

# Increasing demand for large-sized Class AA & A office spaces

▼ 8.1%

Vacancy Rate

▼ 174K

SF Under Construction

▼ \$21.22

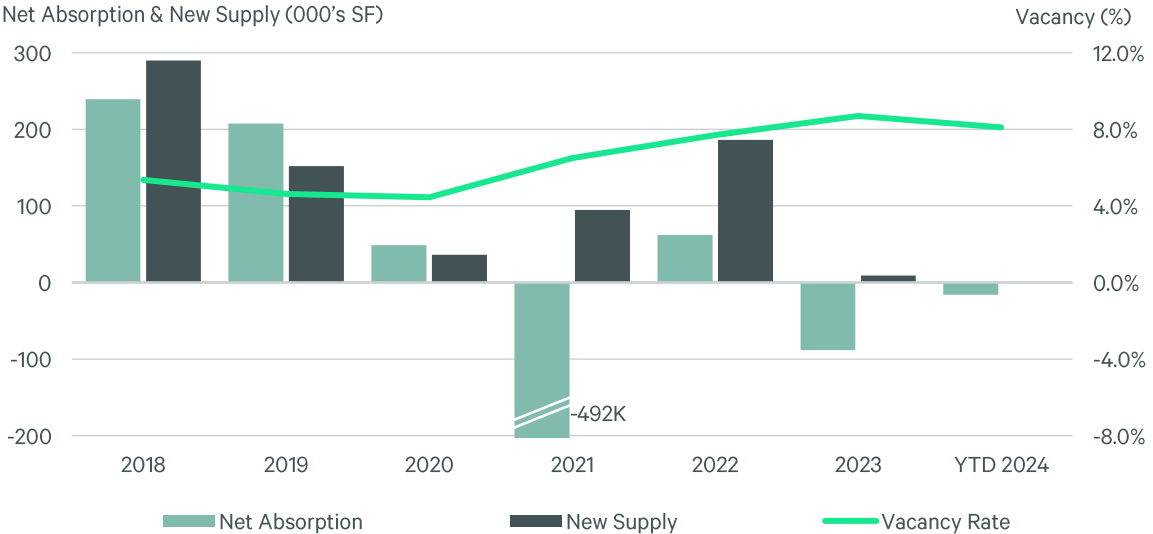
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

### Market Summary

- The Greater Victoria office market reported a vacancy rate of 8.1% this quarter, reflecting a 200 basis point (bps) decrease in the suburban market, and a 50 bps increase downtown. Over 60,000 sq. ft. of Class C downtown space was listed to market this quarter, primarily located on Fort Street and in a standalone building at 737 Courtney Street. The average net rental rate across Greater Victoria remained stable at \$21.22 per sq. ft., showing minimal quarterly price fluctuations.
- There was an uptick in leasing activity for large, high-quality office spaces in downtown Victoria and the Uptown area. Jawl Properties achieved full occupancy at 3350 Douglas Street after leasing a 10,000 sq. ft. unit. Downtown, a rare opportunity arose at 1515 Douglas Street, which was quickly subleased by Worldline, allowing them to vacate their entire floorplate for the Capital Regional District to lease directly and expand into.
- Several national office trends are evident in the local Victoria market, including the market bifurcation trend between highly sought after Class AA & A space and low demand for Class C inventory, a decrease in sublease vacancy due to the phasing out of the rightsizing trend, and a discernably small office development and construction pipeline.

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



Source: CBRE Research, Q3 2024.

## Greater Victoria overview

Through Q3 2024, the Greater Victoria office market experienced its second consecutive quarter of positive net absorption, totaling 2,037 sq. ft. Notably, despite over 60,000 sq. ft. of Class C office space being listed this quarter, approximately 50,000 sq. ft. across four significant Class A offices was successfully leased. The overall vacancy rate was recorded at 8.1% this quarter, primarily driven by a 200 bps reduction in suburban vacancy rates. In Downtown Victoria, the trend of market bifurcation is evident, as Class AA inventory reported no vacancy, whereas the Class C inventory continues to oversaturate. Consequently, the overall downtown vacancy rate increased by 50 bps, attributed to the rise in Class C vacancy slightly outweighing the recent absorption of higher-quality spaces.

The average net asking rate in Greater Victoria stood at \$21.22 per sq. ft., with additional rent at \$14.35 per sq. ft. While vacancy rates remain elevated, there has been no significant erosion in asking rates. Landlords are positioned to demonstrate flexibility in negotiations and offer rent concessions for the right tenants.

## Uptick in leasing activity for premium Class AA & A floorplates

Throughout the year, a substantial inventory of full floorplates were vacated, primarily concentrated in the downtown core, where trends of rightsizing and a flight to quality were occurring. In Q3 2024, the office market experienced an increase in leasing activity driven by large tenants. Notably, TD Wealth secured 65% of the former Shaw space, now occupying over 21,000 sq. ft. at Uptown Shopping Centre. At 3350 Douglas Street near Uptown, a confidential tenant leased a 10,000 sq. ft. unit in the Jawl building. In Downtown Victoria, the only Class AA vacancy, a sublease of 8,500 sq. ft. at 1515 Douglas Street, was leased up by Worldline. As the tenant pursued this sublease opportunity, their previous space on the entire second floor at 1675 Douglas Street was leased directly to the Capital Regional District.

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
20,000	The Scene	Langford	Q1 2025	Jagpal/Evantra Developments

Source: CBRE Research, Q3 2024.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Transaction Type
21,504	TD Wealth	P201-3450 Uptown Boulevard	Saanich	Financial	Direct
12,787	Capital Regional District	200-1675 Douglas Street	Victoria	Government	Direct
10,016	Confidential	102-3350 Douglas Street	Saanich	Confidential	Direct
8,452	Worldline	410-1515 Douglas Street	Victoria	Financial Tech	Sublet

Source: CBRE Research, Q3 2024.

FIGURE 4: Notable Sales Transactions

Address	Submarket	Purchaser	Size (SF)	Price (\$M)
300 – 398 Harbour Road	Victoria	Sebastian Brothers	6,081	\$3.2
200 – 398 Harbour Road	Victoria	Private Investor	6,146	\$3.1
1007 Johnson Street	Victoria	One Net Inc.	3,304	\$1.3

Source: CBRE Research, Q3 2024.

Class A and Class C vacancies across Greater Victoria remain elevated at 11.2% and 10.2%, respectively. Occupancy levels in more recently completed office buildings in Greater Victoria continue to experience stagnant activity, but demand may be diverted there if Class AA vacancy remains low. The downtown Class C market continues to be unattractive to tenants, with increasing full floorplate vacancy each quarter.

Key market trends observed in the local landscape

Major markets often provide early indicators of emerging trends before they reach smaller, trailing markets. This quarter, a prominent and consistent observation across various markets is the continued market bifurcation. There is an increasing preference among tenants for higher quality properties, particularly in suburban locations. As a result, lower-quality inventory has become stagnant, and vacancy rates remain elevated in the downtown core. However, a noticeable recovery is occurring in the sublease market, with total sublease vacancy down 31.0% this quarter, aligning with the national sentiment of slowing rightsizing activity. In Greater Victoria, another notable trend is the significant decline in new office developments and construction. Currently, the only major office tower underway is TELUS Ocean at 767 Douglas Street, with no other new projects announced in 2024.

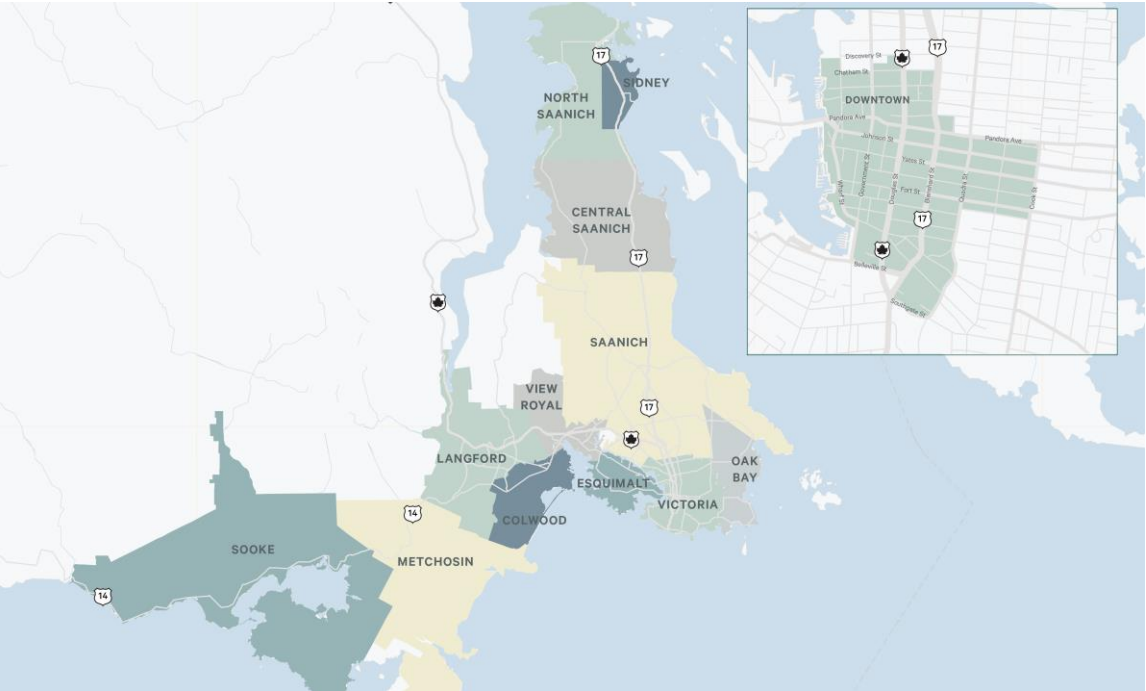
Other emerging national trends, such as office conversions and an increase in non-strata office sales, have yet to gain substantial momentum in Greater Victoria. Converting office buildings into residential or alternative asset classes requires considerable development expertise, capital investment, and time allocation. Successful implementation of government incentive programs, streamlined approval processes, and supportive funding strategies have been observed in other markets and would be crucial for the feasibility of such initiatives in Greater Victoria.

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%	8,452	4,879	-	154,000	\$36.78	\$22.93
	A	8	523,591	9.0%	3,808	-4,151	-	-	\$20.51	\$17.22
	B	53	1,884,932	8.6%	-9,475	-16,356	-	-	\$20.07	\$13.87
	C	70	1,449,059	17.8%	-42,369	-70,914	-	-	\$17.94	\$14.62
		133	4,138,690	11.3%	-39,584	-86,542	-	154,000	\$18.86	\$14.58
Suburban	AA	3	278,000	1.5%	0	-1,765	-	-	\$31.53	\$20.96
	A	21	1,238,591	12.2%	16,983	60,772	-	20,000	\$29.38	\$15.21
	B	68	2,292,290	4.3%	12,405	4,212	-	-	\$21.47	\$12.93
	C	104	1,503,598	2.8%	12,233	7,400	-	-	\$16.41	\$11.77
		196	5,312,479	5.6%	41,621	70,619	-	20,000	\$24.77	\$14.00
Greater Victoria	AA	5	559,108	0.8%	8,452	3,114	-	154,000	\$31.53	\$20.96
	A	29	1,762,182	11.2%	20,791	56,621	-	20,000	\$27.62	\$15.61
	B	121	4,177,222	6.2%	2,930	-12,144	-	-	\$20.66	\$13.47
	C	174	2,952,657	10.2%	-30,136	-63,514	-	-	\$17.73	\$14.24
		329	9,451,169	8.1%	2,037	-15,923	-	174,000	\$21.22	\$14.35

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 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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