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The Tipping Point for Office Demand Temporary or Permanent Downturns?

At what point will our declining working age population begin to impact the demand for office space in Atlantic Canada? That is the question raised from the latest of seventeen rental surveys recently conducted by Atlantic Canada real estate counsellors, Turner Drake & Partners Ltd.

Our team of trained researchers collected rental, operating expense and vacancy data for 416 office buildings with a total rentable area of at least 5,000 ft², with an aggregate rentable area of over 23.5 million ft². The surveys are thought to be the most comprehensive ever conducted in Atlantic Canada. We studied the numbers in the regional centre (Halifax): the working age population within the city is increasing, but it is decreasing in rural areas and overall provincially.

To date, major urban areas have been buffered from population decline by migration from rural to urban areas, but the province's population is declining as a whole. Rural to urban migration offers limited growth in the long term: eventually, there will be no one left to migrate to the cities. Signs of an emerging trend towards demand for fewer square feet of office space per person in the labour force are developing in Halifax, Fredericton, Saint John, and Charlottetown: the decline of urban working age population stands to have significant implications on real estate demand. We have not yet witnessed a similar trend in St. John's.

History provides an example: the key driver of space demand is the growth in the provincial real (deflated) GDP. Prior to the 1990 recession, each 1% growth in real GDP resulted in a 1.8% growth in office demand. In the years immediately following that recession, growth in office demand dropped to 0.6% per 1% increase in GDP as businesses changed their operating models, relying more on home offices, back offices, or flexible office environments utilised by different workers at different times of the day. Between 2009 and 2013, each 1% growth resulted in just 0.09% growth in office demand. GDP is impacted by working age population: as our region's demographic profile continues to age and shrink, we can expect all major centres of Atlantic Canada to be impacted.

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