

Strong pre-leasing demand in the new Royal Bay master-planned community



Note: Arrows indicate change from previous quarter.

Market Summary

- The Greater Victoria retail market recorded a 6.7% quarter-over-quarter availability increase, primarily due to the new availability of a 38,000 sq. ft. space at the Westshore Town Centre after the closure of the Fairway Market Westshore location.
- The pre-leasing market remained in high demand within new commercial developments such as Arbutus Landing, in the new Royal Bay community. Quick-service restaurants (QSR), fitness, daycare, medical office, and financial service groups are dominantly pursuing expansion plans into this area.
- High retail turnover continued with a many long-standing retailers announcing closures. Low foot-traffic, social issues, high overhead costs and rent increases were contributing factors. Many of those vacated spaces were highly sought after in the lease market as they rarely come available.
- Demand for retail space downtown is primarily under 2,000 sq. ft. due to active tenants on the market being QSRs, restaurants, and small local businesses. Larger outdated inventories should consider demisable options, turnkey strategies and/or increased tenant improvement allowances to attract new tenants.

FIGURE 1: Greater Victoria Retail Statistics Summary by Municipality

	Total Available Space (SF)			Average Net Asking Rent (PSF)	Average Additional Rent (PSF)
	Q2 2024	Q3 2024	Quarter-over-Quarter		
Colwood	23,589	21,684	(8.1%)	\$30.43	\$13.99
Esquimalt	9,343	1,728	(81.5%)	\$22.00	\$16.11
Langford	30,369	76,487	151.9%	\$30.87	\$17.70
Saanich	101,023	122,164	20.9%	\$27.58	\$18.70
Central Saanich	1,048	1,048	-	\$26.00	\$16.84
Sidney	20,471	11,196	(45.3%)	\$32.28	\$9.23
Sooke	9,881	1,577	(84.0%)	\$17.00	\$7.80
Victoria	261,447	239,254	(8.5%)	\$26.74	\$15.09
Other*	5,172	2,494	(51.8%)	\$28.67	\$18.96
TOTAL	462,343	477,632	3.3%	\$27.64	\$16.21

*Brentwood Bay, Oak Bay, & View Royal

Source: CBRE Research, Q3 2024.

Greater Victoria overview

In Q3 2024, retail availability in Greater Victoria rose by 6.7% quarter-over-quarter, totaling over 477,000 sq. ft. on the market. While many submarkets experienced notable declines in availability, this increase was largely driven by a new 38,000 sq. ft. listing at the Westshore Town Centre following the closure of Fairway Market, along with over 7,000 sq. ft. of new availability at the Uptown Shopping Centre. Leasing activity in the downtown area remained robust, driving a 15.7% decline in available sq. ft. attributed to strong demand for units between 500 sq. ft. and 2,000 sq. ft. Additionally, two prominent event spaces at 753 View Street and 1325 Government Street were successfully leased, contributing to the continued revitalization of the downtown core. The Highstreets continued to see strong demand, bolstered by nearly one million cruise visitors this summer and ongoing limited availability on Government Street.

The net average asking rate across Greater Victoria was recorded at \$27.64 per sq. ft., with additional rent averaging \$16.21 per sq. ft. Across the three primary submarkets, average rents were \$24.57 per sq. ft. downtown, \$58.99 per sq. ft. in the highstreets, and \$29.03 per sq. ft. in the suburbs. Overall, average asking rent saw a slight decline of 1.3%, while average operating costs increased by 6.1% this quarter.

Notable retailers opening and closing this quarter

The trend of heightened retail turnover persisted into the third quarter. Among the notable new entrants to the market were JD Sports Canada at Mayfair Mall, Saxe Pointe Pub at Esquimalt Town Square, Arrietty Home, Daily Fresh Supermarket, Chobap Sushi Bar, and Matadora Tapas. However, this quarter also saw several announced closures, including Mother Nature’s Market, Max Furniture, 7-Eleven on Douglas Street, Tombo, Hot and Cold Café, Boho Tribe, Frickin Delights Donuts, and Sasquatch Trading.

Demand from QSRs in the downtown core diminished this quarter, as many tenants shifted their focus toward expansion opportunities in the Westshore. New commercial developments such as Arbutus Landing and Parcel B at Royal Bay, along with suburban mixed-use projects like ODYSSEY and Westview, have become increasingly attractive. The pre-leasing market in the upcoming Royal Bay master-planned community continues to garner high interest from fitness, daycare, medical, financial service and QSR groups.

FIGURE 2: Notable Retail Developments

Size (SF)	Project Name	Submarket	Estimated Completion	Developer
29,091	Latoria Corners	Langford	Q1 2025	Private Investor
15,571	ODYSSEY	Saanich	Q2 2026	OVIS / Stratosphere / Ironclad
109,060	University Heights	Saanich	2026	Greystar / Minto Apartments
31,953	Arbutus Landing	Colwood	2026	Astria Properties
14,579	Parcel B at Royal Bay	Colwood	2026	PCRE Group

Source: CBRE Research, Q3 2024.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Industry	Transaction Type
5,900	JD Sports Canada	148-3147 Douglas Street	Victoria	Sporting Goods	Direct
3,250	The Downbeat	1325 Government Street	Victoria	Entertainment	Direct
2,360	Heavenly Desserts	A-456 Gorge Road E	Victoria	Food & Beverage	Direct

Source: CBRE Research, Q3 2024.

FIGURE 4: Notable Sales Transactions

Address	Submarket	Purchaser	Size (SF)	Price (\$M)
7180 & 7188 West Saanich Road	Central Saanich	Private Investor	7,033	\$4.6
719 Station Avenue	Langford	Besolar	5,376	\$2.0
2485 Beacon Avenue	Sidney	Private Investor	1,890	\$1.0

Source: CBRE Research, Q3 2024.

Rent hikes contribute to downtown retail closures

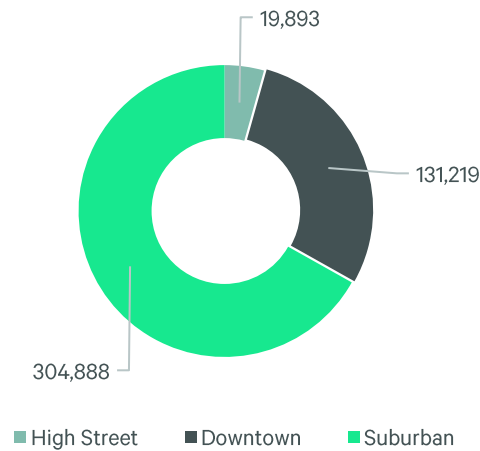
While many downtown retail operators have managed post-pandemic inflation costs, labour shortages, and overall urban degradation, additional rent increases were the final push into closure for some. Notable closures include longstanding establishments such as Baggins Shoes, Little Jumbo, Quonley’s Gifts & Grocery, and Vancouver Island Brewing. These tenants faced average rent hikes of 35-40% from their landlords, making it increasingly difficult to justify the additional costs of maintaining a brick-and-mortar presence. The persistent social issues and rising overhead costs in the downtown area have further exacerbated the challenges, leading to the exit of numerous retail tenants.

However, the resulting vacancies in these turnkey retail spaces have created opportunities for new entrants. The former Little Jumbo restaurant and café space has been swiftly leased by the owners of Nubo, who plan to introduce an innovative new concept. Additionally, the 25,000 sq. ft. former brewery space at 2330 Government Street is currently under contract, highlighting the desirability of the Rock Bay area. The quick leasing of these spaces indicates that there are operators capable of absorbing the elevated market rates and suggest that rent increases are not the sole factor driving the closures of retail tenants.

Improving downtown retail assets to address urban decay

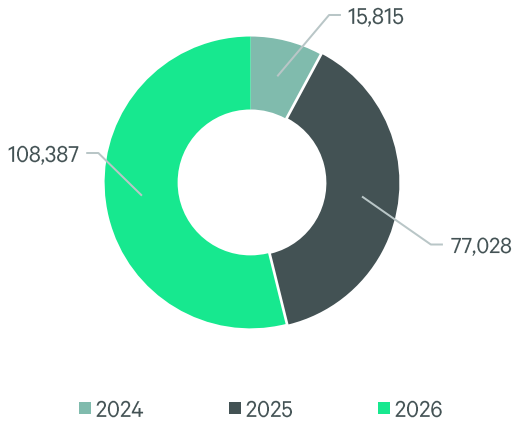
Numerous large retail spaces exceeding 4,000 sq. ft. in the downtown core continued to remain available on the market. This stagnation can be attributed to the high costs associated with either constructing new shell spaces or undertaking extensive renovations on severely outdated buildings. Observations from the office market suggest that landlords are increasingly turning to renovate their Class C office spaces to attract tenants. This approach could similarly benefit retail landlords, who might consider improving their aging assets to refresh interest. The retention of outdated inventory or shell spaces with limited tenant improvement allowances poses a barrier to new entrants and the appeal of downtown overall. Improvements to dilapidated buildings could not only increase occupancy rates but also contribute to increased local foot traffic, address social issues, and improve economic conditions in the downtown core.

FIGURE 5: Total Headlease Availability (SF)



Source: CBRE Research, Q3 2024.

FIGURE 6: Total Construction by Year of Delivery (SF)



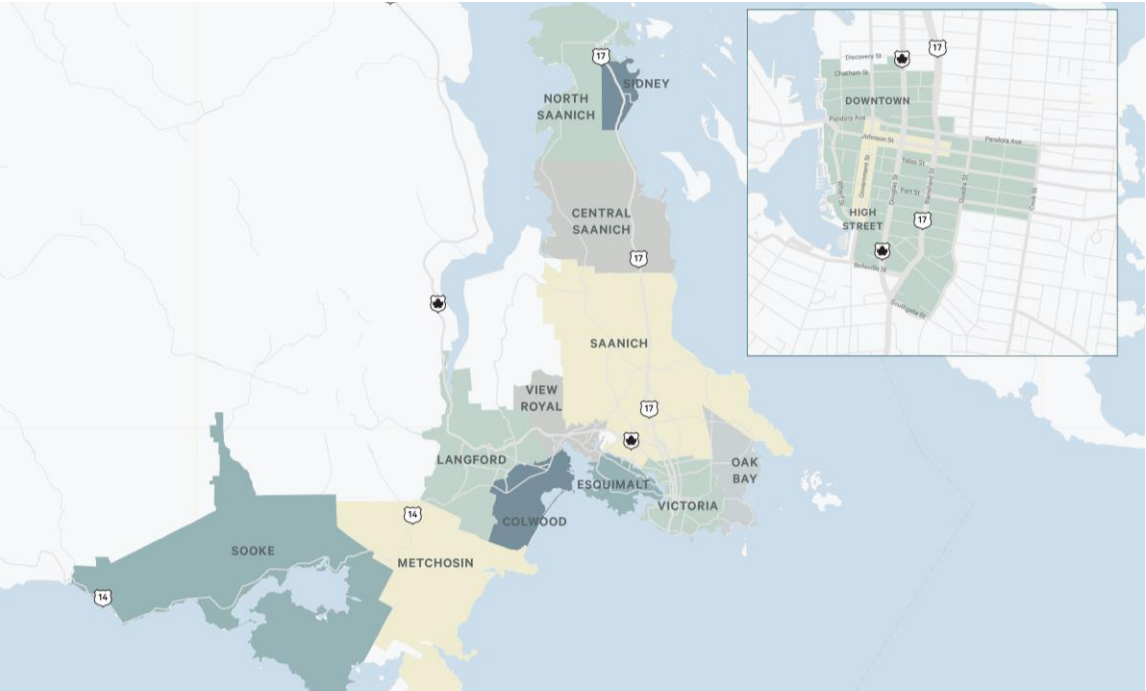
Source: CBRE Research, Q3 2024.

FIGURE 7: Greater Victoria Retail Statistics Summary by Region

	HIGH STREET	DOWNTOWN	SUBURBAN	TOTAL
Total Available Space (SF)	20,416	131,219	325,997	477,632
Total Available Space for Sublease (SF)	523	-	21,109	21,632
Average Net Asking Rent (PSF)	\$58.99	\$24.57	\$29.03	\$27.64
Average Additional Rent (PSF)	\$13.20	\$14.73	\$16.99	\$16.21

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 high street market as Government Street (Wharf Street to Pandora Street) and Johnson Street (Wharf Street to Blanshard Street). The defined boundary for Downtown Victoria is sourced from the City of Victoria’s Neighbourhood Boundaries. CBRE aggregates the Suburban market from all submarkets outside of the Downtown core; North Saanich, Sidney, Central Saanich, Saanich, Victoria, Oak Bay, Esquimalt, View Royal, Colwood, Langford and Sooke.

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