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LOWEST OFFICE VACANCY, HIGHEST RENTAL RATE

St. John's Upcoming New Office Space to Double City's Vacancy Rate

St. John's strong rental market maintained the lowest overall office vacancy rate in Atlantic Canada for the fifth year in a row, and subsequently, still boasts the highest overall net rental rate in the region. Tight vacancy and high rents have spurred new construction: over the next few years, more than 350,000 ft.² of new office space will become available, resulting in a temporary increase in vacancy as demand catches up with supply. 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 St. John: a team of trained researchers collected rental, operating expense and vacancy data for 175 office and warehouse buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 5.5 million ft.².

The overall vacancy rate in St. John's fell to 5.16% in 2013, from 5.40% in 2012. Class C, which represents 18% of the city's office supply, had the highest vacancy rate at 11.12%; while Class A and B sat low at 4.20% and 3.46%, respectively. Each of the city's building classes commanded the highest net rental rates in their class in Atlantic Canada: Class A's net rental rate jumped 4.49% from \$20.50/ft.² to \$21.42/ft.² over the past year; Class B rose nearly 2% to \$16.97/ft.²; and Class C's rental rate increased 2.17% to \$16.00/ft.². All in all, St. John's overall office net rental rate increased a total of 2.88% over the past twelve months to \$17.49/ft.², which is \$3.74/ft.² more than the second highest rental rate in Atlantic Canada (Charlottetown). Despite the expected increase in office vacancy (from 5.16% to 10.48%) stemming from the large amount of new space coming to market in the next year, the net absolute rent/ft.² will continue to rise due to the strong rental market and the quality of the new space.

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 Matthew Smith, please call him at (709) 722-1811 ext. 316 or email msmith@turnerdrake.com.