

Research &  
Forecast Report

# GREATER VICTORIA INDUSTRIAL MARKET

Summer 2018

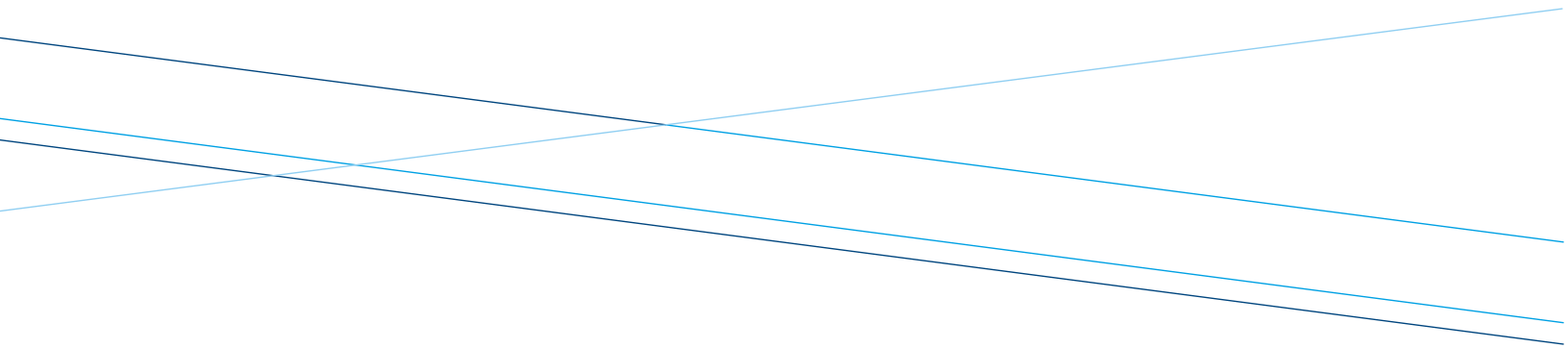


Accelerating success.



4247 Dieppe Road - Island West Produce





# Greater Victoria Market Overview

## Industrial Market Overview

Greater Victoria Industrial assets have continued to witness very strong demand throughout the marketplace. Leasing and sales have remained robust, with vacancy moving from 2.4 % in 2017 to a decade low of 1.71% in 2018.

Residential and commercial construction, Department of National Defense contracts, technology companies, and manufacturing have all contributed to the thriving industrial marketplace. Many of these companies are projecting steady growth in the coming years, and this positive performance will drive further activity in the industrial market. This imbalance between supply and demand will continue to raise asking rents and sale prices.

Most of the major industrial parks in the municipality of Victoria are now at capacity and have no additional land available for development, leaving many companies contemplating acquisitions in alternative markets such as Westshore to support their growth.

## Investment Market

There have been limited passive investment sales in the industrial marketplace in the last 12 months, with the majority of purchases being made by owner-occupiers. With the cost of development becoming a critical component of new construction, existing buildings are highly sought after if they become available to the marketplace. Land and replacement costs are appreciating, and this supports higher sales values for the existing product.

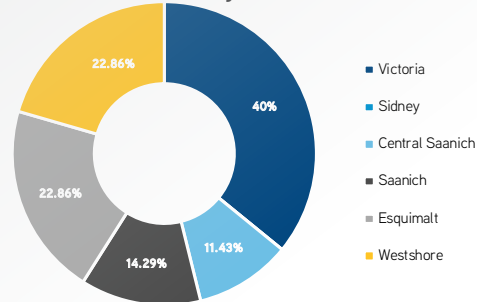
Despite rising interest rates, capitalization rates have remained relatively stable. Two of the most notable sales transactions during the first two quarters were the Ralmax sale-leaseback of Ellice Recycling property in Rock Bay and the United Engineering building in Sidney, which sold for a combined total of \$14 million, and the sale of 893 Van Isle Way for \$3.45 million.



Market Indicators Relative to prior year	Victoria 2017	Victoria 2018	Victoria 2018* Trend
VACANCY	2.40%	1.71%	↓
NET ABSORPTION	281,123	200,474	↓
NEW SUPPLY	49,946	91,733	↑
RENTAL RATE**	\$12.50	\$13.00	↑

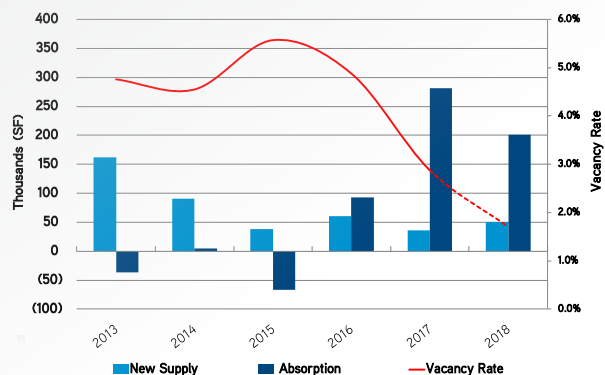
\*Projected  
\*\*Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

Industrial Sales by Region July 2017 - July 2018



Source: Colliers International

Greater Victoria Historical Performance



# Industrial Market Summary

## Absorption

Over the past 12 months there has been a large volume of leasing activity totaling 200,747 square feet of positive absorption. This is less than the 281,123 square feet absorbed during the previous report period.

Our forecast indicates a substantial decrease in absorption, due to the lack of supply in our marketplace. There is now a critical undersupply of industrial-zoned land and active construction, which has the potential to adversely affect our economy's growth.

## Vacancy

Every municipality witnessed a reduction in vacancy rates, resulting in the overall vacancy moving from 2.4% in 2017 to 1.71% in 2018. Colliers International projects that vacancy will remain at a critically low rate for the foreseeable future and it will only be alleviated by future construction.

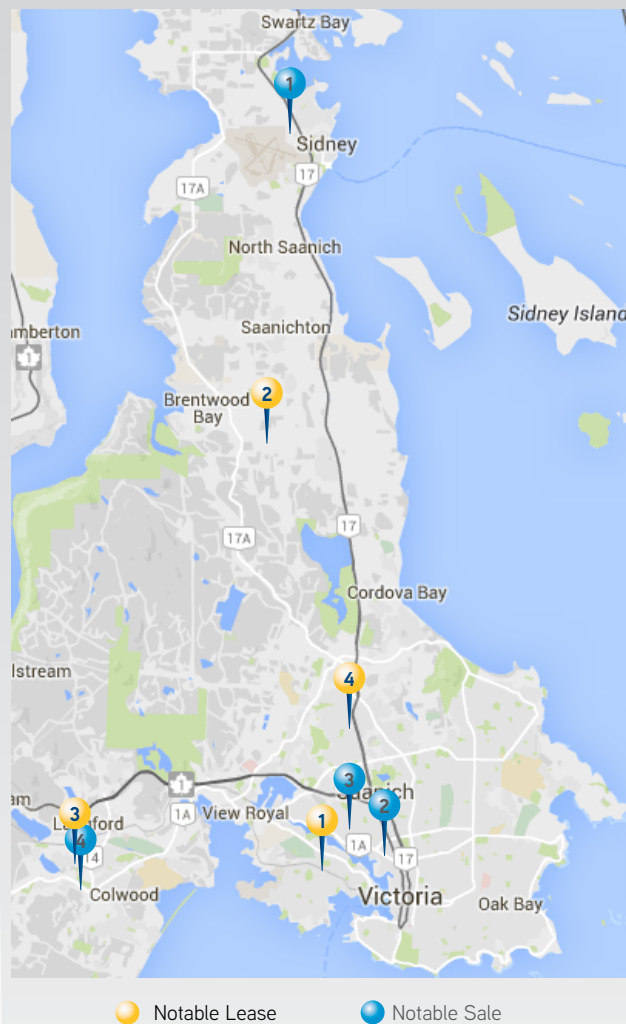
## New Supply

A number of buildings have been constructed over the past 12 months, the largest being the 44,000 square-foot warehouse and distribution facility for Islands West Produce in Royal Oak.

Additionally, the Westshore saw a strata warehouse development of 14 units totaling 32,455 square feet along Leigh Road in Langford. This development recorded strong prices, due to the increasing appeal and acceptance of strata industrial facilities in the market.

The last phase of Sean Heights Business Park was completed in the spring of 2018, providing another 15,278 square feet which were pre-leased and pre-sold.

The Glenshire Business Park has also seen a high volume of land sales over the past six months, which will be developed out over the next 12 to 18 months. The Westshore will continue to provide industrial land for future development, and is expected to be a key growth market given the low-vacancy low-supply outlook for industrial markets in Greater Victoria generally.



### Notable Lease Transactions

TENANT NAME - ADDRESS	TYPE	TERM	APPROXIMATE SIZE (SF)
1. Babcock Renewal - 910 Devonshire Road	Warehouse	5 year	35,500
2. Folium Life Sciences Inc. - 1759 Sean Heights Business Park	Medical Marijuana	4 year	10,831
3. Trevida - 893 Van Isle Way	Warehouse	5 year	13,364
4. Salvation Army - 765 Vanalman Avenue	Warehouse	5 year	13,808

### Notable Sale Transactions

ADDRESS	PRICE	APPROXIMATE SIZE (SF)
1. 2066 Henry Avenue	\$8,000,000	92,351
2. 524 David Street	\$6,000,000	28,800
3. 479 Burnside Road East	\$2,900,000	13,541
4. 893 Van Isle Way	\$3,450,000	13,364

# Market Comparisons & Commentary

## City of Victoria

- > The City of Victoria still boasts the largest industrial base in all market segments and has historically had one of the lowest vacancy rates. With vacancy essentially unchanged from 0.68% to 0.67%, there are very limited options available for industrial users.
- > The largest sales transaction was Ellice Recycling's sale-leaseback for \$6 million to a passive investor.

### Summary Statistics

City of Victoria	Summer 2017	Summer 2018
Industrial Inventory	2,569,722	2,569,722
Vacancy Space	17,451	17,309
Vacancy Rate	0.68%	0.67%
New Supply	15,200	0

## Saanich

- > Saanich saw the largest decrease in vacancy, moving from 2.83% to 1.06%. There has been further positive absorption of 601 Barbon Place, where 20,701 square feet was leased for a gymnastics school, and 721 Vanalman Avenue, where 5,355 square feet was leased to the Fitness Depot.
- > Saanich led the CRD for absorption, with some of the larger vacancies in the market being leased over the past 12 months; absorption totaled 75,819 square feet.
- > Island West Produce completed their new 44,000 square foot building in Royal Oak, which will facilitate future growth.

### Summary Statistics

Saanich	Summer 2017	Summer 2018
Industrial Inventory	1,848,715	1,936,715
Vacancy Space	52,376	20,557
Vacancy Rate	2.83%	1.06%
New Supply	0	44,000

- > The largest sale was 479 Burnside Road, which transacted for \$2.9 million. The long-time tenant purchased the 13,451 square-foot premises.

## Central Saanich

- > This marketplace has seen the completion of the last phase of the Sean Height Business Park, which is now the home of technology, contractor, and building supply companies. This development is an example of the emerging mixed-use model for industrial development on Vancouver Island.
- > Vacancy decreased from 3.99% to 3.66%. The majority of this difference is represented by one building that will undergo renovations for future occupancy.
- > Comox Valley Distribution is constructing a new 25,000 square -foot building on Butler Crescent, which will be completed in the spring of 2019.

### Summary Statistics

Central Saanich	Summer 2017	Summer 2018
Industrial Inventory	1,572,550	1,587,828
Vacancy Space	62,667	58,156
Vacancy Rate	3.99%	3.66%
New Supply	19,660	15,278

## Sidney/North Saanich

- > Sidney has the lowest vacancy rate in the CRD, with 0.19% of their inventory available. Despite a lack of new supply, the market will see future build-to-suits on the Victoria Airport Lands, as these are the last remaining zoned parcels on the eastern side of Victoria. Airport and ferry proximity is important to many companies for their shipping purposes.
- > West Coast Marine Response Corporation will construct a new facility on the Airport Lands for delivery in 2020.

Summary Statistics		
Sidney/North Saanich	Summer 2017	Summer 2018
Industrial Inventory	1,018,963	1,018,963
Vacancy Space	16,818	1,966
Vacancy Rate	1.65%	0.19%
New Supply	0	0

## Esquimalt

- > Esquimalt has the highest vacancy in the Capital Regional District at 5.17%. This is down from 5.50% the previous year.
- > The only current vacant space in Esquimalt is 37,645 square feet within the CRD's building located on Viewfield.

Summary Statistics		
Esquimalt	Summer 2017	Summer 2018
Industrial Inventory	728,727	728,727
Vacancy Space	40,112	37,645
Vacancy Rate	5.50%	5.17%
New Supply	0	0

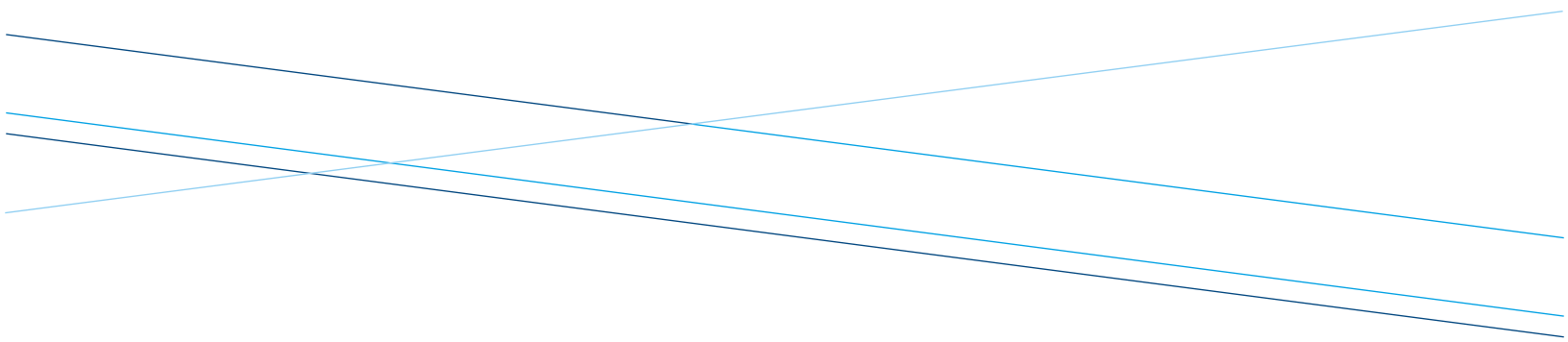
## Westshore

- > The Westshore, in particular Langford, experienced another active year. Vacancy is 1.58%, down from 2.11% in the previous reporting period.
- > The Glenshire Business Park has seen sustained demand from owner-occupiers purchasing land to be developed in 2019 and beyond. Colliers expects future Business Park zonings in Langford.
- > Notable transactions include 871 Station Avenue selling for \$2.5 million and a strata warehouse development on Leigh Road fully pre-selling.

Summary Statistics		
Westshore	Summer 2017	Summer 2018
Industrial Inventory	1,250,971	1,349,826
Vacancy Space	26,390	21,386
Vacancy Rate	2.11%	1.58%
New Supply	15,086	32,455

## Market Comparisons

REGION	INDUSTRIAL INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE 2017	VACANCY RATE 2018	NET ABSORPTION 2017	NET ABSORPTION 2018	NET NEW SUPPLY
Sidney/North Saanich	1,018,963	1,966	1.65%	0.19%	(6,797)	14,852	0
Central Saanich	1,587,828	58,156	3.99%	3.66%	34,618	39,449	15,278
Saanich	1,936,715	20,557	2.83%	1.06%	83,784	75,819	44,000
City of Victoria	2,569,722	17,309	0.68%	0.67%	66,274	15,342	0
Esquimalt	728,727	37,645	5.50%	5.17%	30,510	2,467	0
Westshore	1,349,826	21,386	2.11%	1.58%	72,734	52,545	32,455
<b>Market Totals</b>	<b>9,191,781</b>	<b>157,019</b>	<b>2.40%</b>	<b>1.71%</b>	<b>281,123</b>	<b>200,474</b>	<b>91,733</b>



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# 413 offices in 69 countries on 6 continents

United States: **145**

Canada: **28**

Latin America: **23**

Asia Pacific: **86**

EMEA: **131**

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## \$2.7B

US\* in annual  
revenue

## 2B

square feet  
under management

## 15,400

professionals  
and staff

\*Based on 2017 results

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