Victoria 2020

A look into what all the hype is about

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Commercial Real Estate Services

William Wright Commercial is excited for our expansion to Vancouver Island next month. With all the hype surrounding the Greater Victoria area, 2020 is projected to set both sale and leasing records. Here is what is in store and where to invest.

Victoria 2020

Harris Green District:

Key projects such as *Chard's Yates on Yates* and *Vivid at the Yates* well underway, the transformation of the Harris Green District continues to impress. Toronto based developer *Starlight Investments* just released the first renderings of their transformation of the 900 block of Yates (currently known as *London Drugs*). Comprised of 4 towers which aligns with the recent completion of 989 Johnson Street by *Cox Developments*. *Cox Developments* also received approval this year for their project at 1400 Vancouver Street, set to be 93 residential units plus +/- 6,500 of commercial retail along Johnson Street.

Other Harris Green developments include the sold-out *Wade by Tenfold Projects*, *The Jukebox by Mosaic Properties* and *Jawl Residential's* mixed use rental project complete with a brand-new Fire Hall along Johnson Street.

Cox Developments mixed use project located at 1400 Vancouver Street

Continued lack of retail space through out the Harris Green District has resulted in increasing lease rates from high 20's to even high 30's and low 40's a foot with the recently listed *Black and White* development along upper Fort Street. Look to see this increase trend carry on in 2020 and into 2021 as more projects complete and the population continues to expand.

Chard Developments rendering of the under construction buildings *Yates on Yates and the Vivid at the Yates* at the edge of downtown Victoria.

Rendering of 1025 Johnson Street

Rendering of *Ironworks* located at 515 Chatham Street

Old Town District:

The continued emergence of the Old Town District lead by developer *Chris Le Fevre of Le Fevre & Company*, amongst others has turned this once not-so-desirable industrial area into what is now one of the most sought after and up and coming areas of Victoria. Located just a couple of blocks from lower Johnson along Store Street, the character and charm among the industrial buildings that are being transformed in an area that is being watched by all.

Ironworks, located at 515 Chatham Street, is the first of five projects to come by *Le Fevre & Company* that will single handily change Chatham Street and add to the character of Old Town. Chris Le Fevre is also behind the transformation of the *Powerhouse Building* located at 2110 Store Street which will become home to both industrial and office tenants once complete.

The Powerhouse Building 2110 Store Street

Located up the street from Chatham, the development of *Townline's Hudson Place One* located at 777 Herald Street won over city council in April of last year with a 5-3 vote. The *Hudson Place One* will become the city's tallest building topping out at 26 stories and made up of 176 condos with +/- 1,500 SQFT of retail at grade.

Chard Developments rendering of their proposed hotel conversion in Old Town.

Hudson Place One by Townline located at 777 Herald Street

Chard Developments plans to convert the *Duke's Building* located at Johnson and Broad Street into a 139-room hotel. Their proposal preserves the front and rear walls of the 127-year old building and an original rock wall of the *Carriage Factory* which dates back to 1874.

Downtown District:

The downtown core, which is limited by water and heritage status buildings, continues to suffer from lack of development opportunities pushing most development into both the Harris Green and Old Town Districts but sky rocketing lease rates and continued lower vacancy rates, in all asset classes, show continued demand for the heart of Victoria.

It was reported earlier this quarter that the Provincial Government has committed to over 170,000 SQFT of office space in the new office buildings, in the $250 million dollar *Capital Park* project, which in joint partnership between *Jawl Properties* and *Concert Properties* located behind the legislature and covering over six plus arches.

Retail demand in the downtown core continues to drive up leasing rates with newly listed 1300 Government Street listed at an asking rate of $75/foot and 1280 Government Street listed at $70/foot for +/-2,100 SQFT of corner retail along Government and Yates.

Office vacancy is continuing to see high demands push up office rates in 2019 and continued demand should see lease rates inch higher in 2020 with merging tech tenants and both local and national companies looking to call Victoria home.

Where and What to Buy:

As multifamily properties have seen a huge increase with cap rates seeing a dive down from +/- 5% a year or so ago to recent listings seeing cap rates sub 3% at asking. With a vacancy rate inline with Greater Vancouver at a +/- 0.7% you can see the desire for investors to get their hands-on Greater Victoria multifamily properties.

The continued growth of both the Harris Green and Old Town Districts and the lack of retail opportunities getting access to purchase CRU's would be our go to investment, depending on budget, for 2020. If your budget allows you to acquire an office or mixed used building with future redevelopment then that could sway our recommendations but, for most of us that option isn't on the radar. With lease rates in the downtown core reaching north of $70/foot and as the development of Harris Green and Old Town continued population growth in both districts will put demand onto the retail sector and with a lack of units vs the population increase this will result in lease rates increasing and cap rates lowering on the investment side.

Acquiring a CRU, if and when available, an investor should benefit as cap rate are pushed down from 4.5% – 4% to most likely under 4% - 3.5% in the coming years and lease rates from the low $30's should increase year-over-year resulting in increasing returns on both end of the spectrum. We would compare Old Town to the charm of Gastown in Vancouver and

Where and What to Buy:

Masterplan community, *Aragon Properties*

Harris Green to the trendy Yaletown area within Victoria. Retail investors who purchased in both these areas of Vancouver in the early 2000's have seen unprecedent returns on their investments in both cash flow and equity.

Other areas to keep an eye on is the rapidly growing Langford and transforming Esquimalt regions. Langford is home to one of the fastest growing populations on Vancouver Island and BC for that matter and Esquimalt was once a forgotten part of the island but has been transforming into a family friendly area offering everything a young and growing family would be looking for.

Major Vancouver developers *Reliance Properties* and *Anthem Properties Group* continued to add to their Victoria portfolios in 2019. The acquisitions of 780 Blanshard Street which reports confirm *Reliance* paid $14.6 million in an off-market transaction for a landmark Victoria office building and *Tillicum Centre* located at 3170 Tillicum Road, which *Anthem* along with partner *Crespoint Real Estate Investments* paid $110 million for confirm the anticipated growth of Vancouver Island for years to come.

A complete list of Greater Victoria developments and at what stage they are currently at can be found at the back of this report.

Major Transactions

780 Blanshard Street which reports confirm *Reliance* paid $14.6 million in an off-market transaction for a landmark Victoria office building

Save-on-Foods is one of the anchors in the recently sold *Tillicum Centre* to Vancouver based developer *Anthem Properties Group*

PROJECT	REGION	STOREYS	USE	STATUS
Hudson Place One	Downtown Victoria	25	condos, commercial	UNDER CONSTRUCTION
Harris Green Village, tower 1	Downtown Victoria	25	rentals, commercial	PROPOSED
Hudson Place Two	Downtown Victoria	23	rentals, commercial	PROPOSED
Harris Green Village, tower 2	Downtown Victoria	22	rentals, commercial	PROPOSED
Vivid at the Yates	Downtown Victoria	20	condos, commercial	UNDER CONSTRUCTION
The Yates on Yates	Downtown Victoria	20	condos, commercial, townhomes	UNDER CONSTRUCTION
Harris Green Village, tower 3	Downtown Victoria	19	rentals, commercial	PROPOSED
989 Johnson	Downtown Victoria	17	condos, commercial	BUILT
Harris Green Village, tower 4	Downtown Victoria	17	rentals, commercial	PROPOSED
979-983 Pandora Avenue	Downtown Victoria	16	rentals, commercial	PROPOSED
Gateway Green	Downtown Victoria	15	offices, commercial	APPROVED
1400 Vancouver Street	Downtown Victoria	15	rentals, commercial	APPROVED
Tapestry	Downtown Victoria	15	rentals, commercial, condos	UNDER CONSTRUCTION
Harris Green Village, tower 5	Downtown Victoria	15	rentals, commercial	PROPOSED
The Ventana	Downtown Victoria	14	condos, commercial	PROPOSED
1400 Quadra Street	Downtown Victoria	14	rentals, commercial	UNDER CONSTRUCTION
750 Pandora Avenue	Downtown Victoria	13	offices, commercial	BUILT
V1488	Downtown Victoria	13	rentals, commercial	BUILT
930 Fort Street	Downtown Victoria	12	condos, commercial	APPROVED
1100 Yates Street	Downtown Victoria	12	condos, commercial	PROPOSED
1025 Johnson Street	Downtown Victoria	12	rentals, civic, offices	APPROVED
1010 Fort Street	Downtown Victoria	12	rentals, commercial	PROPOSED
926-932 Pandora Avenue	Downtown Victoria	10	condos, commercial, townhomes	PROPOSED
Apex Site	Downtown Victoria	10	offices, commercial	PROPOSED

Property Projects

PROJECT	REGION	STOREYS	USE	STATUS
Victoria PARC	Downtown Victoria	10	rentals, commercial	PROPOSED
1088 Johnson Street	Downtown Victoria	10	rentals, commercial	APPROVED
819-827 Fort Street	Downtown Victoria	10	rentals, commercial	APPROVED
The Jukebox	Downtown Victoria	9	condos, commercial	BUILT
Residences at the Empress	Downtown Victoria	8	rentals, commercial	PROPOSED
Azzurro	Downtown Victoria	7	rentals, commercial, offices	BUILT
Customs House	Downtown Victoria	7	condos, commercial	UNDER CONSTRUCTION
Douglas House	Downtown Victoria	6	offices, commercial	BUILT
Parkway	Downtown Victoria	6	rentals, commercial	PROPOSED
Duck's Building Hotel	Downtown Victoria	6	hotels, commercial	PROPOSED
Black and White	Downtown Victoria	6	condos, commercial	BUILT
1008 Pandora	Downtown Victoria	6	rentals, commercial	BUILT
1314-1324 Wharf Street	Downtown Victoria	6	rentals, commercial	PROPOSED
The Sawyer Block	Downtown Victoria	6	rentals, commercial	UNDER CONSTRUCTION
550 Pandora Avenue	Downtown Victoria	5	rentals, commercial	PROPOSED
Ironworks	Downtown Victoria	5	condos, commercial	UNDER CONSTRUCTION
The Wade	Downtown Victoria	5	condos, commercial	UNDER CONSTRUCTION
727 Johnson Street	Downtown Victoria	5	rentals, commercial	UNDER CONSTRUCTION
The Argus	Downtown Victoria	4	offices, commercial	BUILT
Fairfield Block	Downtown Victoria	3	rentals, commercial	PROPOSED
506 Fort Street	Downtown Victoria	3	rentals, commercial	BUILT

Property Projects

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