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Press Release

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TENANTS: HALIFAX NEEDS YOU!

It's a renter's market for office and industrial space users. Vacancy remains close to its record high for office space in Halifax Central Business District and industrial space in Burnside Industrial Park. There has never been a better time for tenants to find a good deal. For out-of-province companies without a footprint here, this is the opportunity to locate their business in a beautiful, historic city by the sea ... with its low cost of living and east coast lifestyle. These are the conclusions from the latest of 22 rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in HRM: a team of trained researchers collected rental, operating expense and vacancy data for 315 office and industrial buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 19.8 million ft.²

Downtown office vacancy has receded somewhat over the past year, but still remains at the second highest level this millennium. The net rental rate per square foot is showing signs of fatigue as well, hovering at roughly the rate it was two years ago. Meanwhile, in Burnside, new warehouse space is being added to the market faster than you can say "lease me!" There is more than double the amount of available space to choose from than ten years ago. Although the vacant space hasn't yet sent net rents to the basement, someone walking into the main level might be able to give them a shove in that direction.

Just how much leverage might prospective tenants have? Consider that ten years ago, the overall vacancy rate for downtown office space was just 5.2%, Class A vacancy was 4.2%, Class B was 5.8%...and that the situation was set to *improve* the following year. That was before the perfect storm: a global financial crisis, changes in the way businesses occupy space (i.e. fewer square feet per employee) and over construction. Just 312,060 ft.² (net) of office space were added to the downtown market in the past 10 years, an increase of 7%. But vacancy has now climbed to 14.6%, held in check only by the relatively reasonable 12.9% rate for Class B space ... Class A and C are 16.2% and a staggering 38.9%, respectively. Since 2006, the downtown has seen an additional 464,000 ft.² of vacant office space, an increase of 202%. Net rents have increased overall at 65% of the municipal inflation rate (though Class A rates fared better, outpacing it by 0.3 percentage points). This year, an additional 350,000 ft.² of new office space is to be brought on stream: vacant office space will climb to over one million ft.² ... the equivalent of 1.5 Purdy's Wharfs! One fifth of all office space in the Central Business District will then be vacant; a post-war record! Vacancy is the key driver of the net rental rate: as it climbs, the downward pressure increases, so tenants can expect the low rents to get lower.

In short, it's a great opportunity for tenants: plenty of space from which to choose and plenty of negotiating power on the rental rate. High vacancy rates provide landlords with the opportunity to reduce their property assessments: for net leases, tax savings will be passed on to the tenant ... and Halifax phased out the Business Occupancy Tax, so the potential savings just keep piling up. Right here, right now, the magic of leverage is on the tenants' side: spend less, retain more ... add crackle to a dynamic city.

Turner Drake & Partners Ltd., a "home grown" Nova Scotia company, has provided real estate advice for over forty years. From their offices in Halifax, St. John's, Charlottetown, Saint John and Toronto they provide landlords and tenants with property tax, valuation, counselling, planning, economic intelligence, Lasercad® space measurement and commercial brokerage advice.