

Steady activity in new developments contribute to 41,000 sq. ft. positive absorption

▼ 5.3%

Availability Rate

► 0

SF Under Construction

▲ \$19.85

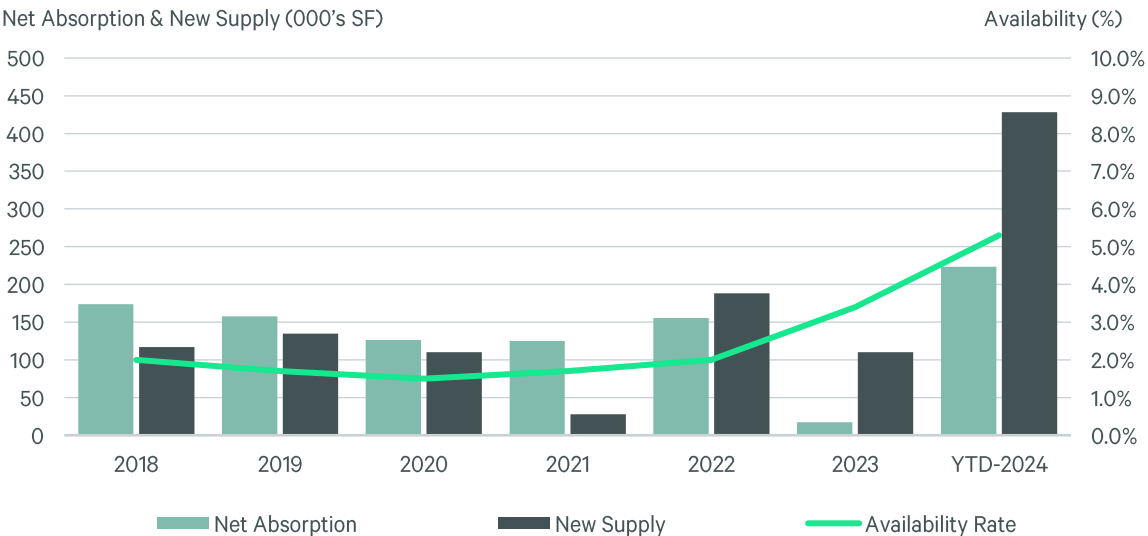
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- The Greater Victoria industrial market recorded an availability rate of 5.3%, a decline of 40 basis points (bps). Lease opportunities in the Victoria Core and Peninsula submarkets continue to remain tight at 3.0% and 2.2%, respectively. The Westshore saw a reduction in availability, decreasing by 4.4% to 15.6% this quarter. Across Greater Victoria, the overall average net asking rate was \$19.85 per sq. ft., an increase of 70 bps quarter-over-quarter, while operating costs averaged \$8.11 per sq. ft.
- The sustained high interest rate environment and oversupply of strata industrial properties in the Westshore have resulted in declining buyer demand and a challenging landscape for sellers. In response to the elevated vacancy rates in these developments, developers struggling to transact these units are increasingly turning to sale incentives and lease agreements to enhance occupancy levels.
- The four recently completed industrial developments offer distinct features that enhance their appeal to buyers and tenants, such as dock and grade loading, number of parking spaces, mezzanine size, location, and pricing. During the third quarter, units for sale directly by the developer were listed on average \$436 per sq. ft. at Pacific Ridge, \$453 per sq. ft. at Wildcat, and \$526 per sq. ft. at IntraUrban Cornerstone.

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



Source: CBRE Research, Q3 2024.

Greater Victoria overview

In Q3 2024, industrial availability across Greater Victoria experienced a quarter-over-quarter decline of 40 bps, bringing the rate to 5.3%. The Victoria Core and Peninsula submarkets continued to exhibit tight supply, with availability rates recorded at 3.0% and 2.2%, respectively. Despite elevated availability in the Westshore due to substantial new supply introduced earlier this year, activity this quarter was robust, resulting in a 4.4% decrease in the availability rate to 15.6%.

Over the past four consecutive quarters, average net asking rates across Greater Victoria grew by 6.2% and were primarily driven by the influx of new product requiring higher lease returns on their new construction. This quarter, average rents and operating costs were recorded at \$19.85 per sq. ft. and \$8.11 per sq. ft., respectively. Net average rents increased moderately by 0.7% while operating costs escalated 6.9% quarter-over-quarter.

The industrial sales volume in the third quarter demonstrated strong performance, driven by steady activity in the new Westshore strata developments and a strong demand for freestanding industrial buildings. Notably, there is a growing trend of owner-occupiers entering the market, seeking to transition from escalating lease rates to equity ownership. This shift has intensified competition among industrial investors in an already constrained sales market.

Strata developments considering headlease deals

During the third quarter, the policy interest rate experienced a cumulative decline of 50 bps, ultimately stabilizing at 4.25% by the end of the quarter. The elevated interest rate environment coupled with a diminished buyer appetite, significantly hindered overall demand within the new Westshore developments. To increase occupancy levels, the developer at Pacific Ridge strategically expanded their offerings from strata sales to now also considering direct lease options as well as offering sale incentives. This allowed tenants unable to pursue purchase options to access new industrial space via lease agreements, with the potential for future purchase. Additionally, the gap between asking lease rates and achieved rates continued to widen as tenants have been able to achieve favourable discounts in an environment where developers are highly motivated to improve occupancy.

FIGURE 2: Notable Industrial Developments

Size (SF)	Project Name	Submarket	Estimated Completion	Developer
871,200*	Terra	Langford	Build-to-suit	Beedie
565,408*	Langford Heights	Langford	Build-to-suit	Bastion & Strand

*Land Size
Source: CBRE Research, Q3 2024.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Deal Type
19,266*	Victoria Autobahn	2204 Douglas Street	Victoria	Auto	Direct
18,691	Intelcom	106/107A – 1250 Chidlow Connector	Langford	Courier	Direct
8,924	Confidential	C-204 – 650 Allandale Road	Colwood	Confidential	Direct

*Land Size
Source: CBRE Research, Q3 2024.

FIGURE 4: Notable Sales Transactions

Address	Submarket	Purchaser	Building Size (SF)	Price (\$M)
110-721 Station Avenue	Langford	Private Investor	7,155	\$3.5
444 William Street	Victoria	Valhalla Industries	5,850	\$2.3
719 Station Avenue	Langford	Besolar	5,376	\$2.0
119-834 McCallum Road	Langford	Private Investor	3,800	\$2.0
645 Dunedin Street	Victoria	Wong-Harrison Group	3,804	\$1.9

Source: CBRE Research, Q3 2024.

Distinct attributes that differentiate the new strata developments

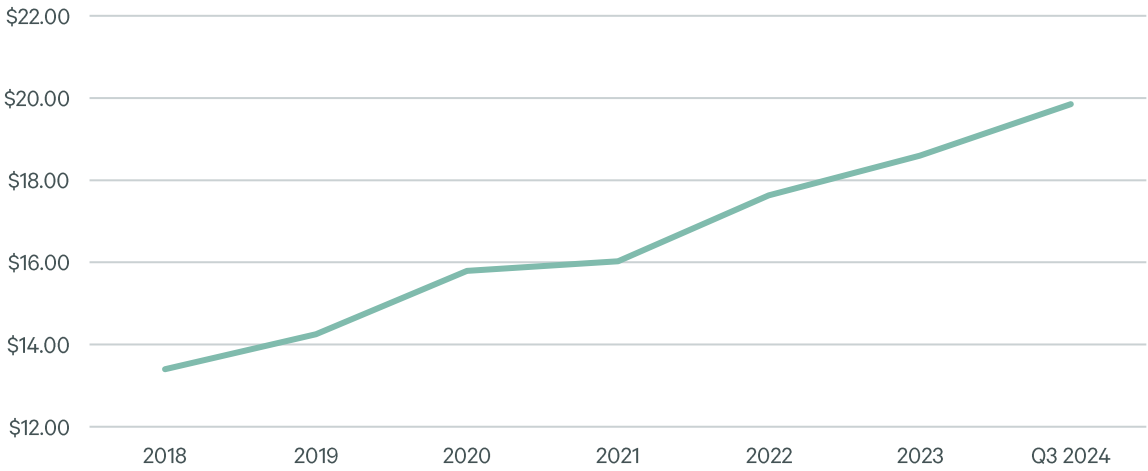
The four industrial developments—West Shore BP, Wildcat, Pacific Ridge, and IntraUrban Cornerstone—collectively delivered 535,000 sq. ft. of new supply over the last four quarters to the Westshore with 65% committed upon delivery. These developments, completed around the same time, continue to compete with one another by attracting buyers and tenants through their distinctive offerings.

Logistical companies are better positioned to benefit from Wildcat and Pacific Ridge, which offer both dock and grade loading options, compared to Cornerstone and West Shore BP, which provide only grade-loading doors. Notably, Pacific Ridge offers the largest units among its competitors and the lowest mezzanine to total size ratio, making it particularly attractive for larger firms prioritizing higher ceiling heights over additional second floor area. The West Shore BP serves as an excellent option for companies seeking a blend of industrial, retail, and office components within their operational layout. Regarding location, Cornerstone offers the shortest access route to the Trans-Canada Highway and is conveniently situated near a diverse array of surrounding commercial mix. Despite these unique offerings, the developments collectively lack certain sought-after features such as yard space, significant bay loading and parking spaces, and they cannot satisfy tenants looking to establish themselves outside the Westshore area.

Re-sale units on the market averaging a 13.3% discount compared to pre-sale units

In the new Westshore strata developments, units listed directly from the developers were on average listed for \$436 per sq. ft. at Pacific Ridge, \$453 per sq. ft. at Wildcat, and \$526 per sq. ft. at Cornerstone. For availability in the re-sale market, units averaged \$368 per sq. ft. at the West Shore BP, \$420 per sq. ft. at Wildcat, and \$444 per sq. ft. at Cornerstone. Notably, re-sale units at Cornerstone and Wildcat reflected average discounts of 15.7% and 7.3%, respectively, compared to their pre-sale counterparts. Owners of these strata units whether they are an investor or owner-occupier appear to be more highly motivated to divest than to market at developer-unit rates to maximize their returns.

FIGURE 5: Greater Victoria Average Net Asking Rents (PSF)



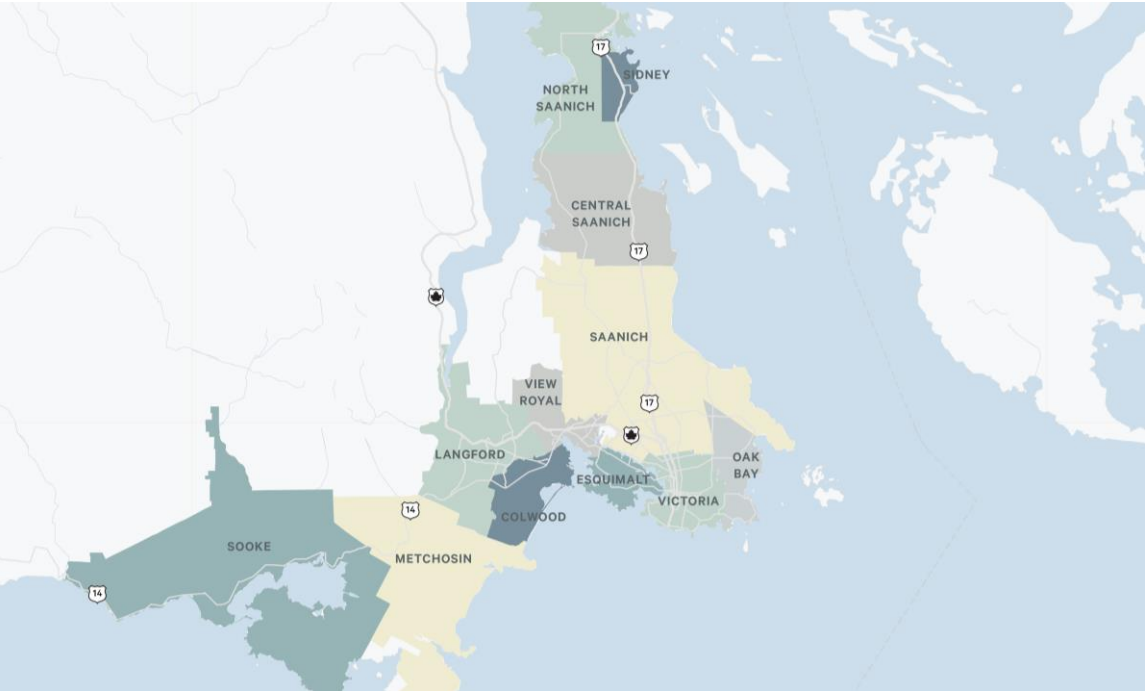
Source: CBRE Research, Q3 2024.

FIGURE 6: Greater Victoria Industrial Statistics Summary

Submarket	Inventory (SF)	Availability Rate (%)	Vacancy Rate (%)	New Supply (YTD)	Under Construction (SF)	Average Net Asking Rent (PSF)	Average Additional Rent (PSF)
Victoria Core	6,039,949	3.0%	2.8%	-	-	\$19.98	\$9.52
Peninsula	2,292,969	2.2%	2.2%	-	-	\$18.48	\$5.95
Westshore	2,036,900	15.6%	15.6%	428,093	-	\$19.98	\$7.69
Greater Victoria	10,369,818	5.3%	5.2%	428,093	-	\$19.85	\$8.11

Source: CBRE Research, Q3 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 defines the Victoria Core market as Saanich, Victoria, Esquimalt, and Oak Bay; The Peninsula market as Central Saanich, Sidney, and North Saanich; and the Westshore market as View Royal, Langford, Colwood, Metchosin, and Sooke.

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