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SAINT JOHN OFFICE AND WAREHOUSE VACANCY ON THE RISE

Demand declines in the Port City – expect the rental rate to follow suit

The overall vacancy rates for both office and industrial space in Saint John in 2009 are up over 2008, and likely to continue to climb in the year ahead. That is the conclusion from the latest of seven 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 50 buildings, some as small as 10,000 square feet, with an aggregate rentable area of over 2.5 million square feet.

The vacancy rate for office space in Saint John reversed its four year downward trend in 2009. It climbed almost 1.7 percentage points to 7.03% in June 2009, from a low of 5.37% in June 2008. The rise was driven by the top tiers of office space: Class A office space saw an increase from 5.50% to 6.81%, while Class B rose from virtual full occupancy at 2.32% to 6.69%. Even the plunging Class C vacancy rate – from a whopping 23.69% in 2008 to 11.14% in 2009 – wasn't enough to allay the effects of weakening demand for the city's rental office space. In the year ahead, demand is not expected to keep up with construction of new office space scheduled for completion. The vacancy rate will climb – and net absolute rents per square foot will decline.

The story is the same for warehouse space, where the three year declining vacancy trend ended. A 0.66% decrease in demand was the driving force behind a rise in vacancy from 8.98% in 2008 to 9.58% in 2009. As the weakened economy brings further decreases in demand in the year ahead, the vacancy rate will continue to climb...and the rental rate is likely to fall.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, and Lasercad™ space measurement advice throughout Eastern Canada; together with brokerage (sales and leasing) services in Nova Scotia.

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If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 316 or email abairdallen@turnerdrake.com.