

MARKET SURVEY (JUNE 2009)

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 132 buildings with an aggregate rentable area of 10,002,096 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

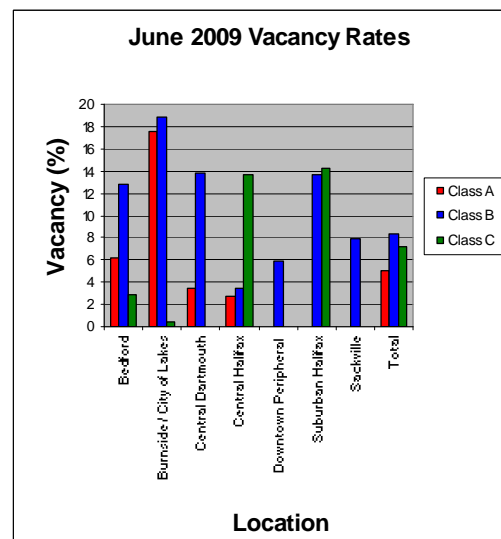
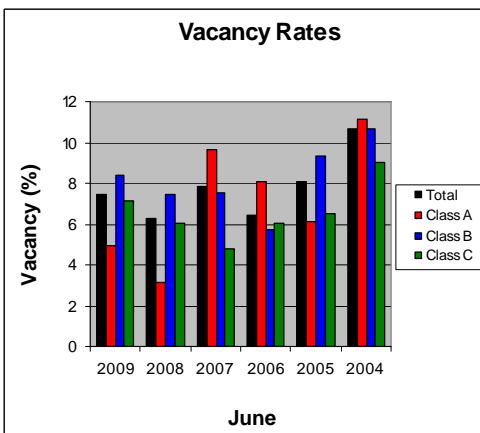
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have "presence" by virtue of their distinctive 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 was up this year, for an overall increase of 1.2 percentage points. The current vacancy rates in H.R.M. are: Class A 4.97%; Class B 8.38%; Class C 7.17%; Overall 7.44%.

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 10.01%; Burnside 16.60%; Central Dartmouth 8.90%; Central Halifax 3.95%; Downtown Peripheral Halifax 4.78%; Suburban Halifax 11.84%; Sackville 7.87%.

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 9.58% in the next year, driven by increases in supply of rental space outpacing increased demand. As landlords have a harder time finding tenants, the net absolute rent/ft² will fall slightly.



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