

MARKET SURVEY (DECEMBER 2014) H.R.M. OFFICES

Scope

This survey included every office building with a total rentable area of 5,000 ft² or greater, available for rent in the Halifax Regional Municipality. A team of trained researchers collected rental, operating expense and vacancy data on 154 buildings with an aggregate rentable area of 11,039,367 ft². 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 Halifax.

Vacancy Rates

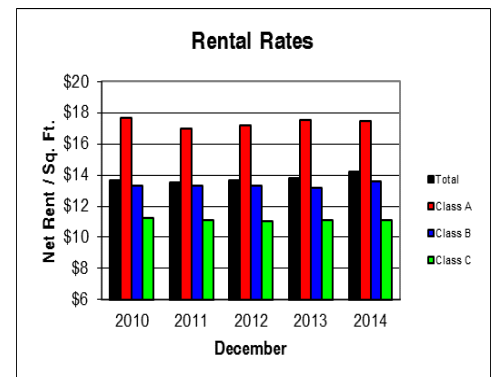
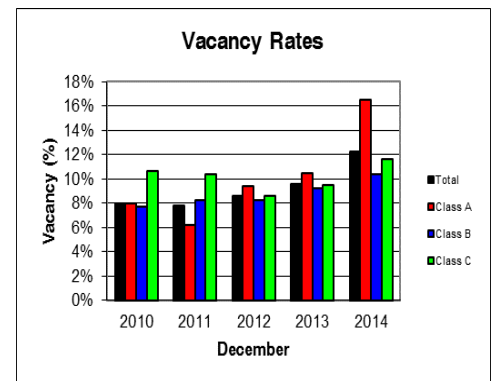
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. 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 showed some weakness over the past year: the overall vacancy rate increased from 9.59% in 2013 to 12.28% in 2014. Despite this increase in vacancy the average net rental rate has increased slightly, due primarily to an increase in Class B net rental rates. Current average net absolute rental rates per square foot are: Class A \$17.44; Class B \$13.58; Class C \$11.13; Overall \$14.18.

Our survey includes all the major centres in Atlantic Canada. The overall office vacancy rate by location is as follows: Greater Fredericton 10.03%; Greater Saint John 22.40%; Greater Moncton 7.89%; Greater St. John’s 4.81%; Halifax Regional Municipality 12.28%; Greater Charlottetown 10.41%.

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will continue to increase, rising to 13.56% over the next year as new space is brought on stream. This increase in supply is expected to be met with a slight decrease in demand for rental space. However, we predict an increase in overall net absolute rent/ft², despite the increased vacancy, due to the high quality of the new space coming to market.



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MARKET SURVEY (DECEMBER 2014) H.R.M. WAREHOUSE

Scope

This survey included every warehouse building with a total rentable area of 5,000 ft² 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 7,708,840 ft². 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 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 9.77% in 2013 to 11.23%, driven largely by increased vacancy in the Bedford Industrial Park.

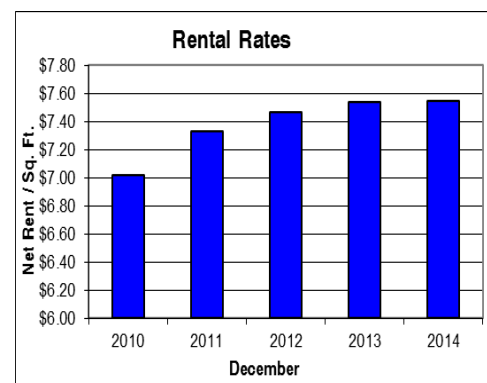
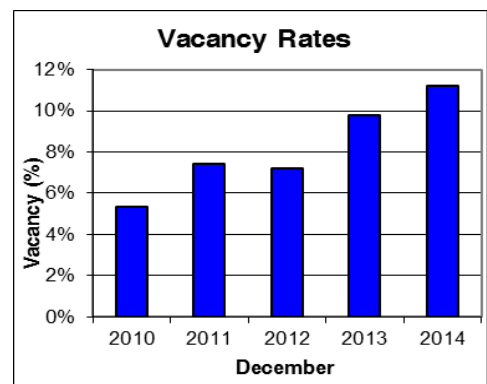
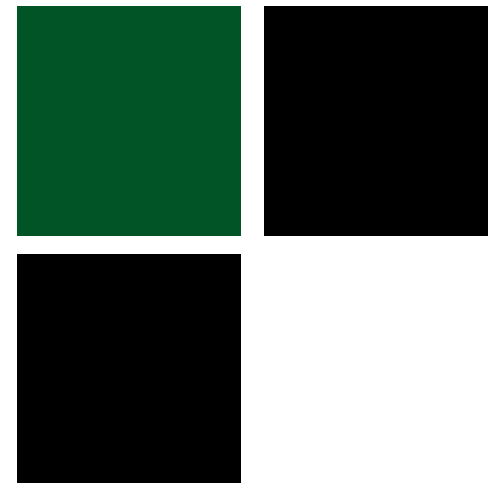
Our survey measured the vacancy rate by geographic node. The current vacancy rate in each of the following locations is: Atlantic Acres Industrial Park 28.67%; Bayers Lake Industrial Park 21.94%; Bedford 31.41%; Burnside/City of Lakes Industrial Park 9.90%; Central Halifax 7.76%; Sackville Industrial Park 0%.

Our survey also measured rental rates. Industrial properties in H.R.M saw the overall net absolute rent/ft² increase by 0.13% year over year. The average overall net rental rates/ft² in each of the following locations are: Atlantic Acres Industrial Park \$6.77; Bayers Lake Industrial Park \$10.63; Bedford \$11.20; Burnside/City of Lakes Industrial Park \$7.15; Central Halifax \$7.59; Sackville Industrial Park \$11.00.

Our survey includes all the major centres in Atlantic Canada. The overall warehouse vacancy rate by location is as follows: Greater Fredericton 12.45%; Greater Saint John 17.32%; Greater Moncton 14.87%; Greater St. John's 5.18%; Halifax Regional Municipality 11.23%; Greater Charlottetown 20.05%.

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will increase slightly to 11.67% from the current 11.23% as a result of a slight decrease in demand. The moderate increase in vacancy and decrease in demand is expected to result in a stagnant overall net absolute rental rate.



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