



Contact: Alexandra Baird Allen
Tel: 429-1811 Ext. 323
Email: abairdallen@turnerdrake.com

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HRM OVERALL OFFICE VACANCY RATE SET TO CLIMB **With new buildings being added to supply, can demand keep up?**

Halifax's office market showed some weakness over the past year: the overall vacancy rate increased 1 percentage point to 9.55%. With over 785,000 ft.² of office space anticipated to come to market over the next two years, will demand for office rental space be able to keep up? That is the question raised from the latest of fifteen rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in HRM: a team of trained researchers collected rental, operating expense and vacancy data for 297 office and industrial buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 18.5 million ft.².

Vacancy increased in each class of office space by approximately 1 percentage point over 2012. Class A vacancy rose to 10.39% from 9.36%; Class B to 9.21% from 8.22% in 2012; and Class C increased to 9.69% from 8.88%. Despite the increase in vacancy, Class A's net rental rate climbed over 3 % to a premium rate of \$17.56/ ft.², the second highest Class A net rental rate in the Maritimes: this increase was enough to push Halifax's overall office net rental rate up from \$13.61/ft.² to \$13.75/ft.². Class B and C, however, saw the expected decreases in the net rental rate that typically accompany a rising vacancy rate. Class B decreased 1.20% to \$13.17/ft.², and Class C fell 1.99% to \$10.82/ ft.². We anticipate that the overall vacancy rate will increase over the next year as new space is brought on stream. This is expected to coincide with a slight decrease in demand for rental space, resulting in modest decreases in the net absolute rent/ft.². As for HRM's industrial market, the overall warehouse vacancy rate rose to 9.79%, from 7.22% in 2012, driven largely by dramatic increases in vacancy in Atlantic Acres and Bayers Lake Industrial Parks, while other locations saw minimal changes in their vacancy rates. The overall net absolute rental rate remained largely unchanged, increasing by less than 1%.

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 Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email abairdallen@turnerdrake.com.