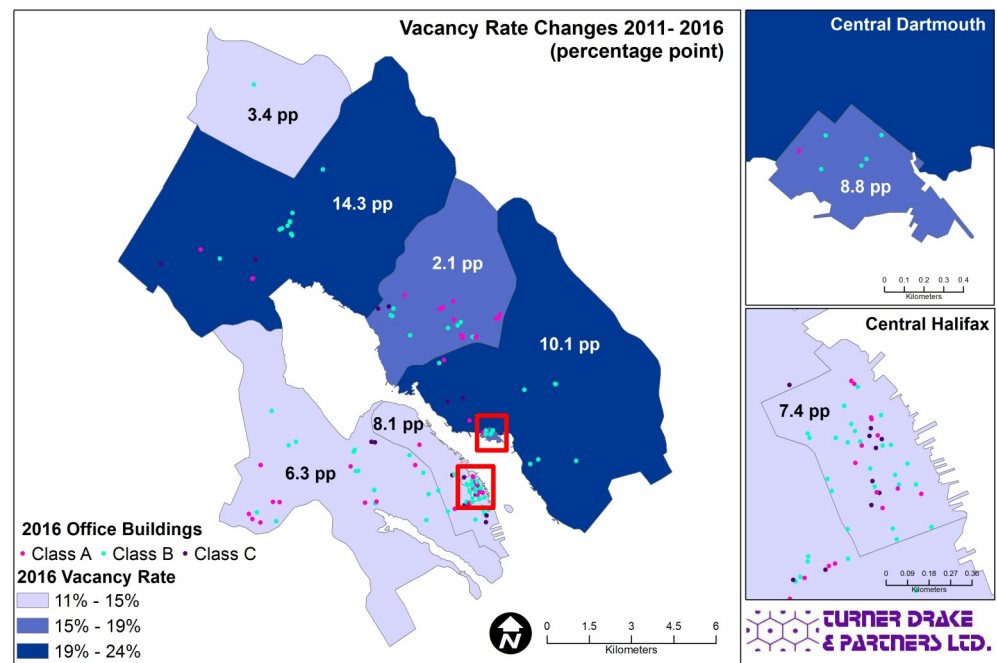


Subject: Offices to the 'Burbs and Back Again?

Comments: Office vacancy increased again in HRM. We surveyed every office building with a rentable area of 5,000 ft.² or greater: 162 buildings, totalling 11,467,283 ft.² in rentable area. Broad demographic, economic and workplace changes, municipal planning policies and financial constraints on development are driving demand for office space. This month's TDP Trends looks at the evolving geography of office space in Atlantic Canada's regional centre.

The HRM office market is broken down into 8 urban and suburban submarkets. Over 950,000 ft.² of office space has been added to the rental market in the past 5 years, all of it located in 4 submarkets: Central Halifax (CBD), Bedford, Burnside/City of Lakes and Suburban Halifax. The vacancy rate almost doubled between 2011 and 2016. In fact, the total amount of additional vacant space on the market in June 2016 versus 2011 is approximately equal to the net total of rentable space added to the market. Vacancy increased in every submarket, but its changes indicate a shift in where demand for office space is flowing: to suburban business parks. Burnside/City of Lakes and Suburban Halifax experienced among the lowest increases to their vacancy rates city-wide, despite increases in inventory. The following map shows the geography of changes in vacancy between 2011 and 2016:



But will the move to the 'burbs continue, or are we seeing the beginning stages of a shift back to downtown? According to a recent panel discussion at the Atlantic Real Estate Forum, many office tenants are now looking for downtown office space with LEED certification, open work spaces, proximity to amenities, contemporary design and smaller square footage. Halifax's CBD has over the past several years been experiencing a building boom. Many projects are residential in their focus, with smaller components of office and/or retail space on the lower floors, but several represent significant additions to the office inventory, the first since the 1980s. This urban space competes against the new, modern office developments in suburban business parks, which were previously the only option for newly built space in the city. In our earlier Trends (**Volume 1, No. 13**), we predicted demographic change in HRM in the next decade, with more retirees and working age residents abandoning suburban areas and moving towards the urban centre to live. As the population concentrates in the urban core, it may spur increased demand for urban office space, located in close proximity to its employees and consumers.

