

# OFFICE REPORT

## VACANCY RATES

2016: 10.33%

2017: 11.78%



## DOWNTOWN LEASE RATES

2016: \$10-24

2017: \$9-26



## LANDMARK CENTRE LEASE RATES

2016: \$14-24

2017: \$16-26



## NEW CONSTRUCTION

2016: 274,000 SF

2017: 52,500 SF



## KELOWNA'S OFFICE MARKET

Q3 2017

## PANDOSY/MISSION LEASE RATES

2016: \$14-22

2017: \$14-22



## ABSORPTION

2016: 78,400 SF

2017: 173,500 SF



## NOTABLE TRANSACTIONS

IHA Downtown  
Agility Fuel Systems  
Interior Savings  
Valley First Credit Union

## OFFICE STRATA

2016: \$244-383

2017: \$320-398



## OFFICE MARKET SNAPSHOT

	Q3 2017
Inventory	3,797,800 SF
Vacant Space	447,500 SF
Net Absorption 2016-2017	173,500 SF
Vacancy Rate	11.78%
Under Construction	52,500 SF

## OFFICE LEASE RATES

	LEASE RATE RANGE
South Pandosy	\$14-22
Downtown Class A	\$17-26
Downtown Class B	\$9-16
Landmark Centre	\$16-26

The biggest notable change when it comes to office spaces in Kelowna this year is the influx of inventory in the Downtown Core. Businesses in Kelowna are helping to drive the city to be more urban. As recent as two years ago, tenants were hesitant to set up shop Downtown because of parking issues and instead gravitated towards Landmark Centre. This year, the introduction of both the Innovation Centre and the new Interior Health Facility have brought office density into the north end of Downtown. Both opened in the Spring and the corner of Ellis and Doyle, where they sit kitty-corner, has become the most city-like intersection in Kelowna, with there soon to be over 1,700 new people hustling and bustling in the area.

Relative to other asset classes, there is a high vacancy rate of just under 12% for offices in Kelowna, which is expected to take some time to absorb. Despite this, booming industries are spurring growth, which is expected to continue. Technology and strata development are driving development Downtown. Tech is also pushing the expansion of supporting industries, including legal and financial practices.

As the technology sector works to attract more talent, businesses are required to create inviting working environments in thriving neighbourhoods. Employees have a desire to be a part of the new culture that has emerged Downtown and work within walking distance of all the amenities the area has to offer. One tech tenant said being Downtown was key for his business because over half of their staff walk or bike to work, and want to be near City Park, Knox Mountain, the marina and other businesses. With more restaurants and stores in the core of the City, some tech businesses are looking to leave Landmark and participate in the Downtown culture. With Downtown now booming, Landmark is finding

itself with more competition.

In its own right, Landmark has been successful at bringing in more amenities including a pub, a coffee shop and multiple restaurants, which are helping them to maintain and attract tenants. They are currently filling up Landmark 6, with many existing tenants moving over to the new tower. Landmark 7 is in the planning stages, with timing to be determined, based on the continued lease out of Landmark 6.

Office spaces in the Mission area are still very popular, with demand coming from the medical professional industry. The Shore is 75% pre-leased or pending and Strathcona, another mixed use development is currently under construction. Strathcona will be 100% occupied upon completion and is located on Abbott Street behind Kelowna General Hospital. Businesses outside the medical industry are capitalizing on the unique locations, the profiles of the properties and their proximity to the hospital, where hundreds of people are employed. Medical offices are becoming more competitive as clients expect a higher caliber environment. More medical and dental offices in Kelowna are aiming to give patients spa-like experiences in newer spaces, which is a departure from the more sterile clinics of the past.

Open-concept office spaces are trending in the City, especially in the Tech industry. These lend themselves to efficiency, collaboration and interaction. Tech is also influencing other sectors, with banks opening at the OCI leaning towards more open-concept spaces. Tech companies also set up game rooms, showers, stocked kitchens, nap rooms and public lounge spaces. Employers say these amenities are directly related to productivity and give them a competitive advantage, providing an edge in attracting talent.



Innovation Centre



Interior Health Services Building