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Press Release

OFFICE VACANCY ON THE DECLINE IN NEW BRUNSWICK

Falling office vacancy rates year-over-year were accompanied by small increases in average net rents for New Brunswick's three major cities. The total office vacancy rate for Fredericton, Saint John and Moncton edged down between June 2017 and 2018 to 13.62%, as vacancy fell for each individual city. Saint John enjoyed a drop in its vacancy rate sufficient to push it below the 20% mark for the first time in four years. Overall, New Brunswick's office markets have the healthiest vacancy in Atlantic Canada, outperforming Halifax, where vacancy fell to 15.25% this year, and St. John's, where it jumped to 20.01%. These are the conclusions from the latest of 25 rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

Fredericton's overall vacancy rate dropped from 11.13% in June 2017 to 9.44% in 2018; it is the only Atlantic Canadian city surveyed with overall vacancy in the single digits. Moncton also saw a decrease, from 13.40% to 12.17% over the same period. Saint John still lags, but with vacancy declining from 20.70% in 2017 to 17.01% in 2018, there is cause for optimism. The vacancy rate is the primary driver of the net rental rate, and average net rents for each of Fredericton and Saint John increased, by 1.42% and 0.47%, respectively. Fredericton's average net rent is now \$13.56/ft.² and Saint John's is \$12.78/ft.². In Moncton, meanwhile, penny rounding negates any change in the average net rental rate, which went from \$13.00/ft.² to \$12.99/ft.². Rental rates in all three cities are below the regional average (\$14.44/ft.²), and represent the lowest rates in Atlantic Canada versus an average of \$13.97/ft.² in Halifax and \$18.88/ft.² in St. John's NL.

The Central Business District (CBD) and in particular, its Class A space, is the bellwether of a city's office rental market. In Fredericton's downtown, vacancy increased from 7.99% to 9.79%, while the average net rental rate fell 0.34% from \$14.92/ft.² to \$14.87/ft.². But for Class A space in the CBD, vacancy declined from 8.44% to 8.14%, while the net rental rate rose 3.69% from \$15.71/ft.² to \$16.29/ft.². Uptown Saint John enjoyed a drop in vacancy overall, from 21.10% to 20.64%, and for Class A space, from 18.25% to 18.18%. Average net rents remain in the tenants' favour, falling 1.20% from \$12.47/ft.² to \$12.32/ft.² overall and remaining flat at \$15.83/ft.² for Class A space. In downtown Moncton, falling average net rental rates may have encouraged tenants to sign leases. The overall average net rental rate decreased 0.83% from \$13.21/ft.² to \$13.10/ft.², and the Class A average declined 1.51% from \$15.23/ft.² to \$15.00/ft.² as vacancy tightened from 9.38% overall to 8.93%, and from 9.57% to 8.90% for Class A space.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian real estate 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 André Pouliot, please call him at (902) 429-1811 ext. 321 or email apouliot@turnerdrake.com.