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MONCTON'S CLASS C OFFICE DEMAND ON THE RISE

Moncton has among the lowest office vacancy rates in Atlantic Canada. Demand for office space at each end of the class spectrum was up this year. The city's high Class C vacancy rates improved, dropping from a problematic 18.69% in 2015 to 14.80% in 2016, while the Class A vacancy rate dropped from 9.34% to 8.56% despite more than 85,000 ft.² of space being added to the class. Class B space suffered, with demand dropping by 8.21%, bringing the vacancy rate up 4.73 percentage points to 11.85% and suggesting that Class B tenants may be opting to take advantage of falling Class C rents. 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 Moncton: a team of trained researchers collected rental, operating expense and vacancy data for 69 office buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 3.5 million ft.².

Although the overall vacancy rate has crept upward, Moncton is continuing to thrive commercially, indicated by the noteworthy drop in the city's Class C vacancy rate and the fact that demand for Class A space exceeded additions to its supply – an anomaly in the Atlantic region of late. But neither came without impact on the net rental rate. Class A rents were virtually stagnant, edging up just \$0.03/ft.², while Class C rents actually fell by \$0.39/ft.². Class B space, on the other hand, saw rental rates climb \$0.52/ft.². The rental rate changes for B and C space created a more logical separation between their prices, which last year were only \$0.22/ft.² apart on average; they now have a spread of \$1.13/ft.² on average. This dynamic may have played a role in attracting tenants to inexpensive Class C space, and highlights the opportunity for start-up companies looking to move into the city or expand their business to lease their desired space while rental rates remain stable.

What will happen next? Expect the overall vacancy rate to increase again over the next year as new space is brought on stream. Rental rates should remain relatively stable.

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 Andre Pouliot, please call (506) 634-1811 ext. 321 or email apouliot@turnerdrake.com.