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HIGH TAXES, HIGH VACANCY

Economic Downturn Pushing Tenants out of Downtown St. John's Office Space

Collapsing oil prices and soaring taxes are to blame for the spike in office vacancy in St. John's. In particular, the downtown core is suffering: businesses are vacating the area due to reduced revenues, increased expenses and new, affordable stock in other parts of town. After declining steadily from year to year since 2012, St. John's office vacancy rates finally cracked under the strain of the current economic downturn, with the overall vacancy skyrocketing from just 4.84% in 2015 to 11.41% in 2016. This is just one of several striking conclusions reached by Turner Drake & Partners Ltd. as part of their Atlantic Canada June 2016 surveys.

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 81 office buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 3.7 million ft.².

Class A office vacancy rates increased to 9.26% last year from 3.44% – and from 0.97% just four years ago! Class B office vacancy climbed as well, from 6.40% to 13.01%. Class C office vacancy saw the largest increase of all, rising from 5.07% in 2015 to 13.74% in 2016. In historic fashion, new supply has arrived on the market just in time for the economic bust. Limited growth in demand as oil prices remain depressed could mean that the rise in office vacancy is not yet over for St. John's. There is quality stock available: tenants with operations less susceptible to the boom-bust cycle of the oil and gas industry should keep an eye out: they might do well to consider buying low and locking in their leases.

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 and Ontario; 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 (709) 722-1811 ext. 316 or email msmith@turnerdrake.com.