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LOWEST VACANCY, HIGHEST RENT 5 YEARS RUNNING

St. John's strong rental market meets increases in supply with solid demand

The St. John's office market is undefeated on all counts: the overall vacancy rate is the lowest in Atlantic Canada for the sixth year in a row, and the city commands the highest overall office net rental rate in the region for the fifth year. With an influx of new space becoming available over the next year, will this increase in supply continue to be met by a strong demand? This is the question that arises from the latest of sixteen 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's: a team of trained researchers collected rental, operating expense and vacancy data for 73 office buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 3.4 million ft.².

Despite new office supply coming to market, the overall office vacancy rate in St. John's fell 1.31 percentage points from 6.84% in 2013 to 5.53% in 2014. Class A led the decrease, with vacancy falling 3.37 percentage points to 3.28%. An increase in vacancy for Class B, which rose 0.99 percentage points to 6.34%, was balanced by a falling 1.22 percentage point decrease for Class C, where vacancy dropped back to single-digit territory, to sit at 9.53%.

St. John's low vacancy rate translated into year-over-year growth in net rental rates. Over the past twelve months, the average net absolute rental rate per square foot for Class A office space increased 2.05% to \$21.86, the highest rental rate for Class A space in Atlantic Canada and \$4.40/ft.² above the closest follower, Halifax. The increase in vacancy for Class B space caused a minor decrease in the rental rate, which dropped 0.18% from \$16.99 to \$16.96. Class C rents increased 0.75% from \$15.93 in 2013 to \$16.05 in 2014. We anticipate that the supply coming to market will increase vacancy over the next year but only temporarily, as the new space is expected to be met with strong demand.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, economic intelligence, planning, 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.