

Downtown Class AA records zero vacancy for three consecutive quarters

▼ 8.5%

Vacancy Rate

► 154K

SF Under Construction

▼ \$21.03

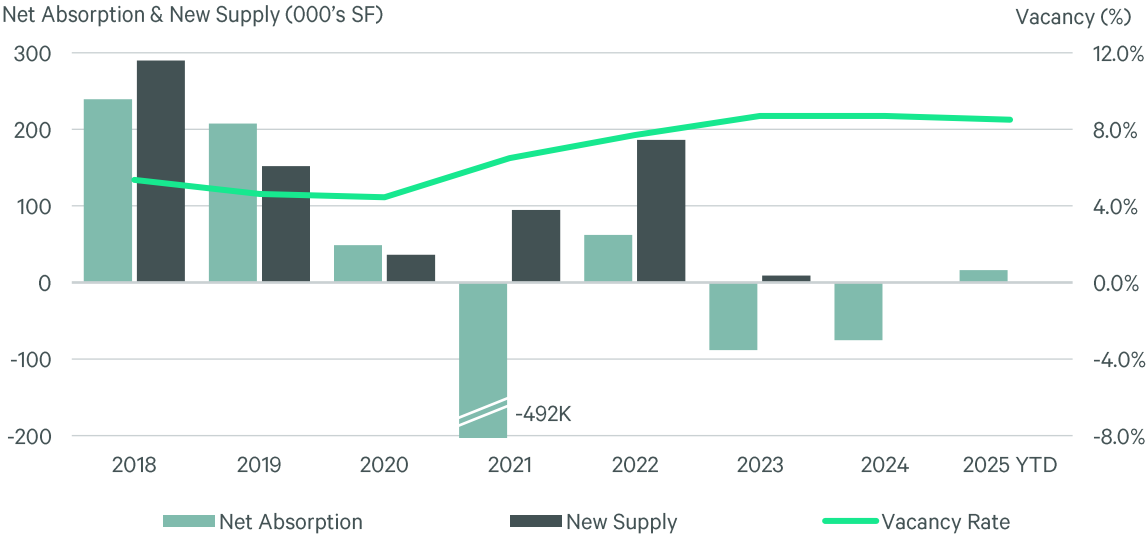
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- The Greater Victoria office market reported a vacancy rate of 8.5%, down 70 basis points (bps) year-over-year, with 16,000 sq. ft. of positive net absorption this quarter. This decline is driven by reduced vacancy in Suburban Class A office buildings and no vacancy in Downtown Class AA.
- The average net asking rate decreased to \$21.03 per sq. ft., a 3.3% drop year-over-year, primarily driven by rising vacancies in Class B and C inventory leading to softer asking rents. However, Suburban Class C asking rents surged 32.2% this quarter due to sustained limited vacancy.
- Office leasing is showing signs of recovery with increased tenant activity, tight Suburban vacancy rates, an ongoing return-to-office trend, and limited new supply. The revitalization Downtown with new bike lanes is attracting tenants back to the core with premium spaces featuring end-of-trip facilities and patio options.
- Investment transactions gained momentum early in the year, primarily involving multi-tenanted professional office buildings. Notably, the Victoria Professional Building at 1120 Yates Street sold for \$475.00 per sq. ft.

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



Source: CBRE Research, Q1 2025.

Greater Victoria overview

The office market reported a Q1 2025 vacancy rate of 8.5%, reflecting a decrease of 20 bps from the previous quarter and a 70 bps decline compared to the same period last year. Notably, lease transactions exceeded vacant space brought to market this quarter, resulting in a net positive absorption of 16,000 sq. ft. This positive activity was largely driven by declining vacancy rates at Uptown Shopping Centre, LakePoint Place, and the Victoria Press Building.

Class AA office inventory remains extremely limited, with no vacancy in Downtown for three consecutive quarters, while Suburban Class AA has maintained a steady vacancy rate of 1.5% over the past year. In contrast, Downtown Class A vacancies have increased by 270 bps year-over-year, primarily due to a rise in vacant full floors in buildings along Douglas Street. Additionally, Downtown vacancies for Class B and Class C properties rose by 240 and 580 bps year-over-year, respectively. These increased vacancy rates for older inventory have put downward pressure on net rents, attracting smaller tenants who prioritize affordability over building amenities.

Average net asking rents across Greater Victoria observed a year-over-year decline of 3.3%, settling at \$21.03 per sq. ft. this quarter. For Downtown, Class A average asking rents rose by 14.9% quarter-over-quarter to \$23.44 per sq. ft., driven by newly listed institutionally-owned properties asking premium rates. Furthermore, Class C Suburban rents also experienced a significant increase of 32.2% quarter-over-quarter reaching \$22.46 per sq. ft. The surge in Suburban net asking rates likely are due to landlords capitalizing on persistent low vacancy rates and high demand in Suburban areas.

Office leasing reaching a turning point

Office leasing activity showed some improvement in the first quarter, driven by several key factors, including large active mandates in the market, declining Suburban vacancy rates, back-to-office policies, and a constrained construction pipeline. A notable highlight was the listing of the entire 34,000 sq. ft. office building at 810 Blanshard Street last quarter, with offers on half of the space. This property's appeal can be attributed to its prime location on the periphery of the Downtown market and its outdoor patio space.

FIGURE 2: Notable Office Developments

Size (SF)	Project Name	Submarket	Estimated Completion	Developer
172,000	Capital VI	Victoria	Planned	Jawl Properties
154,000	TELUS Ocean	Victoria	2026	TELUS / Aryze Developments

Source: CBRE Research, Q1 2025.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Deal Type
5,007	Ron Anderson & Sons Ltd.	206-1016 McCallum Road	Langford	Construction	Direct
4,138	ASL Environmental Sciences	6703 Rajpur Place	Central Saanich	Consulting	Direct
3,116	DSA Ocean	4250 Commerce Circle	Saanich	Engineering	Direct

Source: CBRE Research, Q1 2025.

FIGURE 4: Notable Sale Transactions

Address	Submarket	Purchaser	Size (SF)	Price (\$M)
3491 Saanich Road	Saanich	Private Investors	7,693	\$2.4
9837 Seventh Street	Sidney	Garry Oak Veterinary Hospital	2,542	\$1.8
691 Burnside Road E	Victoria	Vic West Pet Hospital	2,382	\$1.8

Source: CBRE Research, Q1 2025.

The ongoing revitalization of the Downtown market, as evidenced by new bike lanes on Blanshard and robust retail leasing, is effective at drawing employees back to the Downtown core. Tenants in the market are increasingly attracted to spaces featuring high-quality end-of-trip facilities and outdoor patio options. Class AA office spaces remain highly coveted by companies seeking larger floor plates, while smaller tenants are open to considering older spaces based on affordability. In an office landscape marked by a flattening construction pipeline and tight vacancy for high-quality inventory, landlords have a unique opportunity to renovate and enhance Class B or older properties to offer competitive amenities, ultimately attracting these tenants.

Investment sales picks up as office leasing activity improves

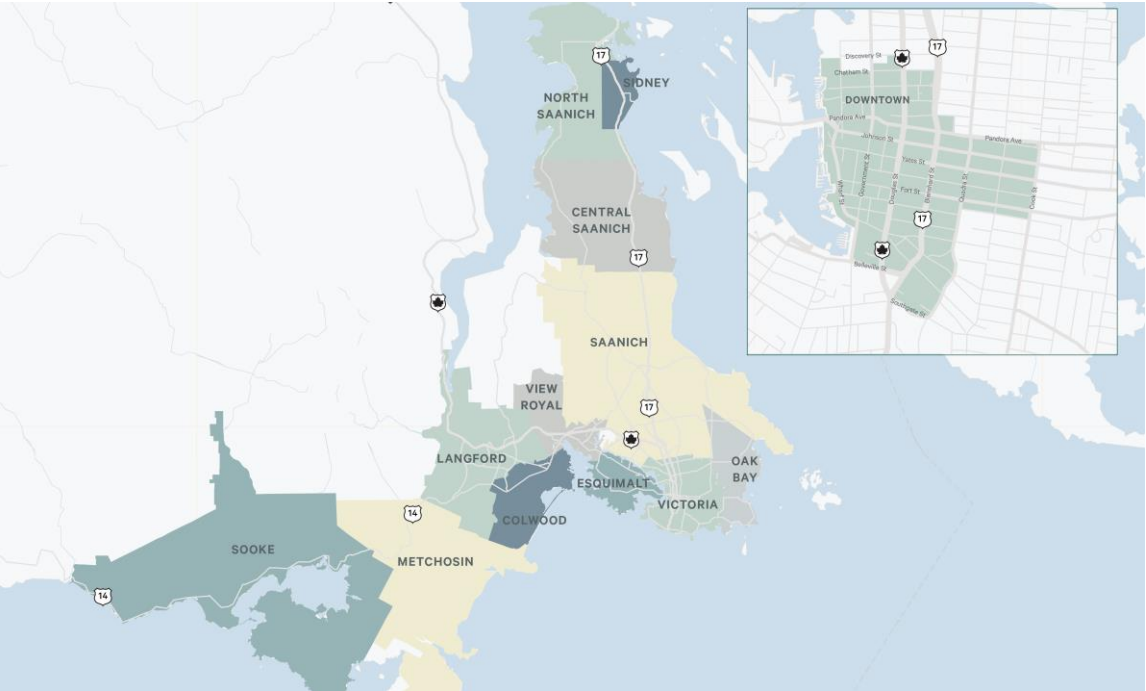
Market fundamentals for office assets are showing signs of improvement despite lagging indicators, reflecting positive trends of the Lower Mainland and increased activity in Greater Victoria. The start of the year recorded a notable surge in office asset transactions. Key deals in the first quarter included the acquisition of a professional building at 3491 Saanich Road and the transition of ownership for an existing veterinary tenant at the Flader Business Centre, located at 9837 Seventh Street. Additionally, both the Victoria Professional Building at 1120 Yates Street and five storey office building at 1815 Blanshard went under contract and successfully sold in the subsequent quarter for \$268.80 per sq. ft. and \$475.00 per sq. ft. respectively. Heightened buyer interest in office assets appear to be from domestic private capital groups who are seeking stable, cash-flowing multi-tenanted office buildings or a well-priced value-add opportunity.

FIGURE 5: Greater Victoria Office Statistics Summary

Submarket	Class	Total Buildings	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	New Supply	Under Construction	Average Net Asking Rent (PSF)	Average Additional Rent (PSF)
Downtown Victoria	AA	2	281,108	0.0%	0	0	-	154,000	\$36.78	\$23.02
	A	8	523,591	10.7%	-10,968	-10,968	-	-	\$23.44	\$16.97
	B	53	1,884,932	11.0%	-10,307	-10,307	-	-	\$19.71	\$13.72
	C	69	1,442,950	19.1%	-18,507	-18,507	-	-	\$18.18	\$15.08
		132	4,132,581	13.1%	-39,782	-39,782	-	154,000	\$19.24	\$14.75
Suburban	AA	3	278,000	1.5%	0	0	-	-	\$31.53	\$21.22
	A	21	1,238,591	7.9%	83,780	83,780	-	-	\$30.26	\$14.99
	B	68	2,292,290	5.4%	-24,366	-24,366	-	-	\$21.62	\$13.24
	C	104	1,503,598	2.5%	-3,635	-3,635	-	-	\$22.46	\$14.28
		196	5,312,479	5.0%	55,779	55,779	-	-	\$24.76	\$14.11
Greater Victoria	AA	5	559,108	0.8%	0	0	-	154,000	\$31.53	\$21.22
	A	29	1,762,182	8.8%	72,812	72,812	-	-	\$27.73	\$15.72
	B	121	4,177,222	8.0%	-34,673	-34,673	-	-	\$20.46	\$13.53
	C	173	2,946,548	10.6%	-22,142	-22,142	-	-	\$18.69	\$14.98
		328	9,445,060	8.5%	15,997	15,997	-	154,000	\$21.03	\$14.54

Source: CBRE Research, Q1 2025.

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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