

MARKET SURVEY (DECEMBER 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 135 buildings with an aggregate rentable area of 9,531,275 ft² using a team of trained researchers. The survey successfully collected information on 98% 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

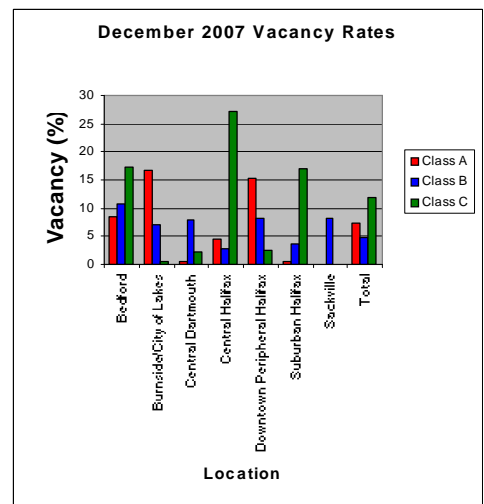
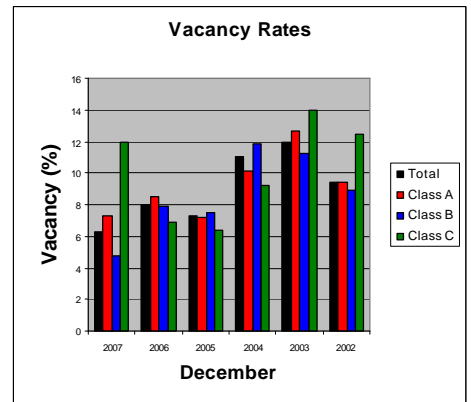
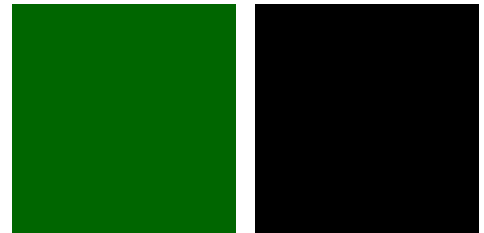
The vacancy rate *excludes* any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have “presence” by virtue of their distinctive 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 is now at the lowest point since 2002, largely due to a decline in Class B vacancy, but tempered by higher vacancy rate for Class C space. The current vacancy rates in H.R.M. are: Class A 7.31%; Class B 4.78%; Class C 12.00%; Overall 6.32%.

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 11.84%; Burnside 11.81%; Central Dartmouth 5.68%; Central Halifax 4.33%; Downtown Peripheral Halifax 8.94%; Suburban Halifax 5.58%; 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 to 7.41% from the current 6.32%, due to new inventory being brought to market. The quality of this inventory will drive net absolute rents per square up by 5%.



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