

MARKET SURVEY (DECEMBER 2015) H.R.M. 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 Halifax Regional Municipality. A team of trained researchers collected rental, operating expense and vacancy data on 157 buildings with an aggregate rentable area of 11,633,004 ft.². The survey successfully collected information on 98% 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

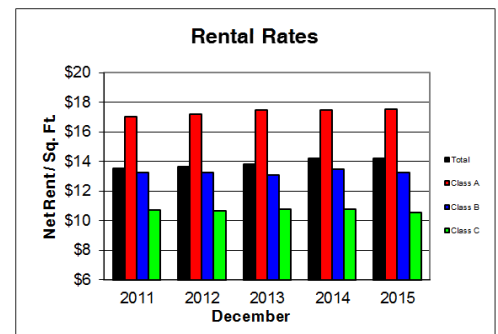
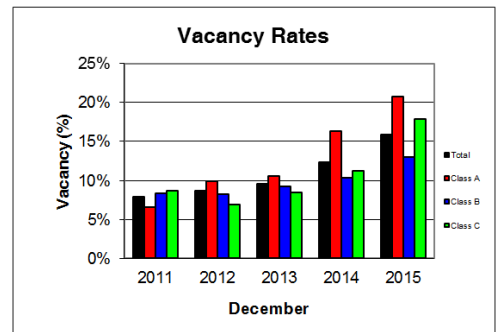
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies.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

Demand for Halifax office buildings declined slightly over the past year; the overall vacancy rate increased from 12.28% in 2014 to 15.83% in 2015. The average net rental rate has remained stable. Current average net absolute rental rates per square foot are: Class A \$17.55; Class B \$13.27; Class C \$10.55; Overall \$14.19.

Our survey includes five major centres in Atlantic Canada. The overall office vacancy rate by location is as follows: Greater Fredericton 9.69%; Greater Saint John 20.94%; Greater Moncton 7.10%; Greater St. John’s 7.70%; Halifax Regional Municipality 15.83%; Greater Charlottetown 15.69%.

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will continue to increase, rising to 16.46% over the next year as new space is brought on stream. This large increase in supply is expected to be accompanied by a stagnant demand for rental space, but we also predict a slight increase in overall net absolute rent/ft.² despite the increased vacancy, due to the high quality of the new space coming to market.



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