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St. John's Office Strong Year After Year

Lowest vacancy, highest rental rates in Atlantic Canada sixth year in a row

St. John's continues to have the lowest overall vacancy rate and highest rental rates for office space in Atlantic Canada. With over 300,000 ft.² of office supply coming to market in the next few years, we anticipate an increase in vacancy due to the new space, accompanied by softening demand as the economy weakens with low oil prices. That is the conclusion from the latest of nineteen 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: our team of trained researchers collected rental, operating expense and vacancy data for 75 office some as small as 5,000 ft.², with an aggregate rentable area of over 3.59 million ft.². The survey successfully collected information on 98% of the rentable stock polled.

The overall office vacancy rate in St. John's fell 1.16 percentage points to 4.85%, the lowest overall vacancy in Atlantic Canada. Class C led the charge, with vacancy falling 4.46 percentage point to 5.07%, followed by Class B, which decreased slightly from 6.35% to 6.22%. At 3.60% vacancy, Class A office space in St. John's is effectively at full occupancy. However, as new high quality space continues to become available we anticipate an increase in vacancy particularly for Class A space, and expect the overall vacancy rate will climb to 6.75%.

In terms of net rental rates, St. John's continues to command the highest overall office rental rate in Atlantic Canada at \$17.96/ft.². This year's increase of 1.53% is largely due to the average rental rates of Class B office space which jumped from \$16.96/ft.² to \$17.50/ft.². Despite dropping 1% over the last year, the city's Class C office rental rate sits pretty at \$15.89/ft.², which is higher than new Class A space in the other major cities in Atlantic Canada, excluding Halifax. Class A space in St. John's commands a premium rental rate of \$21.93/ft.², \$4.64/ft.² more than runner-up, Halifax. The overall net rental rate for office space by location is as follows: Halifax \$14.03/ft.²; Moncton \$12.75/ft.²; Saint John \$11.65/ft.²; Fredericton \$13.36/ft.².

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.