

MARKET SURVEY (DECEMBER 2008) 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 133 buildings with an aggregate rentable area of 9,644,323 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

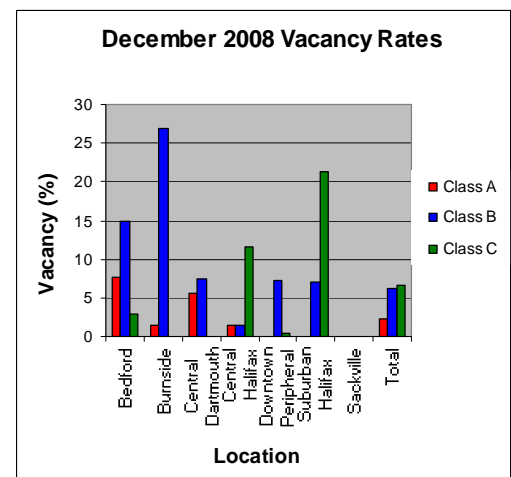
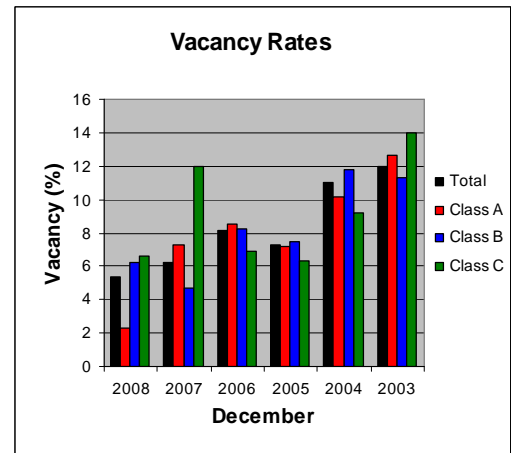
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have “presence” by virtue of their distinctive 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 has been in decline for the past 3 years. The current vacancy rates in H.R.M. are: Class A 2.29%; Class B 6.20%; Class C 6.57%; Overall 5.33%.

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 11.69%; Burnside 13.95%; Central Dartmouth 5.93%; Central Halifax 2.06%; Downtown Peripheral Halifax 5.69%; Suburban Halifax 7.63%; Sackville 0%.

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 8.51% in the next year, driven by an increase in supply of rental space. The weakening economy and increasing vacancy rate will cause a modest decrease in the net absolute rent/ft², in the vicinity of 0.50%.



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