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CHARLOTTETOWN OFFICE VACANCY ON THE RISE As vacancy climbs in the Charlottetown office market, rents are falling

A jump in office vacancy in Charlottetown drove down the overall rental rate. As the effects of the recession continue in the year ahead, expect both these trends to continue. That is the conclusion from the latest of four 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 Charlottetown: a team of trained researchers collected rental, operating expense and vacancy data for 31 office and industrial buildings, some as small as 10,000 square feet, with an aggregate rentable area of over 1.0 million square feet.

A 1% decrease in demand for rental space in Charlottetown translated into a 1.3 percentage point increase in the overall vacancy rate, from 11.4% in June 2008 to 12.3% in June 2009. Class A space, which was fully occupied in 2008, jumped to 4.1%, the highest level it's been since 2005. Class B increased marginally from 19.5% in 2008 to 19.7% in 2009, while Class C saw an increase from 10.3% to 12.0%. Demand for rental space is expected to decline further in the year ahead as the effects of the recession are felt throughout the Atlantic Provinces.

"The vacancy rate is the key driver of the rental rate," says Turner Drake's president, Mike Turner. "When vacancy goes up, rental rates go down." This was the case in Charlottetown in the past year: the increase in vacancy drove the overall net rental rate down 2.8%. The impact of the recession will be lasting: Turner advises landlords to lock in their leases as the rental rate is expected to continue to fall in the year ahead, and recovery is not anticipated in the foreseeable future.

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.