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NEW, IMPROVED SUPPLY DRIVES VACANCY AND RENT UP

Moncton's office market declines as renovated and new buildings return

The office market in Moncton weakened slightly over the past twelve months due to new supply coming to market outpacing demand: the overall vacancy and net rental rates increased 0.65 percentage points and 1.86%, respectively. Will demand catch up to the new (and renewed) supply over the next year? That 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 Moncton: a team of trained researchers collected rental, operating expense and vacancy data for 67 office buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 3.4 million ft.². The survey successfully collected information on 97% of the rental stock polled.

With renovated buildings returning to market and new buildings added, Moncton's Class A office supply outpaced demand, causing an increase in vacancy from 6.62% in 2013 to 10.23% in 2014. The increase in vacancy for Class A space exceeded the decrease in vacancy for Class B and C space, driving Moncton's overall office vacancy rate up 0.65 percentage points to 8.32%. The vacancy rate for Class B decreased 1.17 percentage points to 5.74%, while Class C's vacancy rate dropped 0.20 percentage points, from 25.05% to 24.85%, the second highest vacancy in Atlantic Canada. As for the overall office net rental rate per ft.² in Moncton, it increased from \$12.39 in 2013 to \$12.62 in 2014, mainly due to the growth in rental rates for Class A and C. The office net rental rate for Class A increased 4.82% to \$14.57 and Class C jumped 7.54% to \$8.27, the lowest rental rate in New Brunswick. Class B decreased 0.33% from \$11.99 in 2013 to \$11.95 in 2014. We anticipate that the overall vacancy rate will decrease to 7.30% over the next year, following a modest 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 André Pouliot, please call him at (506) 634-1811 ext. 321 or email apouliot@turnerdrake.com.