

MARKET SURVEY (JUNE 2015) GREATER MONCTON 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 Moncton Area. A team of trained researchers collected rental, operating expense and vacancy data on 66 buildings with an aggregate rentable area of 3,458,595 ft.². The survey successfully collected information on 93% 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 Moncton.

Vacancy Rates

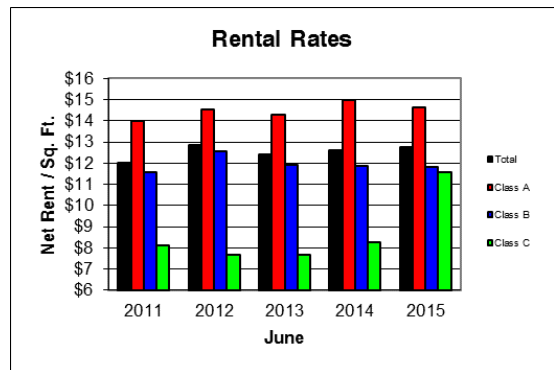
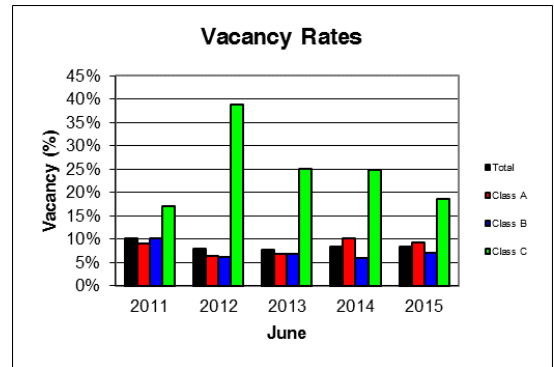
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class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

Moncton's office vacancy rate increased slightly in 2015, rising from 8.33% in 2014 to 8.43%. The overall increase in vacancy can be entirely attributed to an increase in Class B vacancy, from 5.96% to 7.10%; Class A and Class C space each enjoyed falling vacancy rates. The current vacancy rates in Greater Moncton by class are: Class A 9.34%; Class B 7.10%; Class C 18.69%; Overall 8.43%. The current average net absolute rental rates per square foot are: Class A \$14.65; Class B \$11.80; Class C \$11.58; Overall \$12.75.

Our survey includes five major centres in Atlantic Canada, with Moncton second only to St. John's for the lowest vacancy rates. 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 jump to 11.02% over the next year, driven by new space coming to market. Despite the increasing vacancy rate, net absolute rents will remain stable overall, as the high quality of space coming online will command rents high enough to insulate the overall rate from the negative impact of increased vacancy in the short term.



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