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SECOND PLACE TO SECOND LAST Fredericton's Office Market Takes a Turn for the Worse

Until now Fredericton's office market had maintained its position as one of the healthiest in Atlantic Canada. For the last decade the office vacancy rate in Fredericton was one of the lowest, however over the past year the vacancy has increased and is now one of the highest in Atlantic Canada, second only to Saint John. Fredericton also commands the highest overall net rental rate in New Brunswick, even though net rents have decreased in each building class. That is the conclusion from the latest of fifteen 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 Fredericton: a team of trained researchers collected rental, operating expense and vacancy data for 53 office buildings, including buildings as small as 5,000 square feet, with an aggregate rentable area of over 2 million square feet.

The vacancy rate in Fredericton has increased from 6.97% to 8.72%, rising 1.75 percentage points from 2012; albeit a less dramatic increase than Saint John, where the vacancy increased by 8.21 percentage points, resulting in an overall office vacancy of 18.50%. The vacancy rates for Fredericton's Class A and B office markets have increased by 1.86 and 2.72 percentage points; putting the current vacancies at 7.13% and 8.93%, respectively. The vacancy for Class C space on the other hand, saw a decrease of 1.63 percentage points, resulting in a vacancy rate of 13.02%. Turner Drake anticipates that Fredericton's overall vacancy rate will decrease slightly to 7.26% in the next year driven by a slight increase in demand. Despite seeing a decline in each office class, Fredericton remains at the top of the New Brunswick market for overall net rents, settling at an average of \$12.88/ ft.². Most of the decline occurred in Class A and B office space which decreased by 0.89 and 0.94 percent respectively; Class C office net rent fell 0.9 percent.

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 André Pouliot, please call him at (506) 634-1811 ext. 321 or email apouliot@turnerdrake.com.