

## MARKETBEAT

# Victoria, B.C.

Retail Q2 2019



### Economic Indicators

#### National

	2018	Q2 19	12-Month Forecast
GDP Growth	2.1%	0.4%	▲
CPI Growth	2.2%	2.0%	▲
Consumer Spending Growth	1.5%	1.3%	■
Retail Sales Growth	2.7%	1.1%	■

#### Regional

	2018	Q2 19	12-Month Forecast
Household Income	\$97,343	\$98,278	▲
Labour Force Population Growth	1.3%	0.7%	▲
Unemployment Rate	3.2%	4.0%	▼

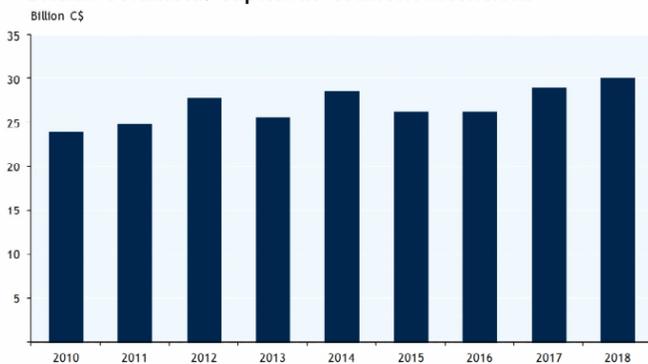
Source: Statistics Canada / RBC Economics / Sitewise

## Economy

Benchmark housing prices in British Columbia are sliding since their June 2018 peak, and in combination with housing policy tightening, should maintain coolness in the B.C. market. Even considering these softer undertones and more cautious consumers, an increase in spending on major capital projects will continue in any element. Businesses plan to boost their capital spending by nearly \$4 billion, up 13% compared to 2018 – the largest increase ever recorded. Non-residential construction will sustain an overall economic growth rate of approximately 2.5% in 2019 and 2020, which is strong enough to uphold B.C.'s top growth ranking among Canadian provinces.

Source: RBC Economics

### British Columbia: Capital investment intentions



Source: Statistics Canada, RBC Economic Research

## Market Overview

The Victoria retail market remains tight as the number of quality spaces available is limited. Brick-and-mortar retailers continue to strategically compete in a tough retail market due to the rise of ecommerce merchants. One of the strategies utilized is “omnichannel,” which is a multi-channel approach that integrates a merchant’s online sales with its physical storefront sales to create a seamless customer experience. The ongoing creative solutions assist in the enhanced tightness of the market since retail storefronts can stay alive, even in a market dominated by online presence.

In terms of retail tenancy, food, fitness and health/beauty still maintain high activity levels. Toptable Group is confirmed to be opening a new restaurant at 1515 Douglas Street, and a new fitness studio called Annex will be opening on Yates Street later this year. Significant tenants joining the downtown Victoria core include Winners at The Bay Centre, Save-On-Foods opening in August 2019, and Shoppers Drug Mart moving into a new space previously occupied by Chapters on Douglas Street. Notable developments continue to progress. The Belmont Market in Langford is nearing completion and operation is well underway. A recently opened 53,000-square foot Thrifty Foods anchors this mixed-use development. Freshii, Scotiabank, and A&W are also among notable tenants now operating in the shopping centre. The Belmont Market is a prime example of the growth in West Shore, with population growth in this area set to outpace Saanich and Victoria as the area pushes towards 500,000 inhabitants.

Looking forward, the University Heights redevelopment remains a major topic as it continues to undergo a repositioning with development plans anticipated later this year. A major space at Hillside Mall is under negotiation with a large-format retailer to take over the square footage previously occupied by Sears.

## Outlook

The Victoria retail market is anticipated to remain strong throughout 2019 as vacancy rates remain low and demand from quality tenants remains high. It is forecasted that lease rates will remain stable or increase slightly due to continued low vacancy rates and limited new supply in the pipeline.

Sources: RBC Economics, Statistics Canada, Sitewise

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### Significant 2019 Lease Transactions

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1150 Douglas Street	20,000 +	Winners	New Lease	Downtown
632 Yates Street	2,130	Annex Victoria	New Lease	Downtown
747 Fort Street	18,000	Russel Books	New Lease	Downtown
3004 Merchant Way	1,117	Freshii	New Lease	Langford
1212 Douglas Street	30,000+	Shoppers Drug Mart	New Lease	Downtown

### Significant 2019 Sale Transactions

PROPERTY	BUILDING SF	BUYER	PRICE / \$PSF	SUBMARKET
2364 Millstream Road	11,385	SAMSOM HOLDINGS LTD.	\$3,100,000 / \$272	Downtown
910 Government Street	148,356	910 GOVERNMENT HOLDINGS LTD.	\$60,000,000 / \$404	Downtown
650 View Street	11,150	650 VIEW HOLDINGS LTD.	\$6,300,000 / \$565	Downtown

### Significant Projects Under Construction

PROPERTY	SIZE (SF)	PROPERTY TYPE	SUBMARKET
Capital Park Residences	250,000+	Mixed-Use	Victoria
Colwood Corners	150,000+	Mixed-Use	Colwood
The Haro	36,000+	Mixed-Use	Saanich
The Wade	20,000	Mixed-Use	Victoria
989 Johnson Street	9,082	Mixed-Use	Victoria
Black & White	8,000	Mixed-Use	Victoria
Westbay Quay	10,000+	Mixed-Use	Esquimalt

Cushman & Wakefield  
340 – 730 View Street  
Victoria, B.C. V8W 3Y7  
[cushmanwakefield.com](http://cushmanwakefield.com)

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

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