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KILLING THE GOOSE THAT LAID THE GOLDEN EGG

While the Halifax CBD and the Downtown Halifax Peripheral submarkets are showing the lowest office vacancy rates in HRM, statistics show that Burnside is the more attractive location from which to operate a business. Although the Halifax CBD and the Downtown Halifax Peripheral areas appear healthy, with office vacancy of 6.61% and 5.61% respectively, HRM's municipal policy and actions continue to drive businesses to vacate the city centre in favour of the suburbs. Is this deliberate, or a subliminal response, favouring the municipally owned business parks at the expense of the privately owned city centre? Occupiers benefit from the lower rents, or lower building costs, and increased parking availability in the suburban locations. HRM has been subsidising development in these areas, leaving the CBD to fend for itself. The result is a hollowed out city core. The very essence of what makes Halifax . . . Halifax, is being sacrificed. HRM appears committed to killing the goose that laid the golden egg. That is the conclusion from the latest of twelve 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 295 buildings, some as small as 5,000 square feet, with an aggregate rentable area of over 18.0 million square feet.

Overall, the office vacancy rate in HRM has been declining since 2009 to its current overall vacancy rate of 7.89%. Net rents have declined slightly from $13.69/ft.^{2} in 2010 to its current $13.53/ft.^{2}. The industrial market seems to be in line with the office market with an overall vacancy rate of 7.81% and net rents sitting at $7.02/ft.^{2}. The Burnside Industrial Park comprises 80% of the rentable area in the Halifax Industrial market. Burnside has a vacancy rate of 7.06% representing 429,375 ft.^{2} of vacant space for lease. Net rents in Burnside are sitting at $6.90/ft.^{2}. What does all of this mean for HRM? We anticipate the overall office vacancy rate will climb to 8.21% within the next year driven as the increase in supply of rental space outpaces demand. We anticipate that the overall industrial vacancy rate will decrease to 7.48% as increased demand outpaces additions in supply. A significant increase in the overall net rent is also projected.

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 Ashley Urquhart, please call her at (902) 429-1811 ext. 340 or email aurquhart@turnerdrake.com.