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## HIGH OFFICE VACANCY: PROBLEM OR OPPORTUNITY?

Fredericton's office vacancy rates are on the rise. Overall vacancy is 11.63%, up from 9.64% in 2015. Despite the seeming doom and gloom of increasingly empty office spaces, is there a hidden gem of opportunity for prospective tenants? This is the question raised from 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 Fredericton: a team of trained researchers collected rental, operating expense and vacancy data for 56 office buildings, some as small as 5,000 ft.<sup>2</sup>, with an aggregate rentable area of over 2.2 million ft.<sup>2</sup>.

Vacancy rates and rental rates work in concert with each other, one moving up as the other moves down in a push/pull dance. Class C vacancy skyrocketed from 12.67% to 18.87% and net rental rates fell. Class B also had a slight decrease in rental rates – but vacancy dropped slightly from 10.91% to 10.64%, indicating that falling rents may have lured some Class C tenants to higher quality space. Rental rates for Class A space barely budged year over year, though they did buck the downward trend witnessed by other classes, creeping up by \$0.08/ft.<sup>2</sup> on average. It was not enough to buoy the overall average rental rate, which fell to \$13.42/ft.<sup>2</sup> from \$13.47/ft.<sup>2</sup> a year ago.

With lots of space to choose from and low rental rates, the opportunity is ripe for business start-ups or those looking to expand or move their business into the city to take advantage of the capital's two universities, seat of provincial government and thriving cultural scene. With rental rates for Class A space just \$0.10/ft.<sup>2</sup> above where they were six years ago, tenants stand to keep more profits in their own pockets, but still enjoy the benefits of locating in the provincial capital.

What will happen next? Expect the overall vacancy rate to decrease slightly over the next year, with a moderate expansion in current building supply and a small increase in demand.

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](mailto:apouliot@turnerdrake.com).