

Downtown Victoria Class C office building converted to residential use

▲ 8.7%

Vacancy Rate

► 154K

SF Under Construction

▼ \$21.33

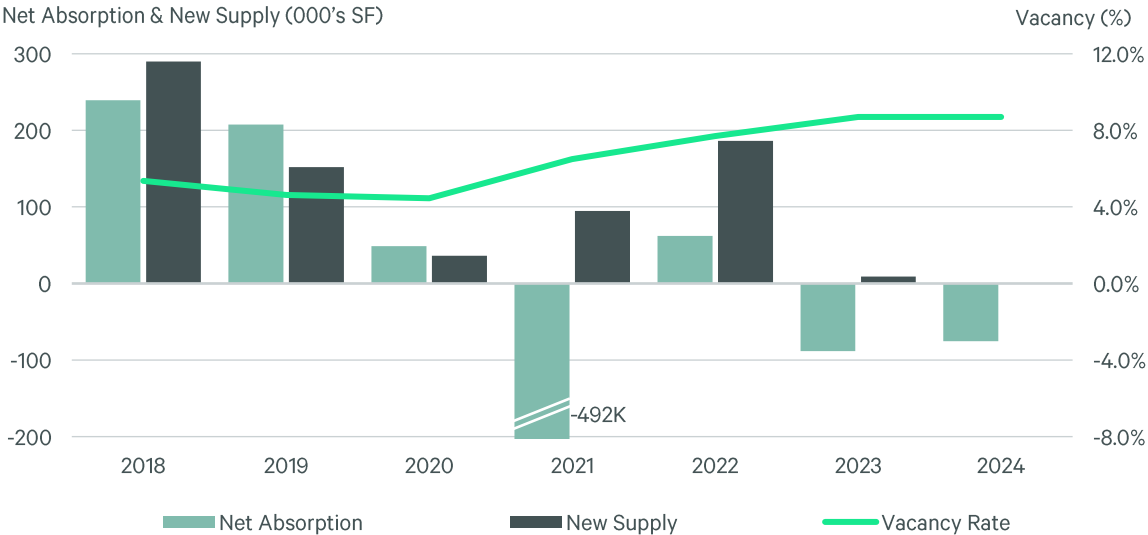
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- Vacancy in the Greater Victoria office market increased 30 basis points (bps) quarter-over-quarter to 8.7%. There was 28,000 sq. ft. of negative net absorption recorded this quarter contributing to 75,000 sq. ft. of total negative net absorption during 2024.
- Average net asking rents were recorded at \$21.33 per sq. ft. and declined 1.3% quarter-over-quarter. The persistent low vacancy in Class AA space and the increasing vacancy of Class B & C product has contributed to the softening of average rents.
- There continues to be very limited office development proposed or underway across the submarkets. This will put additional pressure on existing Class A product in the suburbs, especially in Saanich, and office tenants on the market will continue to look to retail spaces in mixed-use developments as an alternative.
- In Downtown Victoria, the property at 1011 Fort Street was a four-storey office building but recently underwent an office conversion into residential use. BC Housing purchased it for \$805 per sq. ft. and operates the building as 15 supportive housing units.

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



Source: CBRE Research, Q4 2024.

Greater Victoria overview

In Q4 2024, the Greater Victoria office market reported a vacancy rate of 8.7%, representing an increase of 30 bps quarter-over-quarter, while remaining unchanged year-over-year. The market reflected 28,000 sq. ft. of net negative absorption this quarter, contributing to a total of 75,000 sq. ft. of negative net absorption for the year. New vacancy this quarter was primarily driven by the entire office building at 810 Blanshard in the Downtown area, which added over 34,000 sq. ft. across four floors to the market. Consequently, the overall vacancy rate for Class B properties increased by 90 bps quarter-over-quarter to 7.1%. Additionally, vacancy rates within Class AA assets remained stable this quarter, while Class A and Class C vacancies declined by 10 bps and 30 bps, to 12.9% and 9.9%, respectively.

The net average asking rent decreased by 450 bps year-over-year, now standing at \$21.33 per sq. ft. Persistent low vacancy rates in Class AA properties, which command high premium rents, have contributed to the overall softening of average rental rates with more Class B & C product available. In Downtown Victoria, the average asking rent was recorded at \$18.57 per sq. ft., compared to \$25.56 per sq. ft. throughout the suburban markets.

Construction pipeline flattening across the market

The Greater Victoria office market did not introduce new supply this year and continues to hold 154,000 sq. ft. in the office construction pipeline. The only project in the pipeline is the 154,000 sq. ft. office development at TELUS Ocean, which is expected to alleviate some of the demand for premium office space in the Downtown area. In contrast, the suburban market has not seen any recently proposed office projects, putting additional pressure on existing Class AA vacancy rates and net rents.

In response to shifting office demand, more service-based office tenants are turning to mixed-use developments with ground-floor commercial spaces and residential units above. Some suburban tenants are also opting for office buildouts in traditional retail spaces, which offer more flexibility in terms of parking and location. New proposed office projects are expected to require significant pre-leasing commitments before moving forward with construction. As a result, medium and smaller-sized tenants will need to wait for anchor tenants to be secured before obtaining new office 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 |
| 20,000 | The Scene | Langford | Planned | Jagpal/Evantra Developments |

Source: CBRE Research, Q4 2024.

FIGURE 3: Notable Lease Transactions

| Size (SF) | Tenant | Address | Submarket | Industry | Deal Type |
|-----------|---------------------|-----------------------|-----------|-------------|-----------|
| 11,595 | Investors Group | 3450 Uptown Boulevard | Saanich | Financial | Direct |
| 4,424 | The Found Studio | 3450 Uptown Boulevard | Saanich | Merchandise | Direct |
| 4,007 | Chamber of Commerce | 633 Courtney Street | Victoria | Non-profit | Direct |

Source: CBRE Research, Q4 2024.

FIGURE 4: Notable Sales Transactions

| Address | Submarket | Purchaser | Size (SF) | Price (\$M) |
|--------------------|-----------|------------------|-----------|-------------|
| 1011 Fort Street | Victoria | BC Housing | 6,714 | \$6.6 |
| 2680 Richmond Road | Victoria | Private Investor | 12,504 | \$5.3 |

Source: CBRE Research, Q4 2024.

Office conversion trend gains early traction in Downtown Victoria

Office asset sales activity was slow this year, with only strata units and medical office spaces transacting. However, the market showed a slight uptick in the fourth quarter, with two office transactions in December, totaling over \$12 million in combined transaction value. Notable sales included a two-storey medical building at 2680 Richmond Road, which sold for \$432 per sq. ft. to remain occupied by the Victoria Arthritis Centre under the Vancouver Coastal Health Authority. In Downtown Victoria, a four-storey building at 1011 Fort Street traded for \$805 per sq. ft. and was purchased by BC Housing. The building underwent an office conversion and now operates as 15 supportive housing units for Indigenous people.

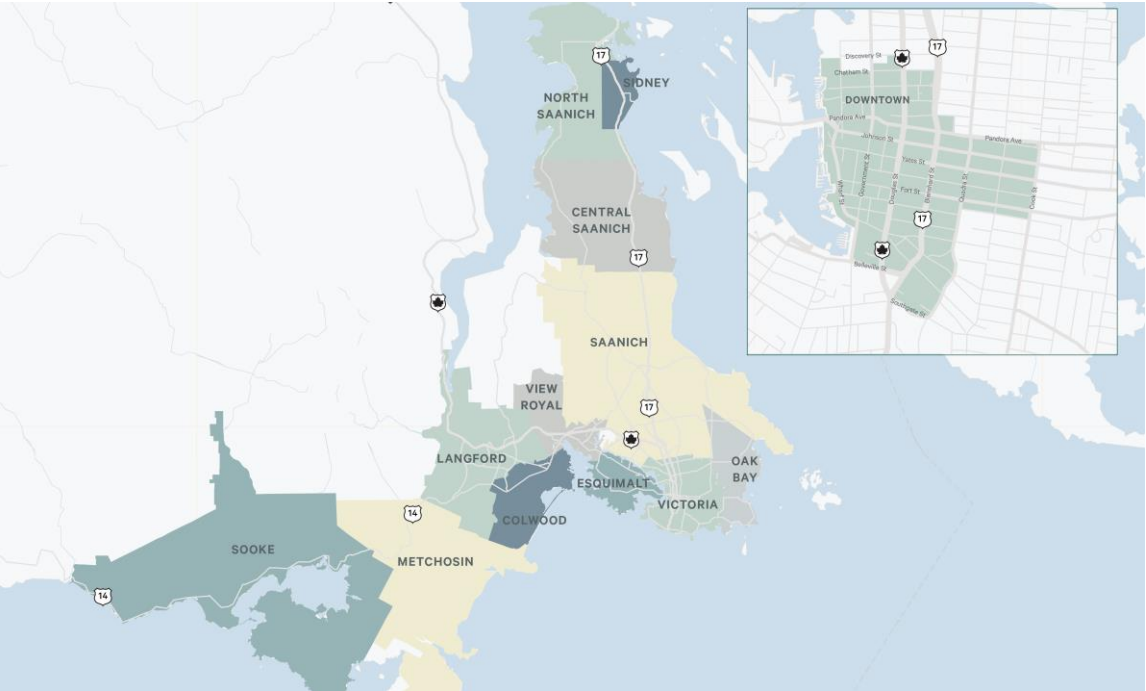
This sale marks an early example of office-to-residential conversion in the Greater Victoria market, which may continue to trend as stagnant Class B & C office product becomes increasingly appealing to residential developers. As office conversion activity gains momentum, particularly in the major markets, it could help alleviate aging office inventory and provide a sustainable option to new housing supply.

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 | 4,879 | - | 154,000 | \$35.00 | \$22.38 |
| | A | 8 | 523,591 | 8.6% | 2,026 | -2,125 | - | - | \$20.40 | \$17.17 |
| | B | 53 | 1,884,932 | 10.5% | -36,152 | -52,508 | - | - | \$19.37 | \$13.30 |
| | C | 69 | 1,442,950 | 17.9% | -245 | -71,159 | - | - | \$17.69 | \$14.53 |
| | | 132 | 4,132,581 | 12.1% | -34,371 | -120,913 | - | 154,000 | \$18.57 | \$14.25 |
| Suburban | AA | 3 | 278,000 | 1.5% | 0 | -1,765 | - | - | \$31.53 | \$20.96 |
| | A | 21 | 1,238,591 | 14.7% | -652 | 29,301 | - | - | \$29.38 | \$15.37 |
| | B | 68 | 2,292,290 | 4.4% | -2,097 | 2,115 | - | - | \$21.53 | \$11.98 |
| | C | 104 | 1,503,598 | 2.3% | 8,633 | 16,033 | - | - | \$16.99 | \$11.93 |
| | | 196 | 5,312,479 | 6.0% | 5,884 | 45,684 | - | - | \$25.56 | \$13.97 |
| Greater Victoria | AA | 5 | 559,108 | 0.8% | 0 | 3,114 | - | 154,000 | \$31.53 | \$20.96 |
| | A | 29 | 1,762,182 | 12.9% | 1,374 | 27,176 | - | - | \$27.76 | \$15.69 |
| | B | 121 | 4,177,222 | 7.1% | -38,249 | -50,393 | - | - | \$20.14 | \$12.82 |
| | C | 173 | 2,946,548 | 9.9% | 8,388 | -55,126 | - | - | \$17.62 | \$14.25 |
| | | 328 | 9,445,060 | 8.7% | -28,487 | -75,229 | - | 154,000 | \$21.33 | \$14.14 |

Source: CBRE Research, Q4 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.

Research Contacts:

Mai Nguyen
Research Analyst
+1 778 410 2086
mai.nguyen1@cbre.com

Tyler Bains
Research Director
+1 604 662 5135
tyler.bains@cbre.com