

MARKET SURVEY (JUNE 2014) GREATER FREDERICTON OFFICES

Scope

This survey included every office building with a total rentable area of at least 5,000 ft.², available for rent in the Greater Fredericton Area. A team of trained researchers collected rental, operating expense and vacancy data on 53 buildings with an aggregate rentable area of 2,196,097 ft.². The survey successfully collected information on 94% 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 Fredericton.

Vacancy and Rental Rates

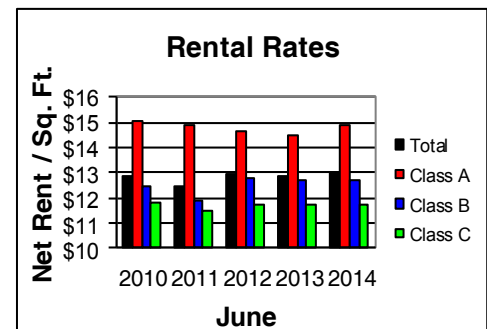
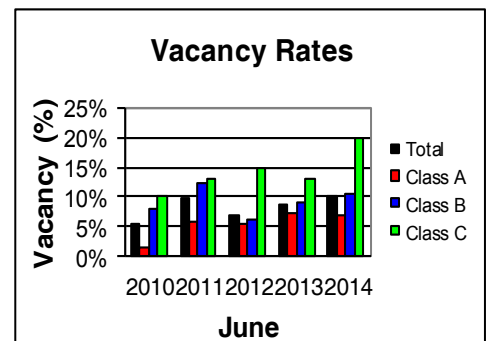
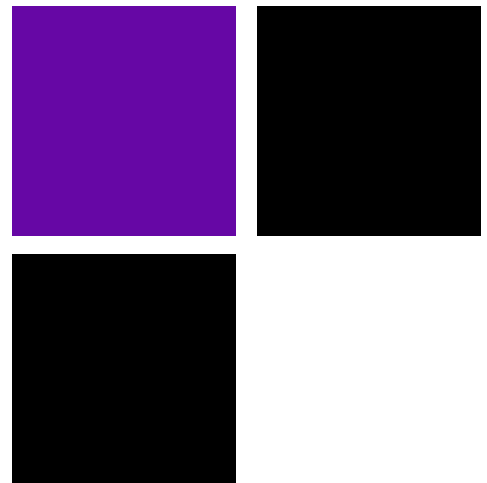
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies.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

Fredericton's overall vacancy rate increased from 8.74% in 2013 to 10.27% in 2014 as decreased demand for Class B and C spaces outpaced increased demand for Class A space. The current vacancy rates in Greater Fredericton are: Class A 6.82%; Class B 10.55%, Class C 19.82%; Overall 10.27%. Net absolute rents increased slightly across all building classes. The current average net absolute rental rates per square foot are: Class A \$14.88; Class B \$12.74; Class C \$11.74; Overall \$13.03.

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 decrease slightly to 10.13% over the next year, driven by a slight increase in demand. We predict that there will be an accompanying slight increase in net absolute rent/ft.².



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