



DOWNTOWN Victoria

2022 Annual Report
on Downtown

Introduction

I am proud to introduce the DVBA's Third Annual Report on Downtown.* This report paints a fact-based picture of Victoria's core, using quantitative data to measure the economic vitality of downtown. It reflects our businesses' experiences, challenges aspects of the public narrative, shines light on the impacts of the pandemic, and highlights areas of concern from the business perspective.

This report also helps formulate our team's actions. For example, in response to some of the challenges highlighted in last year's member survey and annual report, we created security and vandalism grants to ease the financial burden of improving storefront security.

This year, the DVBA boundary was expanded considerably to include areas already considered to be downtown by most locals. Our membership increased significantly, and we look forward to next year's survey and report to better understand the challenges faced by these new business members. By surveying, collating, and analysing data every year we can recognize trends and support the evolution of our downtown while mitigating concerns.

Do we have challenges downtown? Yes. However, notwithstanding the enduring impacts of the COVID-19 pandemic, our downtown is the envy of many. Our businesses, professional services, and festivals and events, along with our natural beauty and cohesive community, will continue to put our downtown on the world stage.

* We surveyed our members in 2020 but did not publish a report in that year as the pre-COVID data collected was not useful once the pandemic hit.



A handwritten signature in black ink that reads "Jeff Bray".

Jeff Bray,
Chief Executive Officer,
Downtown Victoria Business Association

Downtown Victoria Business Association



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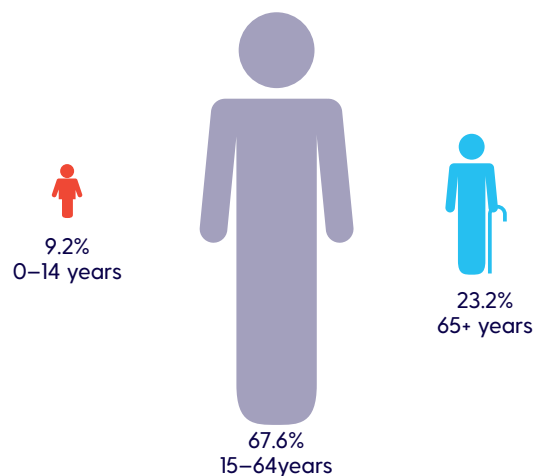
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Report at a Glance

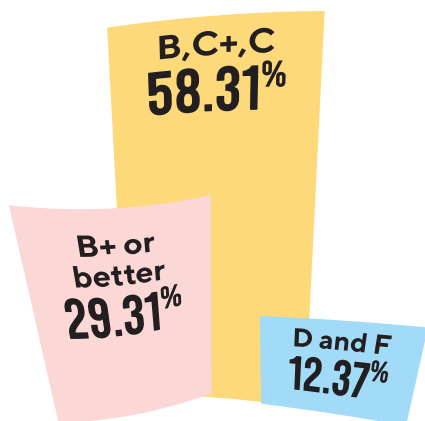
Top 3 Elements to Improve Downtown Business Environment



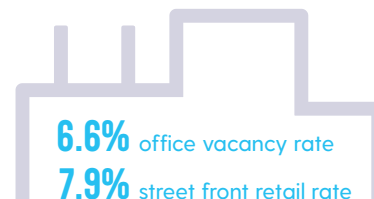
Population Breakdown



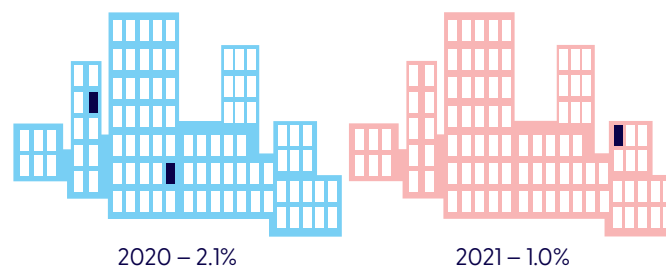
Letter Grade for Victoria as a Place of Business



Commercial / Retail Vacancy Rates



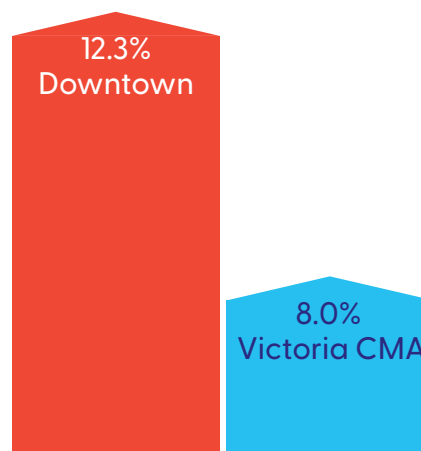
Rental Vacancy Rates



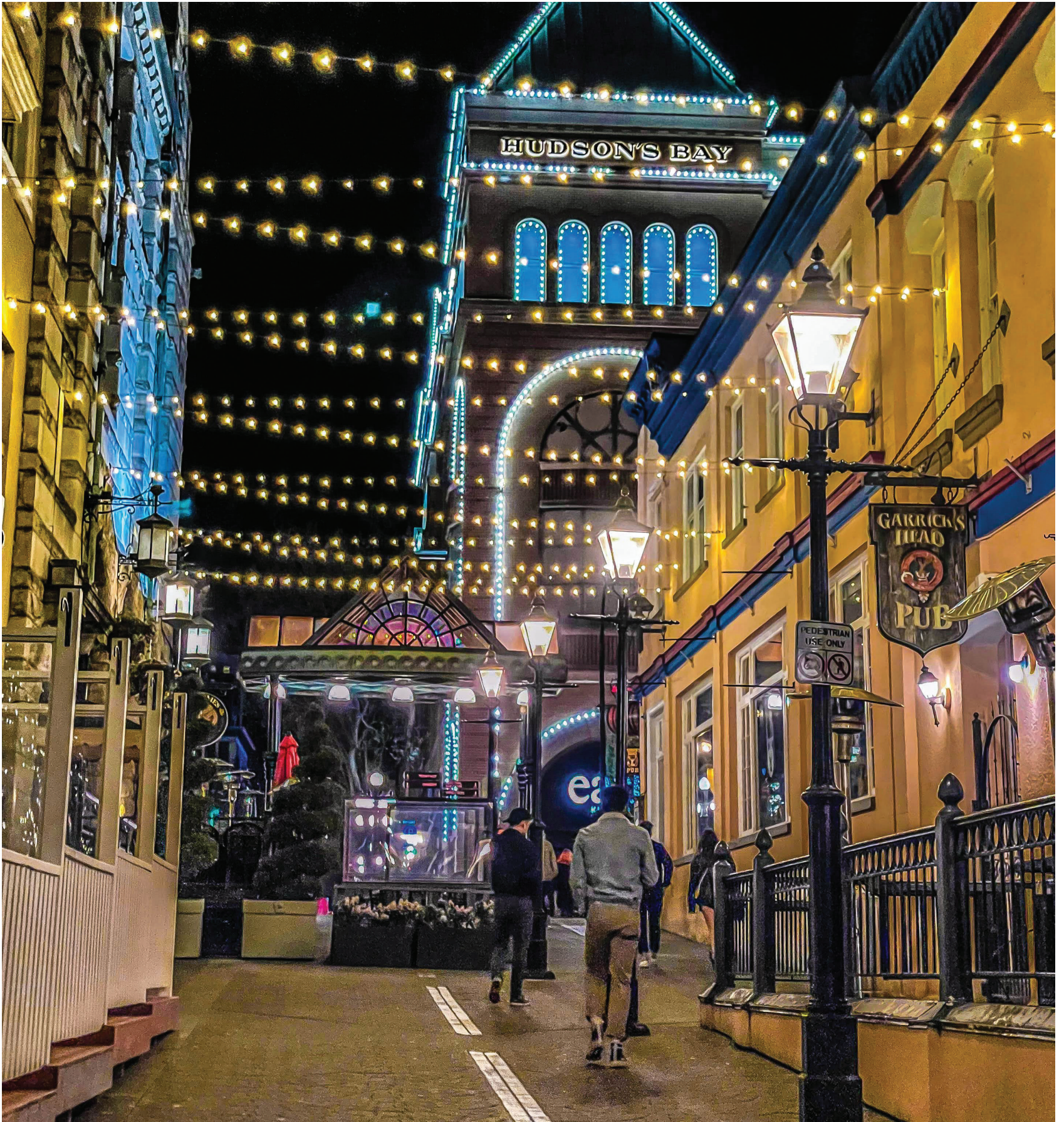
Downtown Business Ownership/ Management Diversity



Population Growth since 2016



1 Downtown Vitality



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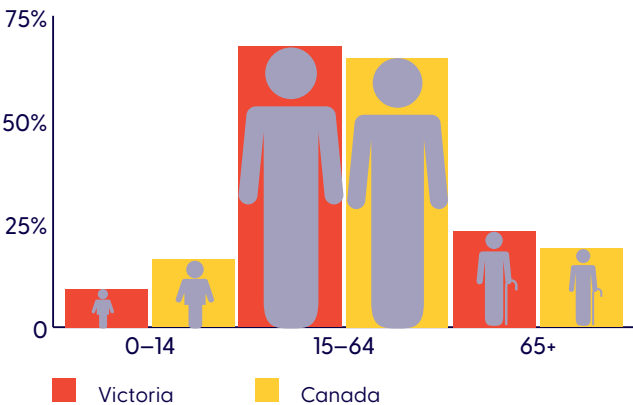
This report uses data to portray the current business environment in downtown Victoria. Overall, this year’s survey data, as well as other indicators included in the following pages, demonstrate the stability and resilience of downtown Victoria’s economy.

Living Downtown

According to Census 2021 data, the population of downtown has grown 12.3% since 2016 while the Victoria CMA (Census Metropolitan Area) grew only 8.0%. Population density of the downtown area has also seen strong growth to 5,709 residents per km² as the steadily increasing inventory of rental and condo units in the downtown area are filled with new residents.

Population growth in the Victoria CMA relied heavily on arrivals from other parts of the province with 3,279 net arrivals since the previous census in 2016. Another 1,733 residents came from other parts of Canada, while 1,261 arrivals came from abroad. The number of natural deaths exceeded the number of births by 845.

Population by Age Group



In the Victoria CY(the Census area referring to the City of Victoria), 9.2% of the population are children aged 0-14, compared to 16.3% in Canada.

23.2% of the Victoria CY population is aged 65 and older compared to 19.0% in the rest of Canada

The working age population (15-64 yrs.) is 67.6% of the total population in the Victoria CY, while this age group comprises 64.8% of the total population for Canada.

Housing

Rental Market Data Based on a 1-Bedroom Unit			
	Vacancy %	# Units	Rent
2017	0.7	13,890	\$988
2018	1.2	14,214	\$1,076
2019	0.9	14,361	\$1,127
2020	2.1	15,126	\$1,185
2021	1.0		\$1,214

Source: CMHC

Rental rates continue to climb, and housing affordability remains a key issue. According to CMHC data, rental rates in Victoria are the third highest in Canada, driven by high demand and a lack of inventory.

The CMHC data provided here references the broader area encompassed by the Victoria Census Metropolitan Area (CMA). After the vacancy rate improved in 2020, Victoria saw a drop in vacancy in 2021 due to an increase in migration into the city with returning students and recovery in the job market. This growth in demand is expected to continue, resulting in ongoing issues with supply.

The DVBA has been vocal about the need for additional housing in and around the downtown core. We also support a full range of housing options being built, that allow for young families, workers, and students to be able to live in downtown. A diverse population supports a more varied commercial sector; these downtowns are more resilient to the changes in yearly economic cycles.

“Downtown has been much more pleasant since the patios have been built. Those need to stay!”

Downtown Commercial Vacancy Rates

One key indicator of downtown Victoria’s recovery and stability is building vacancy. As you can see in the table below, office vacancy declined slightly as some new inventory was absorbed. There was a fairly significant change in retail vacancy from 6.0% to 7.9%, however, much of this new vacancy is due to plans for redevelopment of several properties with the developers only allowing short-term rentals.

	Office	Retail (street front)
2015	9.5%	8.5%
2016	7.8%	5.5%
2017	7.2%	3.8%
2018	6.4%	4.1%
2019	4.7%	3.1%
2020	7.1%	6.0%
2021	6.6%	7.9%

Source: Colliers



Downtown Victoria Business Association





Downtown Development

2021 saw the completion of two rental unit developments for a total of 244 units along with the addition of 336 condo units in four buildings. Retail square footage increased in 2021 with the completion of an estimated 53,761 square feet of retail or commercial space.

While development in 2021 continued the growth trend that we have seen over the past few years, very little new inventory is expected in any category in 2022. Developers in Victoria continue to be frustrated with slow rezoning time frames and rising costs for land, materials, and labour. Supply chain issues and labour costs are particularly impacting the ability of developers to bring new units to market since the pandemic began.

Downtown Victoria Large-Scale Development Activity							
	2016	2017	2018	2019	2020	2021	2022*
Condos (# units)	122	162	120	290	390	336	0
Rentals (# units)	176	171	352	195	90	244	245
Retail (sq.ft.)	18,690	13,957	39,855	67,252	20,001	53,761	8,300
Office (sq.ft.)	0	11,087	278,963	0	0	0	0

*Completed and expected to complete.

Source: Citified Media

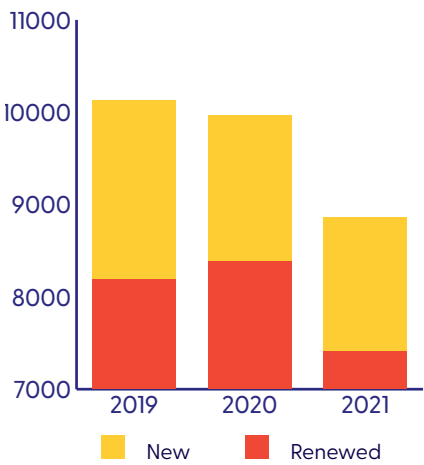




Business Licenses

According to the City of Victoria Business License data base, the number of new licenses for 2021 declined, although by a smaller percentage (8.5%) than seen in 2020 (18.1%). The major difference in 2021 is the change in the number of business license renewals. In 2020 we saw 2.4% growth while in 2021 renewals declined by 11.6%. This decrease is most likely due to the closure of businesses because of the economic downturn combined with the decision of many developers to switch to short-term rentals of commercial space while they prepare to re-develop property.

(Please note, this data is for the entire City of Victoria, not just the downtown area.)



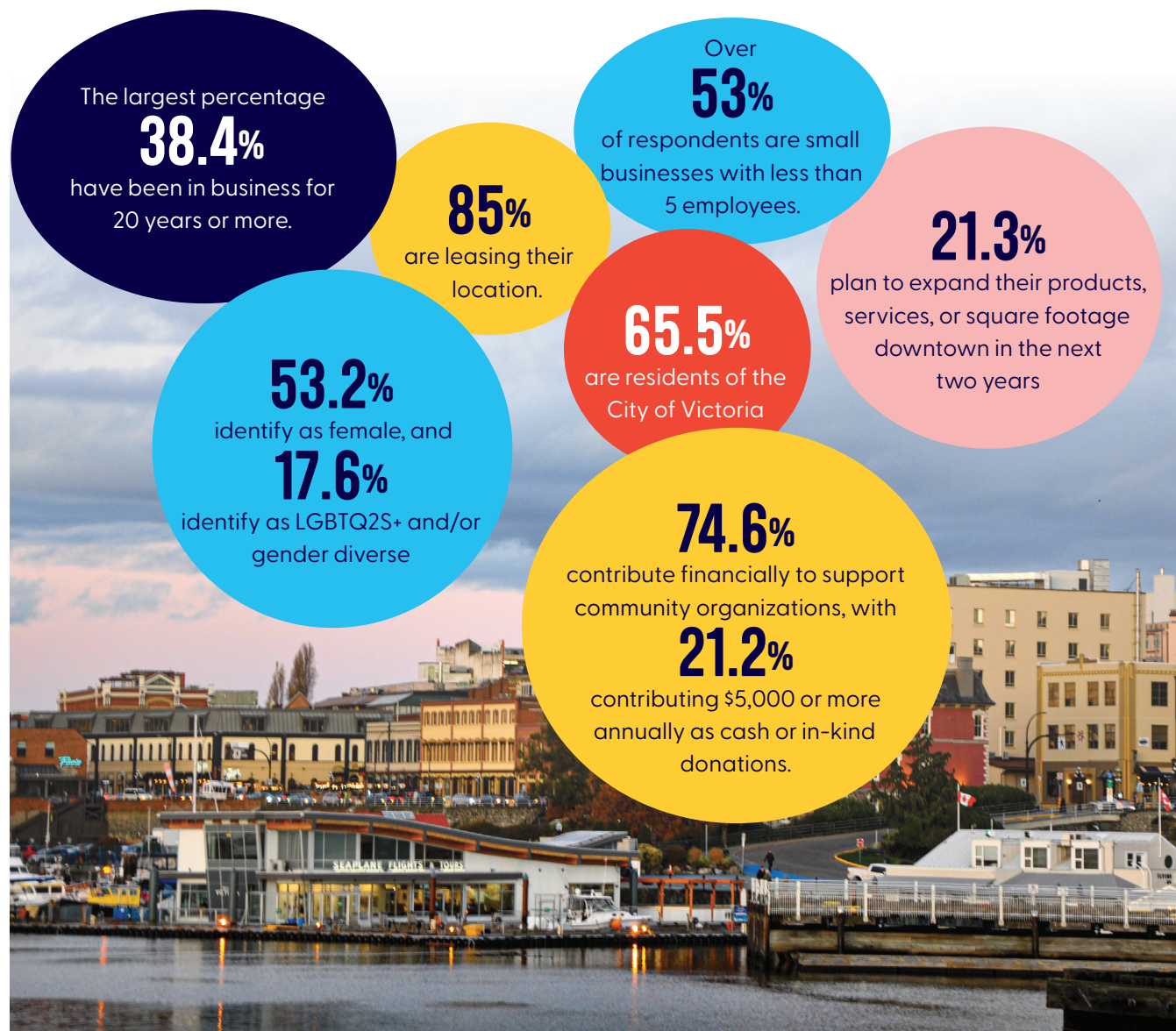
“Remind people of how important the downtown core is in a city. It’s the meeting place for everyone, it’s where community begins, it’s where visitors first arrive...”

2 Survey Results



Who are the owners, operators, and managers of the businesses that comprise downtown Victoria?

According to our survey they are...



Victoria's Diverse Downtown

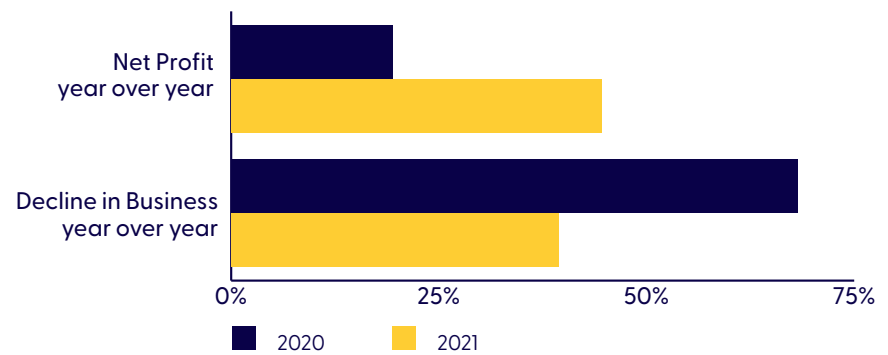
The long-standing nature as well as the diversity of ownership/management of downtown Victoria's businesses enrich the community with a variety of skills, experiences and perspectives and create an environment where all customers, visitors, and workers feel welcome. This inclusiveness attracts other businesses to the downtown, thus improving and diversifying the downtown economy. The diversity

of downtown business owners/managers is reflected in the greater Victoria region as seen in the data recently released by Statistics Canada in which Greater Victoria has the highest proportion of non-binary people in Canada, the 2nd-highest proportion of transgender people, and the highest proportion of both groups combined.



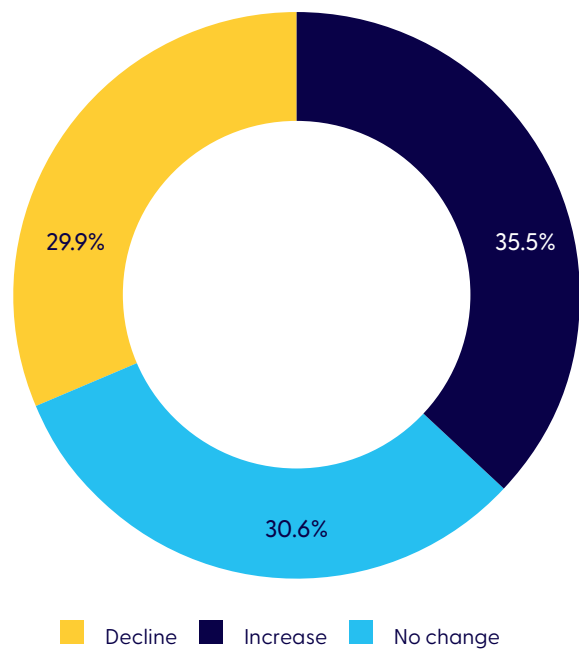
Business Health

From the survey results this year, we learned that many downtown businesses had a much better year in 2021 than 2020. When questioned about changes in net profit year over year, 44.6% of respondents indicated that they had seen growth in 2021 compared to only 19.5% in 2020. Further, the percentage of businesses who experienced a decline in this area fell from 68.2% to 39.4%.

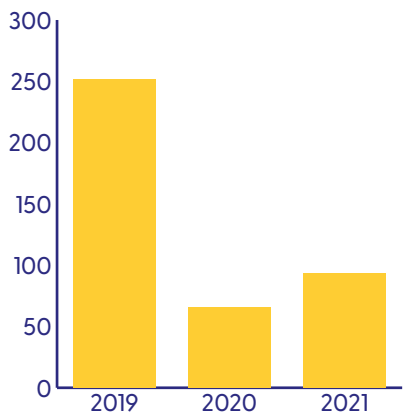


DVBA members who responded to the survey also let us know that 35.5 % increased their staffing levels in 2021 as COVID restrictions eased and business started to return.

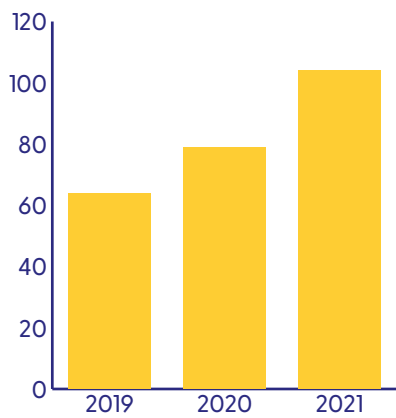
Changes in staffing levels:



Event Permits



Film Permits



Source: City of Victoria

As evidenced by the growth in both event and film permits, Victoria’s economy is in recovery. The number of event permits issued in 2021 shows a steady recovery towards pre-COVID levels while film permits show continuous growth. In 2021, the city hosted the filming of three feature films, 10 Hallmark movies, and nine TV series, including the very popular *Maid*, which attracted significant international attention for Victoria as the series remained on Netflix’s Top 5 shows list for two months after its release in the fall.

Tourism is also a key industry for downtown Victoria and performance in this sector is a strong indicator of economic health. COVID swept the rug out from underneath this industry as demonstrated by the 2020 performance data, however, 2021 shows significant recovery. Anecdotally, many tourism businesses are reporting strong bookings for summer 2022, and a return to pre-COVID business levels, however, labour and supply chain issues are still hampering many businesses.

	Occupancy (%)	Average Rate (\$)	RevPAR (\$)	YYJ traffic
2019	74.66	199.60	149.02	1,924,385
2020	33.06	155.86	51.52	574,837
2021	47.16	189.58	89.41	673,748

Source: Chemistry Consulting Group



What are the challenges facing downtown?

“Customer perception of downtown” was the number one factor identified by survey respondents as negatively impacting the economic vitality of downtown in this year’s survey with 56.4% of responses.

Second at 49.8% was “Downtown Driveability” which referred to the ease of navigation, traffic issues, construction, etc. And third, at 46.9% was “Decreased tourism due to the pandemic.” Interestingly, not a single respondent selected “Bike Lanes” as a negative factor this year, despite this being a recurring theme in the past.

“Overall there are no issues with parking if guests knew where the options were and the differing pricing options and choices available.”

“There is lots of parking downtown! The issue is the perception that it’s hard to find parking.”

Parking

This year, our survey separated “parking” from the larger list of issues impacting downtown vitality and asked respondents to identify their top options for simplifying parking for downtown customers. Here are the top three answers:

- 46.9%** would like an increased number of short-term parking spots
- 31.6%** want better real-time information on parking availability
- 27.0%** feel that there should be incentives for developers to include more parking

15.0% indicated that parking is not an issue for their business.

Other suggestions to simplify parking downtown included:

One-hour free at all public and private lots and street spaces

Better transportation options



Educate the public about the location of parking

Parking lots for downtown workers



Safety and Security

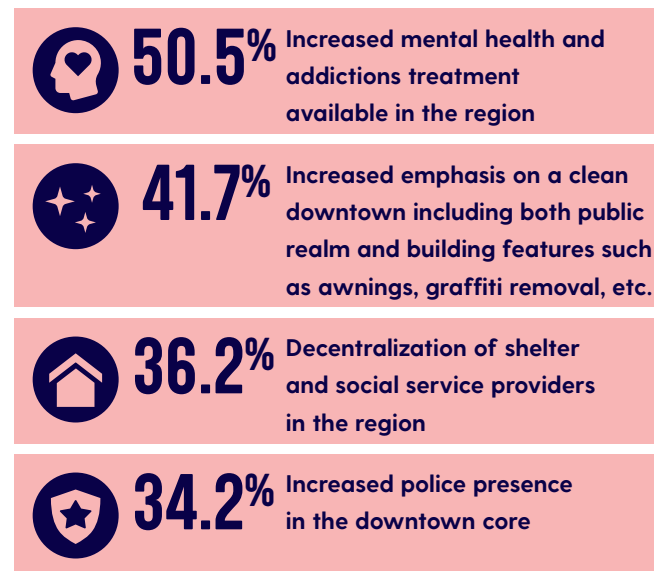
Over the past few years of surveys, Safety and Security has been a recurring theme for challenges facing downtown. To better understand the issue, this year's survey dedicated a question to this topic. When asked what the top three safety and security-related issues impacting downtown vitality, respondents overwhelmingly (87.95%) indicated that "Homelessness, mental health addictions and open drug use" was the key issue. Here are the full results in descending order of selection:

Homelessness, mental health addictions and open drug use	87.95%
PERCEPTION of downtown as unsafe	49.84%
Vandalism and theft	45.93%
ACTUAL safety and security downtown	39.74%
Lack of police presence	27.36%
On-street violence	15.31%
Poor bylaw enforcement	9.12%

Interestingly, respondents are divided on whether the perception of safety and security issues (50%) or actual safety and security issues (40%) are more of a concern. Almost 34% of respondents indicated that they had spent up to 25% more on crime prevention in 2021 over 2020 and 41% have security expenses that comprise up to 5% of their annual business operating expenses.

“Our business is expanding, but may look to move away from downtown if Victoria council continues to do nothing to make people feel safe.”

Survey respondents were asked to identify the top three elements that they felt would improve the downtown business environment...



The responses speak loud and clear. Whether safety and security issues are perceived or actual, they are front and centre for the downtown business owners, managers, staff, customers, and visitors and must be addressed.

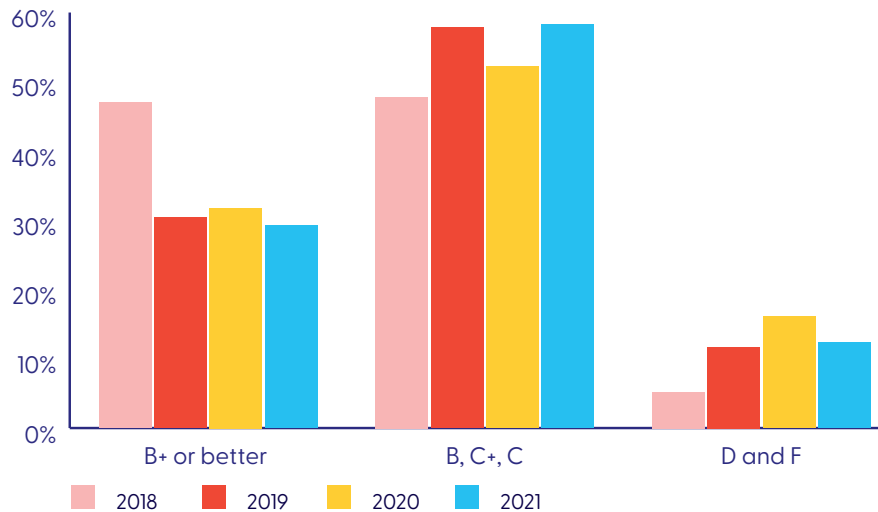
The DVBA has been actively advocating at all levels of government for support in tackling the crisis in downtown Victoria and ensuring a safe community for all people to live and work. Many of downtown's safety and security issues stem from situations of addiction, poor mental health, and homelessness and will require significant resources to address, including, but not limited to:

- Adequate funding for the Victoria Police Department;
- Work to prevent habitual offenders from being released back into the community while awaiting trial;
- Provision of complex care facilities to house and treat the most marginalized populations;
- Decentralization of the services currently in downtown to throughout the region to better serve their clientele and minimize the impact of large social service facilities on any one neighbourhood.

Looking Ahead



Letter Grade for Victoria as a Place to Do Business



The survey results for this question show a shift from the upper and lower ends of the scale towards the middle. There needs to be changes downtown for the letter grade to improve. The DVBA has been advocating for many of these needed changes and will continue to do so. We have also introduced new grants with the assistance of the City of Victoria to help mitigate the situation until the issues are better resolved.

The COVID pandemic left its mark on downtown Victoria. When employees moved to working remotely and shoppers turned to buying online, the vibrancy of our city’s core suffered. Though impactful, we saw these issues declining in the second half in 2021. However, the pandemic also brought increased awareness of lack of affordable housing and the severity of the mental health and addictions crisis in our community. These impacts are longstanding and continue to threaten our city’s resiliency.

This report identifies various aspects regarding the state of our downtown. It highlights issues, but it demonstrates some very positive outlooks. When we look at the relatively low retail vacancy rates, significant investment in construction in and around downtown, and the return of pre-pandemic economic activity in 2022, the next 10 years for downtown Victoria look very bright. This report, and every DVBA annual report, will support this positive trajectory.

Finally, the DVBA would like to thank all Greater Victorians for their tremendous support over the last two years. There is no doubt our region’s embrace of the “shop local” ethos was a major reason why we are coming out of the pandemic as strong as we are!

Sources

Citifed Media / Citified.ca

Victoria Office Market Report Q4 2021, Colliers Canada

Victoria Retail Market Report , 2021, Colliers Canada

Victoria Multifamily Market Report, Year End 2021, Colliers Canada

Rental Market Report 2021, Canada Mortgage and Housing Corporation

City of Victoria Open Data Portal – Business License Data

City of Victoria, Downtown Data Dashboard, 2021

Canada Census 2021

Victoria Tourism Bulletin, December 2019, 2020, 2021 – Chemistry Consulting Group





DOWNTOWN Victoria

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