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Press Release

TRIPLE-DOUBLE: ST. JOHN'S OFFICE VACANCY RATES SOARING

In a city particularly prone to economic booms and busts, the St. John's rental office market is feeling the pain of sky-rocketing vacancy rates. Overall office vacancy has reached its highest level since December 2002, now sitting at 12.7%, up from 7.7% a year ago. The increase is driven exclusively by increasing vacancy for Class A and B space, which have more than doubled and tripled respectively, since oil prices began to drop two years ago. Class A vacancy climbed from 4.1% in December 2014 to 10.8% in December 2016, while Class B vacancy blasted from 4.2% to 15.7% over the same period. But tenants are not yet seeing the silver lining of a high vacancy rate, lower net rental rates. Vacancy is a product of supply and demand; upward pressure on that rate stems from falling demand (-1.4% year over year) and increasing supply (4.3% year over year). High quality new space being brought to market has thus far prevented net rents from falling overall. In fact, the year over year increase in the overall net rental rate between December 2015 and December 2016 was equal to the average annual compound increase in rents over the past ten years from 2006-2016, i.e. 5.2%. This is unlikely to be sustainable: tenants should watch the market carefully for opportunities to lock in leases at bargain rates as vacancy remains high.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian 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 tenants and landlords with leasing, property tax, valuation, counselling, planning, economic intelligence, and Lasercad® space measurement advice.

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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.