



Contact: Alexandra Baird Allen  
Tel: 429-1811 Ext. 323  
Email: [abairdallen@turnerdrake.com](mailto:abairdallen@turnerdrake.com)

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## **ALARM BELLS SOUND ON OFFICE VACANCY RATES**

**Despite high vacancy, will the City continue to subsidize offices in industrial parks?**

The office market in Halifax weakened dramatically over the past year, with vacancy increasing from 7.87% in 2011 to 10.28% in 2012. Most areas of the city suffered, but a few stand out as particularly worrying. Is the market telling the city to stop selling cheap land in suburban industrial parks for office use, and focus instead on bringing office tenants to the downtown core? That is the question raised from the latest of fourteen rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in HRM: a team of trained researchers collected rental, operating expense and vacancy data for 299 office and industrial buildings, some as small as 5,000 ft.<sup>2</sup>, with an aggregate rentable area of over 18.4 million ft.<sup>2</sup>.

The Central Business District houses only 42% of the city's total rentable office space, but 50% of the city's vacant space is located there. The overall vacancy rate for Class A space in the Central Business District jumped 5.62 percentage points to 12.35% in December 2012 versus 2011, compared to a 3.03 percentage point increase for the other areas of city, where the vacancy rate now sits at 8.72%. Meanwhile, in the City of Lakes/Dartmouth Crossing submarket, the vacancy rate for Class A space has jumped 8.94 percentage points to 14.91% since December 2011, and now contains 10% of the city's rentable office space, but 13% of the vacant space. These numbers indicate that new suburban office supply is outpacing demand and it may be time to end the municipal practice of making suburban industrial park land available for office use – a practice which drains tenants away from the vital downtown area. Turn off the taps on city-supplied cheap land for suburban office parks and we may see office tenants moving back downtown. Successful cities are built on vibrant downtowns. With an aging population and a finite supply of emigrants from rural Nova Scotia, the window of opportunity to revitalize Halifax's downtown is rapidly closing: the city needs to take a leadership role for change – before it slams shut on our collective fingers.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, economic intelligence, and Lasercad™ space measurement advice, throughout Atlantic Canada; together with brokerage (sales and leasing) services in Nova Scotia, New Brunswick and Prince Edward Island.

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If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email [abairdallen@turnerdrake.com](mailto:abairdallen@turnerdrake.com).