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NEW SUPPLY DRIVES ST. JOHN'S VACANCY RATE UP **Office vacancy rates highest since 2007**

Despite an increase in vacancy rates in the past year, St. John's maintains the lowest overall vacancy throughout the six major city centres in Atlantic Canada. However, it should be noted that this is the city's highest vacancy rate since 2007. Is this a result of St. John's new supply hitting the market and potentially outpacing demand? That is the question raised 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 St. John's: a team of trained researchers collected rental, operating expense and vacancy data for 67 office buildings, including buildings as small as 5,000 ft.², with an aggregate rentable area of over 3.1 million ft.².

St. John's overall office vacancy increased 1.91 percentage points, from 5.02% in 2012 to 6.93% in 2013. The majority of the increase was in Class A buildings, due to 106,000 ft.² of new office space hitting the market in the last twelve months. The vacancy for Class A rose 5.68 percentage points from almost nil, at 0.97%, to 6.65%; with roughly the same percentage growth in rental rates, from \$20.25 to \$21.42. Class B also had an increase in vacancy of 1.14 percentage points to 5.51%; while Class C dropped 4.2 percentage points to 10.75%. St. John's low vacancy rates translate into strong year-over-year growth in net rents; the city has the highest net absolute rents in Atlantic Canada. The current average net absolute rental rate is \$17.50/ft.², up 7.03% from 2012 and surpasses second place, Halifax, by almost \$4.00/ft.² Turner Drake anticipates that the scheduled future developments, totalling over 200,000 ft.² of new office space, will result in a strong initial increase in vacancy, already apparent; however this oversupply will be gradually eliminated over time as demand catches up. The net absolute rent/ft.² will continue to rise despite the increase in vacancy, reflecting the strong rental market and the quality of the new space in St. John's.

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 Matthew Smith, please call him at (709) 722-1811 ext. 316 or email msmith@turnerdrake.com.