

# MARKET SURVEY (JUNE 2015) GREATER FREDERICTON OFFICES

## Scope

This survey included every office building with a total rentable area of at least 5,000 ft.<sup>2</sup>, available for rent in the Greater Fredericton Area. A team of trained researchers collected rental, operating expense and vacancy data on 54 buildings with an aggregate rentable area of 2,272,580 ft.<sup>2</sup>. The survey successfully collected information on 84% 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

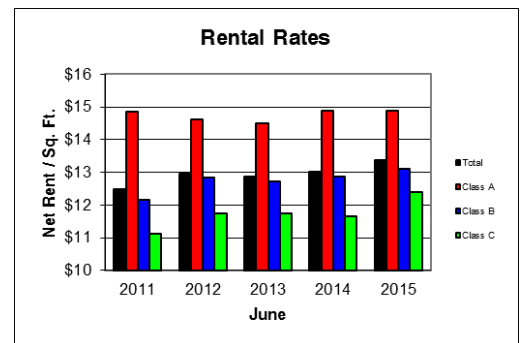
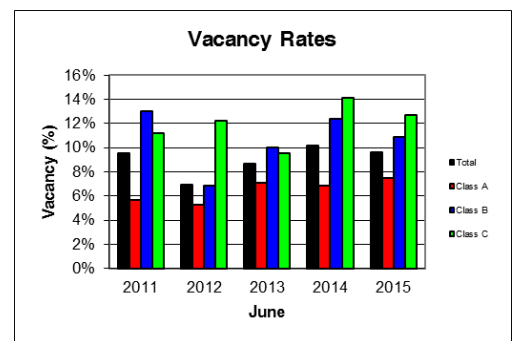
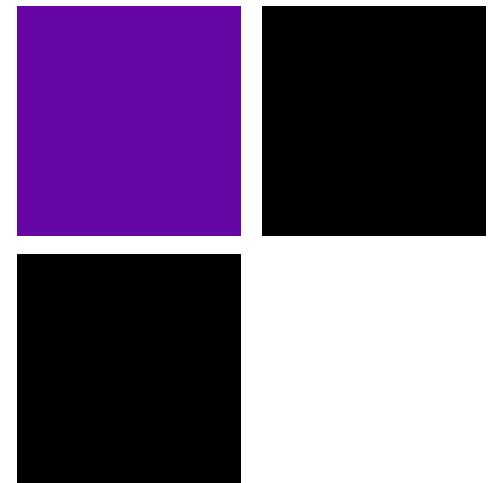
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. 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 vacancy rate decreased slightly to 9.64% in 2015 from 10.18% in 2014. The current vacancy rates in Greater Fredericton are: Class A 7.45%; Class B 10.91%, Class C 12.67%; Overall 9.64%. The falling vacancy rate in each of Class B and Class C space was accompanied by an increase in the overall net absolute rental rate. The overall net rental rate for Class A, which saw vacancy creep up slightly, remained unchanged. The current average net absolute rental rates per square foot are: Class A \$14.88; Class B \$13.10; Class C \$12.39; Overall \$13.36.

Our survey includes five major centres in Atlantic Canada. Fredericton sits in the middle of the pack both in New Brunswick and across the Atlantic provinces. The overall office vacancy rate by location is as follows: Greater Fredericton 9.64%; Greater Saint John 20.55%; Greater Moncton 8.43%; Greater St. John's 4.85%; Halifax Regional Municipality 14.01%.

## Forecast (Next 12 months)

**We anticipate that the overall vacancy rate will increase slightly to 9.70% in the next year, driven by weak demand. We predict that overall net absolute rents/ft.<sup>2</sup> will follow this year's Class A pattern and remain unchanged.**



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