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Press Release

PERIPHERAL DOWNFALL: VACANCY UP IN MONCTON'S SUBURBS

The combination of new space coming to market and some tenants vacating their office space resulted in skyrocketing vacancy for Greater Moncton's peripheral office market. The overall vacancy rate jumped from 3.26% in 2015 to 16.05% at the end of 2016 for office space outside the Central Business District (CBD), and average net rental rates fell slightly in response, from \$12.93 to \$12.80 per square foot. Greater Moncton's peripheral office market is comprised almost entirely of Class A and B buildings. Class A vacancy climbed from 4.37% in 2015 to 12.70% a year later, driven largely by new space being brought on stream, even as demand fell. Class B fell victim to some large tenants vacating entire buildings: moving to owner-occupied space or shuttering operations.

The vacancy rate is the primary driver of the net rental rate, and on this front, Class A managed to avoid, for the time being, a decrease in rents commensurate with climbing vacancy. Average net rents climbed 7 cents per square foot, from \$13.83 to \$13.90. Class B obeyed the invisible hand however and saw its net rental rate drop by 30 cents/ft.² or 2.35%, from \$12.76 a year ago to the current \$12.46. Moncton's CBD fared slightly better than the periphery of the Greater Moncton Area: vacancy fell for each of Class B and C space, but increased for Class A, resulting in an overall vacancy creep of 0.99 percentage points, and an increase in the average net rental rate of 43 cents, or 3.38%, per square foot.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian, 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.

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If you would like more information about this topic, or wish to schedule an interview with André Pouliot, please call him at (902) 429-1811 ext. 321 or email apouliot@turnerdrake.com.