

MARKET SURVEY (JUNE 2008) GREATER CHARLOTTETOWN OFFICES

Scope

This survey included every office building with a total rentable area of 10,000 ft² or greater, available for rent in the Greater Charlottetown Area. Rental, operating expense and vacancy data was collected on 24 buildings with an aggregate rentable area of 792,222 ft² using a team of trained researchers. The survey successfully collected information on 92% 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

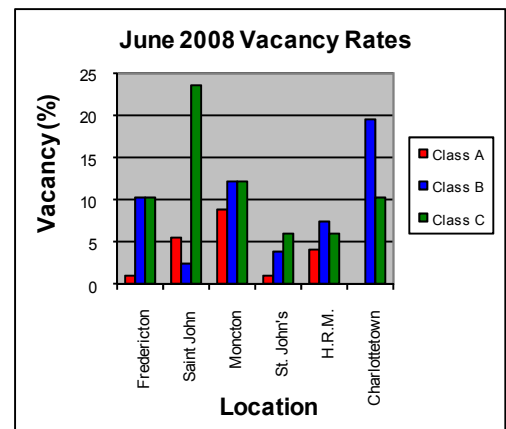
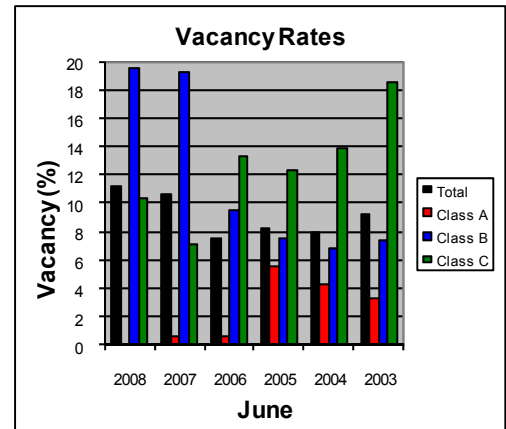
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have "presence" by virtue of their distinctive 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 the highest it has been for six years, mainly due to high vacancy rates for Class B space. The current vacancy rates in Greater Charlottetown are: Class A 0%; Class B 19.53%; Class C 10.30%; Overall 11.17%.

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 6.24%; Greater Saint John 5.70%; Greater Moncton 10.88%; Greater St. John's 3.68%; Halifax Regional Municipality 6.44%; Greater Charlottetown 11.17%.

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 decrease marginally to 10.60% from the current 11.17%. This change will not be sufficient to impact net absolute rent/ft².



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