

MARKET SURVEY (DECEMBER 2012) H.R.M. OFFICES

Scope

This survey included every office building with a total rentable area of 5,000 ft.² or greater, available for rent in the Halifax Regional Municipality. A team of trained researchers collected rental, operating expense and vacancy data on 152 buildings with an aggregate rentable area of 10,796,834 ft.². The survey successfully collected information on 93% of the rental stock polled. The following results flow from what we believe is the most comprehensive survey of office space ever undertaken in Greater Halifax.

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 and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class B buildings offer “no frills” modern, air conditioned space. Class C buildings make up the remainder of the office rental market. The vacancy rate and net rental rate are inversely correlated: empirical data indicates that generally a falling vacancy rate portends a rising net rental rate, while a rising vacancy rate indicates that net rental rate increases will moderate or even fall.

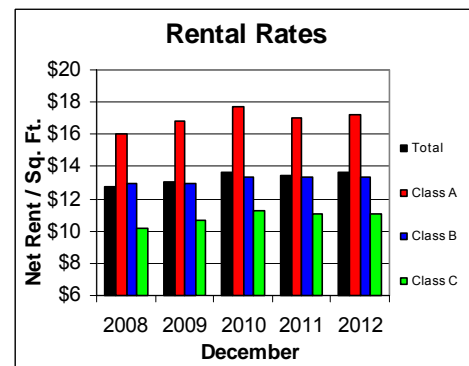
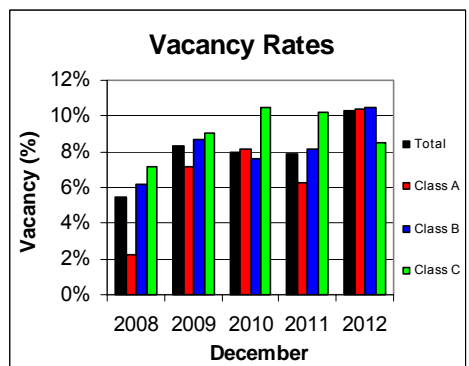
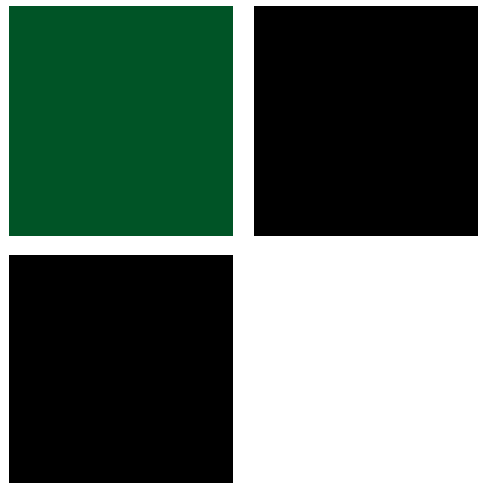
Halifax’s office rental market showed some weakness over the past year: the overall vacancy rate increased from 7.87% in 2011 to 10.28% in 2012 and the average net rental rate declined as a whole. Current average net absolute rental rates per square foot are: Class A \$17.22; Class B \$13.31; Class C \$11.03; Overall \$13.65.

Our survey measured vacancy and net absolute rent/ft.² by submarket. The overall vacancy rates by location are: Bedford 14.10%; Burnside 12.95%; Central Dartmouth 2.76%; Peripheral Dartmouth 6.05%; Central Halifax 12.24%; Downtown Peripheral Halifax 5.93%; Suburban Halifax 9.47%; Sackville 11.67%. The overall net absolute rent/ft.² by location are: Bedford \$13.93; Burnside \$13.30; Central Dartmouth \$11.73; Peripheral Dartmouth \$12.82; Central Halifax \$13.57; Downtown Peripheral Halifax \$13.92; Suburban Halifax \$14.52; Sackville \$13.00.

Our survey includes all the major centres in Atlantic Canada. The overall office vacancy rate by location is as follows: Greater Fredericton 7.33%; Greater Saint John 21.17%; Greater Moncton 9.25%; Greater St. John’s 5.46%; Halifax Regional Municipality 10.28%; Greater Charlottetown 14.77% .

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will decrease to 9.78% in the next year, driven by increases in demand outpacing increased rental supply. We expect this will result in a modest increase in the net absolute rent/ft.²



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