

MARKET SURVEY (JUNE 2014) 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 150 buildings with an aggregate rentable area of 10,829,780 ft.². The survey successfully collected information on 95% 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

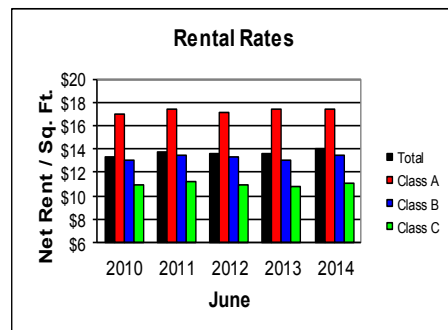
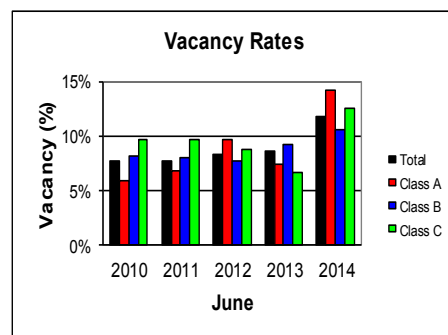
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. 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 weakened over the past year; the overall vacancy rate increased from 8.53% in 2013 to 11.77% in 2014. Despite this increase in vacancy, the average net rental rate increased slightly due to increases in Class B and C net rental rates. Current average net absolute rental rates per square foot are: Class A \$17.46; Class B \$13.51; Class C \$11.07; Overall \$14.02.

Our survey includes all the major centres in Atlantic Canada. The overall office vacancy rate by location is as follows: Greater Fredericton 10.27%; Greater Saint John 18.06%; Greater Moncton 8.32%; Greater St. John’s 5.53%; Halifax Regional Municipality 11.77%.

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will continue to increase, rising to 14.21% over the next year as new space brought on stream outpaces incremental demand. This anticipated increase in vacancy is expected to translate into a modest decrease in the net absolute rent/ft.² over the next twelve months.



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MARKET SURVEY (JUNE 2014)

H.R.M. WAREHOUSE

Scope

This survey included every warehouse 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 148 buildings with an aggregate rentable area of 7,744,223 ft.². The survey successfully collected information on 88% of the rental stock polled. The following results flow from what we believe is the most comprehensive survey of warehouse space ever undertaken in Greater Halifax.

Vacancy Rates

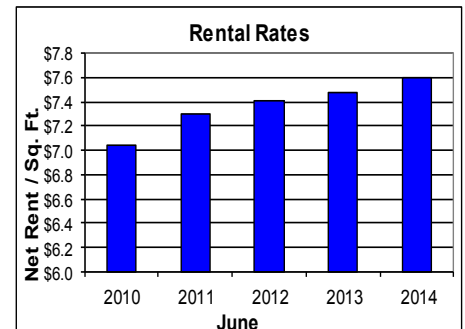
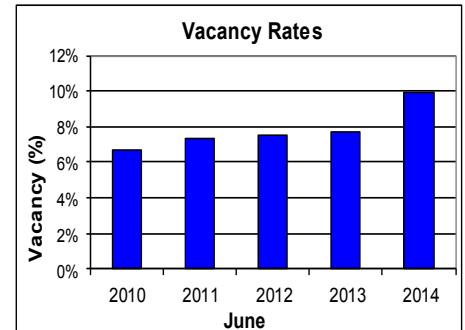
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. The vacancy rate in H.R.M. increased from 7.72% in 2013 to 9.90% as vacancy increased across five of the seven submarkets.

The current vacancy rate in each of the following submarkets is: Atlantic Acres Industrial Park 35.42%; Bayers Lake Industrial Park 9.93%; Bedford 18.66% Burnside/City of Lakes Industrial Park 8.95%; Central Halifax 9.06%; Ragged Lake Industrial Park 13.72%; Sackville Industrial Park 0.00%.

Industrial properties in H.R.M saw the overall net absolute rent/ft.² increase slightly year-over-year. The average overall net rental rates/ft.² in each of the following locations are: Atlantic Acres Industrial Park \$7.27; Bayers Lake Industrial Park \$10.63; Bedford \$11.20; Burnside/City of Lakes Industrial Park \$7.20; Central Halifax \$7.50; Ragged Lake Industrial Park \$7.50; Sackville Industrial Park \$11.00.

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will decrease slightly to 8.87% from the current 9.90% as a result of a projected increase in demand. This anticipated demand, coupled with a falling vacancy rate, are expected to trigger a moderate increase in the overall net absolute rent/ft.².



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