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DEMAND INCREASE PULLS VACANCY TO A LOW

Class A Net Rent Down 1.43%, Class B Down 5.44%

Moncton's overall vacancy rate is now the lowest in New Brunswick, after decreasing from 7.94% in 2012 to 7.72% in 2013. This is largely a result of a strong increase in space demand for Class C office space over the past year. 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 Moncton: a team of trained researchers collected rental, operating expense and vacancy data for 64 office buildings, including buildings as small as 5,000 square feet, with an aggregate rentable area of over 3.2 million square feet.

Despite seeing slight increases in vacancy for Class A and B office buildings in 2013, Moncton's overall vacancy rate is the lowest it's been since 2003. Class A and B vacancy increased by 0.35 and 0.66 percentage points to current vacancy rates of 6.30% and 6.91%, respectively. Since net rental rates and vacancy rates are inversely correlated, the rising vacancy rates influenced the falling rental rates in Classes A and B. Class A's average net rent dropped 1.43% to the lowest Class A rental rate in the Maritimes, at \$13.83/ft.²; while Class B dropped a whopping 5.44% to \$11.99/ft.², the second lowest Class B net rent in Atlantic Canada. The vacancy rate for Moncton's Class C office space fell 12.85 percentage points from 38.65% in 2012 to 25.80% in 2013. This is a result of the increase in space demand and Class C's extremely low office net rental rate (Moncton's average Class C rental rate has remained at \$9.52/ft.² for the last two years and is the lowest rental rate in Atlantic Canada). Turner Drake & Partners Ltd. anticipates that the overall vacancy rate will increase over the next year, due to a large building re-entering the market after renovations: despite this increase in vacancy, we project net absolute rent/ft.² will rise slightly due to the quality of space available.

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.