

MARKET SURVEY (JUNE 2007)

H.R.M. OFFICES

Scope

This survey included every office building with a total rentable area of 10,000 ft² or greater, available for rent in the Halifax Regional Municipality. Rental, operating expense and vacancy data was collected on 124 buildings with an aggregate rentable area of 9,198,986 ft² using a team of trained researchers. The survey successfully collected information on 96% 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

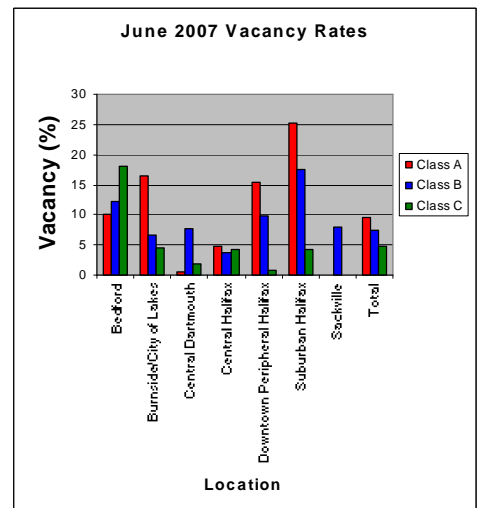
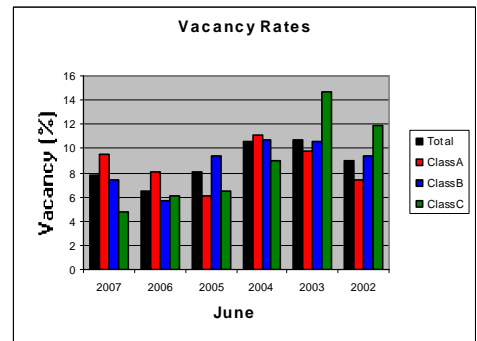
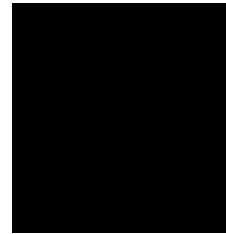
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have “presence” by virtue of their distinctive 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 2003/2004, fell in 2005 and 2006 and has climbed again in 2007. The current vacancy rates in H.R.M. are: Class A 9.51%; Class B 7.47%; Class C 4.80%; Overall 7.79%.

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 13.24%; Burnside 11.54%; Central Dartmouth 5.30%; Central Halifax 4.03%; Downtown Peripheral Halifax 9.42%; Suburban Halifax 16.25%; Sackville 8.10%.

The **overall** vacancy rate is a useful predictor of changes in the net absolute rental rate/ft². A falling vacancy rate portends increasing rents, and vice versa. Empirical data indicates that net absolute rent/ft² 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 somewhat from the current 7.79%. There will be no change in the net absolute rent/ft² overall, but rents will continue to move upwards in the Halifax CBD.



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