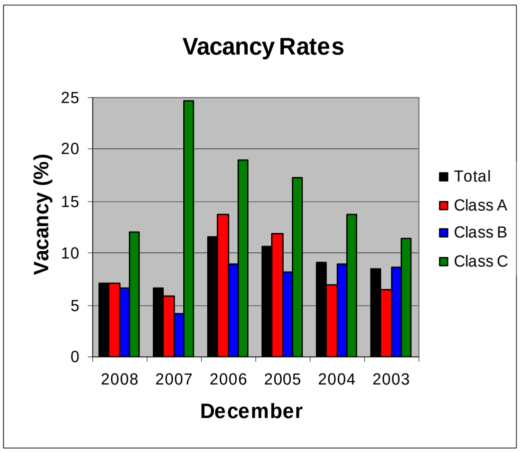
MARKET SURVEY (DECEMBER 2008)
GREATER SAINT JOHN OFFICES

Scope

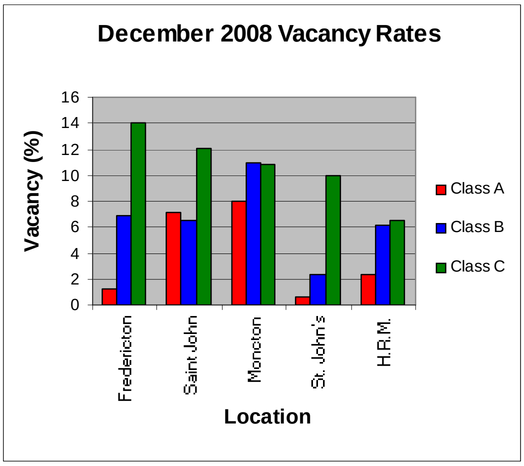
This survey included every office building with a total rentable area of 10,000 ft^2 or greater, available for rent in the Greater Saint John Area. Rental, operating expense and vacancy data was collected on 39 buildings with an aggregate rentable area of 2,176,146 ft^2 using a team of trained researchers. The survey successfully collected information on 95% 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 ***overall*** vacancy rate for office buildings is up slightly over 2007, largely due to the addition of several new buildings to the rental market. The current vacancy rates in Greater Saint John are: Class A 7.11%; Class B 6.56%; Class C 12.10%; Overall 7.11%.



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 5.64%; Greater Saint John 7.11%; Greater Moncton 9.85%; Greater St. John's 3.33%; Halifax Regional Municipality 5.33%.



The ***overall*** vacancy rate is a useful predictor of changes in the net absolute rental rate/ft^2. A falling vacancy rate portends increasing rents, and vice versa. Empirical data indicates that net absolute rent/ft^2 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 rise to 8.33% from the current 7.11% as demand weakens. There will be a 0.25% decrease in the net absolute rent/ft^2.

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