

# MARKET SURVEY (JUNE 2016) H.R.M. OFFICES

## Scope

This survey included every office building with a total rentable area of 5,000 ft.<sup>2</sup> or greater, available for rent in the Halifax Regional Municipality. A team of trained researchers collected rental, operating expense and vacancy data on 162 buildings with an aggregate rentable area of 11,467,283 ft.<sup>2</sup>. The survey successfully collected information on 91% 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

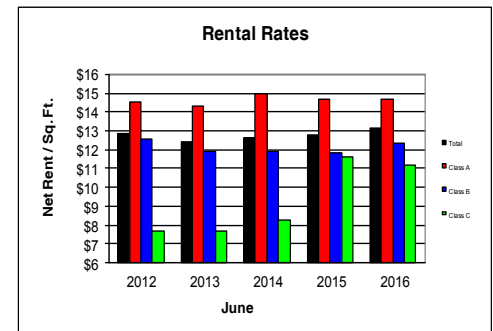
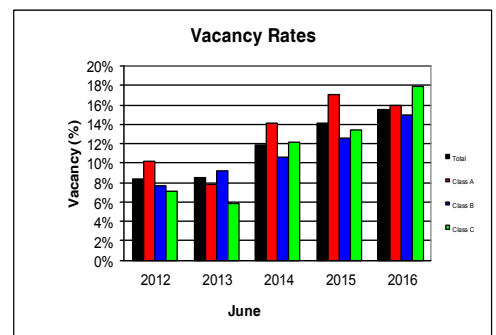
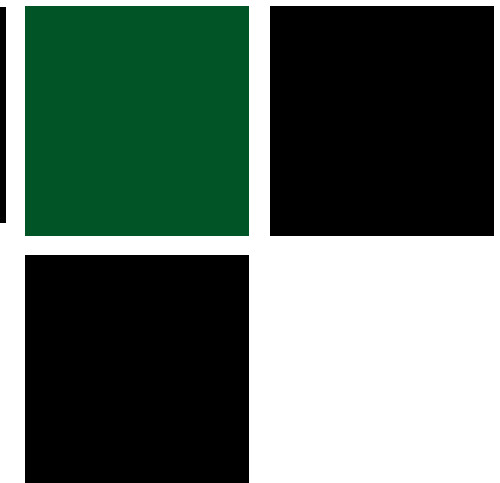
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies.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

The total amount of rentable office space for Halifax office increased 3.75% over last year, due to new space coming to market, including a major repurposing of retail space to office use in the Bedford submarket; the overall vacancy rate increased from 14.04% in 2015 to 15.45% in 2016. The average net rental rate has remained stable. Current average net absolute rental rates per square foot are: Class A \$17.28; Class B \$13.20; Class C \$10.81; Overall \$14.17.

Our June survey includes five major centres in Atlantic Canada. The overall office vacancy rate by location is as follows: Greater Fredericton 11.63%; Greater Saint John 21.13%; Greater Moncton 10.77%; Greater St. John’s 11.41%; Halifax Regional Municipality 15.45%.

## Forecast (Next 12 months)

We anticipate that the overall vacancy rate will continue to increase, rising to 15.67% over the next year as more new space is brought on stream. This large increase in supply is expected to be accompanied by moderate demand for rental space, but we also predict a slight increase in overall net absolute rent/ft.<sup>2</sup> in the region of 1.00% due to the high quality of the new space coming to market.



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