

Q1 2021

Victoria

Office Market Report

Net Absorption

This Quarter	Previous Quarter
25.7K SF	-24.0K SF
12-Month Absorption	5-Year Quarterly Avg.
-68.7K SF	63.2K SF

Vacancy

This Quarter	Year-over-Year
6.1%	▲ 100 bps

Asking Net Rent*

This Quarter	Year-over-Year
\$23.00 PSF	▼ 2.2%

Development

Under Construction	New Supply
274K SF	16.0K SF

Sales

Sale Price Avg.	Year-over-Year
\$406 PSF	▲ 10.1%

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

The Greater Victoria Office Market has remained steady throughout the global pandemic with overall vacancy decreasing slightly from 6.2% in Q4 2020 to 6.1% in Q1 2021. The market's stability is a direct result of both the private and public sector's ability to maintain large quantities of office space in both the downtown core and suburban marketplaces. Additionally, both the private and public sectors have proven to be stable tenants for landlords throughout the uncertainty of the pandemic.

Net Absorption for Q1 2021 was 25,693 SF. The steady demand for Class A office space in both the downtown core and suburban areas has enabled the vacancy rate to remain close to market levels pre-covid. Most of the vacancy can be found in class B & C office space. Overall, Downtown vacancy increased from 7.1% to 7.3% (10,780 SF increase) over the quarter and Suburban vacancy decreased slightly from 5.0% to 4.5% (36,473 SF decrease).

Both the public and private sectors provide a healthy balance to Victoria's economic climate and GDP for the region. To date, we have witnessed limited sublease space offered to the market, with the current sublease availability totaling 21,420 SF, representing only 4.0% of the total vacant space available. However, we do predict a nominal increase to sublease availability as we progress further into 2021.

Within Victoria's stable environment, demand is expected to rise as the vaccine begins to become more readily available. Many investors have been patient throughout the pandemic due to the uncertainty of the situation. However, with the roll out of the vaccine, investors have returned to purchasing well located office buildings with stable tenants such as 1070 Douglas Street and 1019 Wharf Street

While Victoria's office market has performed relatively well, investors are influenced by trends in other markets. As such, there are more stringent financial analysis of tenants and tenant-mix. There has also been an increase in demand for strata units for those looking to invest as owner occupiers.

Victoria's office development continues to escalate as the demand for high quality office space continues to increase. Of note, the Victoria Press Building will add approximately 128,000 SF of class A office space north of the downtown core in Q3 of 2022. Furthermore, the suburban office market will see the additions of Terminus in Langford and Esquimalt Town Centre which make up 52,000 and 33,000 SF of class A office space, respectively.

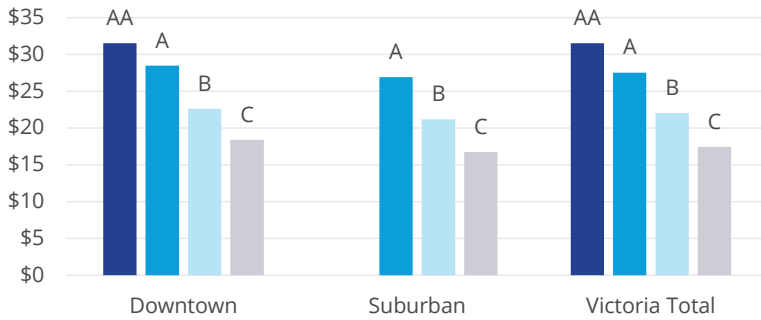
Vacancy is expected to remain stable as Victoria begins to normalize amid the roll out of the vaccine. We forecast a static vacancy rate for the balance of the year trending downwards as we enter 2022.

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Market Overview

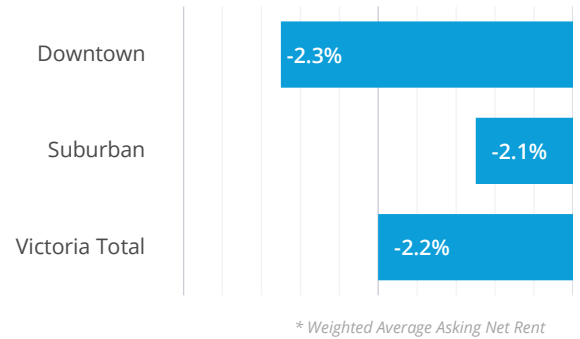
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



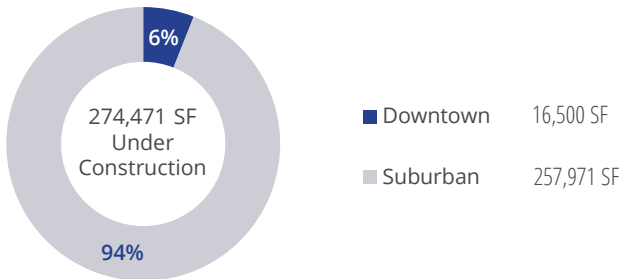
02 Rental Rate Growth*

By Market | Q1 2020 – Q1 2021



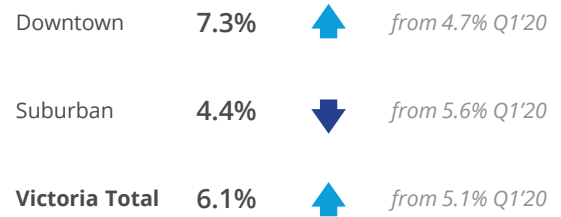
03 Under Construction by Market

Total Square Feet (SF)



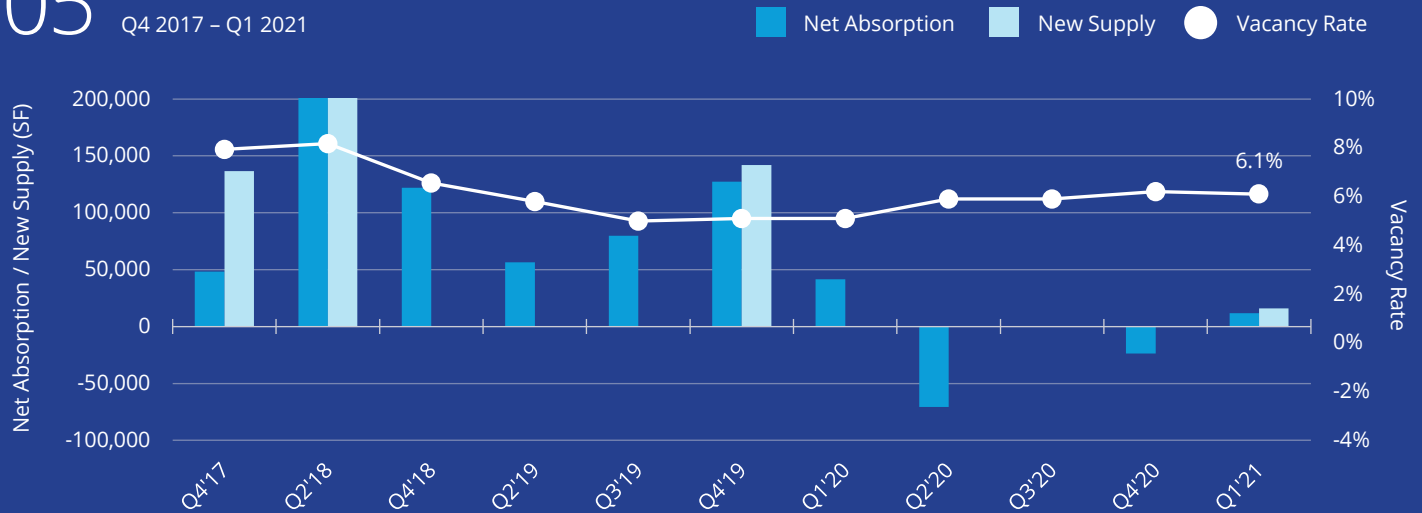
04 Vacancy Rate

By Market | Q1 2020 – Q1 2021



05 Historical Overview

Q4 2017 – Q1 2021



Market Statistics & Transaction Highlights

	Downtown	Suburban	Victoria Total
Number of Buildings	110	125	235
Total Inventory	5,053,504 SF	3,807,515 SF	8,861,019 SF
Direct Vacancy	356,840 SF (7.1%)	161,577 SF (4.2%)	518,417 SF (5.9%)
Sublease Vacancy	13,429 SF (0.3%)	7,991 SF (0.2%)	21,420 SF (0.2%)
Total Vacant Space	370,269 SF	169,568 SF	539,837 SF
Vacancy Rate (Current Q)	7.3%	4.4%	6.1%
Vacancy Rate (Previous Q)	7.1%	5.0%	6.2%
Net Absorption	(10,780 SF)	36,473 SF	25,693 SF
New Supply	0 SF	16,000 SF	16,000 SF
Under Construction	16,500 SF	257,971 SF	274,471 SF
Weighted Average Asking Net Rent (PSF)	\$24.10	\$21.91	\$23.00
Weighted Average Asking Gross Rent (PSF)	\$37.78	\$35.19	\$36.21

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Inter-Cultural Association of Greater Victoria	Nootka Court/808 Douglas Street	Downtown Core	Head Lease	27,561
Government of BC	Yates Centre/836 Yates Street	Downtown Core	Head Lease	20,308
Abe Books	Upper Harbour Place Phase 2/655 Tyee Road	Victoria West	Head Lease	18,567

Notable Sales Transactions

Address	Market	Size (SF)	Sale Price	Purchaser
1070 Douglas Street	Downtown Core	55,434	\$22,000,000	Elevate
6761 Kirkpatrick Crescent	Central Saanich	11,722	\$2,800,000	BC Investor
510 Yates Street	Downtown Core	4,462	\$2,150,000	BC Investor

Notable Developments

Building Name / Address	Class	Market	Building Status	Size (SF)	Est. Completion	Owner / Developer
Victoria Press Building/2621 Douglas Street	AA	Downtown Core	Under Construction	127,894	Q3 2022	Merchant House Capital
Esquimalt Town Centre/1235 Esquimalt Road	A	Esquimalt	Under Construction	33,142	Q4 2021	Aragon Properties
Terminus/2840 Peatt Road	A	Langford	Under Construction	52,263	Q4 2021	DB Services

Source: Citified

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