

Growing government lease vacancy offset by private sector leasing momentum

▼ 8.5%
Vacancy Rate

▶ 154K
SF Under Construction

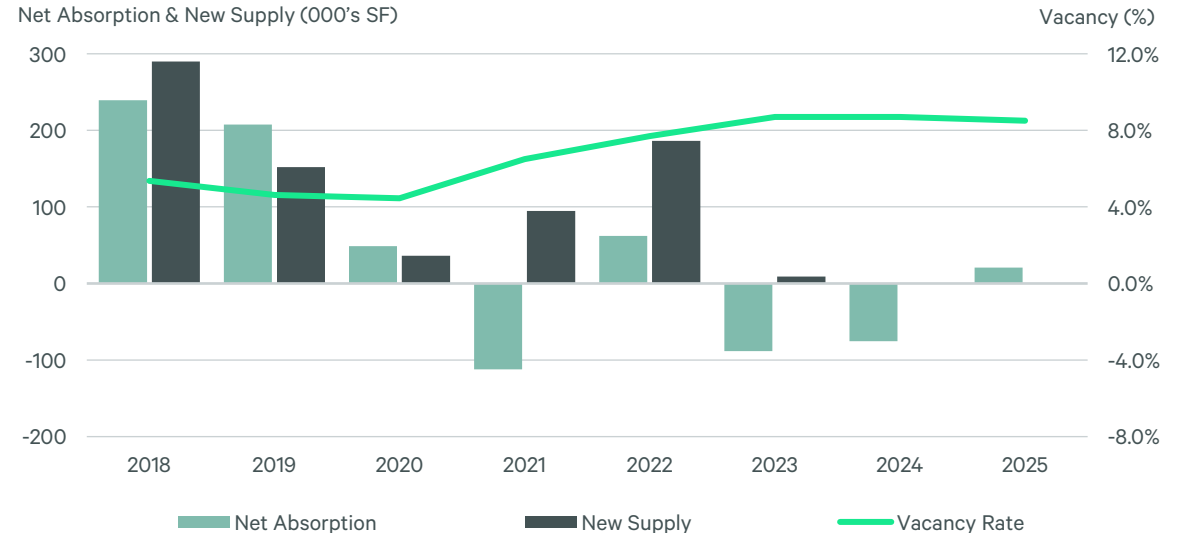
▼ \$20.84
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- Vacancy tightened across Greater Victoria as 48,000 sq. ft. of positive net absorption helped drive a 50 basis point (bps) decline, led by strong Downtown activity in Class B and C buildings. Suburban markets held steady with only a modest 10-bp reduction, highlighting ongoing inventory constraints.
- Leasing momentum accelerated at year-end, anchored by more than 20,000 sq. ft. of activity at 777 Broughton Street and strengthened by a 7,000 sq. ft. lease in Sidney. This quarter’s activity reflects steady demand from healthcare users and professional service firms across both Downtown and suburban markets.
- Government space withdrawals persisted in the fourth quarter as several full-building offices were vacated throughout the year instead of extending or renewing. A full-time return-to-office directive by the Provincial or Federal government in 2026 would stand in direct contrast to this trend and could drive notable leasing activity as agencies work to regain space back.

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



Source: CBRE Research, Q4 2025.

Greater Victoria overview

Office vacancy in Greater Victoria declined by 50 bps in the fourth quarter, supported by 48,000 sq. ft. of positive net absorption. The Downtown market led this improvement with vacancy dropping 110 bps to 12.0%, driven largely by strong activity in Class B and Class C assets, each recording a 130-bps quarter-over-quarter decrease. Several tenants secured premises over 5,000 sq. ft. before year-end, contributing to the reduction in downtown availability. In contrast, Suburban vacancy remained comparatively stable, recording a modest 10 bps decrease. While demand for Suburban office space, particularly in the Westshore, remains resilient, limited inventory continues to constrain overall leasing activity in these nodes.

The region’s average net asking rent eased slightly to \$20.84 per sq. ft., reflecting price adjustments on older or slow-moving listings. Despite the tightening downtown vacancy, downtown net rents continued to trend downward, falling 3.8% between Q1 and Q4 2025 to \$18.51 per sq. ft., driven by sustained pressure on Class C product and a tenant-favourable market environment. Suburban net rents remained steady throughout the year, ending Q4 at \$24.30 per sq. ft.

Downtown market signals renewed leasing momentum

Leasing activity was notably strong in the fourth quarter, led by renewed momentum within Downtown Victoria’s Class B segment. At 777 Broughton Street, more than 20,000 sq. ft. was leased across two transactions, signaling a clear reactivation and increased commitment to the Downtown office market. In the Suburbs, a significant lease was completed in Sidney, where 7,000 sq. ft. was secured at 200-2405 Beacon Avenue. Large office footprints in this submarket are limited, and the rapid lease-up underscores the stability of tenant demand in the area.

Across Greater Victoria, current demand is largely driven by medical and healthcare service providers, while larger downtown requirements continue to be led by professional service firms. Several sizeable office spaces were brought to market this quarter including 18,000 sq. ft. at 737 Courtney Street, 14,000 sq. ft. at 1803 Douglas Street, and 8,000 sq. ft. at 1019 Wharf Street.

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

Source: CBRE Research, Q4 2025.

FIGURE 3: Notable Lease Transactions

Size (SF)	Tenant	Address	Submarket	Deal Type
12,505	Urban Systems	200-777 Broughton Street	Victoria	Direct
8,486	Confidential	400-777 Broughton Street	Victoria	Direct
7,016	Confidential	200-2405 Beacon Avenue	Sidney	Direct

Source: CBRE Research, Q4 2025.

FIGURE 4: Notable Sale Transactions

Address	Submarket	Purchaser	Size (SF)	Price (\$M)
968 Meares Street	Victoria	Active Earth Engineering	7,750	\$3.5
850 Courtney Street	Victoria	Private Investor	7,520	\$2.8
4252 Commerce Circle	Saanich	Metachro Engineering	8,465	\$2.6
385 Lagoon Road	Colwood	Private Investor	2,644	\$1.7
915 Esquimalt Road	Esquimalt	Private Investor	3,164	\$1.6

Source: CBRE Research, Q4 2025.

Market headwinds persist due to uptick in government space vacated

The market continues to face headwinds stemming from ongoing government space reductions and this is expected to persist into 2026. Elevated vacancy levels are partly the result of provincial and federal governments moving away from lease renewals and releasing substantial inventory back to the market. This quarter, 27,000 sq. ft. at 836 Yates Street was vacated, following earlier full-building departures of 34,000 sq. ft. at 810 Blanshard Street and 13,000 sq. ft. at 914 Yates Street.

Nationally, several provinces are moving toward full-time, in-office requirements. Ontario and Alberta public servants have been directed to return to the office full-time in early 2026. While the Provincial Government has not announced changes to its hybrid work model, there is growing opposition-led pressure to align with other jurisdictions. The Federal Government has similarly made no new announcements regarding full-time return requirements during the fourth quarter.

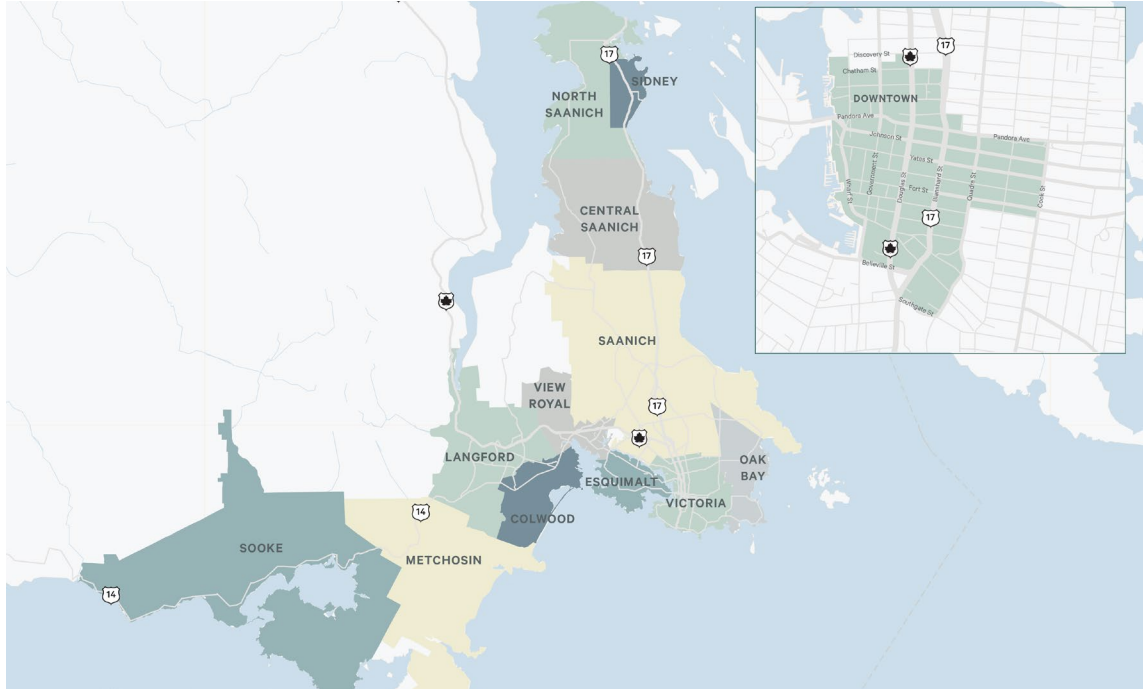
Given the substantial volume of government-occupied office space released over the past year, any future decision by the Provincial or Federal Government to mandate a full-time return would constitute a notable policy reversal. With numerous government leases expired rather than renewed, a shift back to full in-person occupancy would reintroduce significant space requirements at a time when much of that inventory has already been returned to market.

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	0	-	154,000	-	-
	A	8	523,591	9.4%	1,511	-4,093	-	-	\$20.80	\$16.30
	B	53	1,884,932	11.3%	23,946	-14,706	-	-	\$19.23	\$14.54
	C	69	1,442,950	16.2%	18,787	23,792	-	-	\$17.63	\$15.74
			132	4,132,581	12.0%	44,244	4,993	-	154,000	\$18.51
Suburban	AA	3	278,000	1.5%	0	0	-	-	\$31.53	\$20.96
	A	21	1,238,591	12.3%	-4,744	29,289	-	-	\$27.49	\$14.12
	B	68	2,292,290	4.6%	6,082	-5,056	-	-	\$21.83	\$13.16
	C	104	1,503,598	2.8%	2,871	-8,461	-	-	\$18.10	\$13.42
			196	5,312,479	5.7%	4,209	15,772	-	-	\$24.30
Greater Victoria	AA	5	559,108	0.8%	0	0	-	154,000	\$31.53	\$20.96
	A	29	1,762,182	11.5%	-3,233	25,196	-	-	\$26.36	\$14.49
	B	121	4,177,222	7.6%	30,028	-19,762	-	-	\$20.17	\$14.04
	C	173	2,946,548	9.4%	21,658	15,331	-	-	\$17.70	\$15.39
			328	9,445,060	8.5%	48,453	20,765	-	154,000	\$20.84

Source: CBRE Research, Q4 2025.

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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