

MARKET SURVEY (DECEMBER 2009) GREATER ST. JOHN'S 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 St. John's Area. Rental, operating expense and vacancy data was collected on 60 buildings with an aggregate rentable area of 2,659,970 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

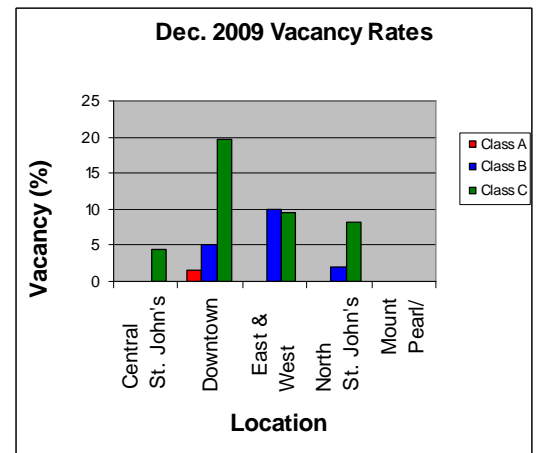
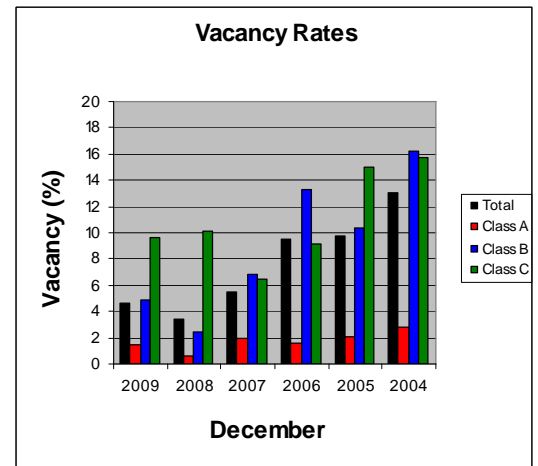
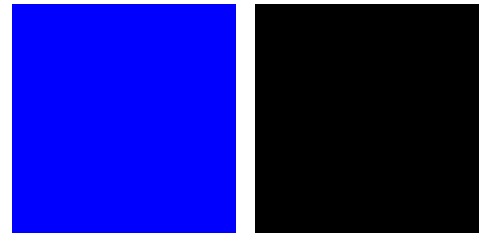
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community, have "presence" by virtue of their distinctive 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". The **overall** vacancy rate for office buildings in St. John's is the lowest of the major centres in Atlantic Canada, despite an increase over last year. The current vacancy rates in Greater St. John's are: Class A 1.51%; Class B 4.90%; Class C 9.66%; Overall 4.64%.

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 Greater St. John's. The **overall** vacancy rate by location is as follows: Central St. John's 3.04%; Downtown 3.78%; North St. John's 2.72%; East & West St. John's 9.28%; Mount Pearl/Paradise 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 low vacancy rate will lead to new office space being brought to market in the year to come, bringing the vacancy rate up to 7.55% from the current 4.64%. The net absolute rent/ft² will rise by 0.50%, reflecting the tight vacancy in most submarkets.



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