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HIGHEST OVERALL WAREHOUSE VACANCY IN MARITIMES **Demand Still Catching Up With New Supply**

Charlottetown's overall warehouse vacancy jumped a whopping 8.01 percentage points in 2013, to an Atlantic Canadian high of 24.51%. Will there be a large enough increase in demand for warehouse space over the next year to absorb this vacancy? That is the question raised from the latest of fifteen 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 32 office and warehouse buildings, some as small as 5,000 ft.², with an aggregate rentable area over 1.03 million ft.².

In a balanced market, the net rental and vacancy rates are inversely correlated, where increasing vacancy foreshadows falling net rents: however, over the past year Charlottetown's warehouse vacancy and net rental rates both increased. This can be attributed to high quality new space which has been brought to market over the past few years, but for which demand has yet to catch up. The impact is compounded because the market is small: slight increases in vacant square feet can have a dramatic impact on overall percentage rates. In the office market, the opposite occurred: the overall vacancy and net rental rates each fell year over year. Vacancy dropped almost 3 percentage points to sit at 11.81%, while the overall net absolute rental rate fell 5.74% to \$13.80/ft.² - still the highest in the Maritimes. We anticipate that the overall office vacancy rate will increase moderately over the next year, as new supply comes to market, outpacing growth in demand, while the net absolute rent/ ft.² will remain stable as the quality of the new space is accompanied by a slight increase in demand.

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 Mark Farrow, please call him at (902) 368-1811 Ext. 324 or email mfarrow@turnerdrake.com.