

# OFFICE REPORT

## VACANCY RATES

2016: 10.33%  
2017: 11.78%  
2018: 6.53%



## DOWNTOWN LEASE RATES

Class A: \$19-\$25  
Class B: \$15-\$18  
Class C: \$9-\$14

## LANDMARK CENTRE LEASE RATES

Class A: \$18-\$23  
Class B: \$13-\$17  
Class C: N/A

## NEW CONSTRUCTION

2016: 274,000 SF  
2017: 52,500 SF  
2018: 57,800 SF



## KELOWNA'S OFFICE MARKET Q3 2018

## PANDOSY/MISSION LEASE RATES

Class A: \$22-\$27  
Class B: \$16-\$21  
Class C: \$13-\$15

## ABSORPTION

2016: 78,400 SF  
2017: 173,500 SF  
2018: 248,900 SF



## NOTABLE TRANSACTIONS

Investor's Group  
WorkSafe BC  
London Life

## OFFICE STRATA

New Shell Product: \$360+  
Existing Class A: \$300+  
Existing Class B: \$200+

## OFFICE MARKET SNAPSHOT

	Q3 2018
Inventory	3,850,400 SF
Vacant Space	251,300 SF
Net Absorption 2017-2018	248,900 SF
Vacancy Rate	6.53%
Under Construction	57,800 SF

It was a productive year in Kelowna when it came to the absorption of office spaces.

Landmark 6 is nearing 100% occupancy, as is the Innovation Centre, Downtown. The planning of Landmark 7 is progressing because of the success of its predecessor.

McIntosh Centre on Leckie Road, which was completely vacant last year, is now confirmed to be 60% leased, with WorkSafe BC as the anchor tenant.

One year in advance of completion, The Shore (which is located across from Gyro Beach) has fully leased its 20,000 square feet of office space.

With reduced supply and increasing demand, along with increasing construction costs, landlords are expected to start increasing their rates on both strata and lease. It is expected that new developments will struggle to do deals at the rates that have existed because of the construction costs.

Office rates in Kelowna previously experienced downwards pressure. The market is now amid a transition from favouring the tenant to favouring the landlord.

Tenants in the tech industry, and those that support the industry, are driving the office market.

Kelowna was recently voted the most entrepreneurial city by the Canadian Federation of Independent Business, so there is plenty of demand for small offices under 2,000 square feet in size.

Demand is also high for co-working concepts, which work well for start-up style businesses, allowing people to gain

and share office space, with flexible lease terms.

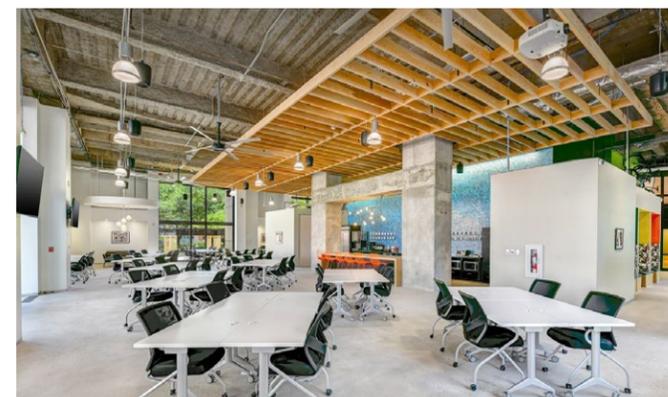
At this time, there is still a drive among businesses to be Downtown, especially when it comes to the tech sector and small businesses.

Office culture is a lot more relevant and important than it was in the past. Many businesses want to be in the Innovation Centre because of its mixed use and unique design, with services below, and tenants are in walking distance of coffee shops, pubs and the waterfront. For employees, this is an incentive and can make a difference for businesses when they are recruiting talent.

The medical field continues to gravitate towards the Mission, while when it comes to financial and legal services, the trend is to occupy the Landmark buildings.



McIntosh Centre - Now 60% Leased



Demand is High for Co-working Concepts



Innovation Centre nearing 100% Occupancy