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FOR IMMEDIATE RELEASE:

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Press Release

A 5% OFFICE VACANCY RATE IN HALIFAX? COMING IN 2042!

The vacancy rate in Halifax's CBD is up over a year ago – not surprising, with an additional 338,694 ft.^{2} of rentable space on the market, 80% of it Class A. Vacancy now sits at 17.32% ... a far cry from the 5% considered a healthy market. How far? 625,750 ft.^{2} of the 879,665 ft.^{2} of currently vacant office space would need to be leased to restore equilibrium to the downtown office market. At the average absorption rate of the past five years, i.e. 25,420 ft.^{2} per annum, it will take 25 years to achieve a 5% vacancy rate with the current building inventory … but more new supply is currently under construction. These are the conclusions from the latest of 24 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 317 office and industrial buildings, some as small as 5,000 ft.^{2}, with an aggregate rentable area of over 20.0 million ft.^{2}

The bellwether for Halifax's office market is the downtown Central Business District (CBD), where vacancy reached 17.32% in December 2017, up 2.7 percentage points from a year ago (14.64% vacancy in December 2016), and a frightening 15.2 percentage points above the 15-year low of 2.16% vacancy rate in December 2008. It has been a shockingly fast climb, driven by a construction boom of new office space coming to market in the face of a changing market. An aging population means a reduced workforce. Added to that, companies are changing how they use office space, downsizing their total footprints via fewer square feet per employee. The trend towards virtual commuting and more collaborative work spaces have made this possible: individual offices are not *au courant*.

The Class A market now has 150,433 ft.^{2} of vacant space – the equivalent of 56% of the 269,169 ft.^{2} of new space which was added to the market in the past year; Class A net rental rates have fallen 0.45% year over year in the face of a vacancy rate which climbed to 21.8% from 16.2%. A lull in new space coming on stream in 2018 will allow demand to catch up, briefly, before more space comes on stream starting in 2019. The building boom is not sustainable, and comes at a price beyond even the taxpayer cost of the government subsidies which contributed to it. Landlords of space old and new will see their rental rates kept low due to an imbalance of supply and demand. The city's tax base stands to suffer as property assessments will be (justifiably) reduced for buildings whose revenues are depressed. Heritage properties, expensive to maintain and operate, will continue to be placed at risk unless heritage preservation incentives are increased to outweigh the economic incentive to demolish them: the very identity of Halifax as a historic city stands in the balance.

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.

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If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email abairdallen@turnerdrake.com.