

Victoria, British Columbia, is the capital city of the Province of British Columbia, which employs some 10,000 people in the downtown area. It has five primary economic drivers that include the provincial government, the University of Victoria, high technology, tourism and the Department of National Defense, which operates Canada's largest naval base on the Pacific Coast. Since the fall of 2008, the provincial government has seen a decline in revenue resulting in spending cuts. Tourism has been damaged by a drop in both US and international visitors. A relatively healthy local economy and low interest rates have resulted in a robust housing market that has seen increases in sales volumes and strengthening of prices. The median single family house price is \$500,000.

The industrial market is challenging for buyers and tenants with a very low vacancy rate of less than 1% and limited new supply. Rents for industrial space have remained stable. Lack of capacity in existing industrial areas in the Victoria area continues to be a problem.

The office market has seen an increase in vacancy rates. A notable impact on the downtown office market has been the downsizing of the provincial government as it struggles with its budget deficit. A new mall under construction anchored by Wal-Mart includes an office component of 200,000 SF of space. It will be interesting to see how readily the market absorbs this new product in the current economic environment.

The retail market in the downtown core continues to show weakness due to a diminished tourism sector. The 8% vacancy rate is expected to hold. Regional and community retail centers in Victoria have a 2-3% vacancy rate with lease rates stable.

Investment sales continue to be limited by a lack of product. An abundance of qualified purchasers and the limited number of investment properties have resulted in capitalization rates remaining resilient to the recessionary pressures. Prime commercial property capitalization rates are 6-7%. Residential apartment capitalization rates are around 5%.

Victoria At-A-Glance

Rates are provided in Net Rent/ SF /Year

Currency Used: Country's Currency CDN\$

Classification	Low Rental Rates	High Rental Rates	Vacancy Rate
Downtown Office — Submit as Full Service Rates			
New Construction (AAA)	CDN 42.00	CDN 48.00	N/A
Class A (Prime)	CDN 36.00	CDN 40.00	1.8%
Class B (Secondary)	CDN 30.00	CDN 34.00	5.0%
Suburban Office — Submit as Full Service Rates			
New Construction (AAA)	CDN 38.00	CDN 42.00	N/A
Class A (Prime)	CDN 32.00	CDN 36.00	7.0%
Class B (Secondary)	CDN 26.00	CDN 30.00	10.0%
Industrial Space — Submit as Net (Triple Net) Rates			
Bulk Warehouse	CDN 10.00	CDN 12.00	1.0%
Manufacturing	CDN 12.00	CDN 14.00	1.0%
High Tech/R&D	CDN 26.00	CDN 18.00	1.0%
Retail Space — Submit as Full Service Rates			
Downtown (High Street Shops)	CDN 38.00	CDN 90.00	9.0%
Neighbourhood Service Centres (Retail Units in Parks)	CDN 26.00	CDN 32.00	5.0%
Community Power Centres (Big Box)	CDN 24.00	CDN 28.00	2.0%
Regional Malls	CDN 50.00	CDN 70.00	3.0%
Solus Food Stores (European Region Only)	N/A	N/A	N/A

Development Land (Provided per Acre)

Classification	Low / Acre	High / Acre
Office in CBD	CDN1,500,000	CDN 2,000,000
Land In Office Parks	CDN 600,000	CDN1,000,000
Land In Industrial Parks	CDN 500,000	CDN 750,000
Office/Industrial Land—Non Park	CDN 600,000	CDN 900,000
Retail/Commercial Land	CDN1,000,000	CDN1,500,000
Residential	CDN 400,000	CDN1,000,000

Source: NAI Commercial Victoria