

MARKET SURVEY (JUNE 2014) 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 2,534,680 ft.². The survey successfully collected information on 88% 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

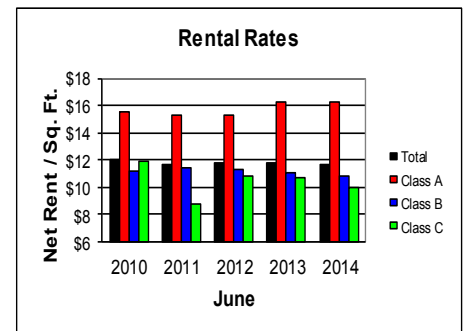
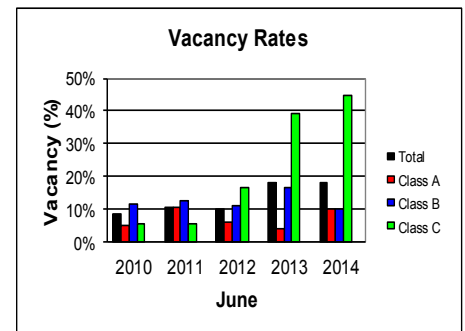
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class 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 overall office vacancy rate in Saint John decreased year-over-year, from 18.27% to 18.06%, as a decrease in the amount of space available for rent outpaced a decrease in demand. Saint John continues to have the highest overall vacancy rate and lowest overall net absolute rent in Atlantic Canada. The current vacancy rates in Greater Saint John are: Class A 10.01%; Class B 10.06%; Class C 44.73%; Overall 18.06%. The current average net absolute rental rates per square foot are: Class A \$16.26; Class B \$10.83; Class C \$10.03; Overall \$11.64.

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 increase slightly in the next year as demand continues to weaken. A decrease in net absolute rent/ft.² is anticipated to accompany the rising vacancy rate over the next twelve months.



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