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FREDERICTON: STRONG OFFICE, WEAK INDUSTRIAL

Fredericton has lowest office and highest industrial vacancy in the Maritimes

Fredericton's office rental market has so far avoided the recession and the city now has the lowest vacancy rate for office space in the Maritimes. On the other hand, the vacancy rate for industrial space remains the highest in Atlantic Canada. 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 Fredericton: a team of trained researchers collected rental, operating expense and vacancy data for 58 office and industrial buildings, some as small as 10,000 square feet, with a total rentable area of over 2.4 million square feet.

Currently at 4.55%, down from 6.19% a year ago, the vacancy rate for office space in Fredericton is set to increase slightly as new supply is brought on stream in the coming year. "Rental rates are closely linked to vacancy. The lower the vacancy rate, the bigger the jump in rental rates," says Turner Drake's president, Mike Turner. A class by class analysis of office space indicates increases in the overall rental rate for the year ahead: while the Class C vacancy rate remains high at 10.9%, Class B plummeted in the past year, from 10.2% to just 5.5% and with just 1.4% vacant, there is virtually no Class A office space to be had in the city. Add in the rental premium that quality new construction will command and the overall rental rate is poised to increase slightly.

Industrial space is another story. At 14.7%, Fredericton has the highest vacancy rate in the Atlantic Provinces and Turner does not anticipate this will change in the coming year: "The current vacancy rate is incredibly high, especially in the central area of the city, where industrial vacancy is over 25%. However, in a market as small as Fredericton, landlords may stick together to resist downward pressure on the rental rate. We anticipate the vacancy will remain high in the year ahead and there will be no significant movement 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 abaird@turnerdrake.com.