

# MARKET SURVEY (DECEMBER 2006) H.R.M. 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 Halifax Regional Municipality. Rental, operating expense and vacancy data was collected on 123 buildings with an aggregate rentable area of 9,083,367 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 December 2006 is based on information gathered by a similar but smaller survey conducted by Cushman & Wakefield LePage for PWGSC.

## Vacancy Rates

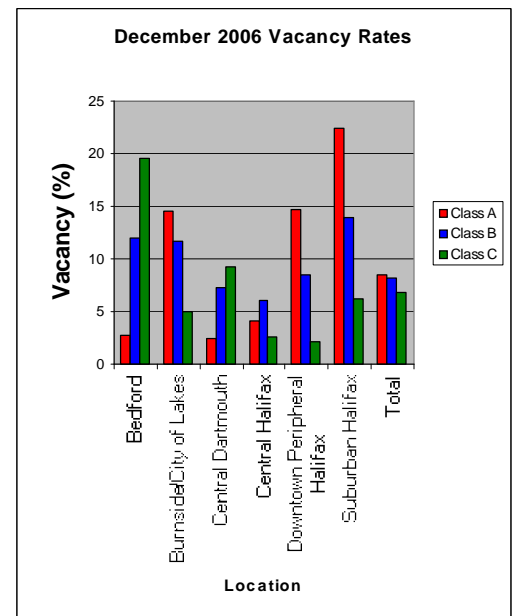
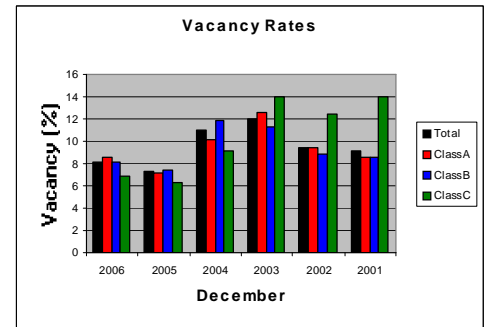
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have “presence” by virtue of their distinctive 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 2003, fell in 2004 and 2005 and has climbed again in 2006. The current vacancy rates in H.R.M. are: Class A 8.55%; Class B 8.21%; Class C 6.86%; Overall 8.17%.

Our survey also measured the vacancy rate by geographic node. The graph indicates the vacancy rate for each building class in the various areas of HRM. The **overall** vacancy rate by location is as follows: Bedford 12.13%; Burnside 12.53%; Central Dartmouth 6.44%; Central Halifax 5.30%; Downtown Peripheral Halifax 8.83%; Suburban Halifax 14.05%.

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 increase to 8.31% from the current 8.17%. There will be no change in the net absolute rent/ft<sup>2</sup> overall, but rents will continue to move upwards in the Halifax CBD.



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