Trends and Prospects in Victoria's Economy: Discussion Paper for the City's Official Community Plan Update

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City of Victoria

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1.0 Introduction

The City of Victoria is preparing an update of its Official Community Plan (OCP). As part of the planning process, the City commissioned several detailed background technical studies to provide insights about trends and prospects in important dimensions of the community, such as the social/demographic characteristics of the City, the environment, urban development, and the local economy.

Because a strong and diverse economic base is an important contributor to the sustainability of an urban community, one of the technical studies commissioned by the City examines the City's economic base and the prospects for future economic development and employment opportunities.

This report is the background study about the City's economy. The report provides:

- A description of the structure of Victoria's economic base and its role in the regional economy.
- An assessment of opportunities and constraints regarding future employment prospects.
- A forecast of potential future employment opportunities and the implications for the potential amount, type, and geographic distribution of industrial and commercial development that might occur in the City.
- Suggestions for economy-related policies that the City could consider including in the OCP.

This report is intended to prompt discussion about appropriate future directions for Victoria's economy. Input from the community and stakeholders, in response to this discussion paper, will be used to refine the content of this document and develop economic policies for inclusions in the updated OCP.

2.0 Economic Development and Sustainability

Strengthening or expanding the local economy can add jobs, increase the diversity of the economic base, increase the non-residential tax base, create investment opportunities, and add to the quality of life by adding new goods and services for residents. At the same time, however, economic development and associated urban growth can sometimes have negative effects (at the local or global scale) including consumption of non-renewable resources, greenhouse gas emissions, and pollution.

When growth offers a mixture of benefits and costs, communities are confronted with challenges when planning for the future. As the world deals with the pressures of climate change, resource depletion, environmental degradation, and other consequences of growth, people are increasingly asking fundamental questions about the future of urban regions: is growth essential to a community's well-being; are there ways to grow (or improve) communities without causing negative impacts on the environment; are some locations for growth better than others?

There are no easy answers. Not too long ago the mainstream view of community development was that job growth and investment are inherently good and should not be impeded. This world-view is simplistic and has led to erosion of the quality of life in many communities. But the view at the other end of the spectrum – that all growth is bad and should be avoided – is also simplistic.

For most urban regions in Canada, including Victoria, there will continue to be population growth, as people will continue to migrate here from elsewhere and as young families will continue to have children. A growing population needs services, which means job growth, and young people need employment to be able to remain in their community. Wealth creation, from employment or investment, is necessary to enable communities to pay for the services they need. Public services such as health care, education, and infrastructure are funded almost entirely by taxes on income and wealth. The generation of income and wealth in a growing community requires the creation of new jobs and new investment opportunities.

Rapid growth without concern about impacts is not sustainable. But economic shrinkage is neither desirable nor sustainable, with its risk of job loss, falling incomes, limited investment, and inability to sustain public services without external subsidization. Achieving a perfect equilibrium (no growth but a robust job base and tax base) is almost impossible given the ability of people to start businesses in, or move to, places they find attractive. The community development model that is realistic and desirable for most urban regions in Canada today is to grow at a pace that can be comfortably absorbed by the community (in environmental, social, and physical terms) and to grow in a fashion that improves the quality of the community while minimizing negative impacts, both locally and beyond.

A community planning process is an opportunity to question and consider what type, what pace, and what pattern of economic growth, with its attendant implications for urban development, are appropriate and sustainable for Victoria.

This report on the structure and trajectory of Victoria's economy is meant to help inform a discussion about growth and development. The report identifies realistic prospects for the future, to help the community understand its options.

This economic analysis does not advocate a position about what Victoria *should* do; it provides information about what Victoria *could* do, in terms of the future of its economy, based on Victoria's strengths, weaknesses and prospects.

3.0 Overview of Victoria's Current Economy

This section uses several different indicators to describe the structure and condition of Victoria's current economic base and to shed light on the City's prospects for the future.

3.1 Total Population and Employment

Exhibit 1 shows the total population of the City of Victoria and the Capital Regional District at 1996, 2001, and 2006. The exhibit also shows average annual growth rates and shows the City's share of regional population at each point.

Exhibit 1: Total Population of the City of Victoria and the Capital Regional District

Total Population	1996	2001	2006	Average Annual Growth 1996 to 2006
Victoria	73,504	74,125	78,057	0.6%
Capital Regional District	317,989	325,754	345,164	0.8%
City Share of Regional Population	23.1%	22.8%	22.6%	N/A

Source: Statistics Canada Census

The exhibit shows that:

- The City's population grew slowly over the decade.
- The regional population grew a little more quickly, so the City's share of total fell from 23.1% to 22.6% over the decade.

Exhibit 2 shows total employment in the City and Region for the same intervals, and also shows the growth rates and the City's share of regional jobs.

Exhibit 2: Total Employment of the City of Victoria and the Capital Regional District

Total Employment	Capital Regional District	City of Victoria	City Share of Capital Region
1996	155,680	70,275	45%
2001	163,855	70,315	43%
2006	185,055	74,115	40%
Average Annual Growth 1996 to 2006	3.5%	1.1%	N/A

Source: Statistics Canada Census

The exhibit shows that:

- Regional employment growth outpaced employment growth in the City.

- A slower growth rate in the City has resulted in a declining share of total regional employment.
- Employment growth in the City was moderate, but faster than population growth, meaning a larger proportion of the population is in the labour force.

3.2 Income, Labour Force, and Unemployment Rate

Exhibit 3A shows average income in the Capital Regional District over 2000 to 2007 and compares the Region to Greater Vancouver and the Province of B.C.

Exhibit 3A: Average Income in the Capital Regional District in Comparison to Greater Vancouver and the Province of B.C.

Average income (unadjusted for inflation, all tax filers)	2000	2001	2002	2003	2004	2005	2006	2007	Average Annual Growth
Metro Vancouver	$32,770	$32,691	$32,544	$33,526	$35,181	$37,094	$40,252	$42,672	3.8%
Capital Regional District	$33,057	$33,015	$34,122	$34,996	$36,740	$38,788	$41,971	$44,245	4.3%
British Columbia	$30,938	$30,982	$31,316	$32,187	$33,766	$35,601	$38,523	$40,802	4.0%

Source: Canada Revenue Agency, prepared by B.C. Stats

The exhibit shows that:

- Greater Victoria's average income has been consistently higher than both the provincial average and the Metro Vancouver average.
- Average income in Greater Victoria grew by about 4.3% per year over this period. In comparison, the average annual rate of inflation over this period was about 2.3% (based on CPI of 94.0 in January 2000 and 110.2 in January 2007), indicating that buying power for the average consumer increased.

Exhibit 3B shows median income of persons 15 years or older who have a source of income. The median income is the point at which half of all income-earning individuals earn more and half earn less than this amount.

Exhibit 3B: Median Income in the City of Victoria in Comparison to Metro Vancouver, the Capital Regional District and the Province

Median Income - Persons 15 years and over (unadjusted for inflation)	1995	2000	2005
City of Victoria	$18,853	$21,131	$24,651
Metro Vancouver	$20,430	$23,237	$25,032
Capital Regional District	$21,523	$24,464	$28,292
British Columbia	$19,982	$22,095	$24,867

Source: Statistics Canada Census

The exhibit shows that:

- The median income in the Capital Region has been consistently higher than that of Metro Vancouver or the Province as a whole.
- The median income of the City of Victoria has been consistently lower than that of the Capital Region or the Province as a whole.

Exhibit 4 shows labour force participation rates and unemployment rates in the Capital Region, Greater Vancouver, and the Province during 1995 to 2005. Labour force participation means the proportion of the population that is considered employed or actively seeking employment. Greater Victoria's labour force participation has been consistently lower than Greater Vancouver and the Province, which reflects the Victoria's higher proportion of older, retired people, although Victoria's participation has increased slightly.

The unemployment rate in Greater Victoria was consistently lower than in Greater Vancouver and the Province over this time frame.

Exhibit 4: Unemployment and Labour Force Participation in the Capital Regional District, Lower Mainland and Province

Labour Force Activity		1995	2000	2005
Metro Vancouver	Participation Rate	67.3%	66.2%	66.8%
	Unemployment Rate	8.6%	7.2%	5.6%
Capital Regional District	Participation Rate	64.4%	64.0%	65.4%
	Unemployment Rate	7.7%	6.6%	4.3%
British Columbia	Participation Rate	66.4%	65.2%	65.6%
	Unemployment Rate	9.6%	8.5%	6.0%

Source: Statistics Canada Census

Looking at Exhibits 1 through 4 together, the Capital Region can be characterized as having experienced:

- Moderate population and employment growth.
- Rising average incomes.
- Relatively low unemployment.

The City's experience has been similar, although incomes are lower in the City than in the rest of the Region.

3.3 Employment by Sector

Exhibit 5 shows the distribution of employment by sector in the City of Victoria, the Capital Regional District, Greater Vancouver and B.C. as at 2006. The exhibit shows the percentage distribution of employment by economic sector based on the North American Industry Classification System (NAICS). The percentage distribution indicates the relative significance of the respective sectors in each region.

Note that the figures in Exhibit 5 exclude jobs that are classed as "no fixed workplace". These are jobs in which people do their work in changing locations, such as a tour bus driver or travelling sales-person. This data under-states total employment because these jobs exist in the Region but are not assigned to a particular geographic location.

Exhibit 5: Distribution of Employment by Sector, 2006

2006 Usual Place of Work and Working at Home Employment by Industry	City of Victoria		Capital Regional District		Greater Vancouver		British Columbia	
	Jobs	Sector Share	Jobs	Sector Share	Jobs	Sector Share	Jobs	Sector Share
Total - Industry - North American Industry Classification System 2002	69,660	100.0%	163,755	100.0%	977,615	100.0%	14,300,245	100.0%
11 Agriculture, forestry, fishing and hunting	250	0.4%	1,830	1.1%	10,135	1.0%	419,040	2.9%
21 Mining and oil and gas extraction	10	0.0%	165	0.1%	3,505	0.4%	169,520	1.2%
22 Utilities	100	0.1%	460	0.3%	5,170	0.5%	116,520	0.8%
23 Construction	1,785	2.6%	5,740	3.5%	31,290	3.2%	487,670	3.4%
31-33 Manufacturing	1,860	2.7%	7,130	4.4%	91,790	9.4%	1,824,140	12.8%
41 Wholesale trade	1,470	2.1%	4,155	2.5%	55,810	5.7%	651,130	4.6%
44-45 Retail trade	8,930	12.8%	20,355	12.4%	113,625	11.6%	1,750,155	12.2%
48-49 Transportation and warehousing	2,175	3.1%	5,255	3.2%	49,770	5.1%	587,255	4.1%
51 Information and cultural industries	1,635	2.3%	3,760	2.3%	33,740	3.5%	361,380	2.5%
52 Finance and insurance	3,620	5.2%	6,405	3.9%	52,835	5.4%	653,020	4.6%
53 Real estate and rental and leasing	1,405	2.0%	3,890	2.4%	26,215	2.7%	270,605	1.9%
54 Professional, scientific and technical services	6,160	8.8%	14,135	8.6%	95,970	9.8%	988,000	6.9%
55 Management of companies and enterprises	60	0.1%	165	0.1%	1,965	0.2%	18,610	0.1%
56 Administrative and support, waste management and remediation services	1,950	2.8%	5,460	3.3%	35,300	3.6%	495,715	3.5%
61 Educational services	2,545	3.7%	12,785	7.8%	74,880	7.7%	1,037,480	7.3%
62 Health care and social assistance	10,160	14.6%	20,970	12.8%	98,645	10.1%	1,583,645	11.1%
71 Arts, entertainment and recreation	1,340	1.9%	4,660	2.8%	22,225	2.3%	284,365	2.0%
72 Accommodation and food services	8,330	12.0%	15,110	9.2%	81,970	8.4%	1,001,225	7.0%
81 Other services (except public administration)	3,345	4.8%	7,790	4.8%	51,490	5.3%	710,590	5.0%
91 Public administration	12,520	18.0%	23,520	14.4%	41,280	4.2%	890,170	6.2%

Source: Statistics Canada Census

The data allows some interesting comparisons between the City and the Capital Regional District:

- Several sectors are more prominent in the City (i.e. account for a higher share of total employment) including finance/insurance, health care, accommodation/food services, and

public administration. These figures reflect Victoria's prominence as a tourism, government, and business centre in the Capital Region.

- Some sectors are proportionately less significant in the City than the Region, including agriculture and forestry, construction, manufacturing, wholesale trade, real estate, education and arts. This is because the City is more urbanized and has higher land values (so industrial uses tend to locate in the surrounding area) and because most of the regional population is in the suburbs.
- Retail trade, transportation, information/cultural, professional/scientific, management, and services are comparably prevalent in the City and the Region.

The data in Exhibit 5 also supports some interesting comparisons regarding the Capital Region, Greater Vancouver, and the Province as a whole:

- The two metropolitan areas (not surprisingly) have proportionately fewer agriculture, forestry, fishing, and mining jobs than the Province.
- Manufacturing accounts for proportionately more jobs in the Province than the urban regions.
- Retail trade, health care, accommodation and food service, arts/entertainment and public administration have higher shares in the Capital Regional District than in Greater Vancouver or B.C.
- The Capital Region is comparatively "light" in manufacturing, wholesale, transportation, information/cultural, finance/insurance, real estate, and professional/scientific compared to Greater Vancouver.

Essentially, the data points to the Capital Regional District's role as a tourism and government centre, with the City having a dominant role in these sectors.

The data in Exhibit 5 comes from Statistics Canada and is generally reliable. However, one problem with this data is that it divides employment into sectors based on a standard industry classification system that does not in all cases relate directly to what people normally think of as the business or institutional sectors that make up the Victoria area economy. As illustrations of this point:

- The data does not show a category for "tourism". Jobs in the tourism sector are scattered across categories such as retail trade, transportation, accommodation and food services, or cultural industries. One reason the data is organized in this way is that many jobs in these sectors are only partly related to tourism. A person working in a restaurant, for example, serves meals to local residents and to tourists. Categorizing the jobs by sector does not allow a direct observation about the significance of or trends in tourism employment.
- Similarly, the data does not show a category for "high tech". These jobs show up in categories such as professional/scientific/technical, management, and information services.

However not all of the jobs in these categories are involved in R&D-intensive, high technology sectors such as IT or biotech.

- As another example, there is no specific category for arts. Some of these jobs would show up in cultural industries and some would be in retail (a worker in an art gallery, for example).

Categories such as tourism, arts, or high tech are of great interest to municipalities that have strong employment clusters and significant advantages in these areas. However, there is no hard data source that collects employment data organized in this fashion.

In order to produce an estimate of employment by these economic categories of interest, it is necessary to stitch together estimates from a variety of sources to develop an approximate description of the local economy.

Exhibit 6 shows an estimate of the distribution of employment in the City of Victoria and the Capital Regional District by major business and institutional group. The information in Exhibit 6 is drawn from many sources and should be regarded as an impressionistic view of the local and regional economy. (A more detailed version of Exhibit 6, with explanatory notes and sources, is provided in Appendix 6). Nonetheless, the table yields some important insights into the relative importance of various sectors in the Victoria area.

Exhibit 6: Estimate of the Distribution of Employment by Major Business and Institutional Group in the City of Victoria and the Capital Regional District

	Capital Regional District		City of Victoria		City Share of Capital Region
2006 Employment	Total Employment	Sector Share	Total Employment	Sector Share	
Total	185,040	100%	74,105	100%	40%
Community Oriented	81,472	44%	31,568	43%	39%
Government Headquarters	19,014	10%	11,456	15%	60%
Tourism	13,159	7%	8,042	11%	61%
Construction	16,309	9%	3,996	5%	24%
Finance, Insurance, Real Estate Specialized	4,203	2%	3,783	5%	90%
Arts and Culture	7,213	4%	3,257	4%	45%
Universities and Hospitals	12,097	7%	3,000	4%	25%
High Technology	11,608	6%	2,750	4%	24%
Transportation	5,992	3%	2,053	3%	34%
Wholesale	4,539	2%	1,550	2%	34%
Manufacturing	5,100	3%	1,378	2%	27%
Film and Television	1,800	1%	900	1%	50%
Resource	2,533	1%	373	1%	15%

Source: Statistics Canada, Coriolis Estimates

Exhibit 6 adds an estimate for Victoria's share of total regional jobs that are classed as "no fixed workplace", so the total City employment is larger than shown in Exhibit 5. The other main difference between the two exhibits is that Exhibit 6 deconstructs the traditional economic sector classifications to enable observations about business and institutional clusters such as film and television, tourism, high technology, and advanced education.

Exhibit 6 shows that:

- About 40% of all jobs in the City and the Region are classed as community-oriented, which means these are jobs primarily involved in meeting the day-to-day needs of the people who live in the Region. These jobs include the people who work in retail, local government, personal services, and elementary and secondary schools. This portion of regional employment is not considered the Region's economic base, as these jobs simply meet the day-to-day needs of regional residents and are not involved in business activities that generate income or wealth by exporting goods and services or by drawing money into the community.
- In the City, 26% of all jobs are in the government headquarters group (which is largely due to Provincial Government employment) or tourism. These two groups are also significant at the regional scale, accounting for 17% of all jobs in the Regional District. As a way of highlighting the importance of these two sectors to the Region's economic base, of the 56% of regional jobs that are not community-oriented (i.e. the economic base that supports the Region), almost one third are in tourism and provincial government jobs.
- The City's economy is diverse, with significant and similar-sized employment numbers in construction, finance, arts/culture, universities/hospitals, and high technology.
- The City has small wholesale, manufacturing, and film/television sectors.
- The City can be considered a dominant regional centre for any sector in which the City's share of regional employment is significantly larger than its share of regional population (23%), so the City has a major role in community-oriented jobs (implying a significant role as a retail and service centre), government, tourism, specialized finance/insurance/real estate, arts/culture, transportation, wholesale, and film/television.

3.4 Trends in the Distribution of Employment by Sector

Exhibit 7 shows changes in the composition of employment in the City and the Region during 1996 to 2006 based on census data.

Exhibit 7: Trends in Composition of Employment in the City and the Region, 1996 to 2006

Total Employment Usual Place of Work and Working at Home by Industry	City of Victoria				Capital Regional District			
	1996	2001	2006	Average Annual Growth 1996 to 2006	1996	2001	2006	Average Annual Growth 1996 to 2006
Primary Industries:	555	235	260	-7.3%	2,825	1,760	1,995	-3.4%
Manufacturing	2,595	1,720	1,860	-3.3%	6,985	6,645	7,130	0.2%
Construction	1,420	1,135	1,785	2.3%	4,345	3,815	5,740	2.8%
Transportation and Warehousing	1,730	2,055	2,175	2.3%	3,920	5,030	5,255	3.0%
Wholesale and Retail	11,175	10,075	10,400	-0.7%	22,715	22,125	24,510	0.8%
Finance Insurance and Real Estate	4,055	4,410	5,025	2.2%	8,010	9,140	10,295	2.5%
Educational Services	2,985	2,095	2,545	-1.6%	11,705	11,865	12,785	0.9%
Public Administration	13,960	13,890	12,520	-1.1%	24,280	23,520	23,520	-0.3%
Health care and Social Assistance	9,935	10,110	10,160	0.2%	19,430	19,995	20,970	0.8%
Accommodation and Food Services	7,845	7,365	8,330	0.6%	13,210	13,215	15,110	1.4%
Other Commercial and Non-Commercial Services*	10,650	13,575	14,590	3.2%	23,515	29,880	36,430	4.5%
Total	66,905	66,665	69,650	0.4%	140,940	146,990	163,740	1.5%

Source: Statistics Canada Census

* Other commercial and non-commercial services includes employment in:
- Professional, scientific and technical services.
- Management of companies and enterprises.
- Administrative and support, waste management and remediation services.
- Information and cultural industries.
- Arts, entertainment and recreation.
- Utilities.
- Other services.

Exhibit 7 shows that:

- Employment growth was faster in the Region than in the City over the decade.
- Primary industries (e.g. fishing, forestry) showed significant decline in the City and Region.
- Several sectors declined in the City but grew or remained stable in the Region (manufacturing, wholesale/retail, educational services, public administration).
- While some sectors grew in the City, they all grew more slowly than in the Region.

4.0 Conditions and Prospects by Economic Sector

Based on the review of existing employment patterns and trends over the last decade, it is possible to characterize Victoria's overall economic situation as follows:

- Total employment has been increasing, incomes have been rising, and unemployment has been lower than the Provincial average.
- The mainstays of the City's economic base are provincial headquarters functions and tourism. Other important sectors include business headquarters functions, arts/culture, universities, hospitals, technology, and transportation. Manufacturing is important at the regional scale but is not a major source of jobs in the City.
- The pace of job growth has been moderate over the last 10 years or so.

The next step in the analysis is to examine prospects in individual economic sectors that are most likely to offer potential for job growth in the City.

This section of the report provides a review of prospects in these sectors:

- Community-oriented goods and services.
- Tourism.
- Government administration.
- Education and health.
- Technology.
- Arts and culture.
- Film and television.
- Manufacturing.
- Agriculture.
- Specialized business services.

4.1 Community-Oriented Goods and Services

Jobs in this category are primarily involved in meeting the day-to-day needs of the resident population. In most communities, growth in these jobs (and the geographic distribution of these jobs) closely matches population growth and distribution.

The City's share of regional population growth has been declining, so its share of these retail, service, and professional jobs will likely also fall.

One way to foster more job growth in this category is to facilitate additional residential development in the City. Because Victoria is almost completely urbanized, adding more

residential capacity means allowing more multifamily development. Densification in the City can be considered a more sustainable approach to urban development than lower density development in outlying locations.

The City also acts as a specialty retail and service centre for the whole Region. While most new convenience retail and service growth is occurring in the outlying areas where population is growing, regional residents still come into the City for fine dining, specialty shopping, outdoor markets and other kinds of experiences that are less available in the suburbs.

The City's role as a specialty retail and service centre and a tourism destination are mutually reinforcing, as tourists and regional residents share many of the same urban interests.

Continuing to sustain and enhance Victoria's specialty retail and service role offers several advantages to the City, including:

- Creating demand for retail space in character buildings and historic districts, which helps make heritage buildings financially viable to retain and renovate.
- Adding to the quality of life for City residents.
- Providing retail and service jobs which are often of interest to students and young people because much of the work is part-time or allows flexible scheduling.
- Providing small business opportunities for entrepreneurs.
- Strengthening tourism by sustaining specialty retail and food/beverage uses.

The outlook for this sector is likely to be modest growth, assuming moderate population growth in the City and Region and continuation of Victoria's role as a regional specialty retail centre.

4.2 Tourism

The tourism industry generates a wide variety of employment involved with providing goods and services to tourists, including people who travel for business or pleasure. The majority of jobs in the tourism sector are in accommodation and food services, arts/culture, transportation, and retail. Tourism jobs can be found in hotels, restaurants, shops, museums and resorts. The Greater Victoria tourism sector also has a significant number of self-employed individuals and specialized jobs in areas such as whale watching and tour guiding.

Tourism spending is discretionary and can fluctuate significantly with economic conditions. Weak economic conditions in the United States, a high Canadian dollar, and increased border security have reduced the number of visitors to Canada from the United States. Declines in American visitors have been offset somewhat by an increase in other international visitors. With Canada receiving approved-destination status from China and exposure gained from the 2010 Winter Olympics, international travel to Canada will likely grow in the future.

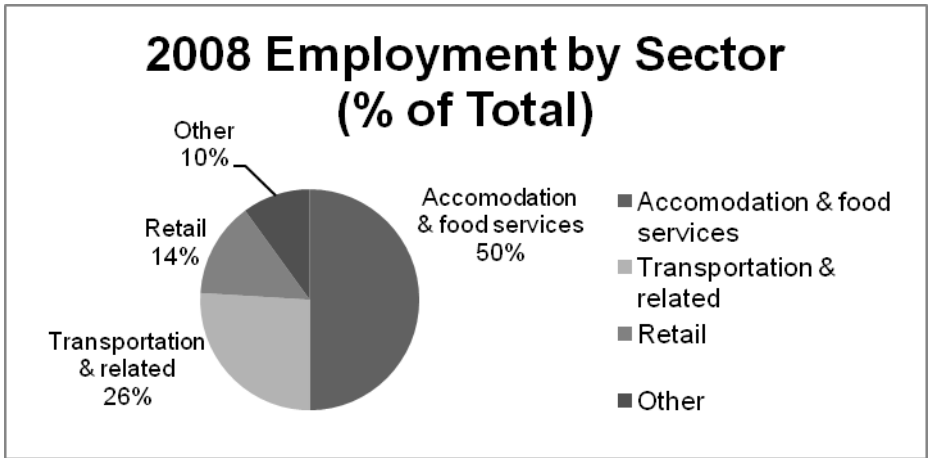
Estimating employment prospects in the tourism sector is challenging for several reasons:

- Tourism employment is cyclical, seasonal, and often temporary or part-time.
- Allocating employment in businesses that are used by both tourists and local residents (e.g. restaurants or specialty retail) is challenging, so often this allocation is simply an estimate.
- Tourists use a wide range of services that impact employment in small and large ways in many different sectors.

The tourism sector is not well defined by the North American Industry Classification System (NAICS). In order to estimate direct tourism employment, B.C. Stats has created a tourism composite that assigns a percentage of total employment in specific related industries to the tourism sector. B.C. Stats estimates the percentage of each industry's contribution to tourism employment by various means including industry surveys.

Exhibit 8 shows how B.C. Stats allocates tourism employment by sector.

Exhibit 8: Allocation of Tourism Employment



Source: B.C. Stats

Exhibit 8 shows that tourism jobs are found in several sectors, with the majority being in food and accommodation and transportation which combined account for 76% of tourism employment.

Greater Victoria Employment

When the B.C. Stats tourism composite is applied to census data, the Greater Victoria tourism industry generated the equivalent of approximately 13,200 jobs in 2006.

City of Victoria Employment

There is no definitive data available indicating total tourism employment in the City of Victoria. When applied at the City level, the B.C. Stats tourism composite has a much higher level of error and becomes a less reliable indicator of total employment, due to location-specific factors that manifest themselves in small sample sizes. Tourism plays an important role in the City's economy and the composite likely underestimates total employment in tourism. With this in mind, when the composite is applied to City of Victoria data, it suggests that the tourism sector generates

approximately 8,100 jobs, suggesting that the City of Victoria accounts for more than 60% of total regional employment in the tourism sector.

Tourism Employment in B.C.

Tourism employment in the Province grew at an average annual rate of around 2% over the last ten years. After experiencing rapid employment growth at the beginning of the decade, tourism employment has continued to grow at the same rate as employment in the economy overall. Tourism GDP has experienced an average annual growth rate of 3% (in 2002 dollars), and continues to make a significant contribution to the B.C. economy as a whole.

Exhibit 9 shows total tourism GDP and Employment in the Province of B.C.

Exhibit 9: Total Tourism GDP and Employment in the Province of B.C.

B.C.	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Tourism GDP ($2002 Million)	5,005	5,023	5,067	5,263	5,273	5,238	5,261	5,556	5,913	6,259	6,522	6,633
Tourism GDP ($Million)	4,482	4,632	4,807	5,048	5,191	5,238	5,233	5,667	6,182	6,667	7,081	7,382
Tourism Employment (Thousands)	102.4	103.1	101.9	102.4	109.9	110.1	112.2	115.1	118.5	123.4	127.5	131.0

Source: B.C. Stats

Exhibit 10 shows tourism employment compared to total employment in the Province.

Exhibit 10: Total Tourism Employment Compared to Total Employment in the Province of B.C.

Total Employment for Workers 15 Years and Older in British Columbia	All Industries (NAICS) *(North American Industrial Classification System)*	% Growth in Total Employment	Tourism	% Growth in Tourism Employment	Tourism Share of Total Employment
1997	1,860,500	N/A	102,400	N/A	5.5%
1998	1,858,400	-0.1%	103,100	0.7%	5.5%
1999	1,894,400	1.9%	101,900	-1.2%	5.4%
2000	1,931,300	1.9%	102,400	0.5%	5.3%
2001	1,921,600	-0.5%	109,900	7.3%	5.7%
2002	1,965,000	2.3%	110,100	0.2%	5.6%
2003	2,014,700	2.5%	112,200	1.9%	5.6%
2004	2,062,700	2.4%	115,100	2.6%	5.6%
2005	2,130,500	3.3%	118,500	3.0%	5.6%
2006	2,195,500	3.1%	123,400	4.1%	5.6%
2007	2,266,300	3.2%	127,500	3.3%	5.6%
2008	2,314,300	2.1%	131,000	2.7%	5.7%
Average Annual Growth	2.0%	N/A	2.3%	N/A	N/A

Source: B.C. Stats, based on labour force survey data

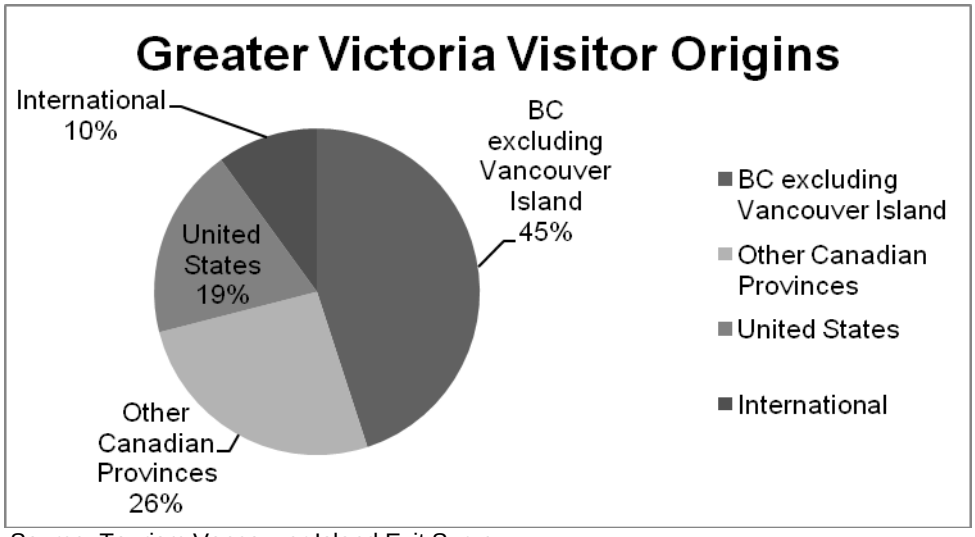
Exhibit 10 shows that tourism employment in B.C. has grown at a slightly higher rate than total employment, leading to a gradual increase in tourism's share of total jobs.

Greater Victoria Visitor Origins

Greater Victoria's tourism industry is highly dependent on North American visitors. Tourism Vancouver Island's 2008 annual exit survey found that only 10% of visitors to the Region were from outside North America. B.C. Stats reports that between 2000 and 2008, visits from US tourists dropped nearly 36%.

Exhibit 11 shows Greater Victoria visitor origins by location.

Exhibit 11: Greater Victoria Visitor Origins by Location in 2008



Source: Tourism Vancouver Island Exit Survey

Exhibit 11 shows that:

- Over 70% of all tourists visiting Greater Victoria are from Canada.
- Nearly two-thirds of all international visitors to Canada are from the United States.

Estimated Overnight Visitors in Greater Victoria

Exhibit 12 shows the estimated number of overnight visitors in Greater Victoria over the last decade or so.

Exhibit 12: Estimated Number of Overnight Visitors in Greater Victoria

Source: Tourism Victoria

The exhibit shows how overnight visitor volumes have fluctuated and have shown little net growth over the past decade.

Indicators of Trends in Demand

Exhibit 13 shows several indicators of tourism demand in Greater Victoria.

Travel to Vancouver Island has been impacted significantly by the recent economic downturn. The time and expense associated with ferry travel may have discouraged domestic travelers from choosing Southern Vancouver Island as a travel destination in 2009. B.C. ferries traffic dropped substantially, with vehicle volume decreasing by 11% in 2008. While vehicle volumes rebounded in 2009, they have not reached the same levels that were achieved between 2003 and 2007. After experiencing a significant drop in the number of conference delegate days during 2008, volumes rebounded in 2009, suggesting that economic conditions are improving. The cruise ship industry performed well with a 38% increase in births in 2008 and continued growth in 2009. New upgrades to the cruise ship facilities at Odgen Point will help Victoria remain a competitive port of call in the Pacific Northwest.

Exhibit 13: Major Tourism Indicators in Greater Victoria

Tourism Indicators	2003	2004	2005	2006	2007	2008	2009	Average Annual Growth 2003 to 2009
Cruise Ship Arrivals	118	139	142	184	154	212	215	10.5%
Victoria Conference Centre Delicate Days	107,675	110,986	110,900	117,919	136,908	107,533	130,078	3.2%
Victoria Airport Passengers	1,182,821	1,249,976	1,318,395	1,390,128	1,481,606	1,538,417	1,532,889	4.4%
Hotel Occupancy Rate	63%	65%	67%	67%	68%	65%	62%	-0.3%
Daily Room Rate	$118	$121	$122	$124	$131	$132	$125	1.0%
B.C. Ferries Bus Traffic (Swartz Bay - Tsawwassen)	30,978	35,418	35,037	31,957	30,267	26,889	22,365	-5.3%
B.C. Ferries Vehicle Traffic (Swartz Bay - Tsawwassen)	1,869,169	1,933,277	1,916,853	1,908,005	1,955,211	1,835,413	1,877,782	0.1%
B.C. Ferries Passenger Traffic (Swartz Bay - Tsawwassen)	5,968,092	6,245,878	6,141,662	6,048,413	6,136,240	5,775,474	5,739,407	-0.6%

Source: Victoria Tourism Bulletin (2009), produced by Chemistry Consulting

Hotel Rooms in Greater Victoria

Exhibit 14 shows Greater Victoria's hotel room inventory by location (December 2009).

Exhibit 14: Hotel Rooms by Location for Greater Victoria, 2009

Hotel Rooms by Location	Number of Rooms	%
Downtown/Inner Harbour	3,247	76%
Suburban	486	12%
Gorge Road/Esquimalt	179	4%
Saanich Peninsula/Sidney	339	8%
Total	4,251	100%

Source: Chemistry Consulting

This exhibit shows that the City of Victoria (and specifically Downtown and the Inner Harbour) has 76% of Greater Victoria's hotel inventory.

Observations

- The City has a large share of regional employment in the tourism sector, a trend that is expected to continue.
- Greater Victoria has earned the reputation of being a clean, safe and livable city and has been ranked highly as a tourist destination by numerous travel publications.
- After experiencing rapid employment growth at the beginning of the decade, tourism employment growth in B.C. is now keeping pace with growth in the overall provincial economy.
- Tourists from the United States account for nearly two-thirds of Victoria's international visitor volume. A significant decline in US visitors has negatively affected the Victoria tourism industry. B.C. Stats reports that US entries into B.C. have declined steadily over the last 8 years.
- The local tourism industry is showing signs of weakening, due to:
  - A high Canadian dollar.
  - Increased border security measures.
  - High fuel costs.
  - Global economic uncertainty.
- There are several positive tourism indicators:
  - Cruise ship arrivals are increasing.
  - The number of airport passengers is trending up (until a small drop in 2009).
  - Average room rates have been trending up (until a drop in 2009).
- There are some negative tourism indicators:
  - B.C. ferries passenger traffic is trending down.
  - The hotel occupancy rate is declining (since 2007).
  - The number of U.S. visitors has declined.

Outlook

Employment in the tourism sector is dependent on many factors that include consumer confidence, currency exchange rates, travel trends (e.g. adventure tourism) and exposure (e.g. media advertising or coverage received from the Winter Olympics). Over the last decade, employment in the regional tourism sector has grown at a similar pace to the overall economy. This trend has the potential to continue in the long run, with tourism employment growing at approximately 2.0% per year or a little higher, although there are constraints and negative factors

that may restrict the ability to achieve this potential. The majority of potential regional tourism job growth is likely to occur in the City, which has much of the existing tourism infrastructure and attractions.

Tourism can be regarded as a comparatively sustainable sector of the economy, in the sense that it can have lower environmental impacts than some kinds of primary industry or manufacturing. However, there are some environmental or sustainability concerns associated with tourism including the carbon footprint associated with travel, the additional "load" on local resources and infrastructure, and (for nature-based tourism) additional load on ecosystems.

4.3 Government Administration

Introduction

This category includes all specialized government employment, which in the City of Victoria is almost entirely related to the City's role as the Provincial capital. There is also significant Federal and local government employment in the Region. Provincial and Federal jobs are largely independent of local population dynamics and linked more to overall growth or change in the Provincial population and economy.

Public sector employment plays a significant role in Greater Victoria's regional economic base. A strong public sector presence in the Region provides direct jobs and also creates opportunities for businesses that supply goods and services to government.

Greater Victoria Employment

Over 23,500 people in Greater Victoria are directly employed in the public sector. B.C. Stats estimates that 39% of Greater Victoria's regional income is derived from public sector employment. Greater Victoria is home to Canadian Forces Base Esquimalt, Canada's west coast navy base and home of the Pacific Fleet. CFB Esquimalt is a significant regional employer, providing over 6,000 jobs. The City of Victoria is home to the Provincial legislature and is the headquarters of most Provincial agencies; Provincial Government employment provided approximately 11,000 jobs in 2006, although this is a decline of about 11% from 2001.

Exhibit 15 shows total public administration employment in Greater Victoria.

City of Victoria Employment

Regional public sector employment is concentrated in the City of Victoria. Almost 12,500 public sector jobs are located in the City, accounting for more than 50% of the Region's employment in this sector.

Exhibit 15: Total Public Administration Employment in Greater Victoria

Public Administration Employment in Greater Victoria	2001	2006	Average Annual Growth 2001 to 2006
Federal - Defense	4,985	6,265	4.7%
Federal - Other	2,980	3,060	0.5%
Provincial	12,330	11,005	-2.2%
Municipal & Regional	3,015	2,945	-0.5%
Aboriginal & Other	110	120	1.8%
Total	23,420	23,395	0.0%

Source: The Greater Victoria Development Agency: Regional Economic Indicators: Greater Victoria Region, May 2009

Observations

- Total public sector employment in the Greater Victoria region remained flat between 2001 and 2006. Gains of Federal government employment offset losses in Provincial and municipal/regional government employment in the Region.
- The public sector is a significant employer in the City (nearly 20% of all employment).
- Public sector employment is expected to stabilize or decline in the City in the near future due to low growth in government job creation.
- As the regional population grows, demand for community-oriented government services is expected to grow at a similar rate. Fast-growing municipalities outside the City such as Langford are expected to account for the majority of community-oriented government job growth over the next decade.
- Government headquarters employment growth is influenced by many economic factors that are largely independent of local population growth. Most federal and provincial agencies will likely continue to want to locate in the City's Downtown to benefit from being close to the legislative precinct and other government agencies and being close to support services and amenities.

Outlook

Employment in this sector is affected by regional, provincial and national macroeconomic conditions and government policy. Based on historic trends and current government policy, employment in this sector is likely to grow by less than 1% annually. Growth in centralized Provincial Government employment is almost entirely office-based and it is regarded as a comparatively "clean" form of economic growth because it is a knowledge-based sector not a resource extraction or processing sector. There are impacts of growth in administrative jobs including travel and population growth pressure.

4.4 Education and Health Employment

Introduction

The health and education employment sector includes all activities associated with health care, public and private elementary and secondary education, career training, and post-secondary education.

Public Post-secondary Employment in Greater Victoria

Employment at post-secondary institutions is an important contributor to the economic base because of the direct jobs created by institutions and the needs of students, but also because of the potential for spin-offs in the form of company start-ups and cooperation between the institutions and the private sector.

Employment in elementary and secondary schools is important (economically and because of the importance of education in creating a skilled labour force and educated citizenry), but post-secondary education has a greater ability to help expand the economic base.

Public colleges and universities employ 6,725 people in Greater Victoria, not including temporary or contract workers. There are no major public post-secondary institutions in the City of Victoria.

Greater Victoria is home to three major public post-secondary institutions: University of Victoria (UVic), Royal Roads University, and Camosun College. Post-secondary institutions are an important regional employer in Greater Victoria, with UVic alone directly and indirectly employing approximately 5,000 people.

Exhibit 16 shows total full time and part time employment for faculty and staff at major post-secondary institutions in Greater Victoria.

Exhibit 16: Total Full-time and Part-time Employment for Faculty and Staff at Major Post-secondary Institutions in Greater Victoria

Greater Victoria Colleges and Universities	Total Employment
University of Victoria	5,000
Royal Roads University	800
Camosun College	925
Total	**6,725**

Source: City of Victoria, Royal Roads University

Total Employment in Education in Greater Victoria

Greater Victoria employed nearly 13,500 people in the education services sector in 2006, (accounting for over 7% of total employment in the Region) including the 6,725 jobs at universities and colleges. Total employment in the education services sector was approximately 2,550 people in the City of Victoria.

Total educational employment in Greater Victoria grew at an average annual rate of 4% between 2001 and 2006. The highest rate of growth occurred in 'other' educational services category (this includes language schools, cooking schools and private colleges). Growth in elementary and secondary school employment declined at an average annual rate of 1% from 2001 to 2006. Shifting demographics may result in lower elementary and secondary school enrolments and fewer jobs over time.

Exhibit 17 shows total employment in education in Greater Victoria.

Exhibit 17: Total Employment in Education in Greater Victoria Based on Usual Place of Work and Working at Home Data in the Census

Education Employment in Greater Victoria	2001	2006	Average Annual Growth
Elementary and Secondary Schools	5,640	5,250	-1%
Community Colleges	1,075	1,225	3%
Universities	3,595	4,485	5%
Other	1,150	1,510	6%
Greater Victoria Total	**11,460**	**12,470**	2%

Source: The Greater Victoria Development Agency: Regional Economic Indicators: Greater Victoria Region, May 2009

Hospital Employment in Greater Victoria

Hospitals provide nearly 5,400 permanent full time and part time jobs in the Greater Victoria region. The City of Victoria is home to Royal Jubilee hospital, which employs nearly 2,900 people. The City of Victoria has over 50% of regional employment in the hospital sector.

Exhibit 18 shows total major hospital employment in Greater Victoria.

Exhibit 18: Total Major Hospital Employment in Greater Victoria

Major Hospital Employment in Greater Victoria	Full Time and Part Time	Full Time and Part Time and Casual Employment
Royal Jubilee Hospital	2,854	3,990
Victoria General Hospital	1,862	2,718
Saanich Peninsula Hospital	368	550
Queen Alexandria Centre for Children	288	376
Total	**5,372**	**7,634**

Source: Vancouver Island Health Authority

Vancouver Island's aging population and popularity as a retirement destination will make health care and social services an important area of growth in the Region. In 2006, Greater Victoria had approximately 21,700 health care and social assistance jobs, accounting for nearly 12% of all jobs in the Region. Growth in health care employment experienced an average annual growth rate of 1% between 2001 and 2006. The City of Victoria had almost 10,200 health care and social services jobs in 2006, nearly 50% of total sector jobs in the Region. In 2006, health care related

jobs accounted for nearly 15% of all employment in the City of Victoria. Annual employment growth in the City was relatively low at 0.1% when compared to 1.0% regional growth in the health care sector. A relatively high proportion of jobs in the health care sector can be attributed to the presence of Royal Jubilee Hospital in the City. The new Royal Jubilee Patient Care Centre is scheduled to open in February 2010 and will provide the City of Victoria with 500 new senior friendly beds that will replace 400 beds built in the 1920's and 1930's.

Exhibit 19 shows total employment in health care and social assistance.

Exhibit 19: Total Employment in Health Care and Social Assistance

Employment in Health Care and Social Assistance	2001	2006	Average Annual Growth
Capital Region	19,995	20,970	1.0%
City of Victoria	10,110	10,160	0.1%

Source: Statistics Canada Census 2006

Observations

Hospitals and Health

- Total regional employment in the health care sector grew at an average annual rate of around 1% between 2001 and 2006, but City employment was unchanged.
- Employment in the health care sector is dependent on regional population characteristics such as the growth rate and age profile. A growing and aging population means that demand for health care related services will increase over the next decade.
- The majority of health care employment growth is expected to occur in municipalities with significant health care infrastructure already in place. Royal Jubilee hospital in Victoria and Victoria General Hospital in View Royal will likely to account for much of the health care employment growth in the Region.
- The completion of new Patient Care Centre at Royal Jubilee hospital will provide capacity for future growth in the City's health care sector (100 net new hospital rooms).

Education

- Overall employment in education-related employment increased around 4% per year between 2001 and 2006.
- Between 1996 and 2006 post-secondary education attainment has increased by nearly 20% in Greater Victoria. This trend is expected to continue as most jobs available today require some form of post-secondary accreditation.
- As of 2006, 67% of Victoria's population had attained some form of post-secondary education, higher than in both Metro Vancouver and the Province as a whole.

- A decline in elementary school employment growth between 2001 and 2006 reflects changing demographics in the Greater Victoria population.

Outlook

Employment growth in health and education is heavily dependent on regional population dynamics over the long run. These sectors will probably grow at or near the population growth rate, although some components of this sector (e.g. private career-related education, some elements of post-secondary education) could grow more quickly if they can attract non-local students.

4.5 Technology

Introduction

The technology sector includes firms that create products or services with a significant amount of new "high" technology such as information technology, biotechnology, telecommunications, software development, digital media, nanotechnology and other cutting-edge areas involving considerable research and development. This sector is constantly changing as new technologies emerge.

The technology sector has become an important segment of the British Columbia economy. Though relatively small when compared to other technology clusters in Canada and the United States, the high technology sector in B.C. is growing. Over the last decade, this sector has significantly outperformed the overall economy as a whole. B.C. has become a biotechnology and digital media hot spot and is rapidly developing as an important wireless technology hub. B.C.'s technology growth has been concentrated in the Metro Vancouver and Greater Victoria regions, where over 90% of the B.C. industry is located.

Post-secondary institutions provide a steady supply of innovative skilled workers for entry level positions in the technology sector. However, employers are facing challenges recruiting skilled employees for senior positions. A recent report by B.C. Stats and information from industry sources suggests that growth in the provincial high technology sector is constrained by the shortage of qualified employees, due in part to the high cost of living in B.C. and low student enrolment in technology-related degrees during the dot-com bust. A recent survey by the British Columbia Technology Industry Association (BCTIA) suggests that the high cost of living in B.C. is a recruiting hurdle.

The BCTIA suggests that B.C. tech employment could grow by 6% in 2010, although BCTIA data notes that the sector lost 6% of total jobs in 2009. A significant proportion of this decline can be attributed to the economic downturn. Many B.C. high technology companies rely on US demand for their output, which has softened in the last few years. B.C. Stats indicates that in 2007, 69% of all Canadian high technology exports were destined for the United States.

Greater Victoria Employment

Greater Victoria is one of the fastest growing technology nodes in the Province. Technology employment growth in Greater Victoria has significantly outpaced growth in the overall economy over the last decade. Competitive business costs and a high quality of life will continue to attract technology employers to the Region, although the Island location is a competitive disadvantage for any firms making/shipping hard products rather than digital products. Government and industry sources estimate that the technology sector in Greater Victoria employs 15% of the provincial technology workforce, or approximately 11,600[1] people in 900 companies.

The Vancouver Island Technology Park (VITP) in Saanich will be home to the new ICT/Clean Tech building which will provide employment for an additional 500 employees in 80,000 square feet of new space. Currently, 34 companies in VITP provide jobs for 1,350 employees. When the park is fully built out, it will provide 235,000 square feet of space for 2,800 high technology and manufacturing workers. Growth in the high technology sector is expected to occur predominantly in good quality, central and highly accessible business parks in suburban communities surrounding the City of Victoria and to some extent in Downtown office buildings.

City of Victoria Employment

Based on data from various sources, about 2,800[2] technology jobs were located in the City of Victoria as of 2006, or about 25% of the regional total. The other 75% of technology employment is clustered in business parks outside the City. High technology businesses often locate in suburban locations to benefit from larger floor plate space and lower rents and also tend to cluster around universities and other high technology companies to benefit from knowledge spillover effects.

Indicators

The high technology sector is not well-defined by the North American Industry Classification System (NAICS). B.C. Stats has developed a composite index to estimate employment in the technology sector. The composite is largely made up of employment in the professional, scientific & technical services, and the information sectors. A small portion of high technology jobs are in the manufacturing sector, which is also included as a component of the composite.

Exhibit 20 shows B.C. technology sector employment in service and manufacturing industries based on the B.C. Stats high technology composite.

[1] Excludes direct employment in film and television, which is tabulated separately.
[2] Excludes direct employment in film and television, which is tabulated separately.

Exhibit 20: B.C. High Technology Sector Employment in Service and Manufacturing Industries

High Technology Sector Employment	Manufacturing Industries Employment	% Change in Manufacturing Industries	Service Industries Employment	%Change in Service Industries	Total (Manufacturing and Service)	% Change in Total
1997	10,790	N/A	45,960	N/A	56,750	N/A
1998	11,230	4.1%	44,930	-2.2%	56,160	-1.0%
1999	13,620	21.3%	48,110	7.1%	61,730	9.9%
2000	15,040	10.4%	52,030	8.1%	67,070	8.7%
2001	15,180	0.9%	56,410	8.4%	71,590	6.7%
2002	13,830	-8.9%	53,280	-5.5%	67,110	-6.3%
2003	12,590	-9.0%	53,360	0.2%	65,950	-1.7%
2004	12,160	-3.4%	55,850	4.7%	68,010	3.1%
2005	13,280	9.2%	57,860	3.6%	71,140	4.6%
2006	14,480	9.0%	62,960	8.8%	77,440	8.9%
2007	14,610	0.9%	66,530	5.7%	81,140	4.8%
Average Annual Growth	N/A	3.1%	N/A	3.8%	N/A	3.6%

Source: B.C. Stats: Profile of the British Columbia High Technology Sector, 2008 Edition

Employment Growth in the British Columbia High Technology Sector

Exhibit 21 shows high technology employment compared to total employment in B.C.

Exhibit 21: High Technology Employment Compared to Total Employment in B.C.

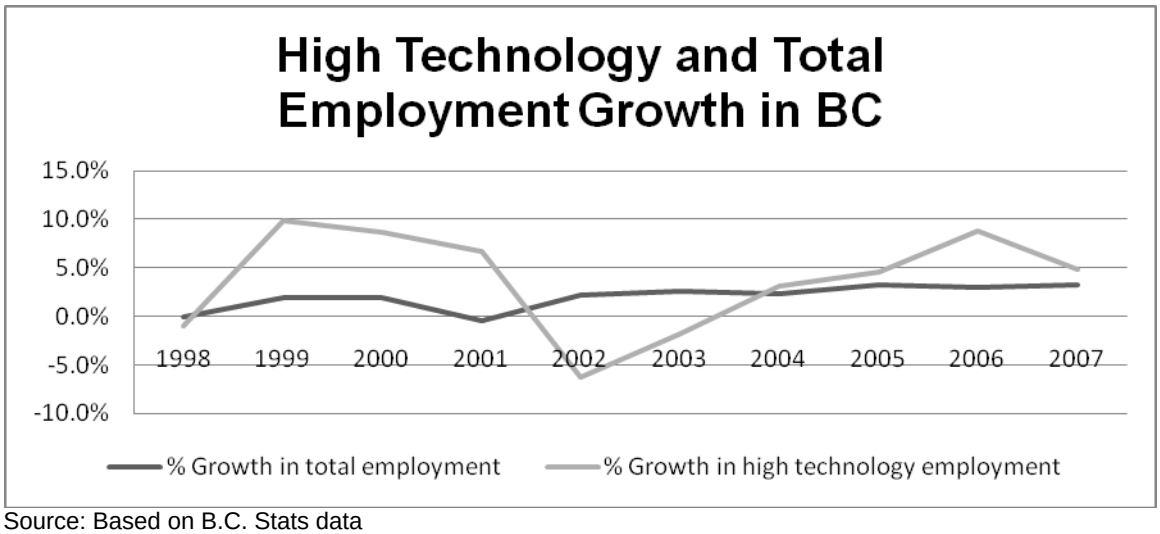
Total Employment for Workers 15 Years and Older in British Columbia	All Industries (NAICS) *(North American Industrial Classification System)*	% Growth in Total Employment	High Technology	% Growth in High Technology Employment	% of Total Employment in High Technology Industries
1997	1,860,500	N/A	56,750	N/A	3.1%
1998	1,858,400	-0.11%	56,160	-1.04%	3.0%
1999	1,894,400	1.94%	61,730	9.92%	3.3%
2000	1,931,300	1.95%	67,070	8.65%	3.5%
2001	1,921,600	-0.50%	71,580	6.72%	3.7%
2002	1,965,000	2.26%	67,110	-6.24%	3.4%
2003	2,014,700	2.53%	65,950	-1.73%	3.3%
2004	2,062,700	2.38%	68,010	3.12%	3.3%
2005	2,130,500	3.29%	71,140	4.60%	3.3%
2006	2,195,500	3.05%	77,440	8.86%	3.5%
2007	2,266,300	3.22%	81,140	4.78%	3.6%
Average Annual Growth	2.0%	N/A	3.6%	N/A	N/A

Source: B.C. Stats, based on labour force survey data

Employment in the high technology has fluctuated more than total employment, but over time has increased as a share of total jobs.

Exhibit 22 graphs high technology employment growth relative to total employment growth in B.C.

Exhibit 22: High Technology Employment Growth Relative to Total Employment Growth in B.C.



Source: Based on B.C. Stats data

The majority of high technology companies on Vancouver Island are located in Greater Victoria. The Region is home to one of largest information and communication technologies clusters in the Province.

Exhibit 23 shows the number of firms and jobs in selected high technology sectors on Vancouver Island as of 2006.

Exhibit 23: Number of Establishments and Employment in High Technology Sectors on Vancouver Island, 2006

Sector	Employment	Number of Companies	Provincial Share
Information and Communications Technologies	8,684	1,000	16%
Sustainable Technologies	2,949	213	16%
Life Sciences Technologies	443	29	16%

Source: Ministry of Economic Development

Top 25 Technology Companies in Victoria by Revenue

The Victoria Advanced Technology Council (VIATeC) was founded in 1989 to enhance and promote the advanced technology sector in Greater Victoria. The "VIATeC 25" lists the top 25 technology companies headquartered in Greater Victoria based on revenues. Between 2004 and 2009, in these firms the average annual growth rate in total revenues was 15% and full time employment grew at an average annual rate of 10%, out-performing the overall economy. The Victoria high technology sector weathered the economic downturn well in 2009, with only a 4.3% decrease in revenues and an increase in overall employment of 10.9% among these top employers.

Exhibit 24 shows total revenues and employment in the top 25 high technology employers.

Exhibit 24: Revenue and employment in the top 25 high technology employers

	2004	2005	2006	2007	2008	2009	Average Annual Growth
Total Revenues (1,000's)	$367,032	$563,595	$794,473	$866,087	$762,871	$729,852	14.7%
Full-time employment	1,723	2,334	2,441	2,474	2,468	2,738	9.7%

Source: VIATeC

Number of High Technology Firms:

Victoria has consistently been the second largest technology centre in B.C., with approximately 10% of the Province's share of industry establishments from 2004 to 2007. The number of high technology firms has remained relatively constant in Greater Victoria and in the rest of the Province. This trend is likely the result of the shutting down, consolidation, or relocation of existing firms matching the number of new start-ups entering the market. Continued employment growth would suggest that existing establishments are becoming larger or that self-employment is growing at a higher rate.

Exhibit 25 shows the number of high technology firms in British Columbia.

Exhibit 25: Number of High Technology Establishments in British Columbia

High Technology Establishments (with Employees*)	2004	2005	2006	2007	Average Annual Growth
B.C.	8,369	8,748	9,206	8,573	0.8%
Greater Victoria	**854**	**919**	**964**	**886**	**1.2%**
Metro Vancouver	5,400	5,605	5,925	5,496	0.6%
Greater Victoria Share of B.C. Total	10.2%	10.5%	10.5%	10.3%	N/A

Source: B.C. Stats: Profile of the British Columbia High Technology Sector, 2008 Edition

*Excludes companies with no employees, or self employed individuals.

Service-based high technology companies make up over 90% of high technology establishments in the Province. In 2007, service-based high technology employment grew by 5.7% while manufacturing-based high technology jobs grew at 0.9%.

Exhibit 26 compares the number of high technology service-based or manufacturing-based establishments, in B.C.

Exhibit 26: Number of High Technology Service-Based and Manufacturing-Based Establishments

Year	High Technology Establishments	Capital Region	Metro Vancouver	B.C. Total
2004	Manufacturing	59	518	789
	Service	795	4,882	7,580
	Total	854	5,400	8,369
2005	Manufacturing	66	528	815
	Service	853	5,077	7,933
	Total	919	5,605	8,748
2006	Manufacturing	66	544	820
	Service	898	5,381	8,386
	Total	964	5,925	9,206
2007	Manufacturing	61	514	777
	Service	825	4,982	7,796
	Total	886	5,496	8,573
Average Annual Growth 2004 to 2007	Manufacturing	1%	0%	-1%
	Service	1%	1%	1%

Source: B.C. Stats: Profile of the British Columbia High Technology Sector, 2008 Edition

Observations

- Employment growth in the provincial high technology sector has outpaced growth in the overall economy over the last few years.
- B.C. has the 4th largest high technology sector in Canada.
- Greater Victoria has the second largest high technology node in the Province after Metro Vancouver.
- Service-based high tech firms represent the majority of all firms in B.C. Growth in service-based firms is expected to outpace growth in manufacturing-based firms. This is a positive trend from the perspective of Victoria, which is not an advantageous location for manufacturing because of the cost of importing materials and exporting products.
- Technology companies often sell digital format knowledge to customers all over the world. The geographic disadvantages to locating on the Island are less burdensome on the service-based part of the technology industry when compared to other industries, especially manufacturing.
- High technology firms are generally attracted by:
    - Skilled labour force.
    - Proximity to other tech firms and to educated institutions with a research and development orientation.
    - Campus-style business parks which are close to complementary uses. Historically, older industrial space has not met the needs of high technology companies.

  - Hotels. High technology companies often host clients or large meetings at local hotels.
  - Locations close to the amenities that are demanded by high technology knowledge workers. Space that is near commercial service areas with banks, restaurants, and retail shops is preferred by high technology companies.
  - Large parcels of accessible and inexpensive industrial land for high technology manufacturing.
  - Sites served with good transportation infrastructure.
  - Small, flexible spaces (incubator space) for start-ups.
  - Downtown locations for some larger users.
- Victoria area strengths in high technology include:
  - The Region benefits from a skilled local workforce and good post-secondary institutions that facilitate growth in the high technology sector.
  - The Region has an existing cluster of leading technology firms, many of which have a global presence. Locations with existing tech firms often attract other firms which can help build economies of scale and create knowledge spillover effects.
  - The Region offers a high quality of life and environment that appeal to knowledge workers.
  - The Region is near the U.S. west coast and Metro Vancouver.
- Victoria area weaknesses in high technology include:
  - The Region has a limited supply of highly accessible, good quality industrial land.
  - It can be challenging to attract and retain skilled workers to the Region.
  - The Region has a relatively high cost of living when compared to some other technology regions.
  - The Region has lost a number of high technology companies. Acquisitions have resulted in the relocation of local high technology firms.
  - Compared to other high technology nodes in Canada and the United States, the local industry is comparatively small.
  - The Island location imposes travel costs/time.

Outlook

Though continued growth in the high technology industry is anticipated for the future, the sector is cyclical and highly dependent on global economic conditions and competition, which can quickly impact local growth prospects. In the long run, the pace of high technology employment growth is expected to exceed employment growth in the economy overall. Technology job growth in Greater Victoria could be as high as 3% per year.

4.6 Arts and Culture Employment

The arts and culture sector includes the production, distribution, management and support of all arts and culture related activities. Core employment in this sector is found in areas such as the visual and performing arts, writing and publishing, and music. Non-core employment in this sector includes jobs for agents, talent managers, art dealers, and promoters. Determining employment in the arts and culture sector is challenging because:

- There is no universally-accepted definition of what constitutes an artist or, perhaps more significantly, what to count as an artist "job" for the purpose of quantifying employment. For the purposes of this study, the Statistics Canada definition of arts and culture was used. However, this definition also includes employment in areas such as architecture, photography, and advertising, which are more appropriately included in the commercial services sector.
- Census data is a good source of some arts and culture information, but it has drawbacks. Many arts and culture jobs are only part-time, with workers having other primary occupations. Given that census data only provides information on primary employment, the total number of artists is likely understated. Previous studies conducted by the Canada Council for the Arts suggests that as many as 50% of all arts and culture employees have another occupation as well.

Greater Victoria Employment

The arts and culture sector has been a growth area in B.C. over the last two decades. Greater Victoria is home to one of the most prominent concentrations of arts and culture employment in the Province. Based on the Statistics Canada definition of the arts and culture sector, Vann Struth Consulting estimates that 7,213[3] people were employed in the arts and culture sector in 2006. The Region is home to many arts venues, most of which are located in the City, that host the Pacific Opera Victoria, the Victoria Symphony, and many other world-class exhibits, shows and festivals. Out of 15 metropolitan areas in Canada, Greater Victoria had the 2nd highest per capita spending on arts and culture goods and services in 2005[4].

City of Victoria Employment

The City of Victoria is home to a diverse and growing arts and culture sector. A study conducted by Hill Strategies Research Inc. found that in 2006, Victoria had the second highest per capita

[3] The Vann Struth estimate of total arts and culture employment in the Capital Regional District is 7,913 people (From the 2009 Regional Economic Analysis Report, Vancouver Island and Central/Sunshine Coast), 700 direct film and television jobs were excluded from this figure as they are accounted for separately in the film and television category.

[4] Capital Regional District: Facts on the Arts.

concentration of artists in Canada. Vann Struth Consulting estimates that approximately 3,257[5] people are employed in the arts and culture sector in the City of Victoria.

Observations:

- The arts and culture sector has been growing in Canada and the Region. Between 2001 and 2006, the arts and culture sector as defined by Statistics Canada grew by 3.6% annually in Greater Victoria.
- Growth in arts and culture employment grew at a faster rate between 1991 and 2001 than between 2001 and 2006.
- The Region's diverse arts and culture sector is supported in part by (and in turn helps expand) tourism activity.
- An existing arts scene helps attract other artists to the Region. According to Hill Strategies Research, Victoria has over twice as many artists per capita compared to Canada as a whole[6]. Victoria has many lifestyle and amenity attributes that appeal to the creative people in this sector.
- Per capita spending on arts and culture activities in Greater Victoria is among the highest in Canada.
- The arts and culture sector is dependent on economic conditions. When the economy is growing, more arts and culture funding is available and consumption of art and related activities increases in the local population.
- The Victoria arts sector is partly supported by tourists, who buy arts/crafts and attend festivals and concerts.

Outlook

Employment in the arts and culture sector is supported by the local population and the tourism sector. The arts and culture sector performed well in the past, with employment increasing at an average annual rate of 3.6% between 2001 and 2006. Growth of 3.0% per year or so is possible in Greater Victoria, provided that population and tourism maintain their pace of growth.

[5] Excludes 380 direct film and television jobs that are accounted for separately.

[6] Hill Strategies Research: Artists in large Canadian Cities (2009).

4.7 Film, Television, and Digital Media

Introduction

The film, television, and digital sector includes all activities associated with the production, post-production and distribution of film and television media and digital or new media. The sector provides a wide variety of direct employment opportunities such as acting, writing, directing, sound recording, animation, and set design. The industry also generates a significant amount of indirect employment opportunities in areas such as construction, catering, transportation, and equipment rentals. The film and television industry is an important sector in British Columbia's economy. The Province has an established industry and a skilled workforce. Proximity to California (and a shared time zone), a temperate climate, tax incentives, and a diverse array of filming locations continue to draw productions to the Province.

Greater Victoria Employment

The film and television industry in Greater Victoria has a smaller role in the local economy than in Metro Vancouver and the Province as a whole. Statistics Canada data shows that in 2006 there were 385 direct motion picture and video jobs having a usual place of work in Greater Victoria. Given that only 55% of employment in the film industry has a usual place of work based on census data, this suggest that approximately 700 people are employed by the local industry. This data includes only direct employment, undercounting total employment in the sector. Many film support services personnel, freelance employees and technical professionals work on-location and are excluded from this data. Figures from the Canadian Film and Television Production Association (CFTPA) suggest that every direct job in the industry generates an additional 1.6 indirect jobs. Applying the CFTPA multiplier to Statistics Canada data suggests that approximately 1,800 people are directly and indirectly employed by the film and television industry in Greater Victoria.

City of Victoria Employment

There is no definitive data available on total film and television employment in the City of Victoria. However, given that nearly 50% of all arts and cultural employment (which includes film and television) in Greater Victoria is located in the City of Victoria, it is reasonable to assume that 50% of film television employment is also located in the City. This would suggest that approximately 900 people are directly and indirectly employed by the film and television industry in the City of Victoria.

Indicators

Total Motion Picture and Video Jobs

Greater Victoria had 385 fixed workplace jobs in the motion picture and video jobs sector in 2006. This figure conservatively estimates employment as it excludes no-fixed-workplace jobs or indirect employment in the sector.

Exhibit 27 compares total employment in motion picture and video jobs based on census data.

Exhibit 27: Total Employment in Motion Picture and Video Jobs

Motion Picture and Video Jobs	2001	2006	Average Annual Growth
B.C.	6,940	7,525	1.6%
Greater Victoria	290	385	5.8%
Metro Vancouver	5,610	6,035	1.5%

Source: The Greater Victoria Development Agency: Regional Economic Indicators: Greater Victoria Region, May 2009

Exhibit 28 shows employment in the motion picture and post production sector in B.C. based on labour force data, showing rapid growth over the last decade.

Exhibit 28: Employment in the Motion Picture and Post Production Sector in B.C. Based on Labour Force Data

B.C. Motion Picture and Post Production Sector	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Employment	1,540	2,390	3,740	3,090	3,240	4,840	4,000	4,980	5,320	5,620	6,030

Source: B.C. Stats: Profile of the British Columbia High Technology Sector, 2008 Edition

Film and Television Production Establishments

The majority of film and television establishments in B.C. are small. In 2007, only 19 companies in the Province had 50 employees or more. Nearly 75% of all film and television establishments have no employees, suggesting that freelance work, self employment, and contract work are prominent in the film and television sector.

Exhibit 29 shows the number of motion picture and post production establishments in B.C. (includes only companies with employees).

Exhibit 29: Number of Motion Picture and Post Production Establishments in B.C.

B.C. Motion Picture and Post Production Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Establishments	583	667	793	851	864	859	877	917	968	824

Source: B.C. Stats: Profile of the British Columbia High Technology Sector, 2008 Edition

Film Production Volume

Total film production in Greater Victoria dropped by over 70% between 2005 and 2008, but over the same period, production in B.C. rose by nearly 50%. Big budget film production and spending in Greater Victoria have been trending down since 2005.

Exhibit 30 shows film production volume for the Greater Victoria region.

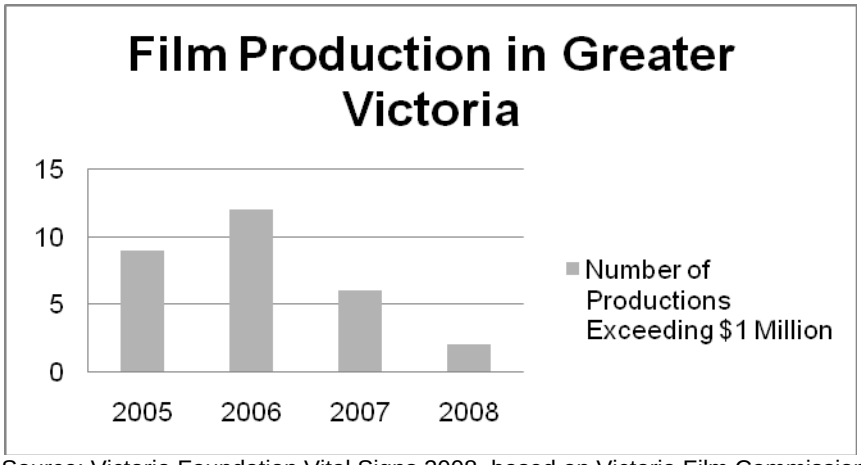
Exhibit 30: Film Production Volume for the Greater Victoria Region

Film Production Values	2005	2006	2007	2008
Number of Productions	30	18	16	8
Budget (millions)	$28.00	$28.30	$17.30	$13.00
Spent in Victoria (millions)	n/a	n/a	n/a	$7.40
Share of Provincial Productions	14.2%	7.8%	7.9%	3.1%
Share Provincial Expenditure	n/a	n/a	n/a	0.6%

Source: The Greater Victoria Development Agency: Regional Economic Indicators: Greater Victoria Region, May 2009

Exhibit 31 shows the number of film productions exceeding $1 million in Greater Victoria.

Exhibit 31: Number of Film Productions Exceeding $1 Million in Greater Victoria



Source: Victoria Foundation Vital Signs 2008, based on Victoria Film Commission Data

Exhibit 32 shows film and television production volume by type in Greater Victoria.

Exhibit 32: Film and Television Production Volume by Type in Greater Victoria

Greater Victoria Film Production	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Feature Films	3	1	5	8	4	5	6	3	1	1	31
TV Series and Mini Series	5	6	6	11	2	8	3	5	10	9	4
Documentaries	0	8	13	2	4	3	6	0	0	0	5
Commercial, Stills, Post	0	6	8	2	11	4	3	1	0	0	21
TV Movies, Pilots and Animation	1	1	7	0	0	3	7	7	10	1	11
Total	**9**	**22**	**39**	**23**	**21**	**23**	**25**	**16**	**21**	**11**	**72**

Source: Greater Victoria Film Commission

The exhibit shows that film production volumes in Greater Victoria have been highly cyclical over the past decade.

Exhibit 33 shows the volume and value of film production in British Columbia.

Exhibit 33: Volume and Value of Film Production in British Columbia

B.C. Film Production Statistics (production $ in millions)		Total Domestic	Total Foreign	Total
2004	Number of Projects	116	78	194
	Production $ Spent in B.C.	213.88	587.32	801.2
2005	Number of Projects	118	93	211
	Production $ Spent in B.C.	224.78	1008.89	1233.67
2006	Number of Projects	144	86	230
	Production $ Spent in B.C.	277.82	950.05	1227.87
2007	Number of Projects	138	64	202
	Production $ Spent in B.C.	407.7	535.64	943.34
2008	Number of Projects	174	86	260
	Production $ Spent in B.C.	365.6	841.17	1206.77
Average Annual Growth		11%	2%	8%

Source: British Columbia Film Commission: Production statistics 2008

Conclusions

Since 2005, the total number and dollar value of film and television productions in Greater Victoria has declined, in contrast to the modest gains in the number and dollar value of productions seen in the Province as a whole over the same period.

Some of the challenges the Victoria area faces in attracting film and television employment include:

- Greater Victoria is geographically isolated from the rest of B.C. so filming in the Region can add time and expense to a project.
- The Region does not have the same scale or breadth of film and television resources and support services that are found in Metro Vancouver.

The Region also has advantages including:

- The Region has many excellent filming locations, most notably in the City.
- Greater Victoria municipalities are film-friendly and try to expedite the permit approvals process.
- Greater Victoria is home to a large and diverse arts and culture sector.

Advances in technology have allowed many film and television professionals to work remotely, especially in the post-production sector. This offers many industry professionals more flexibility

when choosing a location to work. Vancouver Island is a popular location for these individuals as it offers the lifestyle and amenity choices they are often looking for.

Forecasting growth in this industry is difficult for reasons including:

- Currency exchange rates: A low Canadian dollar has historically made Canada an attractive location to shoot US-based productions. With the Canadian dollar currently at par, many US productions may choose to film in a domestic location.
- The US economy: The Canadian film industry is highly dependent on US production and is therefore highly susceptible to US economic conditions. The CFTPA indicates that B.C. represents 67% of all foreign location and service production in Canada. Weakness in the US economy could slow growth of the Canadian film industry, especially in British Columbia.
- Competition: The British Columbia film industry is facing increased competition from other US and Canadian locations for a share of the film industry.

Outlook

There is potential for this sector to grow, but it faces challenges and has experienced recent decline. Growth in employment is likely to be under 1% per year.

4.8 Manufacturing

The manufacturing sector includes all activities associated with the transformation of raw materials into new products[7]. The manufacturing sector is an important industry in B.C. and creates a significant amount of direct and indirect employment. Direct manufacturing employment in B.C. is heavily concentrated in forest products, but B.C. also has jobs in food processing, textiles, ship-building, and other clusters.

Vancouver Island has a fundamental disadvantage in transportation costs and logistics for manufacturing of products that are heavy and/or bulky. The Island's "domestic" population is small, so most manufactured goods must be exported off-Island.

This is partly why the manufacturing sector accounts for only about 3% of the jobs in the Region. The sector only accounts for 2% of jobs in the City because the City has high land cost, so industrial uses locate in surrounding areas.

Manufacturing employment has declined in the City over the last 10 to 15 years and has remained stable at the regional level.

There are some manufacturing prospects in the Region:

[7] B.C. Stats: Profile of British Columbia's Manufacturing Sector (2004).

- There may be opportunities for shipbuilding if the facilities at Esquimalt are able to capture a portion of expected Federal contracts for Navy and Coast Guard vessels. The manufacturing jobs would not be in the City, but the indirect employment could benefit small and specialized suppliers and professionals (e.g. design, management, accounting) in the City.
- Growth in aquaculture will create food processing jobs, some of which will be attracted to the Region and to Victoria.
- If allowed, offshore oil and gas exploration and development may generate manufacturing (or supply and repair) employment, but this will obviously be a contentious issue given concerns about environmental impact (particularly considering the disaster in the Gulf of Mexico).
- Growth in specialty agriculture/food products on the Island may benefit the City and Region (e.g. cheese, craft brewing, winemaking).
- Increased fuel costs, increased awareness of the ecological impact of many imports, and growing "buy local" interest may result in demand for products manufactured on-Island rather than imported. However, diseconomies of scale will tend to limit opportunities for small-scale, locally-oriented manufacture.

The outlook for the City is at best stable manufacturing employment, but it is possible that the long-term gradual decline will continue.

4.9 Agriculture

Agriculture accounts for a very small share of regional and City employment, which is not surprising because of the extent of urbanization and the high cost of land.

There may be small opportunities for job growth in the Region because of some emerging trends:

- Increased interest in eating locally-produced food (e.g. "100 mile diet") will benefit small growers and producers.
- Increased interest in organic and artisan food (e.g. specialty cheese) will benefit small growers and producers.
- Increased transportation costs will benefit on-Island producers targeting the local market.
- Increased interest in home gardening and home-produced foodstuffs will create demand for agricultural products (seeds, starter-plants, small equipment).

These are not likely to yield large numbers of jobs, but they will create opportunities for entrepreneurs and small producers.

4.10 Specialized Business Services

This sector is reviewed last because it derives from all of the other sectors. Specialized business services include law, accounting, engineering, marketing, architecture, consulting and other business/professional groups whose main clients are businesses in other sectors.

As other sectors grow, so will demand for these services. Victoria is well-positioned to experience growth in this sector because of:

- Proximity to the Provincial Government.
- High quality of life.
- Increased ability to work remotely due to information technology.

The pace of job growth will tend to match the overall average growth of other sectors.

4.11 Summary of Employment Prospects

Most future potential for job creation in the City of Victoria will be in these areas:

- Community-oriented retail and service.
- Government.
- Tourism.
- Health and education.
- Technology.
- Arts and culture.
- Specialized business services.

There will also be opportunities (although more limited in terms of job numbers) in:

- Film and television.
- Manufacturing.
- Agriculture (and other resources).

Total employment growth in the Region is likely to be in the range of 1.5% to 2% per year over the next two decades.

Based on the trend over the last decade and considering the prospects in individual economic sectors, job growth will be slower in the City, likely in the range of 1% to 1.5% per year over the next twenty years.

5.0 Urban Development Trends

A very large proportion of employment in urban areas is located in commercial and industrial buildings, so analyzing urban development trends and commercial/industrial real estate market conditions provides an interesting perspective on economic prospects.

This section reviews trends in the office, retail, and industrial markets in the City, allowing a comparison of trends in the number and type of jobs with trends in the amount of employment-accommodating floorspace developed over time.

5.1 Commercial and Industrial Floorspace

Exhibit 34 shows the City's inventory of office, industrial, and retail space from 1996 to 2009, based on information from B.C. Assessment.

Exhibit 34: Victoria Inventory of Office, Industrial, and Retail Space from 1996 to 2009, Based on Information from B.C. Assessment

Floor Space (square feet)	1996	2001	2006	2009	Average Annual Growth (1996-2001)	Average Annual Growth (2001-2006)	Average Annual Growth (2006-2009)	Average Annual Growth (1996-2009)
Office	5,470,000	5,915,000	6,166,000	6,281,000	1.6%	0.8%	0.6%	1.1%
Industrial	2,434,000	2,452,000	2,501,000	2,543,000	0.1%	0.4%	0.6%	0.3%
Retail and Service	5,633,000	5,869,000	6,025,000	6,147,000	0.8%	0.5%	0.7%	0.7%

Source: British Columbia Assessment Authority

The exhibit shows that:

- The inventory of industrial space has remained flat, which is not surprising given the decline in manufacturing jobs. Growth in construction, warehousing, and transportation explain why the inventory grew very slightly.
- The inventory of office space grew by about 1% per year, consistent with modest overall growth in businesses and government agencies that want office space in the core of the Region.
- Retail and service space growth was under 1% per year, consistent with trends in population growth and tourism.

5.2 Office Market

Greater Victoria Office Inventory

Overall inventory in the Greater Victoria office market grew at an average annual rate of less than 1% between 2003 and 2009. Suburban A and B class space accounted for the majority of total

inventory growth. An increase in A and B class inventory was offset by a significant loss in C class inventory. The loss of C class space is most notable in Downtown Victoria, where inventory decreased by almost 40% over the last 7 years.

Exhibit 35 shows office market inventory in Greater Victoria.

Exhibit 35: Office Market Inventory in Greater Victoria (all figures in square feet)

Downtown Market	2003	2004	2005	2006	2007	2008	2009
A	596,748	596,748	596,748	596,748	596,748	596,748	596,748
B	3,249,099	3,301,315	3,303,015	3,353,886	3,581,109	3,522,101	3,562,823
C	835,902	804,308	807,032	746,039	523,389	522,710	517,489
Total	**4,681,749**	**4,702,371**	**4,706,795**	**4,696,673**	**4,701,246**	**4,641,559**	**4,677,060**
Suburban Market							
A	537,530	585,784	585,784	585,784	682,344	682,344	709,129
B	2,133,219	2,182,032	2,208,672	2,238,172	2,289,472	2,314,812	2,404,144
C	370,309	379,180	370,309	371,310	361,783	351,656	351,656
Total	**3,041,058**	**3,146,996**	**3,164,765**	**3,195,266**	**3,333,599**	**3,348,812**	**3,464,929**
Greater Victoria							
A	1,134,278	1,182,532	1,182,532	1,182,532	1,279,092	1,279,092	1,305,877
B	5,382,318	5,483,347	5,511,687	5,592,058	5,870,581	5,836,913	5,966,967
C	1,206,211	1,183,488	1,177,341	1,117,349	885,172	874,366	869,145
Total	**7,722,807**	**7,849,367**	**7,871,560**	**7,891,939**	**8,034,845**	**7,990,371**	**8,141,989**

Source: Colliers International Victoria Market Reports (Note: High technology office space in 2003 and 2004 assumed to be B Class suburban space)

The exhibit shows that:

- The net supply of Downtown A class office inventory remained unchanged.
- The net supply of C class office inventory decreased by nearly 30% overall.
- Overall office inventory in Downtown Victoria decreased slightly.
- Suburban A and B class inventory has increased substantially.

Greater Victoria Office Vacancy Rate

Greater Victoria's trend in increased occupancy came to an end in 2009 as the economic downturn and new supply increased vacancy rates for the first time since 2004.

Exhibit 36 shows office market vacancy in Greater Victoria.

Exhibit 36: Shows the Office Market Vacancy Rate in Greater Victoria

Downtown Market	2003	2004	2005	2006	2007	2008	2009
A	3.7%	2.7%	1.4%	0.0%	0.1%	2.1%	4.7%
B	6.1%	6.8%	4.2%	2.8%	2.5%	1.6%	3.5%
C	9.9%	8.4%	10.7%	5.4%	7.8%	4.6%	6.1%
Total	**6.5%**	**6.6%**	**4.9%**	**2.9%**	**2.8%**	**2.0%**	**4.0%**
Suburban Market							
A	7.4%	9.1%	2.2%	1.8%	1.2%	1.6%	1.3%
B	8.7%	9.9%	8.3%	6.1%	3.0%	3.6%	6.5%
C	8.4%	13.6%	9.3%	8.9%	7.9%	3.0%	3.2%
Total	**8.4%**	**10.3%**	**7.3%**	**5.7%**	**3.2%**	**3.1%**	**5.1%**
Greater Victoria							
A	5.4%	5.9%	1.8%	0.9%	0.7%	1.8%	2.9%
B	6.9%	7.8%	5.8%	4.2%	2.7%	2.4%	4.8%
C	9.5%	10.0%	10.3%	6.5%	7.8%	4.0%	4.9%
High Technology Office	23.8%	17.8%	N/A	N/A	N/A	N/A	N/A
Total	**8.6%**	**8.7%**	**5.9%**	**4.0%**	**2.9%**	**2.5%**	**4.5%**

Source: Colliers International Victoria Market Reports

The exhibit shows that:

- The Greater Victoria office market has experienced relatively low vacancy over the last 7 years.
- Vacancy rates are lower in Downtown Victoria compared to the suburban market.
- Overall, A class space experienced the lowest vacancy rates.
- Overall, C class space experienced the highest vacancy rates.

Greater Victoria Office Net Absorption

Due to new supply, the suburban office market experienced Greater Victoria's highest absorption rates over the last 6 years.

Exhibit 37 shows net absorption in the Greater Victoria office market. Net absorption shows the increase or decrease in occupancy of existing space in the market and does not necessarily correlate with new construction or demolition.

Exhibit 37: Net Absorption in the Greater Victoria Office Market (all figures in square feet)

Downtown Market	2003	2004	2005	2006	2007	2008	2009
A	2,276	5,447	8,118	8,199	-573	-11,861	-15,805
B	-129,022	4,930	95,461	83,882	21,510	23,917	-32,951
C	-13,067	-16,733	-33,038	-8,561	-15,873	7,314	-10,017
Total	-139,813	-6,356	70,541	83,520	5,064	19,370	-58,773
Suburban Market							
A	25,030	37,819	40,449	2,461	98,566	-2,529	27,797
B	17,034	77,221	127,344	57,585	101,906	-15,192	-1,220
C	5,293	-11,295	8,142	1,460	6,390	18,159	-819
Total	47,357	103,745	175,935	61,506	206,862	438	25,758
Greater Victoria							
A	27,306	43,266	48,567	10,660	97,993	-14,390	11,992
B	-111,988	82,151	222,805	141,467	123,416	8,725	-34,171
C	-7,774	-28,028	-24,896	-7,101	-9,483	25,473	-10,836
Total	**-92,456**	**97,389**	**246,476**	**145,026**	**211,926**	**19,808**	**-33,015**

Source: Colliers International Victoria Market Reports

This exhibit shows that:

- Overall, the suburban market has experienced stronger absorption than the Downtown Victoria market.
- Until 2007, absorption in Downtown C class space was negative.
- Between 2004 and 2008, overall absorption in Greater Victoria was positive.

Greater Victoria Office Net New Supply

The majority of new office supply in Greater Victoria has been built in the suburban market over the last 6 years. The Downtown had no major office projects built between 2003 and 2009. The Atrium building located at 800 Yates Street will be the first major new office project in 6 years and will add over 200,000 square feet of space to the City's inventory in 2010. Major tenants include the B.C. Ferries Corporation and the B.C. Land Title and Survey office, illustrating the importance of public sector tenants in the Downtown Victoria office market.

Exhibit 38 shows net new supply in the Greater Victoria office market.

Exhibit 38: Net New Supply in the Greater Victoria Office Market (all figures in square feet)

Downtown Market	2003	2004	2005	2006	2007	2008	2009
A	0	0	0	0	0	0	0
B	0	33,403	1,700	40,386	0	-25,372	34,700
C	-67,500	-32,438	-14,000	-41,080	0	0	-5,221
Total	**-67,500**	**965**	**-12,300**	**-694**	0	**-25,372**	**29,479**
Suburban Market							
A	50,500	48,254	0	0	96,560	0	26,000
B	0	60,000	38,000	13,572	34,084	15,000	65,332
C	-11,623	0	-8,871	0	0	-10,127	0
Total	**38,877**	**108,254**	**29,129**	**13,572**	**130,644**	**4,873**	**91,332**
Greater Victoria							
A	50,500	48,254	0	0	96,560	0	26,000
B	0	93,403	39,700	53,958	0	-10,372	100,032
C	-79,123	-32,438	-22,871	-41,080	130,644	-10,127	-5,221
Total	**-28,623**	**109,219**	**16,829**	**12,878**	**130,644**	**-20,499**	**120,811**

Source: Colliers International Victoria Market Reports

The exhibit shows that:

- The majority of new supply has been built in the suburban office market.
- No significant new supply was built in Downtown Victoria during 2003 to 2009.

Major Office Projects and Proposals in Greater Victoria

Data on major projects and proposals was collected from various sources that include the B.C. major projects inventory and real estate broker websites. The projects are listed in detail in Appendix 1. The information shows strong interest in new office construction in the City.

Office Lease Rates in Greater Victoria:

- New triple A office space in the Downtown core is currently leasing for $35.00 per square foot triple net, with additional operating costs of $12.00 per square foot.
- Good quality Downtown A office space is leasing between $15.00 and $28.00 per square foot triple net, with operating costs ranging from $6.00 to $12.00 per square foot. Rates for A class space vary depending on the type of product. Typically, low-rise character buildings lease at the lower end of the range and high-rises or newly renovated heritage buildings rent at the higher end of the range.
- Large new office projects on the Downtown fringe (Vic West, Selkirk Waterfront) are commanding lease rates between $22.00 and $30.00 triple net, with operating costs between $10.00 and $15.00 per square foot.

- Suburban projects in Saanich, Central Saanich and Esquimalt have lease rates between $14.00 and $18.00 per square foot triple net, with operating costs between $6.50 and $9.50 per square foot.

Parking

Downtown Victoria has a limited supply of existing available off-street parking spaces. Most public and City-owned parking facilities are operating at capacity and have wait lists for monthly parking. Long term parking supply is becoming scarce as redevelopment of vacant sites used for parking reduces existing public parking inventory.

The redevelopment of vacant sites for office (or other) development is good in that it accommodates new employment and can increase the quality of the urban environment. However, loss of off-street parking inventory will make it harder to lease upper-floor space in older (heritage) Downtown buildings that do not have their own on-site parking stalls. Even with decreased reliance on automobile travel, most office tenants still need some parking for employees and customers.

5.3 Industrial Market Conditions and Trends

Greater Victoria Industrial Inventory

Exhibit 39 shows Greater Victoria industrial floorspace inventory.

Overall inventory in the Greater Victoria industrial market grew at an average annual rate of 2% between 2003 and 2009. The fastest growth occurred in the Western Communities, where inventory grew at an average annual rate of 13%.

Exhibit 39: Greater Victoria Industrial Inventory (all figures in square feet)

Region	2003	2004	2005	2006	2007	2008	2009
Sidney-North Saanich	615,291	591,511	591,511	633,144	633,144	684,344	745,340
Central Saanich	1,312,354	1,296,746	1,296,746	1,296,746	1,315,746	1,355,746	1,366,246
Saanich	1,624,141	1,642,387	1,642,387	1,662,387	1,678,387	1,834,515	1,884,883
City of Victoria	2,626,613	2,581,224	2,593,854	2,548,532	2,554,532	2,554,532	2,562,386
Esquimalt	682,552	675,586	683,086	685,886	685,886	725,886	737,886
Western Communities	495,845	546,744	601,024	780,124	794,124	881,952	1,028,777
Greater Victoria	7,356,796	7,334,198	7,408,608	7,606,819	7,661,819	8,036,975	8,325,518

Source: Colliers International Victoria Market Reports

This exhibit shows that:

- Between 2003 and 2009, total industrial inventory increased in all areas except the City of Victoria, where inventory declined slightly.

- The Western Communities experienced the highest level of industrial growth, with total inventory more than doubling between 2003 and 2009.

Greater Victoria Industrial Vacancy Rate

Exhibit 40 shows the Greater Victoria industrial vacancy rate.

The Greater Victoria industrial market experienced extremely low vacancy between 2003 and 2009.

Exhibit 40: Greater Victoria Industrial Vacancy Rate

Region	2003	2004	2005	2006	2007	2008	2009
Sidney-North Saanich	3.6%	1.0%	2.1%	1.5%	1.1%	1.0%	2.2%
Central Saanich	6.3%	2.7%	0.3%	0.0%	0.1%	0.9%	0.9%
Saanich	3.1%	1.3%	0.1%	0.0%	0.5%	0.6%	1.2%
City of Victoria	1.1%	0.4%	0.2%	0.2%	0.0%	0.5%	1.0%
Esquimalt	3.4%	0.2%	0.2%	0.5%	0.0%	0.0%	1.4%
Western Communities	4.2%	2.9%	0.8%	0.3%	0.0%	1.2%	4.0%
Greater Victoria	3.1%	1.2%	0.4%	0.3%	0.2%	0.7%	1.6%

Source: Colliers International Victoria Market Reports

Greater Victoria Industrial Absorption

The Greater Victoria market has experienced strong absorption over the last 7 years.

Exhibit 41 shows Greater Victoria industrial net absorption.

Exhibit 41: Greater Victoria Industrial Net Absorption (all figures in square feet)

Region	2003	2004	2005	2006	2007	2008	2009
Sidney-North Saanich	279	16,154	-2,353	43,554	2,948	51,347	48,343
Central Saanich	-39,079	40,376	30,466	4,605	17,336	29,049	10,401
Saanich	24,563	28,103	19,833	21,919	8,074	152,982	38,789
City of Victoria	61,648	21,610	5,743	-841	12,033	-13,915	-14,798
Esquimalt	-1,368	21,735	7,500	782	3,354	40,000	-4,149
Western Communities	101,426	56,830	65,810	181,195	16,480	76,828	102,463
Greater Victoria	147,469	184,808	126,999	251,214	60,225	336,291	181,049

Source: Colliers International Victoria Market Reports

This exhibit shows that:

- The Greater Victoria Industrial market experienced positive absorption in every year between 2003 and 2009.
- Absorption has been strongest in the Western Communities.

Greater Victoria Industrial Net New Supply

Over half the new industrial supply made available in 2009 was built in the Western Communities. Regional growth in new industrial inventory has been strongest in the Western Communities and weakest in the City of Victoria.

Exhibit 42 shows Greater Victoria net new industrial supply.

Exhibit 42: Greater Victoria Net New Industrial Supply (all figures in square feet)

Region	2003	2004	2005	2006	2007	2008	2009
Sidney-North Saanich	0	0	0	41,633	0	51,200	58,500
Central Saanich	0	0	0	0	19,000	40,000	10,500
Saanich	32,670	0	0	20,000	16,000	156,128	50,395
City of Victoria	7,600	3,000	0	-45,322	6,000	0	0
Esquimalt	0	0	7,500	2,800	0	40,000	6,000
Western Communities	110,991	50,000	54,280	179,100	14,000	87,828	132,771
Greater Victoria	151,261	53,000	61,780	198,211	55,000	375,156	258,166

Source: Colliers International Victoria Market Reports

Industrial Lease Rates in Greater Victoria

- Industrial lease rates in the City of Victoria range from $9.50 to $16.00 per square foot depending size and quality, with operating costs between $3.50 and $5.70 per square foot. Victoria's supply is characterized by older or less efficiently laid out space that offers current tenants few options to expand.
- Industrial lease rates in Langford range from $10.00 to $18.00 per square foot with operating costs between $3.00 and $6.50 per square foot. Langford's industrial market is mostly made up of new space, resulting in similar lease rates when compared to the City.
- Industrial lease rates in Saanich and Central Saanich range from $8.00 to $16.00 per square foot, with operating costs ranging from $2.25 to $4.25 per square foot. Lease rates on the higher end of the range are typical of space in the larger Saanich and Central Saanich business parks.

Historical Lease Rates and Land Values

Exhibit 43 shows Greater Victoria industrial lease rates and land costs.

Exhibit 43: Greater Victoria Industrial Lease Rates and Land Costs

Greater Victoria	2003	2004	2005	2006	2007	2008
Lease Rates (per square foot)	$7.75	$8.00	$8.50	$7.00	$12.00	$14.00
Land Costs (per square foot)	$14.00	$16.00	$20.00	$25.00	$30.00	$30.00

Source: GVDA Regional Economic Indicators: Greater Victoria Region

This exhibit shows that industrial land prices and lease rates essentially doubled between 2003 and 2008.

Major Industrial Projects and Proposals in Greater Victoria

Appendix 2 contains a list of industrial development proposals in the Region. The list demonstrates market interest but shows that this interest is all in outlying areas.

5.4 Retail Market Conditions and Trends

Greater Victoria Retail Inventory

With the exception of Langford, there was little shopping centre inventory growth between 2003 and 2009 in Greater Victoria. The first phase of the mixed-use Uptown development in Saanich is scheduled to open in mid 2010. This project will add nearly 700,000 square feet of shopping centre space to the Region when complete. Between 2003 and 2008, the shopping centre inventory grew at an average annual rate of 15% in Langford. Over 420,000 square feet of shopping centre retail was added to the Langford market, accounting for nearly 80% of all new inventory in Greater Victoria between 2003 and 2008.

Exhibit 44 shows the shopping centre inventory in Greater Victoria.

Exhibit 44: Greater Victoria Shopping Centre Inventory

Shopping Centre Inventory (square feet)	2003	2004	2005	2006	2007	2008	2009
Sidney	191,206	201,286	201,286	201,286	201,286	201,286	201,286
Central Saanich	166,828	166,828	166,828	167,510	167,510	167,510	167,510
Saanich	1,759,850	1,759,850	1,759,850	1,779,443	1,779,443	1,845,582	1,845,582
Victoria	1,820,123	1,842,306	1,842,306	1,856,570	1,856,570	1,856,570	1,856,570
Oak Bay	39,563	39,563	39,563	39,563	39,563	39,563	39,563
Esquimalt	82,795	82,795	82,795	66,133	66,133	66,133	66,133
View Royal	217,152	217,152	217,152	217,152	217,152	217,152	217,152
Colwood	138,507	138,507	138,507	138,507	138,507	138,507	138,507
Langford	315,663	315,663	315,663	406,630	670,793	670,793	738,031
Sooke	105,924	105,924	105,924	105,924	105,924	105,924	105,924
Total	4,837,611	4,869,874	4,869,874	4,978,718	5,242,881	5,309,020	5,376,258

Source: Colliers Market Reports

This exhibit shows that:

- Nearly 80% of regional shopping centre retail growth occurred in Langford between 2003 and 2009.
- No shopping centre growth occurred in the City of Victoria between 2003 and 2009.

The vacancy rate in Downtown Victoria storefront retail remains higher on average than the vacancy rate in shopping centres. This is the result of several factors including:

- Some retail chains have chosen to focus their growth in suburban shopping centres, where they can benefit from lower rents, free parking, flexible floor space options and a larger trade area draw (if anchor tenants are present). Some retailers may not find suitable space in the City if the tenant requires large space, requires new space, or wants a common format for all stores.
- The cost and availability of parking deter some shoppers from driving to the City.
- The majority of tourism-oriented retail is located in Downtown storefront locations. A slowdown in the tourism industry has affected retailers who are partially dependent on patronage from tourists.

The City has nearly 40% of the Region's shopping centre inventory, but only 22% of the total population. As the suburban communities will continue to capture most regional population growth, there will be little potential for retail growth in the City and there may be increasing vacancy if retailers relocate to serve residential growth areas.

New commercial tenants serving a growing Downtown residential population are probably offsetting declines in tourism-related commercial in the City.

Exhibit 45 shows Downtown storefront retail vacancy in Greater Victoria's retail market.

Exhibit 45: Greater Victoria Downtown Storefront Retail Vacancy

Downtown Street Front Vacancy	2003	2004	2005	2006	2007	2008	2009
Total Storefront (lineal feet)	43,700	43,700	43,700	43,722	43,032	43,182	43,702
Vacant Storefront (lineal feet)	2,379	2,222	2,381	2,149	863	816	1,081
Vacancy rate	7.8%	7.3%	7.8%	7.0%	2.9%	2.7%	3.5%

Source: Colliers Market Reports

Greater Victoria Retail: Shopping Centre Vacancy

Exhibit 46 shows the shopping centre vacancy rate in Greater Victoria.

Exhibit 46: Greater Victoria Shopping Centre Vacancy Rate

Shopping Centre Vacancy Rate	2003	2004	2005	2006	2007	2008	2009
Sidney	3.0%	3.9%	0.0%	0.8%	0.8%	0.5%	2.2%
Central Saanich	3.3%	11.5%	7.4%	4.4%	3.9%	1.2%	5.2%
Saanich	1.9%	0.9%	0.5%	0.8%	0.5%	0.5%	0.5%
Victoria	3.1%	2.6%	1.3%	0.8%	0.4%	1.1%	2.4%
Oak Bay	9.0%	2.0%	1.4%	0.0%	0.0%	0.0%	0.0%
Esquimalt	10.5%	8.8%	4.4%	2.4%	4.1%	2.6%	6.9%
View Royal	8.1%	3.2%	3.0%	0.0%	0.0%	0.3%	2.5%
Colwood	3.2%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Langford	9.3%	4.7%	0.0%	4.9%	4.1%	3.6%	5.0%
Sooke	2.8%	2.8%	0.0%	0.0%	1.9%	0.0%	0.0%
Total	**3.5%**	**2.6%**	**1.1%**	**1.2%**	**1.1%**	**1.1%**	**2.1%**

Source: Colliers Market Reports

This exhibit shows that:

- With the exception of 2009, the shopping centre vacancy rate has been trending down in Greater Victoria.
- Overall, the Greater Victoria retail market has experienced a low vacancy rate.

Greater Victoria Shopping Centre Absorption

Shopping centre absorption in Greater Victoria has been positive overall over the last 6 years. Langford has experienced the highest rate of absorption (mainly due to Millstream Village coming online in 2007), but Saanich has also experienced a high rate of absorption. The lack of new supply has possibly limited absorption in many of Greater Victoria's municipalities.

Exhibit 47 shows shopping centre absorption in Greater Victoria's retail market. Absorption shows the increase or decrease in occupancy of existing space.

Exhibit 47: Greater Victoria Shopping Centre Absorption (all figures in square feet)

Net Absorption	2003*	2004**	2005**	2006	2007	2008	2009
Sidney	5,774	(2,131)	(2,131)	(1,500)	-	587	(3,487)
Central Saanich	4,256	(13,726)	(13,726)	5,091	800	4,451	(6,667)
Saanich	14,613	17,339	17,339	(5,264)	4,195	65,980	1,264
Victoria	3,465	8,424	8,424	9,859	8,210	(12,740)	(23,700)
Oak Bay	(3,564)	2,764	2,764	551	-	-	-
Esquimalt	(3,504)	1,391	1,391	2,083	(1,180)	985	(2,834)
View Royal	(4,430)	10,540	10,540	6,599	-	(600)	(4,815)
Colwood	(759)	2,449	2,449	-	-	-	-
Langford	(13,808)	14,538	14,538	70,967	256,865	3,285	54,238
Sooke	2,078	-	-	-	(1,995)	1,995	-
Total	4,121	41,588	41,588	88,386	266,895	63,943	13,999

Source: Colliers Market Reports

* Absorption for first half of 2003 only

** There appears to be an error in market data for 2004 and 2005.

Notable points from this exhibit include:

- The Greater Victoria market has experienced positive absorption overall.
- Langford has experienced the highest rate of absorption over the last 6 years.
- Absorption was negative in the City between 2008 and 2009.

Greater Victoria Shopping Centre Average Occupancy Costs

Exhibit 48 shows shopping centre average occupancy costs for Greater Victoria's retail market.

Exhibit 48: Greater Victoria Shopping Centre Average Occupancy Costs

Year	Rate (per square foot)	Regional	Community	Neighbourhood	Convenience
2003	Lease Rate	$41.67	$24.66	$20.06	$15.71
	Operating Cost	$25.21	$9.82	$6.72	$6.74
	Total Occupancy Cost	**$66.88**	**$34.48**	**$26.78**	**$22.45**
2004	Lease Rate	$38.75	$24.75	$23.21	$15.98
	Operating Cost	$23.81	$10.57	$6.89	$7.08
	Total Occupancy Cost	**$62.56**	**$35.32**	**$30.10**	**$23.06**
2005	Lease Rate	$41.67	$24.75	$19.64	$16.00
	Operating Cost	$21.91	$10.83	$7.55	$7.37
	Total Occupancy Cost	**$63.58**	**$35.58**	**$27.19**	**$23.37**
2006	Lease Rate	$40.00	$26.23	$20.16	$16.95
	Operating Cost	$26.49	$11.91	$7.85	$7.78
	Total Occupancy Cost	**$66.49**	**$38.14**	**$28.01**	**$24.73**
2007	Lease Rate	$40.25	$27.69	$20.31	$17.50
	Operating Cost	$27.06	$11.98	$7.98	$8.03
	Total Occupancy Cost	**$67.31**	**$39.67**	**$28.29**	**$25.53**
2008	Lease Rate	$39.75	$27.69	$21.12	$17.59
	Operating Cost	$30.05	$12.16	$8.40	$8.28
	Total Occupancy Cost	**$69.80**	**$39.85**	**$29.52**	**$25.87**
2009	Lease Rate	$42.75	$31.03	$21.20	$17.68
	Operating Cost	$30.08	$12.83	$8.28	$8.08
	Total Occupancy Cost	**$72.83**	**$43.86**	**$29.48**	**$25.76**
Average Annual Growth in Total Occupancy Cost		1.4%	4.1%	1.6%	2.3%

Source: Colliers Market Reports

This exhibit shows that retail rents and occupancy cost have been increasing moderately for large centres and more quickly for local-oriented commercial space.

5.5 Summary and Implications

Urban development trends are consistent with employment trends in the Region:

- Most new commercial and industrial development is occurring outside the City, as most job growth and population growth are occurring in the outlying areas.
- The City has experienced some office and retail development but almost no industrial development.

- Occupancy costs for new businesses in the City are higher than in the rest of the Region, which means the City may have a harder time attracting new small office or industrial firms.
- The retail market in the City is showing the effects of recent declines in tourism.
- The retail market in the City is showing the effects of regional residential development patterns, with most housing and population growth occurring in the suburbs.

6.0 Key Factors That Will Influence Future Distribution of Employment Growth in the Region

The previous sections summarize the general prospects for employment growth and urban development in the City and Region.

This section examines in detail a few major factors that will have a significant influence on the geographic distribution of future employment growth within the Region, particularly regarding the City's potential share.

The factors examined are:

- Distribution of regional population growth.
- Available capacity for urban development.
- The cost of occupancy for commercial and industrial space.
- Competitive advantages of the City.

6.1 Population Growth

Various population forecasts for the City and the Region have been produced by B.C. Stats and Urban Futures (commissioned by the City and the Capital Regional District). These forecasts differ in some ways, but they are consistent in three key respects:

- The City's population is expected to grow relatively slowly, at well under 0.7% per year.
- Total regional population growth is expected to be just under 1% per year.
- The City's share of total regional population is expected to continue to decline, likely to about 21% by 2040.

An annual population growth rate of less than 1% per year for the City is consistent with recent trends. The City's declining share of regional population generates a risk that the City will also have a declining share of employment (and of businesses) in the sectors that are heavily population-dependent.

The City has the ability to influence its population growth rate by designating sites for residential redevelopment at higher density. Adding population in the City (versus the suburban communities) has these advantages:

- Residents of core area, higher density neighbourhoods tend to have lower carbon footprints than suburban residents and tend to have lower private auto use.
- Core area residents will support new and existing service and retail businesses and jobs.

- Core area residents will support the specialty retail and restaurant business that depend on tourism, which is important during periods of lower tourist volume.

6.2 Land Availability

6.2.1 Industrial land availability

High lease rates and land prices along with low vacancy rates characterize Greater Victoria's limited supply of industrial land. The Western Communities are experiencing the fastest growth rate in industrial supply due available land. Future growth in industrial capacity will likely continue to occur in the Western Communities under current land use policies.

In 2008, the CRD completed a survey of all industrial land in Greater Victoria and concluded that 1,765 acres (87%) of total inventory was developed to some extent[8]. The CRD found that of the remaining inventory, 7% was vacant, and 6% could not be analyzed (this land was in the Juan de Fuca electoral district, where data was unavailable). Of the vacant land:

- 5.4% or 7.7 acres were located in the Core Area (Victoria, Oak Bay, Esquimalt, Saanich and View Royal).
- 83% or 117.9 acres were located in the West Shore (Colwood, Highlands, Juan de Fuca, Langford, Metchosin and Sooke)
- 11% or 15.6 acres was located in the Peninsula (Central Saanich, North Saanich and Sidney).

We conducted a detailed review of the City's industrial lands to identify lands that could be considered under-developed or vacant (see Appendix 4 for details). The City of Victoria's industrial land inventory is largely concentrated in the Rock Bay area immediately north of Downtown and in Vic West across the harbour from Downtown. The majority of industrially zoned sites close to Downtown Victoria are used intensively and there are almost no sites that are completely vacant. Most low intensity use sites serve as parking or materials storage for neighbouring businesses. The majority of vacant or underdeveloped sites are small or isolated, limiting their potential to accommodate larger industrial users. There are several adjacent lots in the 500 block of Ellice Street that offer potential for future industrial development. These parcels are zoned M-2 light industrial and are currently used for parking and general storage. In addition, there are several other lots on Princess Avenue and Pembroke Street that are potential candidates for future development. Several waterfront sites in the Rock Bay area are also underutilized under the current zoning. These parcels are larger and are mostly associated with materials handling and storage. These sites could accommodate larger industrial users should existing users downsize or relocate.

[8] The CRD defined 'vacant' as greenfield sites zoned on designated industrial land or industrially zoned land that is cleared but not occupied by vehicles or structures and does not appear to be used.

Vic West is an area in transition with many new mixed-use and live/work residential and office construction projects underway. The remaining industrial inventory is becoming increasingly fragmented and surrounded by other uses. The site located at 180 Alston Street adjacent to the Rona store is zoned as M2-TB light industrial and is currently used as vehicle storage. This site is over 90,000 square feet and could potentially accommodate a light industrial user that would complement surrounding mixed-use development. Industrially zoned land along the Vic West waterfront is intensively used by Point Hope Shipyards and there appears to be little capacity for expansion. Other industrially zoned land in Vic West is mostly concentrated around the railway right of way along Esquimalt Road. There are several smaller parcels that are underutilized and may accommodate smaller light industrial users in the near future.

There is very little completely vacant industrial land in the City, as the CRD found. However, there appears to be as much has 45 acres of land that could be considered to be under-utilized or nearly vacant. Much of this land is parking, outdoor storage, or simply unused portions of partially-occupied sites.

This land is not readily available for new industrial uses but it could accommodate more industrial jobs if used more intensively.

If the City's inventory of industrial land and space declines, the City will have a difficult time retaining or attracting jobs in light manufacturing, warehousing, construction, and transportation.

In order to retain and attract blue collar jobs, the City will need to earmark lands that should remain available for industrial use. The City will also have to work with land owners to find ways to increase the intensity of use on industrial sites.

6.2.2 Office development capacity

Most office space in the City of Victoria is located in Downtown along the Douglas-Blanshard corridor and in the legislative precinct. In recent years, office projects in Vic West and the Selkirk Waterfront have supplied the market with new large floorplate space just outside of Downtown.

Most sites zoned in the City for office development outside of the Downtown area are used intensively. Furthermore, available lots are small or fragmented, making land assembly difficult for office developers who prefer sites that can accommodate large floor plates (10,000 square feet or greater). The value of existing improvements and limited development potential under the current zoning further reduces the redevelopment potential of many underdeveloped sites. In the City of Victoria, only some zoning districts allow for upper floor office space and there are few of these sites outside Downtown. In addition, sites that have high potential for office use are often attractive for residential use.

Private office users and government agencies prefer office space in the Downtown core along the Douglas-Blanshard corridor. Government-related demand for office space is concentrated in the Downtown area and legislative precinct.

Appendix 4 contains a detailed analysis of the remaining capacity for upper floor development in the City. Based on data from the City and our own estimates, potential redevelopment sites in Victoria have the capacity to absorb on the order of 6 million to 9 million square feet of additional upper floor space. Considering that the recent pace of development has averaged less than 100,000 square feet per year, it would seem that the City will have difficulty accommodating office growth in the foreseeable future. However, much of the City's land designated for high density allows residential and office use. The rate of residential floor space growth has been much faster than the pace of office growth, so it is possible that within 10 to 15 years the core area will have limited ability to accommodate office development unless some sites are designated to only allow commercial uses.

6.2.3 Retail development capacity:

The majority of sites zoned for retail use in the City are used intensively. Most potential retail development sites are small or isolated, making land assembly difficult for developers. Retail inventory growth in the City is expected to predominantly occur as part of higher density mixed-use development. Development costs, City development policy and market demand suggest that this form of development will be increasingly common in the City.

6.3 Costs of Urban Development

We examined several indicators of the cost of occupancy space for new industrial and office businesses in the Victoria area.

6.3.1 Comparison of DCCs

Exhibit 49 shows estimated Development Cost Charge rates for selected municipalities in the Region. As each community has a different formula for calculating DCCs, to compare rates it is necessary to model a hypothetical new development and apply the applicable formula to determine actual DCC cost. Appendix 3 contains the detailed calculations. Exhibit 49 summarizes the results. Victoria's industrial DCC is low and its office DCC is reasonable.

Exhibit 49: Total Development Cost Charges per Square Foot of Building Area

	City of Victoria	Central Saanich	Saanich	Langford
Office	$2.15	$2.08	$1.01	$6.91
Industrial	$0.91	$1.04	$1.01	$ 2.83

Note: Development cost charges were calculated based the fee schedule provided by each municipality. Per square foot costs are based on a hypothetical prototype building built on an actual typical development site in each municipality. The size of the prototype building was determined on a site-by-site basis and was based on the highest and best use for the site under the current zoning. See Appendix 3 for details.

6.3.2 Comparison of Commercial and Industrial Tax Rates

We compared business and industrial property tax rates across Victoria area municipalities. As shown in Exhibit 50 Victoria has relatively high property tax rates. This is not an advantage, but it is not necessarily on its own a major concern. The total cost of occupying space (rent, operating expenses, parking, property taxes) does affect business location decisions, but it is usually the rent portion of this total cost that produces the biggest difference between alternative locations.

Exhibit 50: Property Tax Rates (Dollars per $1,000 of Assessed Value)

Municipalities	Major Industry
Sooke	8.3163
Sidney	8.3163
Oak Bay	8.3163
North Saanich	8.3163
Colwood	8.3163
Central Saanich	8.3163
View Royal	8.3163
Highlands	8.9394
Langford	18.2927
Metchosin	19.8866
Saanich	22.5283
Victoria	**23.4468**
Esquimalt	42.9431

Municipalities	Light Industry
Oak Bay	8.0238
View Royal	8.0238
Central Saanich	15.6427
Sidney	17.9874
Langford	18.0002
Metchosin	19.5941
Highlands	21.5281
North Saanich	22.0037
Saanich	22.2358
Victoria	**23.1543**
Colwood	26.5522
Sooke	27.2819
Esquimalt	27.8257

Municipalities	Business
Oak Bay	14.4240
Central Saanich	16.4128
Langford	16.8512
Metchosin	17.3075
Sidney	17.9125
Highlands	18.0641
View Royal	18.7850
Colwood	19.6636
Sooke	20.5633
North Saanich	21.7809
Saanich	22.0132
Victoria	**22.9316**
Esquimalt	24.2017

Source: Local Government Department Website, Local Government Tax Rates: http://www.cd.gov.bc.ca/LGD/infra/tax_rates/tax_rates2009.htm

6.3.3 Financial Performance of New Urban Development Projects

We modeled the financial performance of hypothetical new industrial and office projects in various locations in the Victoria area, taking into account variations in land cost and construction costs. The detailed calculations are contained in Appendix 5. Our aim was to calculate the required break-down rent rate at which new development projects become financially attractive to developers. We found that:

- New high quality light industrial development requires a rent of at least $18 per square foot in the City versus about $14 in the surrounding suburbs.
- New high density office development requires a rent of at least $35 in Downtown Victoria versus $32 in a suburban location, both of which are much higher than the rent of $25 at which a low-rise suburban office park development is financially attractive.

6.4 The City's Competitive Advantages

Victoria enjoys some competitive advantages that will enable it to capture high shares of some types of regional employment growth, including:

- The Provincial legislature and high concentration of Provincial offices, which will continue to attract some kinds of businesses and government employment.
- Major visitor attractions and the inner harbour, which will continue to be magnets for visitors and visitor-oriented development.
- Outstanding urban charm and character, which will continue to draw visitors, regional residents, and office-based employers.
- Transportation services that link Downtown Victoria to Downtown Vancouver.

Given the importance of government headquarters functions and tourism to the City's economic base, it will be important to maintain and strengthen Victoria's links to Vancouver and continue to strengthen Victoria's appeal to tourists by protecting its character and adding attractions. One of Victoria's most under-used assets is its inner waterfront.

7.0 Economic Prospects and Choices For Victoria

Drawing on all of the background analysis, we have estimated the City's employment prospects by economic sector to the year 2026.

Exhibit 51 shows each sector (using the business and institutional categorization constructed in Exhibit 6), its 2006 job total, a potential average annual growth rate, and the resulting 2026 job total.

Exhibit 51: City of Victoria Employment Forecast to 2026

Employment Forecast by Major Business Group	2006	2026	Average Annual Growth
Community Oriented	31,568	35,580	0.6%
Government Headquarters	11,456	13,978	1.0%
Tourism	8,042	11,950	2.0%
Construction	3,996	4,875	1.0%
FIRE Specialized	3,783	4,616	1.0%
Arts and Culture	3,257	3,974	1.0%
Universities and Hospitals	3,000	3,661	1.0%
High Technology	2,750	4,086	2.0%
Transportation	2,053	2,314	0.6%
Wholesale	1,550	1,747	0.6%
Manufacturing	1,378	1,378	0.0%
Film and Television	900	1,014	0.6%
Resource	373	373	0.0%
Total	74,105	89,547	1.0%

Source: Coriolis Estimates

The exhibit incorporates sectoral growth estimates based on our review of each sector's regional potential and the City's ability to capture shares of regional growth.

The resulting forecast of total employment shows a growth rate of about 1% per year, yielding total employment of about 90,000 jobs by 2026. This growth rate is more aggressive than the estimates produced for the City by Urban Futures, but this is partly because we have deliberately tried to forecast on the high side to show the potential implications for the pace of urban development. Also, the Urban Futures forecasts assume that Victoria's employment will be closely linked to total Provincial GDP and assume that GDP will fall in the long term. While we agree that GDP is a major influence on total employment growth in the Province's capital, it is also our view that Victoria's competitive advantages will allow it to outperform provincial economic averages in some sectors.

Our forecast indicates growth of about 15,000 jobs in the City to 2026.

8.0 Implications For OCP Policy

The economic analysis has implications for planning, land use, and urban development choices that the community should consider during the OCP process:

1. The two mainstays of the City's economic base – Provincial employment and the tourism sector – have not grown much in the recent past. If Victoria wants to retain and strengthen these sectors, it is necessary to:
    - Encourage the Province to continue to concentrate office employment in Victoria.
    - Find ways to strengthen the tourism sector, by facilitating the development of attractions, accommodation, and transportation. Victoria's waterfront and its heritage character are two major assets that should be used wisely to maintain Victoria's image and drawing power.
    - Maintain and strengthen transportation links to Vancouver, as this correction is important to government, business, and tourism.
2. Most of Victoria's employment opportunities will need office space or retail space. Retail space will likely be included in most mixed use redevelopments, but office space will compete with residential use for upper floor development opportunities. Victoria should also ensure that office development capacity remains available. This may require identifying some lands that are only available for commercial development, so that some office capacity is protected from residential competition.
3. If Victoria wants to maintain the ability to accommodate small manufacturing and light industrial uses, it will have to identify lands to remain in this use. Residential and commercial development will command higher land values and will supplement industrial use if zoning allows. This transition may be desirable in some locations, but to maintain industrial jobs and tax base, some lands must remain zoned industrial. Much of Victoria's land is not used intensively, so the City could work with land owners to explore ways to accommodate more jobs on the existing land base.
4. Technology and education are sectors with growth potential in the Region. If Victoria wants to share in the job prospects, it should consider:
    - Encouraging Downtown locations for some post-secondary faculties (as SFU, UBC and BCIT have done in Downtown Vancouver).
    - Identifying lands suitable for technology park development.
    - Working in partnership with other municipalities to help UVic increase its capacity in technology related fields.
5. Health care is another regional growth opportunity. To capture jobs in this sector, Victoria should aim to be the main concentration of specialized health services in the Region.

6. The City has little vacant land. However, it has much land that is under-utilized. To accommodate population and job growth (if desired), the City should adopt policies that:
    - Encourage more intensive use in older industrial areas that are designated to remain industrial.
    - Identify appropriate opportunities for higher density residential and office development.
7. Population growth in the City is a more sustainable alternative than continued low density growth in the suburban communities. Population growth in the City also creates support for retail and service jobs, including support for specialty retail and restaurant businesses that depend in part on tourism. Adding more central area population, therefore, can be sound in environmental and economic terms.
8. Expansion of arts and culture generates jobs and attracts visitors, while enriching the quality of life. The OCP should consider identification of sites for arts and cultural facilities.
9. Old Town has a unique ability to attract visitors, accommodate small office users, accommodate specialty retail and restaurant uses, and provide an interesting residential environment. OCP policy that protects and enhances Old Town is sound economic policy. Issues to address include:
    - Incentives for heritage building upgrades.
    - An area-wide parking strategy.
10. Because of limitations on land availability and the increased proportion of the labour force that can work independently at home (due in large part to communications and information technology), the City should ensure that its policies and bylaws are supportive for home occupations (with limited external impacts) and supportive of live-work units.

Appendix 1: Office Development Proposals

1. **Office and Retail Building**
   - Location: 947 Fort Street, Victoria
   - Size: 50,000 sq ft of office
   - Developer: Tri-Eagle Development Corp.
   - Projected Completion: Fall 2010

   Notes: 75% pre-leased to the Provincial Government.

2. **Atrium Office Building**
   - Location:1321 Blanshard Street, Victoria
   - Size: 200,000 sq ft of office
   - Developer: Jawl Investment Corporation
   - Projected Completion: Spring 2010

   Notes: Project has been approved by council and will be built to Leadership in Energy and Environmental Design (LEED) silver or gold standards. Construction is underway. Architect: D'Ambrosio Architecture.

3. **Dockside Green Development**
   - Location: Dockside lands, Victoria
   - Size: 75,000 sq ft of office
   - Developer: Vancity Credit Union/Windmill West
   - Projected Completion: 2016

   Notes: The development includes 1,200 housing units, 75,000 sq ft of office and commercial space, a boutique hotel, and an open-air amphitheatre. It is expected that there will be three 10 storey towers as well as smaller buildings from 3 to 7 storeys. Phase 1, Synergy, has completed construction at the north end of the 12 acre property with 95 units of housing in 2 condominium towers and 4 townhouse buildings. Phase 2, Balance, with 171 units of housing has completed. Phase 3, Harmony, will include 14 and 10 storey towers. Phase 1 of the project has been certified to meet Leadership in Energy and Environmental Design (LEED) Platinum standards. A request for a 50,000 sq.ft. floorspace increase is being considered by Council. A biomass heat generating plant and wastewater treatment plant are located on the site.

4. **Selkirk Waterfront Project**
   - Location: Selkirk lands, Victoria
   - Size: 77,500 sq ft of office (potential)
   - Developer: Concert Properties

- Projected Completion: Fall 2009

Notes: Redevelopment of 10 ha site which includes several mixed, commercial/office buildings and residential buildings. A number of residential, office, and retail buildings are completed. Construction started in 1994.

5. The Radius

- Location: 766 Caledonia Avenue, Victoria
- Size: 174,000 sq ft of office
- Developer: Townline Group
- Projected Completion: Unknown

Notes: Will include approximately 174,000 sq ft of Class A office space in a 13-storey tower. (30,000 sq ft will be leased by University Canada West) The project will include retail space and 84 residential units in a second 17-storey tower. Construction has been put on hold, while project is redesigned to suit market needs. Council has approved an application to subdivide the site Dec 2008. Original owner ran into financial difficulties.

6. Yates Street Office Tower

- Location: 726-728 Yates Street, Victoria
- Size: Unknown
- Developer: Concert Properties
- Projected Completion: Unknown

Notes: A 12-storey office tower is planned at 726-728 Yates St. Adjacent properties may be included and rezoning for the office tower with ground floor retail and two levels of underground parking.

7. Gateway Green Office Tower

- Location: 1620 Blanshard Street, Victoria
- Size: 143,000 sq ft of office
- Developer: Gateway Green Developments
- Projected Completion: Spring 2011

Notes: Proposed 15-storey, 143,000 sq ft of Class A office tower with retail space on the ground floor. Rezoning application approved. Architect: De Hoog and Kierulf Architects. The project is being designed to meet the standards for Leadership in Energy and Environmental Design (LEED) Gold. Rezoning has been approved.

8. The Sawyer Mixed-use Project

- Location: 840 Fort Street, Victoria

- Size: 5,033 sq ft of office
- Developer: Unknown
- Projected Completion: Spring 2011

Notes: Mixed-use office, retail, and residential building.

9. Ocean Technology Park and Ocean Engineering Centre

- Location: North Saanich
- Size: Unknown
- Developer: University of Victoria
- Projected Completion: Unknown

Notes: Proposed technology park is to be co-located at the University of Victoria's Marine Technology Centre in North Saanich. Project is in early planning stages. Requests for federal funding have been made.

10. Vancouver Island Technology Park Expansion

- Location: Saanich
- Size: 250,000 sq ft
- Developer: University of Victoria
- Projected Completion: 2011

Notes: Plans are in place for adding up to 250,000 sq ft to the existing 165,000 sq ft technology and research facility that currently includes 28 companies. Project will be built over three phases of approximately 80,000 sq ft each. Project was expected to start in summer 2009. The project is currently seeking funding for the first 88,000 sq ft building ($21 M).

11. Uptown Mixed-use Development

- Location: Saanich
- Size: 850,000 square feet
- Developer: Morguard
- Projected Completion: Phase 1 is Scheduled to complete in July 2010, phase 2 is scheduled to complete in spring 2012

Notes: Mixed-use LEED certified project in Saanich. Retail tenants include Wal-Mart and Best Buy.

12. Colwood Corners Residential Development

- Location: Colwood
- Size: Unknown

- Developer: Turner Lane Development Corp.
- Projected Completion: Unknown

Notes: Proposal to develop a village centre with 2,800 new residents in 11 office and residential towers. The project would include a hotel and performing arts centre to replace an existing mall at Sooke Rd and Goldstream Ave. A change to the Official Community Plan was approved in summer 2008. Other applications to Colwood City have not been submitted.

13. Commercial and Hotel Development

- Location: Colwood
- Size: 20,000 sq ft of office
- Developer: Unknown
- Projected Completion: Unknown

Notes: Commercial development at Wale Rd. and Wilfert Rd., in the former Liquidation World site, to include Phase 1: 42,000 sq ft of retail space, Phase 2: a 50,000 sq ft hotel with 100 rooms, and Phase 3: a 20,000 sq ft four-storey office building.

Appendix 2: Industrial Development Proposals

1. Sooke Business Park

- Location: Sooke
- Size: 70 bare strata industrial lots on 47 acres
- Developer: Three Point Properties
- Projected Completion: Phase I registration planned for July 2010.

Notes: M-2 Industrial zoning, ¼ acre lots priced between $11 and $18 per square foot. 3 lots sold to date.

2. Ravens Landing Business Park

- Location: 1763 Verling Avenue (Central Saanich)
- Size: 80,000 sq ft of light industrial (I-1) on 4.5 acres
- Developer: Citta Construction
- Projected Completion: Fall 2009

Notes: Lease for $13.50 per square foot with operating costs of $3.50, or purchase at $220.00 per square foot.

3. Vancouver Island Technology Park Expansion

- Location: Saanich
- Size: 250,000 sq ft
- Developer: University of Victoria
- Projected Completion: 2011

Notes: Plans are in place for adding up to 250,000 sq ft to the existing 165,000 sq ft technology and research facility that currently includes 28 companies. Project will be built over three phases of approximately 80,000 sq ft each. Project was expected to start in summer 2009. The project is currently seeking funding for the first 88,000 sq ft building ($21 M).

4. Goldstream Meadows Business Park

- Location (West Shore)
- Size: 14,800 sq ft (CD1 zone)
- Developer: Unknown
- Projected completion: Unknown

Notes: Lease for $15.00 per square foot with operating costs of $6.00, or purchase at $225.00 per square foot.

Appendix 3: DCC Calculations

City of Victoria Office DCC

Office DCC Schedule

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$1.44	$0.09	$0.06	$0.40	$0.12	$0.05	$0.00	$0.00
	Units	per square feet of total floor area	per square feet of total floor area	per square feet of total floor area	per square feet of total floor area	per square feet of total floor area	per square feet of total floor area		
DCC Cost For Prototype		$277,757	$17,248	$12,217	$77,075	$22,637	$9,522	$0	$0

Hypothetical Development

Site Location: 750 Pandora Avenue

Site Size (square feet)	36,488
Building Size (square feet)	193,386
Zoning (Pandora Office)	CA-40
Maximum Permitted Density (FSR)*	5.3
Expected Actual Density (FSR)	5.3
Land Price (Per Acre)	$9,490,846
Land Price For Lot	$7,950,000
Parking Provided (1 per 700 square feet)**	277

* Some minor amenities must be provided by the developer to achieve this FSR.

** To achieve 5.3 FSR, 140 parking spaces must be provided, no parking is required if the site is built out at 3.0 FSR or less.

DCC Calculation

Total DCC Cost:	$416,456
Total DCC per Square Foot Buildable:	$2.15

City of Victoria Industrial DCC

Industrial DCC Schedule

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$0.14	$0.04	$0.04	$0.16	$0.05	$0.02	$0.00	$0.00
	Units	per square feet of site area	per square feet of site area	per square feet of site area	per square feet of site area	per square feet of site area	per square feet of site area		
DCC Cost For Prototype		$5,225	$1,315	$1,618	$5,899	$1,753	$742	$0	$0

Hypothetical Development

Site Location: 510 to 544 Ellice Street

Site Size (square feet)	36,285
Building Size (square feet)	18,143
Zoning (Industrial)	M-2
Maximum Permitted Density (FSR)	3.0
Expected Actual Density (FSR)	0.5
Land Price (Per Acre)	$2,200,029
Land Price For Lot	$1,832,600
Parking Provided (1 per 1000 square feet)	19

DCC Calculation

Total DCC Cost:	$16,552
Total DCC per Square Foot Buildable:	$0.91

City of Langford Office DCC

Office* DCC Schedule

*** Located in the South DCC Fee Region**

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$4.27	$0.00	$0.14	$0.00	$0.00	$0.00	$0.29	$1.04
	Units	per square feet of total floor area		per square feet of total site area				per square feet of total floor area	per square feet of total site area
DCC Cost For Prototype		$127,536	$0	$8,376	$0	$0	$0	$8,658	$61,850

Hypothetical Development

Site Location: 967 Langford Parkway

Site Size (square feet)	59,708
Building Size (square feet)	29,854
Zoning (Comprehensive Development)	CD-2
Maximum Permitted Density (FSR)	0.50
Expected Actual Density (FSR)	0.50
Land Price (Per Acre)	$ 1,313,191
Land Price For Lot	$ 1,800,000
Parking Provided (1 per 290 square feet)	103

DCC Calculation

Total DCC Cost:	$206,419
Total DCC per Square Foot Buildable:	$6.91

City of Langford Industrial DCC

Industrial* DCC Schedule

*** Located in the North DCC Fee Region**

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$1.00	$0.00	$0.14	$0.00	$0.00	$0.00	$0.43	$0.56
	Units	per square feet of floor area		per square feet of site area				per square of floor area	per square of site area
DCC Cost For Prototype		$33,214	$0	$9,319	$0	$0	$0	$14,282	$37,276

Hypothetical Development

Site Location: 2360 Millstream Road

Site Size (square feet)	66,429
Building Size (square feet)	33,215
Zoning (Business Park 1)	BP1
Maximum Permitted Density (FSR)*	0.5
Expected Actual Density (FSR)	0.5
Land Price (Per Acre)	$ 1,242,623
Land Price For Lot	$ 1,895,000
Parking Provided (1 per 414 square feet)	80

* FSR limited by site coverage, height and parking

Lot coverage must not exceed 50%

DCC Calculation

Total DCC Cost:	$94,091
Total DCC per Square Foot Buildable:	$2.83

Central Saanich Office DCC

Office DCC Schedule

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$0.90	$0.02	$0.16	$0.00	$0.00	$0.00	$0.00	$1.00
	Units	per square foot of floor area	per square foot of floor area	per square foot of floor area					per square foot of gross floor area
DCC Cost For Prototype		$21,943	$499	$3,854	$0	$0	$0	$0	$24,414

Hypothetical Development

Site Location: Kirkpatrick Crescent

Site Size (square feet)	44,570
Building Size (square feet)	24,400
Zoning (Light Industrial)	I-1
Maximum Permitted Density (FSR)*	0.55
Expected Actual Density (FSR)	0.55
Land Price (Per Acre)	$1,059,435
Land Price For Lot	$1,084,000
Parking Provided (1 per 300 square feet)	82

*Density limited by site coverage, height and parking

DCC Calculation

Total DCC Cost:	$50,709
Total DCC per Square Foot Buildable:	$2.08

Central Saanich Industrial DCC

Industrial DCC Schedule

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$0.07	$0.01	$0.10	$0.00	$0.00	$0.00	$0.00	$0.67
	Units	per square feet of site area	per square feet of site area	per square feet of site area					per square feet of gross floor area
DCC Cost For Prototype		$3,340	$462	$4,280	$0	$0	$0	$0	$14,989

Hypothetical Development

Site Location: Kirkpatrick Crescent

Site Size (square feet)	44,570
Building Size (square feet)	22,285
Zoning (Industrial)	I-1
Maximum Permitted Density (FSR)*	0.6
Expected Actual Density (FSR)	0.50
Land Price (Per Acre)	$1,059,435
Land Price For Lot	$1,084,000
Parking Provided (1 per 1076 square feet)	21

*Density limited by site coverage, height and parking

DCC Calculation

Total DCC Cost:	$23,071
Total DCC per Square Foot Buildable	$1.04

Saanich Office DCC

Office* DCC Schedule

*** Located in the Remainder South West DCC Region**

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$0.26	$0.00	$0.00	$0.00	$0.75	$0.00	$0.00	$0.00
	Units	per square foot of floor area				per square foot of floor area			
DCC Cost For Prototype		$5,280	$0	$0	$0	$14,910	$0	$0	$0

Hypothetical Development

Site Location: 4219 Commerce Circle

Site Size (square feet)	37,997
Building Size (square feet)	20,000
Zoning (Industrial Park)	M-3
Maximum Permitted Density (FSR)*	0.53
Expected Actual Density (FSR)	0.53
Land Price (Per Acre)	$1,318,367
Land Price For Lot	$1,150,000
Parking Provided (1 per 270 square feet for the first 10,764, 1 per 300 square feet over 10764 square feet)	70

* Density limited by site coverage, height and parking

DCC Calculation

Total DCC Cost:	$20,190
Total DCC per Square Foot Buildable:	$1.01

Saanich Industrial DCC

Industrial* DCC Schedule

*** Located in the Remainder South West DCC Region**

		Transportation	Water	Storm	Sanitary	Parks Acquisition	Parks Development	Other DCC Fees	CRD Water DCC
DCC Fee Schedule	Cost	$0.26	$0.00	$0.00	$0.00	$0.75	$0.00	$0.00	$0.00
	Units	per square foot of floor area				per square foot of floor area			
DCC Cost For Prototype		$5,016	$0	$0	$0	$14,164	$0	$0	$0

Hypothetical Development

Site Location: 4219 Commerce Circle

Site Size (square feet)	37,997
Building Size (square feet)	18,999
Zoning (Industrial Park)	M-3
Maximum Permitted Density (FSR)*	0.53
Expected Actual Density (FSR)	0.50
Land Price (Per Acre)	$1,318,367
Land Price For Lot	$1,150,000
Parking Provided (1 per 1022 square feet)	19

*Density limited by site coverage, height and parking

DCC Calculation

Total DCC Cost:	$19,179
Total DCC per Square Foot Buildable:	$1.01

Appendix 4: Industrial, Office, and Retail Development Capacity in City of Victoria

Remaining Industrial Development Capacity in the City of Victoria

Approach

In order for job growth to occur, sufficient physical capacity for new employment-accommodating development needs to exist. Net remaining development capacity on land currently zoned for industrial use was estimated in the study area using the following steps:

1. All vacant and underdeveloped industrial land in the study area was inventoried using aerial photography, the City of Victoria zoning map, and the Capital Regional District Geographic Information System (GIS). For each site, floor space ratio (FSR) was used as a measure to categorize intensity of use. Site specific FSRs were estimated from three-dimensional aerial photography as actual FSR data was unavailable. Properties were categorized based on existing industrial zoning and on intensity of existing use:

   - A: Vacant: This category includes sites that were used for materials storage or parking.
   - B: Low Intensity Use (sites between 0.0 and 0.3 FSR): This category includes all sites that have small or accessory structures and could be redevelopment candidates.

   Parcels above 0.3 FSR were classified as having a high intensity of use with little potential for short term industrial redevelopment. Though industrially zoned land in Victoria can have FSR as high as 3.0 under the current zoning, industrial lease rates do not make multi-story buildings or structured parking financially feasible. The need for surface parking, loading areas and outdoor storage by many industrial users results in buildings with much lower FSRs than permitted. It is unlikely that any site with an existing FSR of 0.3 or higher would be redeveloped for industrial use in the foreseeable future.

   All heritage designated/registry properties were excluded from this inventory.

2. Using the data collected in step 1, the potential maximum industrial floorspace that could be achieved assuming all sites were fully developed was calculated. The density assumption used for this step was 0.5 FSR for all sites. An FSR of 0.5 was selected for the following reasons:

   - Current lease rates for industrial use do not make high density projects or structured parking financially feasible. To illustrate this point, it would be less expensive for a developer to buy land at $3.0 million an acre and provide surface parking than build structured parking for industrial use.
   - Many industrial users require storage space or loading/maneuvering space and ample parking, limiting the size of a building floor plate.
   - Industrial users often need buildings with large loading doors, high ceilings, and floors that can support heavy equipment. Multi-storey buildings are not practical under these requirements.

3. A demolition allowance was deducted to account for loss of existing floor area on low intensity use sites. Based on the analysis in step 1, we estimated that non-vacant sites were improved to an average of 0.1 FSR (this is a conservative assumption of existing floor area and may underestimate total floor area that will be demolished if all sites are redeveloped).

Conclusions

The table below shows that at an estimated redevelopment density of 0.5 FSR, there is a maximum of about 900,000 square feet of net remaining industrial development capacity in the City.

Estimated Maximum Net Additional Industrial Floorspace Capacity in the City of Victoria

City of Victoria	Vacant Sites	Low Intensity Use Sites	Total
Estimated Land Area	1,106,614	927,164	2,033,779
Total Maximum Additional Floorspace	553,307	463,582	1,016,889
Less Allowance for Demolition	-	92,716	92,716
Total Net Additional Floorspace	553,307	370,866	924,173

Source: Coriolis Estimates (all figures in square feet)

Achieving the maximum potential redevelopment capacity will be difficult for these reasons:

- Some sites are too small or fragmented to be stand-alone development candidates and fragmented land ownership could make land assembly more challenging.
- Vacant sites used for parking or materials storage could be essential to the operation of nearby uses, reducing their potential for redevelopment.
- Some land owners will have no interest in making their sites available for redevelopment.
- Some low intensity use sites may be too valuable under their current use to be considered redevelopment candidates.
- Some sites may not achieve the full assumed density due to market or design considerations.

So, the City does not have much readily developable vacant industrial land, but there are opportunities to create capacity for new development if efforts are made to intensify the use of existing under-used sites.

Remaining Office and Retail Development Capacity in the City of Victoria

Approach

Net remaining development capacity on land zoned for commercial use was estimated in the study area using the following steps:

1. Development capacity in Downtown (including North Park, James Bay, Cathedral Hill, Humboldt Valley, Harris Green and the Legislative Precinct) was estimated from information supplied by the City of Victoria[9]. The City identified all vacant or underutilized sites in each planning area. All sites that were developed to less than 50% of permitted density under the existing zoning were classified as underutilized.

2. All vacant and underdeveloped land zoned for higher density in the City of Victoria outside the Downtown was inventoried by using aerial photography, the City of Victoria zoning map and the Capital Regional District Geographic Information System (GIS). For each site, we the used floor space ratio (FSR) as a measure to categorize intensity of use. Site-specific FSRs were estimated from three-dimensional aerial photography as actual FSR data was unavailable. Properties were categorized based on existing commercial zoning and on intensity of existing use:

   - A: Low Intensity Use: Vacant Sites (includes lots used for storage or parking)
   - B: Underutilized Sites (Less than 50% developed under the current zoning)

   Parcels above 1 FSR that were located in the study area were classified as being high intensity use parcels with little potential for commercial redevelopment under the current zoning.

   All heritage designated/registry properties were excluded from this inventory.

   Net remaining development capacity that could be achieved at each site was calculated by using the information collected in steps 1 and 2. Using this information, a high and low capacity scenario was developed based on the following density assumptions:

   <u>Low Capacity Scenario</u>

   - Sites in Old Town and New Town (non-heritage) are assumed to be developable at a density of 3.0 FSR. This is based on the maximum density envisioned for these areas in the draft Downtown Core Area Plan.

[9] Parcel Data found in the following report: Estimated Remaining Development Capacity in Downtown Victoria and Harris Green, February 2007. All floor area ratios updated according to the most recent data available in the City's draft downtown core area plan.

- Sites on the Harbour are assumed to be developable at the density identified in the current Downtown Victoria Plan. This ranges from 0.8 to 1.5 FSR.
- Sites in New Town are assumed to be developable to a maximum of 3.0 FSR. This is based on the maximum base density permitted in New Town under the density bonus system in the draft Downtown Core Area Plan.
- Sites in Harris Green are assumed to be developable at 2.5 FSR. This is based on the maximum base density permitted in Harris Green under the density bonus system in the draft Downtown Core Area Plan.
- Sites in North Park are assumed to be developable at 2.0 to 3.0 FSR. This is the maximum density allowable in non-density bonus areas and the base density in density bonus areas outlined in the draft Downtown Core Area Plan.
- Other sites in the City are assumed to be developable at the density identified in the current zoning. These sites are zoned between 1.0 and 2.0 FSR.

High Capacity Scenario

- Sites in Old Town and New Town (non-heritage) are assumed to be developable at a density of 3.0 FSR. This is based on the maximum density envisioned for these areas in the draft Downtown Core Area Plan.
- Sites on the Harbour are assumed to be developable at the density identified in the current Downtown Victoria Plan. This ranges from 0.8 to 1.5 FSR.
- Sites in New Town are assumed to be developable to a maximum of 6.0 FSR. This is based on the maximum density permitted in New Town under the density bonus system in the draft Downtown Core Area Plan. Total development capacity in New Town is optimistic as some areas of New Town are in density bonus areas that permit only 5.0 FSR.
- Sites in Harris Green are assumed to be developable at 5.0 FSR. This is based on the maximum density permitted in Harris Green under the density bonus system in the draft Downtown Core Area Plan. Total development capacity in Harris Green is optimistic as some areas of Harris Green are in density bonus areas that permit only 4.5 FSR.
- Sites in North Park are assumed to be developable at 2.0 to 5.0 FSR. This is the maximum density allowable in non-density bonus areas and the maximum density in density bonus areas in the draft Downtown Core Area Plan. Total development capacity in North Park is optimistic as some areas of North Park are in density bonus areas that permit only 4.5 FSR.
- Other sites in the City are assumed to be developable at the density identified in the current zoning. These sites are zoned between 1.0 and 2.0 FSR.

3. Development potential in the Legislative Precinct was included based on the Victoria Accord agreement between the City and the Province.
4. Remaining gross retail capacity was calculated assuming that the ground floor of all new high density developments would be occupied by a retail use built to 0.4 FSR. This assumption was made based on the following reasons:
    - Retail users value a ground floor location more than office users, allowing them to consistently outbid office users for ground floor space.
    - Some City zoning designations require ground floor space to be used exclusively for commercial purposes (e.g. CA zones require the ground floor to be commercial space, C1 zoned mixed-use residential buildings must have a commercial use on the ground floor).
    - Setback requirements, market, or design requirements will limit retail floorspace to an estimated 0.4 FSR.
    - The majority of vacant or underutilized high density development sites are located in areas that are suited to retail development (most sites are easily accessible, have good exposure or frontage to a major road, and are located close to an existing retail area).
5. Maximum remaining gross office development capacity was calculated by determining total remaining development capacity based on information in steps 1 to 4 and subtracting the retail development capacity estimated in step 5. It is important to note that this calculation estimates the total potential "upper floor" development capacity on sites zoned for higher density development. Victoria's zoning districts tend to allow this capacity to be used for office or multifamily residential. Therefore, under existing zoning it is not possible to ensure that this capacity is available for office use. The mix of residential versus office use of this capacity will depend on market conditions and individual site characteristics.
6. A demolition allowance for the loss of existing space was deducted from all underutilized sites. Based on aerial photography and City of Victoria information, these sites were improved to an average of 0.5 FSR. We have assumed that approximately half of all underutilized sites are occupied by office uses and half are occupied by retail uses.

Conclusions

The following tables summarize estimated remaining land area and development capacity in the City of Victoria. These tables show that the remaining upper floor capacity is between 5.9 million and 9.4 million square feet. In addition, there is 769,391 square feet of net remaining retail capacity.

Almost all of the unused upper floor redevelopment capacity is in Downtown and Harris Green. The core area's estimated future pace of multifamily development is about 400 units per year. At an average unit size of say 1,000 square feet, over the next 10 to 15 years a very large share of

the "on paper" upper floor development capacity will be taken up by residential development. In the long term, therefore, Victoria's ability to accommodate high density core area office development will depend on zoning changes (higher densities) and on earmarking some sites for office-only redevelopment.

Low Scenario:

Summary of Development Capacity at Vacant and Underutilized Sites in Victoria

Approximate Development Capacity Based on Existing Development Policy and the Draft Downtown Core Area Plan (all figures in square feet)

Excludes Heritage Properties

Downtown Planning Area	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	729,774	671,658	1,401,432
Total Maximum Retail Floorspace	291,910	268,663	560,573
Demolition Allowance Retail	0	167,915	167,915
Total Maximum Net Retail Floorspace	291,910	100,749	392,658
Total Maximum Office Floorspace	1,471,186	1,660,282	3,131,468
Demolition Allowance Office	0	167,915	167,915
Plus Net Potential At Victoria Accord Sites	0	570,000	570,000
Total Maximum Net Office Floorspace	1,471,186	2,062,367	3,533,554
Total Maximum Net Additional Floorspace	1,763,096	2,163,116	3,926,212
Harris Green	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	182,906	361,948	544,855
Total Maximum Retail Floorspace	73,163	144,779	217,942
Demolition Allowance Retail	0	90,487	90,487
Total Maximum Net Retail Floorspace	73,163	54,292	127,455
Total Maximum Office Floorspace	384,103	760,091	1,144,195
Demolition Allowance Office	0	90,487	90,487
Total Maximum Net Office Floorspace	384,103	669,604	1,053,708
Total Maximum Net Additional Floorspace	457,266	723,897	1,181,163
North Park (south of Pembroke Street)	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	51,475	265,834	317,309
Total Maximum Retail Floorspace	20,590	106,334	126,924
Demolition Allowance Retail	0	66,459	66,459
Total Maximum Net Retail Floorspace	20,590	39,875	60,465
Total Maximum Office Floorspace	102,877	436,012	538,889
Demolition Allowance Office	0	66,459	66,459
Total Maximum Net Office Floorspace	102,877	369,554	472,431
Total Maximum Net Additional Floorspace	123,467	409,429	532,896

Remaining Areas of the City	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	275,188	524,919	800,108
Total Maximum Retail Floorspace	110,075	209,968	320,043
Demolition Allowance Retail	0	131,230	131,230
Total Maximum Net Retail Floorspace	110,075	78,738	188,813
Total Maximum Office Floorspace	141,198	820,306	961,504
Demolition Allowance Office	0	131,230	131,230
Total Maximum Net Office Floorspace	141,198	689,076	830,274
Total Maximum Net Additional Floorspace	251,273	767,814	1,019,087
City of Victoria Total	Vacant Sites	Underutilized Sites	Total
Total Estimated Land Area	1,239,343	1,824,360	3,063,703
Total Maximum Net Retail Floorspace	495,737	273,654	769,391
Total Maximum Net Office Floorspace	2,099,365	3,790,602	5,889,966
Total Maximum Net Additional Floorspace	2,595,102	4,064,256	6,659,358

Notes:

Under-utilized sites are sites that are currently developed at 50% of permitted density or less.

Assumes potential density of: 3.0 FSR for sites in Downtown, 2.5 FSR on sites in Harris Green, 0.8 to 1.5 FSR on waterfront sites, 2.0 to 3.0 FSR for sites in North Park, 1.0 to 2.0 FSR for sites in the rest of the City.

High Scenario:

Summary of Development Capacity at Vacant and Underutilized Sites in Victoria

Approximate Development Capacity Based on Existing Development Policy and the Draft Downtown Core Area Plan(all figures in square feet)

Excludes Heritage Properties

Downtown Planning Area	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	729,774	671,658	1,401,432
Total Maximum Retail Floorspace	291,910	268,663	560,573
Demolition Allowance Retail	0	167,915	167,915
Total Maximum Net Retail Floorspace	291,910	100,749	392,658
Total Maximum Office Floorspace	2,438,581	2,770,347	5,208,928
Demolition Allowance Office	0	167,915	167,915
Plus Net Potential At Victoria Accord Sites	0	570,000	570,000
Total Maximum Net Office Floorspace	2,438,581	3,172,432	5,611,014
Total Maximum Net Additional Floorspace	2,730,491	3,273,181	6,003,672
Harris Green	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	182,906	361,948	544,855
Total Maximum Retail Floorspace	73,163	144,779	217,942
Demolition Allowance Retail	0	90,487	90,487
Total Maximum Net Retail Floorspace	73,163	54,292	127,455
Total Maximum Office Floorspace	841,369	1,664,963	2,506,332
Demolition Allowance Office	0	90,487	90,487
Total Maximum Net Office Floorspace	841,369	1,574,476	2,415,845
Total Maximum Net Additional Floorspace	914,532	1,628,768	2,543,300
North Park (south of Pembroke Street)	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	51,475	265,834	317,309
Total Maximum Retail Floorspace	20,590	106,334	126,924
Demolition Allowance Retail	0	66,459	66,459
Total Maximum Net Retail Floorspace	20,590	39,875	60,465
Total Maximum Office Floorspace	143,911	457,368	601,279
Demolition Allowance Office	0	66,459	66,459
Total Maximum Net Office Floorspace	143,911	390,910	534,821
Total Maximum Net Additional Floorspace	164,501	430,785	595,286

Remaining Areas of the City	Vacant Sites	Underutilized Sites	Total
Estimated Land Area	275,188	524,919	800,108
Total Maximum Retail Floorspace	110,075	209,968	320,043
Demolition Allowance Retail	0	131,230	131,230
Total Maximum Net Retail Floorspace	110,075	78,738	188,813
Total Maximum Office Floorspace	141,198	820,306	961,504
Demolition Allowance Office	0	131,230	131,230
Total Maximum Net Office Floorspace	141,198	689,076	830,274
Total Maximum Net Additional Floorspace	251,273	767,814	1,019,087
City of Victoria Total	Vacant Sites	Underutilized Sites	Total
Total Estimated Land Area	1,239,343	1,824,360	3,063,703
Total Maximum Net Retail Floorspace	495,737	273,654	769,391
Total Maximum Net Office Floorspace	3,565,060	5,826,894	9,391,954
Total Maximum Net Additional Floorspace	4,060,797	6,100,548	10,161,345

Notes:
Under-utilized sites are sites that are currently developed at 50% of permitted density or less.

Assumes potential density of: 3.0- 6.0 FSR for sites in Downtown, 5.0 FSR for sites in Harris Green, 0.8 to 1.5 FSR for waterfront sites, 2.0 to 5.0 FSR for sites in North Park, 1.0 to 2.0 FSR for sites in the rest of the City.

Appendix 5: Financial Analysis of New Industrial and Office Projects

Financial Analysis
Hypothetical Light Industrial Building
Victoria

Assumptions

Site and Building Size Assumptions:			
Assumed Site Size	36,285	or	0.833 acre
FSR	0.5		
Project Size	18,143		
Rentable Area	100%	of gross area	
Underground/structured Parking	1	stall per	1000 sq.ft. of gross building area
Total Stalls	18		
Revenue and Value Assumptions:			
Average Net Lease Rate	$18.25	per sq.ft. of rentable area assuming landlord provides fit up allowance	
Operating Costs	$4.00	per sq.ft. of rentable area	
Annual Vacancy Allowance	2.0%		
Property Management	0.0%	of lease revenue (included in operating costs)	
Structural Allowance	1.0%	of lease revenue	
Assumed Net Parking Revenue	$0.00	per stall per month	
Capitalization Rate	6.50%		
Land Acquisition	$50	per sq.ft. of land or	$2,178,000 per acre
			$100 per sq.ft. buidlable
Cost Assumptions:			
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre	
Building Construction Costs (to base building - shell)	$80	per sq.ft. (Note 1)	
Parking Construction Costs	$5,000	per stall (assuming surface parking)	
Base Building Hard Construction Costs	$85	per sq.ft. buildable (including parking)	
Fit-up Allowance	$0	per rentable square foot	
Soft Costs (including project management)	15%	of hard costs	
Contingency	5%	of hard and soft costs	
Regional Levies	$0.000	per sq.ft. of building area for non-residential uses	
Municipal DCCs	$4.844	per sq.ft. of site area	
Other Contributions/Levies	$0.00	per sq.ft. of building area	
Interim Financing	7.0%	on 50% of all costs assuming a	1.0 year construction period
Property Taxes During Development	2.315%	applied to land value in Year 1	$1,814,250
		applied to 50% of gross value of building in Year 2, which is:	$2,459,865
Upfront Leasing Commissions	17%	of Year 1 revenue	
Lease-up period after construction complete	3	months, or	0.25 years
Assumed up-front vacancy cost during lease-up	$22.25	per sq.ft. (i.e. lease revenue+operating costs) on	50% of space during lease-up
Commission on building sale	2.0%		

Analysis

Value:		
Lease Revenue	$324,479	
Recovered Operating Costs	$71,119	
Parking Income	$0	
Total Gross Revenue	$395,597	
Less Operating Costs	$72,570	
Less Management	$0	
Less Structural	$3,245	
Net Operating Income	$319,782	
Capitalized Value	$4,919,730	
Total Value per sq.ft. buildable	**$271**	
Commission on Sale	$98,395	
Net Value	$4,821,335	
Costs:		psfb
Land Acquisition	$1,814,250	$100.00
PTT	$34,285	$1.89
Property Taxes During Approvals	$21,004	$1.16
Holding Cost on Land and PTT	$194,096	$10.70
Total Land Related	$2,063,635	$113.75
Construction		
Site Servicing	$83,299	$4.59
Hard Construction (including parking)	$1,542,113	$85.00
Fit-Up	$0	$0.00
Upfront Leasing Commissions	$55,161	$3.04
Upfront Vacancy Cost during Lease-up	$25,229	$1.39
Soft Costs (including project management)	$231,317	$12.75
Contingency	$88,671	$4.89
Regional Levies	$0	$0.00
Municipal DCCs	$175,762	$9.69
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$42,008	$2.32
Interim Financing	$78,525	$4.33
Total Costs Excluding Land	$2,322,084	$127.99
Total Construction Costs per sq.ft. buildable	**$128**	
Total Costs Including Land	$4,385,719	$241.74
Total Project Costs per sq.ft. buildable	**$242**	
Profit	$534,010	$29.43
Profit as Percentage of Costs	11.9%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Light Industrial Building
Langford

Assumptions

Site and Building Size Assumptions:

Assumed Site Size	66,429	or	1.525 acre
FSR	0.5		
Project Size	33,215		
Rentable Area	100%	of gross area	
Underground/structured Parking	1	stall per	1000 sq.ft. of gross building area
Total Stalls	33		

Revenue and Value Assumptions:

Average Net Lease Rate	$14.00	per sq.ft. of rentable area assuming landlord provides fit up allowance
Operating Costs	$4.00	per sq.ft. of rentable area
Annual Vacancy Allowance	2.0%	
Property Management	0.0%	of lease revenue (included in operating costs)
Structural Allowance	1.0%	of lease revenue
Assumed Net Parking Revenue	$0.00	per stall per month
Capitalization Rate	6.50%	
Land Acquisition	$27.50	per sq.ft. of land or $1,197,900 per acre $55 per sq.ft. buidlable

Cost Assumptions:

Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre			
Building Construction Costs (to base building - shell)	$80	per sq.ft. (Note 1)			
Parking Construction Costs	$5,000	per stall (assuming surface parking)			
Base Building Hard Construction Costs	$85	per sq.ft. buildable (including parking)			
Fit-up Allowance	$0	per rentable square foot			
Soft Costs (including project management)	15%	of hard costs			
Contingency	5%	of hard and soft costs			
Regional Levies - water	$0.560	per sq.ft. of site			
Municipal DCCs	$1.430	per sq.ft. of building area			
Municipal DCCs - Storm	$0.14	per sq.ft. of site			
Interim Financing	7.0%	on 50% of all costs assuming a	1.0	year construction period	
Property Taxes During Development	1.800%	applied to land value in Year 1	$1,826,798		
		applied to 50% of gross value of building in Year 2, which is:	$3,449,913		
Upfront Leasing Commissions	17%	of Year 1 revenue			
Lease-up period after construction complete	3	months, or	0.25	years	
Assumed up-front vacancy cost during lease-up	$18.00	per sq.ft. (i.e. lease revenue+operating costs) on	50%	of space during lease-up	
Commission on building sale	2.0%				

Analysis

Value:		
Lease Revenue	$455,703	
Recovered Operating Costs	$130,201	
Parking Income	$0	
Total Gross Revenue	$585,904	
Less Operating Costs	$132,858	
Less Management	$0	
Less Structural	$4,557	
Net Operating Income	$448,489	
Capitalized Value	$6,899,827	
Total Value per sq.ft. buildable	**$208**	
Commission on Sale	$137,997	
Net Value	$6,761,830	
Costs:		psfb
Land Acquisition	$1,826,798	$55.00
PTT	$34,536	$1.04
Property Taxes During Approvals	$16,441	$0.50
Holding Cost on Land and PTT	$195,440	$5.88
Total Land Related	$2,073,215	$62.42
Construction		
Site Servicing	$152,500	$4.59
Hard Construction (including parking)	$2,823,233	$85.00
Fit-Up	$0	$0.00
Upfront Leasing Commissions	$77,469	$2.33
Upfront Vacancy Cost during Lease-up	$37,366	$1.13
Soft Costs (including project management)	$423,485	$12.75
Contingency	$162,336	$4.89
Regional Levies - water	$37,200	$1.12
Municipal DCCs	$47,497	$1.43
Municipal DCCs - Storm	$9,300	$0.28
Property Taxes during Development	$32,883	$0.99
Interim Financing	$133,114	$4.01
Total Costs Excluding Land	$3,936,383	$118.51
Total Construction Costs per sq.ft. buildable	**$119**	
Total Costs Including Land	$6,009,598	$180.93
Total Project Costs per sq.ft. buildable	**$181**	
Profit	$890,229	$26.80
Profit as Percentage of Costs	14.5%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Light Industrial Building
Saanich

Assumptions

Site and Building Size Assumptions:		
Assumed Site Size	37,997	or 0.9 acre
FSR	0.5	
Project Size	18,999	
Rentable Area	100%	of gross area
Underground/structured Parking	1	stall per 1000 sq.ft. of gross building area
Total Stalls	19	
Revenue and Value Assumptions:		
Average Net Lease Rate	$14.00	per sq.ft. of rentable area assuming landlord provides fit up allowance
Operating Costs	$4.00	per sq.ft. of rentable area
Annual Vacancy Allowance	2.0%	
Property Management	0.0%	of lease revenue (included in operating costs)
Structural Allowance	1.0%	of lease revenue
Assumed Net Parking Revenue	$0.00	per stall per month
Capitalization Rate	6.50%	
Land Acquisition	$30	per sq.ft. of land or $1,306,800 per acre $60 per sq.ft. buidlable
Cost Assumptions:		
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre
Building Construction Costs (to base building - shell)	$80	per sq.ft. (Note 1)
Parking Construction Costs	$5,000	per stall (assuming surface parking)
Base Building Hard Construction Costs	$85	per sq.ft. buildable (including parking)
Fit-up Allowance	$0	per rentable square foot
Soft Costs (including project management)	15%	of hard costs
Contingency	5%	of hard and soft costs
Regional Levies	$0.000	per sq.ft. of building area for non-residential uses
Municipal DCCs	$1.010	per sq.ft. of building area
Other Contributions/Levies	$0.00	per sq.ft. of building area
Interim Financing	7.0%	on 50% of all costs assuming a 1.0 year construction period
Property Taxes During Development	2.224%	applied to land value in Year 1 $1,139,910 applied to 50% of gross value of building in Year 2, which is: $1,973,330
Upfront Leasing Commissions	17%	of Year 1 revenue
Lease-up period after construction complete	3	months, or 0.25 years
Assumed up-front vacancy cost during lease-up	$18.00	per sq.ft. (i.e. lease revenue+operating costs) on 50% of space during lease-up
Commission on building sale	2.0%	

Analysis

Value:		
Lease Revenue	$260,659	
Recovered Operating Costs	$74,474	
Parking Income	$0	
Total Gross Revenue	$335,134	
Less Operating Costs	$75,994	
Less Management	$0	
Less Structural	$2,607	
Net Operating Income	$256,533	
Capitalized Value	$3,946,661	
Total Value per sq.ft. buildable	**$208**	
Commission on Sale	$78,933	
Net Value	$3,867,727	
Costs:		psfb
Land Acquisition	$1,139,910	$60.00
PTT	$20,798	$1.09
Property Taxes During Approvals	$12,673	$0.67
Holding Cost on Land and PTT	$121,874	$6.41
Total Land Related	$1,295,256	$68.18
Construction		
Site Servicing	$87,229	$4.59
Hard Construction (including parking)	$1,614,873	$85.00
Fit-Up	$0	$0.00
Upfront Leasing Commissions	$44,312	$2.33
Upfront Vacancy Cost during Lease-up	$21,373	$1.13
Soft Costs (including project management)	$242,231	$12.75
Contingency	$92,855	$4.89
Regional Levies	$0	$0.00
Municipal DCCs	$19,188	$1.01
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$25,347	$1.33
Interim Financing	$75,159	$3.96
Total Costs Excluding Land	$2,222,568	$116.99
Total Construction Costs per sq.ft. buildable	**$117**	
Total Costs Including Land	$3,517,824	$185.16
Total Project Costs per sq.ft. buildable	**$185**	
Profit	$428,837	$22.57
Profit as Percentage of Costs	11.9%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Light Industrial Building
Central Saanich (Keating)

Assumptions

Site and Building Size Assumptions:		
Assumed Site Size	44,570	or 1.023 acre
FSR	0.5	
Project Size	22,285	
Rentable Area	100%	of gross area
Underground/structured Parking	1	stall per 1000 sq.ft. of gross building area
Total Stalls	22	
Revenue and Value Assumptions:		
Average Net Lease Rate	$13.50	per sq.ft. of rentable area assuming landlord provides fit up allowance
Operating Costs	$4.00	per sq.ft. of rentable area
Annual Vacancy Allowance	2.0%	
Property Management	0.0%	of lease revenue (included in operating costs)
Structural Allowance	1.0%	of lease revenue
Assumed Net Parking Revenue	$0.00	per stall per month
Capitalization Rate	6.50%	
Land Acquisition	$25.00	per sq.ft. of land or $1,089,000 per acre $50 per sq.ft. buidlable
Cost Assumptions:		
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre
Building Construction Costs (to base building - shell)	$80	per sq.ft. (Note 1)
Parking Construction Costs	$5,000	per stall (assuming surface parking)
Base Building Hard Construction Costs	$85	per sq.ft. buildable (including parking)
Fit-up Allowance	$0	per rentable square foot
Soft Costs (including project management)	15%	of hard costs
Contingency	5%	of hard and soft costs
Regional Levies - water	$0.670	per sq.ft. of building area
Municipal DCCs	$0.000	per sq.ft. of building area
Municipal DCCs	$0.18	per sq.ft. of site
Interim Financing	7.0%	on 50% of all costs assuming a 1.0 year construction period
Property Taxes During Development	1.564%	applied to land value in Year 1 $1,114,250 applied to 50% of gross value of building in Year 2, which is: $2,231,534
Upfront Leasing Commissions	17%	of Year 1 revenue
Lease-up period after construction complete	3	months, or 0.25 years
Assumed up-front vacancy cost during lease-up	$17.50	per sq.ft. (i.e. lease revenue+operating costs) on 50% of space during lease-up
Commission on building sale	2.0%	

Analysis

Value:		
Lease Revenue	$294,831	
Recovered Operating Costs	$87,357	
Parking Income	$0	
Total Gross Revenue	$382,188	
Less Operating Costs	$89,140	
Less Management	$0	
Less Structural	$2,948	
Net Operating Income	$290,099	
Capitalized Value	$4,463,068	
Total Value per sq.ft. buildable	**$200**	
Commission on Sale	$89,261	
Net Value	$4,373,807	
Costs:		psfb
Land Acquisition	$1,114,250	$50.00
PTT	$20,285	$0.91
Property Taxes During Approvals	$8,715	$0.39
Holding Cost on Land and PTT	$119,126	$5.35
Total Land Related	$1,262,376	$56.65
Construction		
Site Servicing	$102,319	$4.59
Hard Construction (including parking)	$1,894,225	$85.00
Fit-Up	$0	$0.00
Upfront Leasing Commissions	$50,121	$2.25
Upfront Vacancy Cost during Lease-up	$24,374	$1.09
Soft Costs (including project management)	$284,134	$12.75
Contingency	$108,918	$4.89
Regional Levies - water	$14,931	$0.67
Municipal DCCs	$0	$0.00
Municipal DCCs - Storm	$8,023	$0.36
Property Taxes during Development	$17,430	$0.78
Interim Financing	$87,657	$3.93
Total Costs Excluding Land	$2,592,131	$116.32
Total Construction Costs per sq.ft. buildable	**$116**	
Total Costs Including Land	$3,854,507	$172.96
Total Project Costs per sq.ft. buildable	**$173**	
Profit	$608,561	$27.31
Profit as Percentage of Costs	15.4%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Office Building
Downtown Victoria - Highrise Office

Assumptions

Site and Building Size Assumptions:			
Assumed Site Size	36,488	or	1.0 acre
FSR	3.0	CA-4	
Project Size	109,464		
Rentable Area	95%	of gross area	
Underground/structured Parking	1	stall per	700 sq.ft. of gross building area
Total Stalls	156		
Revenue and Value Assumptions:			
Average Net Lease Rate	$35.00	per sq.ft. of rentable area assuming landlord provides fit up allowance	
Operating Costs	$12.00	per sq.ft. of rentable area	
Annual Vacancy Allowance	5.0%		
Property Management	0.0%	of lease revenue (included in operating costs)	
Structural Allowance	1.0%	of lease revenue	
Assumed Net Parking Revenue	$150.00	per stall per month	
Capitalization Rate	6.50%		
Land Acquisition	$120	per sq.ft. of land or	$5,227,200 per acre
			$40 per sq.ft. buidlable
Cost Assumptions:			
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre	
Building Construction Costs (to base building - shell)	$220	per sq.ft. (Note 1)	
Parking Construction Costs	$35,000	per stall (assuming underground parking)	
Base Building Hard Construction Costs	$270	per sq.ft. buildable (including parking)	
Fit-up Allowance	$30	per rentable square foot	
Soft Costs (including project management)	15%	of hard costs	
Contingency	5%	of hard and soft costs	
Regional Levies	$0.000	per sq.ft. of building area for non-residential uses	
Municipal DCCs	$2.160	per sq.ft. of building area	
Other Contributions/Levies	$0.00	per sq.ft. of building area	
Interim Financing	7.0%	on 50% of all costs assuming a	2.0 year construction period
Property Taxes During Development	2.293%	applied to land value in Year 1	$4,378,560
		applied to 50% of gross value of building in Year 2, which is:	$28,011,713
Upfront Leasing Commissions	17%	of Year 1 revenue	
Lease-up period after construction complete	3	months, or	0.25 years
Assumed up-front vacancy cost during lease-up	$47.00	per sq.ft. (i.e. lease revenue+operating costs) on	50% of space during lease-up
Commission on building sale	2.0%		

Analysis

Value:		
Lease Revenue	$3,457,694	
Recovered Operating Costs	$1,185,495	
Parking Income	$280,800	
Total Gross Revenue	$4,923,989	
Less Operating Costs	$1,247,890	
Less Management	$0	
Less Structural	$34,577	
Net Operating Income	$3,641,523	
Capitalized Value	$56,023,426	
Total Value per sq.ft. buildable	**$512**	
Commission on Sale	$1,120,469	
Net Value	$54,902,957	
Costs:		psfb
Land Acquisition	$4,378,560	$40.00
PTT	$85,571	$0.78
Property Taxes During Approvals	$50,204	$0.46
Holding Cost on Land and PTT	$781,223	$7.14
Total Land Related	$5,295,558	$48.38
Construction		
Site Servicing	$100,000	$0.91
Hard Construction (including parking)	$29,555,280	$270.00
Fit-Up	$3,119,724	$28.50
Upfront Leasing Commissions	$587,808	$5.37
Upfront Vacancy Cost during Lease-up	$305,473	$2.79
Soft Costs (including project management)	$4,433,292	$40.50
Contingency	$1,699,429	$15.53
Regional Levies	$0	$0.00
Municipal DCCs	$236,442	$2.16
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$742,761	$6.79
Interim Financing	$2,854,615	$26.08
Total Costs Excluding Land	$43,634,823	$398.62
Total Construction Costs per sq.ft. buildable	**$399**	
Total Costs Including Land	$48,930,381	$447.00
Total Project Costs per sq.ft. buildable	**$447**	
Profit	$7,093,045	$64.80
Profit as Percentage of Costs	14.2%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group, and discussions with office developers.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Office Building
Saanich - Highrise Office

Assumptions

Site and Building Size Assumptions:					
Assumed Site Size	36,488	or	1.0 acre		
FSR	3.0				
Project Size	109,464				
Rentable Area	95%	of gross area			
Underground/structured Parking	1	stall per	700	sq.ft. of gross building area	
Total Stalls	156				
Revenue and Value Assumptions:					
Average Net Lease Rate	$32.00	per sq.ft. of rentable area assuming landlord provides fit up allowance			
Operating Costs	$12.00	per sq.ft. of rentable area			
Annual Vacancy Allowance	5.0%				
Property Management	0.0%	of lease revenue (included in operating costs)			
Structural Allowance	1.0%	of lease revenue			
Assumed Net Parking Revenue	$150.00	per stall per month			
Capitalization Rate	6.50%				
Land Acquisition	$120	per sq.ft. of land or	$5,227,200	per acre	
			$40	per sq.ft. buidlable	
Cost Assumptions:					
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre			
Building Construction Costs (to base building - shell)	$220	per sq.ft. (Note 1)			
Parking Construction Costs	$35,000	per stall (assuming underground parking)			
Base Building Hard Construction Costs	$270	per sq.ft. buildable (including parking)			
Fit-up Allowance	$30	per rentable square foot			
Soft Costs (including project management)	15%	of hard costs			
Contingency	5%	of hard and soft costs			
Regional Levies	$0.000	per sq.ft. of building area for non-residential uses			
Municipal DCCs	$0.000	per sq.ft. of building area			
Other Contributions/Levies	$0.00	per sq.ft. of building area			
Interim Financing	7.0%	on 50% of all costs assuming a	2.0	year construction period	
Property Taxes During Development	2.201%	applied to land value in Year 1	$4,378,560		
		applied to 50% of gross value of building in Year 2, which is:	$25,754,713		
Upfront Leasing Commissions	17%	of Year 1 revenue			
Lease-up period after construction complete	3	months, or	0.25	years	
Assumed up-front vacancy cost during lease-up	$44.00	per sq.ft. (i.e. lease revenue+operating costs) on	50%	of space during lease-up	
Commission on building sale	2.0%				

Analysis

Value:		
Lease Revenue	$3,161,320	
Recovered Operating Costs	$1,185,495	
Parking Income	$280,800	
Total Gross Revenue	$4,627,615	
Less Operating Costs	$1,247,890	
Less Management	$0	
Less Structural	$31,613	
Net Operating Income	$3,348,113	
Capitalized Value	$51,509,425	
Total Value per sq.ft. buildable	**$471**	
Commission on Sale	$1,030,189	
Net Value	$50,479,237	
Costs:		psfb
Land Acquisition	$4,378,560	$40.00
PTT	$85,571	$0.78
Property Taxes During Approvals	$48,193	$0.44
Holding Cost on Land and PTT	$781,223	$7.14
Total Land Related	$5,293,547	$48.36
Construction		
Site Servicing	$100,000	$0.91
Hard Construction (including parking)	$29,555,280	$270.00
Fit-Up	$3,119,724	$28.50
Upfront Leasing Commissions	$537,424	$4.91
Upfront Vacancy Cost during Lease-up	$285,975	$2.61
Soft Costs (including project management)	$4,433,292	$40.50
Contingency	$1,699,429	$15.53
Regional Levies	$0	$0.00
Municipal DCCs	$0	$0.00
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$663,330	$6.06
Interim Financing	$2,827,612	$25.83
Total Costs Excluding Land	$43,222,065	$394.85
Total Construction Costs per sq.ft. buildable	**$395**	
Total Costs Including Land	$48,515,612	$443.21
Total Project Costs per sq.ft. buildable	**$443**	
Profit	$2,993,813	$27.35
Profit as Percentage of Costs	6.0%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group, and discussions with office developers.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Office Building
2 Storey Office Building in Saanich

Assumptions

Site and Building Size Assumptions:		
Assumed Site Size	37,997	or 0.872291 acre
FSR	0.53	
Project Size	20,138	
Rentable Area	95%	of gross area
Underground/structured Parking	1	stall per 285 sq.ft. of gross building area
Total Stalls	71	
Revenue and Value Assumptions:		
Average Net Lease Rate	$25.00	per sq.ft. of rentable area assuming landlord provides fit up allowance
Operating Costs	$6.00	per sq.ft. of rentable area
Annual Vacancy Allowance	5.0%	
Property Management	0.0%	of lease revenue (included in operating costs)
Structural Allowance	1.0%	of lease revenue
Assumed Net Parking Revenue	$0.00	per stall per month
Capitalization Rate	6.50%	
Land Acquisition	$30	per sq.ft. of land or $1,306,800 per acre
		$57 per sq.ft. buidlable
Cost Assumptions:		
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre
Building Construction Costs (to base building - shell)	$130	per sq.ft. (Note 1)
Parking Construction Costs	$5,000	per stall (assuming grade level parking)
Base Building Hard Construction Costs	$148	per sq.ft. buildable (including parking)
Fit-up Allowance	$30	per rentable square foot
Soft Costs (including project management)	15%	of hard costs
Contingency	5%	of hard and soft costs
Regional Levies	$0.000	per sq.ft. of building area for non-residential uses
Municipal DCCs	$1.010	per sq.ft. of building area
Other Contributions/Levies	$0.00	per sq.ft. of building area
Interim Financing	7.0%	on 50% of all costs assuming a 1.0 year construction period
Property Taxes During Development	2.201%	applied to land value in Year 1 $1,139,910
		applied to 50% of gross value of building in Year 2, which is: $3,416,075
Upfront Leasing Commissions	17%	of Year 1 revenue
Lease-up period after construction complete	3	months, or 0.25 years
Assumed up-front vacancy cost during lease-up	$31.00	per sq.ft. (i.e. lease revenue+operating costs) on 50% of space during lease-up
Commission on building sale	2.0%	

Analysis

Value:		
Lease Revenue	$454,373	
Recovered Operating Costs	$109,049	
Parking Income	$0	
Total Gross Revenue	$563,422	
Less Operating Costs	$114,789	
Less Management	$0	
Less Structural	$4,544	
Net Operating Income	$444,090	
Capitalized Value	$6,832,149	
Total Value per sq.ft. buildable	**$339**	
Commission on Sale	$136,643	
Net Value	$6,695,506	
Costs:		psfb
Land Acquisition	$1,139,910	$56.60
PTT	$20,798	$1.03
Property Taxes During Approvals	$12,547	$0.62
Holding Cost on Land and PTT	$121,874	$6.05
Total Land Related	$1,295,129	$64.31
Construction		
Site Servicing	$87,229	$4.33
Hard Construction (including parking)	$2,980,485	$148.00
Fit-Up	$573,945	$28.50
Upfront Leasing Commissions	$77,243	$3.84
Upfront Vacancy Cost during Lease-up	$37,067	$1.84
Soft Costs (including project management)	$447,073	$22.20
Contingency	$171,378	$8.51
Regional Levies	$0	$0.00
Municipal DCCs	$20,340	$1.01
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$25,093	$1.25
Interim Financing	$154,695	$7.68
Total Costs Excluding Land	$4,574,547	$227.16
Total Construction Costs per sq.ft. buildable	**$227**	
Total Costs Including Land	$5,869,676	$291.47
Total Project Costs per sq.ft. buildable	**$291**	
Profit	$962,473	$47.79
Profit as Percentage of Costs	16.0%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group, and discussions with office park developers.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Office Building
2 Storey Office Building in Langford

Assumptions

Site and Building Size Assumptions:		
Assumed Site Size	59,708	or 1.370707 acre
FSR	0.5	
Project Size	29,854	
Rentable Area	95%	of gross area
Underground/structured Parking	1	stall per 290 sq.ft. of gross building area
Total Stalls	103	
Revenue and Value Assumptions:		
Average Net Lease Rate	$25.00	per sq.ft. of rentable area assuming landlord provides fit up allowance
Operating Costs	$6.00	per sq.ft. of rentable area
Annual Vacancy Allowance	5.0%	
Property Management	0.0%	of lease revenue (included in operating costs)
Structural Allowance	1.0%	of lease revenue
Assumed Net Parking Revenue	$0.00	per stall per month
Capitalization Rate	6.50%	
Land Acquisition	$30	per sq.ft. of land or $1,306,800 per acre
		$60 per sq.ft. buidlable
Cost Assumptions:		
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre
Building Construction Costs (to base building - shell)	$130	per sq.ft. (Note 1)
Parking Construction Costs	$5,000	per stall (assuming grade level parking)
Base Building Hard Construction Costs	$147	per sq.ft. buildable (including parking)
Fit-up Allowance	$30	per rentable square foot
Soft Costs (including project management)	15%	of hard costs
Contingency	5%	of hard and soft costs
Regional Levies	$0.000	per sq.ft. of site area
Municipal DCCs	$4.560	per sq.ft. of building area
Municipal DCCs (storm)	$0.14	per sq.ft. of site area
Interim Financing	7.0%	on 50% of all costs assuming a 1.0 year construction period
Property Taxes During Development	1.685%	applied to land value in Year 1 $1,791,240
		applied to 50% of gross value of building in Year 2, which is: $5,064,128
Upfront Leasing Commissions	17%	of Year 1 revenue
Lease-up period after construction complete	3	months, or 0.25 years
Assumed up-front vacancy cost during lease-up	$31.00	per sq.ft. (i.e. lease revenue+operating costs) on 50% of space during lease-up
Commission on building sale	2.0%	

Analysis

Value:		
Lease Revenue	$673,581	
Recovered Operating Costs	$161,659	
Parking Income	$0	
Total Gross Revenue	$835,240	
Less Operating Costs	$170,168	
Less Management	$0	
Less Structural	$6,736	
Net Operating Income	$658,337	
Capitalized Value	$10,128,257	
Total Value per sq.ft. buildable	**$339**	
Commission on Sale	$202,565	
Net Value	$9,925,691	
Costs:		psfb
Land Acquisition	$1,791,240	$60.00
PTT	$33,825	$1.13
Property Taxes During Approvals	$15,092	$0.51
Holding Cost on Land and PTT	$191,632	$6.42
Total Land Related	$2,031,789	$68.06
Construction		
Site Servicing	$137,071	$4.59
Hard Construction (including parking)	$4,388,538	$147.00
Fit-Up	$850,839	$28.50
Upfront Leasing Commissions	$114,509	$3.84
Upfront Vacancy Cost during Lease-up	$54,950	$1.84
Soft Costs (including project management)	$658,281	$22.05
Contingency	$252,341	$8.45
Regional Levies	$0	$0.00
Municipal DCCs	$136,134	$4.56
Municipal DCCs (storm)	$8,359	$0.28
Property Taxes during Development	$30,185	$1.01
Interim Financing	$232,092	$7.77
Total Costs Excluding Land	$6,863,298	$229.90
Total Construction Costs per sq.ft. buildable	**$230**	
Total Costs Including Land	$8,895,087	$297.95
Total Project Costs per sq.ft. buildable	**$298**	
Profit	$1,233,169	$41.31
Profit as Percentage of Costs	13.6%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group, and discussions with office park developers.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Financial Analysis
Hypothetical Office Building
2 Storey Office Building in Central Saanich (Keating)

Assumptions

Site and Building Size Assumptions:					
Assumed Site Size	44,570	or	1.023186 acre		
FSR	0.50				
Project Size	22,285				
Rentable Area	95%	of gross area			
Underground/structured Parking	1	stall per	300	sq.ft. of gross building area	
Total Stalls	74				
Revenue and Value Assumptions:					
Average Net Lease Rate	$24.00	per sq.ft. of rentable area assuming landlord provides fit up allowance			
Operating Costs	$6.00	per sq.ft. of rentable area			
Annual Vacancy Allowance	5.0%				
Property Management	0.0%	of lease revenue (included in operating costs)			
Structural Allowance	1.0%	of lease revenue			
Assumed Net Parking Revenue	$0.00	per stall per month			
Capitalization Rate	6.50%				
Land Acquisition	$25	per sq.ft. of land or	$1,089,000	per acre	
			$50	per sq.ft. buidlable	
Cost Assumptions:					
Site Servicing (sidewalks, landscaping, etc)	$100,000	per acre			
Building Construction Costs (to base building - shell)	$130	per sq.ft. (Note 1)			
Parking Construction Costs	$5,000	per stall (assuming grade level parking)			
Base Building Hard Construction Costs	$147	per sq.ft. buildable (including parking)			
Fit-up Allowance	$30	per rentable square foot			
Soft Costs (including project management)	15%	of hard costs			
Contingency	5%	of hard and soft costs			
Regional Levies	$1.000	per sq.ft. of building area			
Municipal DCCs	$1.080	per sq.ft. of building area			
Other Contributions/Levies	$0.00	per sq.ft. of building area			
Interim Financing	7.0%	on 50% of all costs assuming a	1.0	year construction period	
Property Taxes During Development	1.641%	applied to land value in Year 1	$1,114,250		
		applied to 50% of gross value of building in Year 2, which is:	$3,627,038		
Upfront Leasing Commissions	17%	of Year 1 revenue			
Lease-up period after construction complete	3	months, or	0.25	years	
Assumed up-front vacancy cost during lease-up	$30.00	per sq.ft. (i.e. lease revenue+operating costs) on	50%	of space during lease-up	
Commission on building sale	2.0%				

Analysis

Value:		
Lease Revenue	$482,693	
Recovered Operating Costs	$120,673	
Parking Income	$0	
Total Gross Revenue	$603,366	
Less Operating Costs	$127,025	
Less Management	$0	
Less Structural	$4,827	
Net Operating Income	$471,515	
Capitalized Value	$7,254,076	
Total Value per sq.ft. buildable	**$326**	
Commission on Sale	$145,082	
Net Value	$7,108,995	
Costs:		psfb
Land Acquisition	$1,114,250	$50.00
PTT	$20,285	$0.91
Property Taxes During Approvals	$9,144	$0.41
Holding Cost on Land and PTT	$119,126	$5.35
Total Land Related	$1,262,805	$56.67
Construction		
Site Servicing	$102,319	$4.59
Hard Construction (including parking)	$3,275,895	$147.00
Fit-Up	$635,123	$28.50
Upfront Leasing Commissions	$82,058	$3.68
Upfront Vacancy Cost during Lease-up	$39,695	$1.78
Soft Costs (including project management)	$491,384	$22.05
Contingency	$188,364	$8.45
Regional Levies	$22,285	$1.00
Municipal DCCs	$24,068	$1.08
Other Contributions/Levies	$0	$0.00
Property Taxes during Development	$18,288	$0.82
Interim Financing	$170,782	$7.66
Total Costs Excluding Land	$5,050,260	$226.62
Total Construction Costs per sq.ft. buildable	**$227**	
Total Costs Including Land	$6,313,065	$283.29
Total Project Costs per sq.ft. buildable	**$283**	
Profit	$941,011	$42.23
Profit as Percentage of Costs	14.6%	

Notes:
(1) Hard construction costs based on lower end of information from BDC Development Consultants, Altus Group, and discussions with office park developers.
Note that hard construction costs do not include an allowance for piling or for dealing with unusual soils conditions.

Appendix 6: Detailed Estimate of Employment by Business and Institutional Group

This table is presented in an abbreviated form in Exhibit 6 in the report. The version in the Appendix includes the detailed notes explaining how the estimates were constructed from various sources.

Estimate of the Distribution of Employment by Major Business and Institutional Group in the City of Victoria and the Capital Regional District

	Capital Regional District		City of Victoria		City Share of Capital Region	Notes
2006 Employment	Total Employment	Sector Share	Total Employment	Sector Share		
Total	185,040	100%	74,105	100%	40%	**1**
Community Oriented	81,472	44%	31,568	43%	39%	**2**
Government Headquarters	19,014	10%	11,456	15%	60%	**3**
Tourism	13,159	7%	8,042	11%	61%	**4**
Construction	16,309	9%	3,996	5%	24%	**5**
Finance, Insurance, Real Estate Specialized	4,203	2%	3,783	5%	90%	**6**
Arts and Culture	7,213	4%	3,257	4%	45%	**7**
Universities and Hospitals	12,097	7%	3,000	4%	25%	**8**
High Technology	11,608	6%	2,750	4%	24%	**9**
Transportation	5,992	3%	2,053	3%	34%	**10**
Wholesale	4,539	2%	1,550	2%	34%	**11**
Manufacturing	5,100	3%	1,378	2%	27%	**12**
Film and Television	1,800	1%	900	1%	50%	**13**
Resource	2,533	1%	373	1%	15%	**14**

Source: Statistics Canada, Coriolis Estimates

Notes:

1. Numbers do not match up perfectly due to rounding. Total includes no fixed workplace employment. No definitive data on "no fixed workplace" employment in Greater Victoria is available due to the nature of this category. In order to estimate no fixed workplace employment, Statistics Canada data on "place of residence" was used. Place of residence employment data includes no fixed workplace data for people who live in Greater Victoria and allows us to estimate the approximate distribution of no fixed workplace employment by NAICS category. Although it is not possible to definitively say that all of these people worked in Greater Victoria, it is likely that the significant majority did. Place of residence data also undercounts total no fixed workplace employment because it excludes no fixed workplace commuters to and from neighbouring municipalities. Since net commuter flow comes into Greater Victoria, we assume that place of residence "no fixed workplace" data undercounts total no fixed workplace jobs in the Region. The same methodology was applied to determine no fixed workplace employment in the City of Victoria. However, when scaled to the City level, this estimate becomes less accurate as many no fixed workplace employees work in multiple locations. In addition, a significant commuter flow into the City suggesting that "no fixed workplace" employment is underestimated using this methodology.
2. The community oriented category includes a portion of Finance/Insurance/Real Estate, non-commercial services, government services and commercial services. The major assumptions are as follows:

   Based on floor space data, 85% of retail space is community oriented (the remainder is Downtown/specialty, or tourism related). We have assumed that 85% of employment is community oriented.

   Based on floor space data, 60% of FIRE floor space is community oriented, we have assumed that 60% of FIRE is community oriented at the regional level. The City has a smaller portion of FIRE employment that is community oriented, see note 7 for calculation.

   Commercial services include the following NAICS 2-digit sectors:
   - Information, culture and recreation
   - Professional, scientific and technical services
   - Management of companies and enterprises
   - Administrative and support, waste management and remediation services
   - Accommodation and food services

- Other services (except public administration)
- Arts, entertainment and recreation

Tourism, film and television and high technology employment is tabulated separately and is excluded from commercial services.

A portion of government services employment serves the local population. In the City of Victoria, community oriented government services jobs were estimated to account for 1,064 jobs. Based on available local government employment data for Saanich, we were able to calculate that there is approximately 1 local government services job for every 74 residents. This ratio was applied to the City of Victoria's population to estimate the portion of community oriented government services employment. In Greater Victoria, local serving government employment was calculated as the remainder of total government employment in the Region less non-local serving government employment (see note 11).

Non-commercial services include the following NAICS 2-digit sectors:

- Educational services
- Health care and social assistance

Universities and hospitals employment is tabulated separately and is excluded from non-commercial services.

3. In Greater Victoria, government headquarters employment includes defense employment (6,000 at CFB Esquimalt), federal government employment (3,255), and a large portion of provincial employment (9,759 employees based on floor space data from the Province indicating that 85% of Provincial government employment does not serve the local population in the CRD). In the City of Victoria, government headquarters employment was calculated as the remainder of total government employment in the Region less local government services employment.
4. Tourism employment is based on a composite adapted from B.C. Stats at the regional level. At the City level, we have modified the B.C. Stats composite to include a higher proportion of regional tourism retail employment.
5. Includes construction employment.
6. Includes the remaining 40% of FIRE employment that is not community oriented at the regional level. A significant amount of specialized FIRE employment in the Region is located in the City of Victoria. We estimated that 90% of regional specialized FIRE employment was located in the City. The remaining FIRE employment in the City was allocated to the community services sector.
7. Includes all employment in the arts and culture sector as reported by Vann Struth Consulting using the Statistics Canada definition of arts and culture (Canadian Framework for Culture Statistics (2004), catalogue number: 81-595-MIE2004021). All film and television employment is excluded from this figure as it is tabulated separately. The majority of employment in this sector is found in the information and cultural industries, and the arts, entertainment and recreation industries as defined by Statistics Canada.
8. Includes all part time and full time employment at public universities, colleges and hospitals. Casual, temporary, or special projects employment is excluded from the figure.
9. High technology estimate is based on data from B.C. Stats (Profile of the British Columbia High Technology Sector, 2008) and information from industry sources. Direct employment in the film and television industry, which B.C. Stats includes in its definition of high technology, is excluded from this figure.
10. Transportation employment excludes portion allocated to tourism employment. Also includes all utilities employment.
11. Includes all employment in wholesale trade.
12. Total manufacturing employment excludes high technology manufacturing employment as it is included with high technology employment.
13. Direct film and television employment is based on Statistics Canada data and B.C. film estimates. Usual place of work employment makes up 55% of all employment. Indirect employment estimates are based on the CFTPA multiplier of 1.6 indirect jobs for each direct job.
14. This includes employment in all primary industries.