vandermay@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) 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 approximately 51,000 employees in approximately 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 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.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.