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MONCTON OFFICE RENTAL RATE DROPS

With the highest vacancy in the province, Moncton's office rental rate is falling

The Greater Moncton office vacancy rate is down over last year, but is still above that of Saint John and Fredericton, as well as Halifax and St. John's, NL. The net rental rate is lower than a year ago – and with vacancy poised to increase, rental rates are predicted to fall further 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 Moncton: a team of trained researchers collected rental, operating expense and vacancy data for 116 buildings, some as small as 10,000 square feet, with an aggregate rentable area of over 5.6 million square feet.

In Greater Moncton, vacancy levels were up for Class A office buildings over last June, but down for Class B and C, bringing the overall vacancy rate below 10% for the first time since 2005. The overall vacancy rate fell to 9.8% from 10.9%. In terms of net rents, it was another story: average net rental rates fell in all classes of office space, bringing the overall average down 2.2%. Rental rates are closely linked to the vacancy rate, with falling vacancy indicating increasing rents. "As the impact of the recession filters through the office market, we expect that the vacancy rate will increase to 11.4% in the coming year. Decreases in the rental rate will be similar to the past year," says Turner Drake's president, Mike Turner.

Greater Moncton is the leading supplier of industrial space in New Brunswick, with 98,000 ft.² of space added to the rental pool in 2009. This was sufficient to drive the vacancy rate up from 9.4% to 9.7%, even as demand increased by 3.1% over last June. While healthier than the office rental market, the industrial market is not expected to be immune to the recession: demand will falter in the year ahead, driving the overall vacancy rate up to 10.6% and halting year over year increases in the rental rate.

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.