

MARKET SURVEY (DECEMBER 2015) 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 2,522,199 ft.². The survey successfully collected information on 86% 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

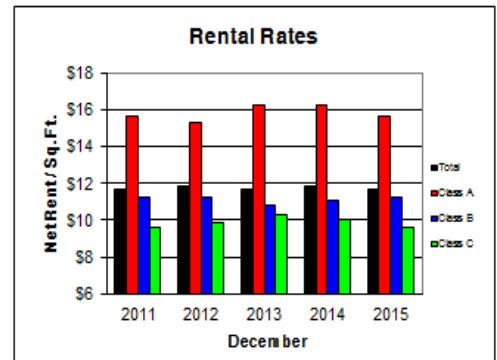
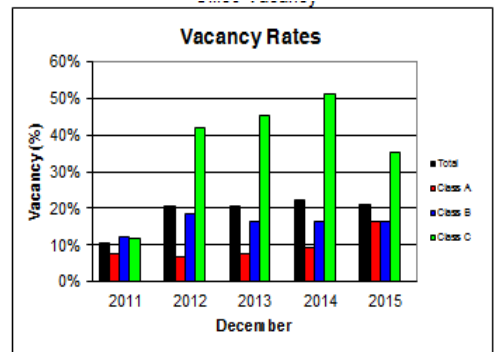
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class 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 office vacancy rate in Saint John decreased by 1.41 percentage points in 2015, driven by decreased vacancies across the board, but especially in Class C office space. Saint John continues to have the highest overall vacancy rate and lowest overall net rental rate in Atlantic Canada. The current vacancy rates in Greater Saint John are: Class A 16.47%; Class B 16.61%; Class C 35.41%; Overall 20.94%. The current average net absolute rental rates per square foot are: Class A \$15.67; Class B \$11.28; Class C \$9.62; Overall \$11.66.

Our survey includes all the 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 decrease slightly, accompanied by a slight increase in demand. However, high vacancy and a continuing weakened economy are expected to catch up, driving the overall net absolute rent/ft² down slightly in the region of 1%.



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