

# MARKET SURVEY (JUNE 2006) GREATER FREDERICTON OFFICES

## Scope

This survey included every office building with a total rentable area of 10,000 ft<sup>2</sup> or greater, available for rent in the Greater Fredericton Area. Rental, operating expense and vacancy data was collected on 46 buildings with an aggregate rentable area of 1,971,753 ft<sup>2</sup> using a team of trained researchers. The survey successfully collected information on 100% of the rental stock polled. Data analysis prior to June 2006 is based on information gathered by a similar but smaller survey conducted by Cushman & Wakefield LePage for PWGSC.

## Vacancy Rates

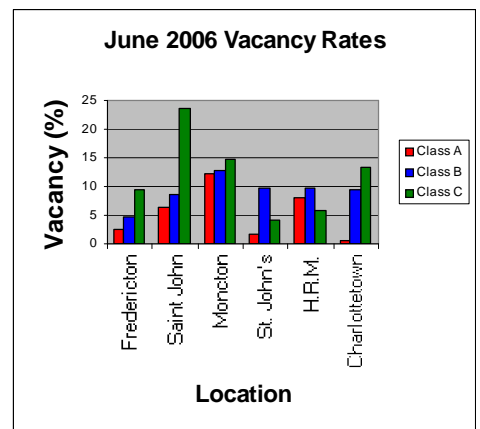
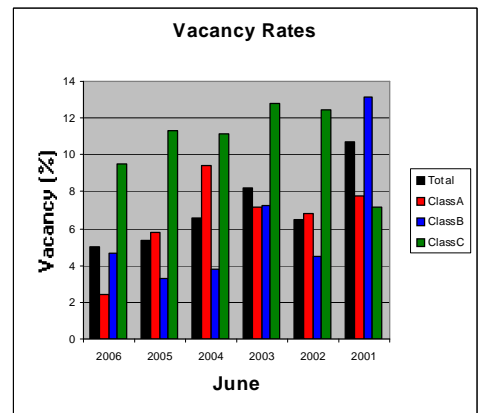
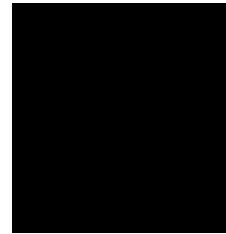
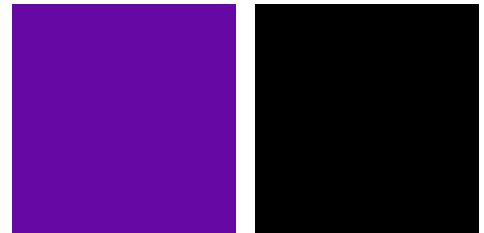
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have “presence” by virtue of their distinctive design and lobbies, and attract the largest firms of lawyers and accountants. Class B buildings offer “no frills” modern, airconditioned space. Tenants typically include second tier firms of lawyers and accountants, together with a wide selection of private sector companies, provincial and local government agencies. Class C buildings include all offices not classed as “A” or “B”. The vacancy rate for all classes of office buildings peaked in 2001 and 2003 and has fallen steadily since then. The current vacancy rates in Greater Fredericton are: Class A 2.43%; Class B 4.67%; Class C 9.48%; Overall 4.97%.

Our survey includes all the major centres in Atlantic Canada. The graph indicates the vacancy rate for each building class in each city. The **overall** vacancy rate by location is as follows: Greater Fredericton 4.97%; Greater Saint John 10.96%; Greater Moncton 12.84%; Greater St. John’s 6.04%; Halifax Regional Municipality 6.53%; Greater Charlottetown 7.50%.

The **overall** vacancy rate is a useful predictor of changes in the net absolute rental rate/ft<sup>2</sup>. A falling vacancy rate portends increasing rents, and vice versa. Empirical data indicates that net absolute rent/ft<sup>2</sup> movements follow the following pattern in a **falling** vacancy rate market: Fairly Stable ( $\geq 12\% < 16\%$ ); Very Slight Increase, Reduced Rental Incentives ( $\geq 10\% < 12\%$ ); Slight Increase, Rental Incentives Removed ( $\geq 8\% < 10\%$ ); Modest Increase ( $\geq 6\% < 8\%$ ); Strong Increase ( $\geq 4\% < 6\%$ ); Major Increase ( $< 4\%$ ).

## Forecast (Next 12 months)

We anticipate that the overall vacancy rate will fall to 4.36% from the current 4.97%. There will be a 15% increase in the net absolute rent/ft<sup>2</sup>.



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