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SAINT JOHN OFFICE VACANCY SKYROCKETS

Rental Rates Beginning to Tumble

Office vacancy in Saint John jumped a whopping 10.87 percentage points in 2012, to an Atlantic Canadian high of 21.17%. With vacancy rates rising, albeit more moderately, elsewhere in the region, something has got to give, and tenants may be in a position to demand deals on rental rates. That is the conclusion from the latest of fourteen rental surveys recently conducted by Atlantic Canada real estate counsellors, Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in Greater Saint John: a team of trained researchers collected rental, operating expense and vacancy data for 54 office and warehouse buildings, some as small as 5,000 ft.², with an aggregate rentable area of almost 2.9 million ft.².

The net rental rate and vacancy rate are inversely correlated: increasing vacancy foreshadows falling net rents. Vacancy was up this year in all classes of office space in the Port City for a variety of reasons, including the police force leaving their rented accommodations for new, owner occupied space, and new retail developments causing older, functionally obsolete, retail space to be added to the Class C office market rental pool. Class A space in the Central Business District saw vacancy dip slightly to 6.86% in 2012, but the rental rates remained flat. Overall, Class B, the largest of the three office classes in the City, has so far avoided a drop in the rental rate. However, with vacancy now sitting at an unsustainable 18.72%, it is likely that rental decreases from the current \$11.28/ft.² are on the horizon. Class C space has already begun to see a decline in the average net rental rate: vacancy is a whopping 39.18%, and the average net rental rate has dropped to \$9.59/ft.².

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 Daniel Slipp, please call him at (506) 634-1811 ext. 328 or email dslipp@turnerdrake.com.