

FIGURES | VICTORIA OFFICE | Q1 2024

# No vacancy for Class AA office space in Downtown Victoria

▲ 9.2%  
Vacancy Rate

▼ 183K  
SF Under Construction

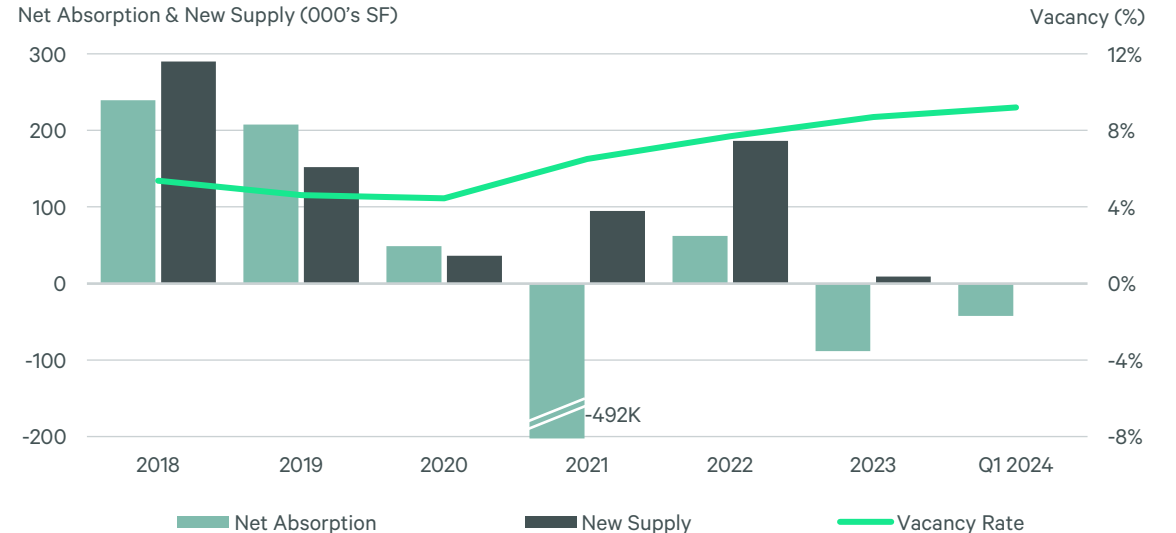
▼ \$21.58  
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

## Market Summary

- In Q1 2024, Greater Victoria's office vacancy rate rose 50 basis points (bps) to 9.2%, with over 40,000 sq. ft. of vacant space brought to market. The net average asking lease rate recorded at \$21.58 per sq. ft. and is down 4.5% year-over-year. The sublease market represented 11.8% of total vacancy, priced higher at \$23.71 per sq. ft. due to two significant Class A listings.
- There was no vacancy for Class AA office space downtown this quarter. For the Class A market, the vacancy rate stood at 14.7% despite also experiencing moderate flight to quality. This is attributed to high vacant inventory of large floor plates continuing to outweigh Class AA & A office lease transaction volume.
- A strata office project in the Westshore and a podium office component within a mixed-use development downtown pivoted this quarter in response to supply exceeding current demand. This subsequently led to the removal of over 65,000 sq. ft. from the construction pipeline. Despite this, two major office developments downtown are still expected to move forward and will deliver premium Class AA office space in the coming years.

FIGURE 1: Greater Victoria Supply & Demand  
Net Absorption & New Supply (000's SF)



Source: CBRE Research, Q1 2024.

## Greater Victoria overview

In Q1 2024, the office market in Greater Victoria recorded a vacancy rate of 9.2%, marking a 50 bps increase from the previous quarter. Over 40,000 sq. ft. of vacant inventory was brought to market and comprised mainly of 1,000-5,000 sq. ft. units in Downtown Victoria. The average asking rate remained steady at \$21.58 per sq. ft. without substantial quarterly changes.

Office sublease space has on average accounted for 11.0% of total vacancy in the past year and represented 11.8% of total vacant space this quarter. The average asking price for office space for sublease recorded at \$23.71 per sq. ft. This rate is notably higher than the overall average, primarily due to two Class A sublease listings, offering over 52,000 sq. ft. combined and priced between \$26.00 and \$29.00 per sq. ft.

## Elevated vacancy of full floor-plates outweigh absorption from flight to quality

In Q1 2024, there was no vacancy for Class AA office space in downtown Victoria, while the suburban markets recorded a very low vacancy rate of 1.5%. The demand for premium office spaces in Greater Victoria remains robust, with high-end building amenities attracting employees back to the workplace. The trend towards quality has moderately impacted the Class A market, particularly for smaller units up to 5,000 sq. ft., as companies seek to find more efficient sized office spaces with better building amenities. However, despite this flight to quality, the vacancy rate for Class A office space stands at 14.7% across Greater Victoria. The surplus inventory of full floor plates in suburban markets continues to outweigh the volume of Class AA & A office transactions quarter-over-quarter. Numerous floor plates within existing inventory became available last year, but most vacant full floor plates are driven by recently constructed office buildings. Lakepoint Place in Langford, the Victoria Press Building in Victoria, and 1235 Esquimalt Road in Esquimalt have struggled to achieve full occupancy, with over 88,000 sq. ft. of combined full floor plate space still available. In Downtown Victoria, there is only one Class A floor plate available, along with other vacant spaces around 6,000 sq. ft. on the market.

FIGURE 2: Notable Office Developments

Size (SF)	Project Name	Submarket	Estimated Completion	Developer
172,000	Capital VI	Victoria	Planned	Jawl Properties
158,747	TELUS Ocean	Victoria	2025	TELUS / Aryze Developments
20,000	The Scene	Langford	Q1 2025	Jagpal Developments / Evantra Developments

Source: CBRE Research, Q1 2024.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Transaction Type
9,375	ESIT Advanced Solutions	1101-4464 Markham St	Saanich	IT	Extension
2,794	Island Health	818 Douglas Street	Victoria	Medical	Direct

Source: CBRE Research, Q1 2024.

FIGURE 4: Notable Sales Transactions

Address	Submarket	Purchaser	Size (SF)	Price (\$M)
28 Crease Avenue	Saanich	Government of B.C.	2,400	\$1.8
110-2871 Jacklin Road	Langford	Private Investor	2,026	\$1.1
200-388 Harbour Road	Victoria	Private Investor	1,280	\$0.8
214-284 Helmcken Road	View Royal	Brooke A. MacLeod Law	23,664	\$0.7

Source: CBRE Research, Q1 2024.

## Office construction pipeline tightening

The current slowdown in the office market has impelled developers to reconsider executing their approved office projects or mixed-use developments which include office space. With supply exceeding demand, some projects which have not yet begun construction have pivoted to better serve current community needs. This is observed in the approved mixed-use development at 710 Caledonia Avenue, where Chard Developments is currently seeking to remove the 41,000 sq. ft. office component of their project and replacing it with additional rental units and designated shared workspace. This strategic move is intended to alleviate some pressure from the constrained housing market in Greater Victoria. The West Shore Business Park, which finished their industrial development last fall, had planned to construct a strata office building but will no longer be moving forward with the project and has no alternative plans in place.

## Contractions in development pipeline will impact new supply in coming years

While current contractions in the office development pipeline are a result of surplus supply, it may not account for the possibility for more new office space needed in the future. In Downtown Victoria, a noticeable shift towards high-quality spaces is evident, with the vacancy rate recorded at 0.8% for Class AA spaces in Greater Victoria this quarter. Two significant office projects in downtown Victoria are progressing to meet this demand. Despite initial delays in the excavation process, TELUS Ocean is currently under construction and is slated to complete next year. Capital VI has received approval, but construction commencement is contingent on anchor tenant commitments. Leasing activity in the office market is highly cyclical, and the forthcoming economic recovery will necessitate new supply to facilitate industry expansion and population growth in Greater Victoria.

FIGURE 5: Greater Victoria Office Statistics Summary

Submarket	Class	Total Buildings	Inventory (SF)	Vacancy Rate (%)	Average Net Asking Rent (PSF)	Average Additional Rent (PSF)
Downtown Victoria	AA	2	281,108	0.0%	\$34.00	\$20.57
	A	8	523,591	8.0%	\$21.59	\$17.67
	B	53	1,879,029	8.6%	\$20.61	\$13.63
	C	70	1,441,729	13.3%	\$17.64	\$14.61
			<b>133</b>	<b>4,125,457</b>	<b>9.6%</b>	<b>\$19.22</b>
Suburban	AA	3	278,000	1.5%	\$34.00	\$19.12
	A	21	1,238,591	17.5%	\$28.54	\$15.14
	B	66	2,275,195	7.5%	\$21.06	\$13.95
	C	97	1,402,463	5.3%	\$19.63	\$11.51
			<b>187</b>	<b>5,194,249</b>	<b>9.0%</b>	<b>\$24.01</b>
Greater Victoria	AA	5	559,108	0.8%	\$34.00	\$19.12
	A	29	1,762,182	14.7%	\$26.80	\$15.77
	B	119	4,154,224	8.0%	\$20.85	\$13.81
	C	167	2,844,192	9.4%	\$18.13	\$13.83
			<b>320</b>	<b>9,319,706</b>	<b>9.2%</b>	<b>\$21.58</b>

Source: CBRE Research, Q1 2024.

## Market Area Overview



### Definitions

**Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** Space that can be occupied within 30 days.

### Submarket Map

CBRE aggregates the suburban office market from all submarkets outside of the Downtown core; North Saanich, Sidney, Central Saanich, Saanich, Oak Bay, Esquimalt, View Royal, Colwood and Langford.

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