

MARKET SURVEY (JUNE 2009) GREATER FREDERICTON 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 Fredericton Area. Rental, operating expense and vacancy data was collected on 47 buildings with an aggregate rentable area of 2,025,025 ft² using a team of trained researchers. The survey successfully collected information on 100% 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

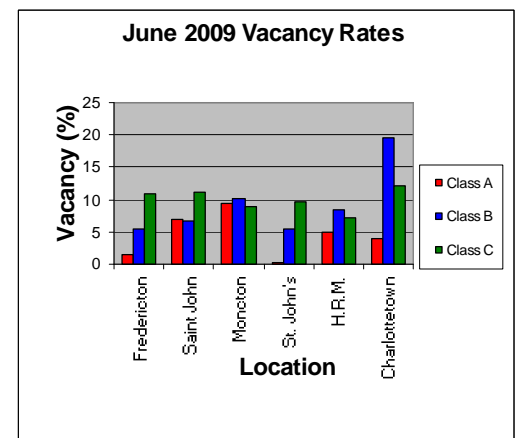
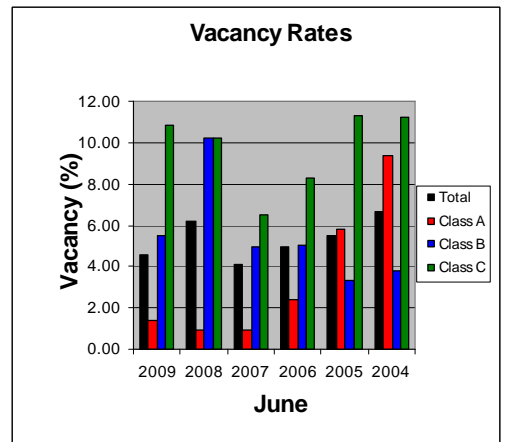
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have "presence" by virtue of their distinctive 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". Fredericton has bucked the recession so far, with the **overall** vacancy rate falling from 6.19% in 2008. The current vacancy rates in Greater Fredericton are: Class A 1.37%; Class B 5.48%; Class C 10.86%; Overall 4.55%.

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 4.55%; Greater Saint John 7.03%; Greater Moncton 9.81%; Greater St. John's 4.42%; Halifax Regional Municipality 7.44%; Greater Charlottetown 12.68%.

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 5.35% from the current 4.55% as demand slows in the year ahead. The net absolute rent/ft² will increase by just 0.50%.



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