

MARKET SURVEY (DECEMBER 2012) GREATER SAINT JOHN 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 Saint John Area. A team of trained researchers collected rental, operating expense and vacancy data on 42 buildings with an aggregate rentable area of 2,497,004 ft.². The survey successfully collected information on 90% of the rentable stock polled. The following results flow from what we believe is the most comprehensive survey of office space ever undertaken in Greater Saint John.

Vacancy Rates

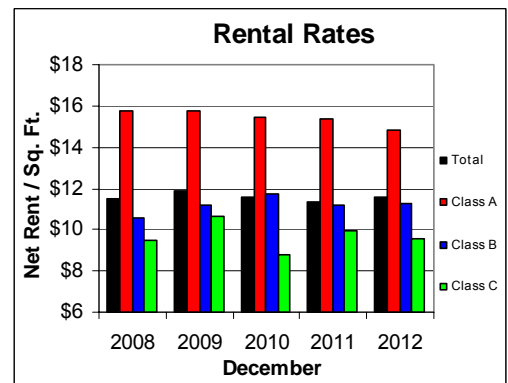
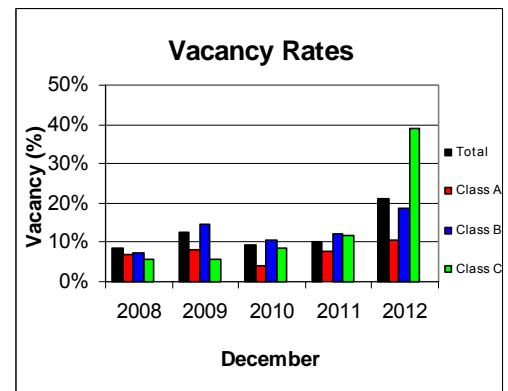
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class 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.

The office vacancy rate in Saint John skyrocketed 10.46 percentage points over the past year. Expanding vacancy in Saint John resulted in the third consecutive annual decrease in net absolute rent/ft.² Saint John continues to have the lowest overall net rental rate in Atlantic Canada. The current vacancy rates in Greater Saint John are: Class A 10.65%; Class B 18.72%; Class C 39.18%; Overall 21.17%. The current average net absolute rental rates per square foot are: Class A \$14.86; Class B \$11.28; Class C \$9.59; Overall \$11.56.

Our survey includes all the major centres in Atlantic Canada. The office vacancy rate in Saint John is the highest 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 rise to 21.64% from the current 21.17% as demand remains weak. As a result, we forecast a decrease in the net absolute rent/ft.².



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