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## **MONCTON: WHAT GOES DOWN, MUST COME UP**

### **Renovated Buildings Return to Market, Causing Supply to Outpace Demand**

After falling 2.25 percentage points over the past year, Moncton's overall office vacancy rate is the second lowest in Atlantic Canada. We anticipate that newly renovated buildings re-entering the market over the next year will cause supply to outpace demand, triggering the overall vacancy to rise back up. That is the conclusion 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 Moncton: a team of trained researchers collected rental, operating expense and vacancy data for 126 office and warehouse buildings, some as small as 5,000 ft.<sup>2</sup>, with an aggregate rentable area of over 6.4 million ft.<sup>2</sup>.

Moncton's overall office vacancy rate decreased from 9.19% in 2012 to 6.94% in 2013, largely due to the drop in vacancy for Class C office space, which fell 20 percentage points from 44.18% to 24.19%. Class C had the biggest change in net rental rates as well, jumping 7.54% from \$7.69/ft.<sup>2</sup> in 2012 to \$8.27/ft.<sup>2</sup>, the second largest jump in Atlantic Canada over the past year. Class A and B space saw modest decreases in vacancy of 0.77 and 1.19 percentage points, to 6.42% and 5.89%, respectively. Class A's net rental rate increased 2.61% to \$14.15/ft.<sup>2</sup>, the lowest rental rate for premium Class A space in Atlantic Canada for the fourth year in a row, while Class B's rental rate dropped by 0.92% to \$11.82/ft.<sup>2</sup>. Overall, Moncton's office net rental rate for 2013 increased less than 1% to \$12.21/ft.<sup>2</sup>, the second lowest in Atlantic Canada. We anticipate that demand will increase over the next year but not sufficiently to prevent the vacancy rate from climbing as newly renovated space temporarily removed from supply re-enters the market. Changes in vacancy will be met with a stable net absolute rent/ft.<sup>2</sup>.

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 André Pouliot, please call him at (506) 634-1811 ext. 321 or email [apouliot@turnerdrake.com](mailto:apouliot@turnerdrake.com).