

MARKET SURVEY (DECEMBER 2012) CHARLOTTETOWN 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 Greater Charlottetown area. A team of trained researchers collected rental, operating expense and vacancy data on 26 buildings with an aggregate rentable area of 796,948 ft.². The survey successfully collected information on 92% 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 Charlottetown.

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.

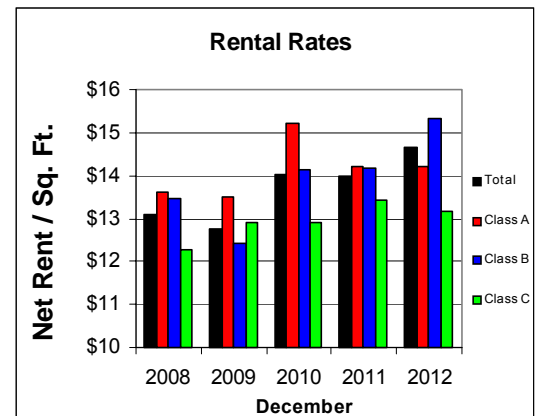
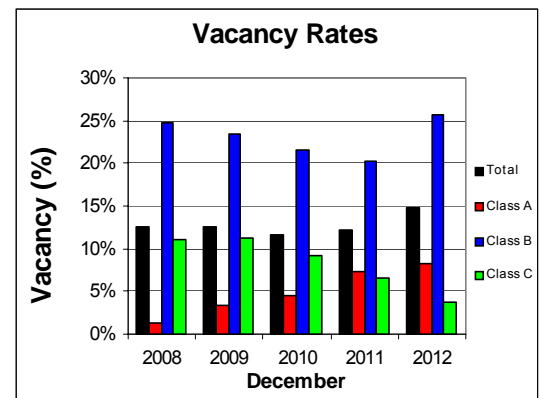
Charlottetown’s office rental market deteriorated over the past twelve months with the vacancy rate increasing to 14.77% in 2012 from 12.12% in 2011. The current vacancy rates in Greater Charlottetown are: Class A 8.31%; Class B 25.70%; Class C 3.70%; Overall 14.77%.

The overall net absolute rental rate has had modest growth over the past year. The current average net absolute rental rates per square foot are: Class A \$14.20; Class B \$15.33; Class C \$13.16; Overall \$14.64.

Our survey measured vacancy by geographic node. The overall vacancy rates by location is as follows: Central 15.32%; Peripheral 18.94%. We also surveyed the other 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 slightly to 13.65% in the next year, driven by increased demand for rental space. We anticipate the net absolute rent/ft.² will remain stable over the period due to the relatively high vacancy rate.



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