

MARKET SURVEY (JUNE 2016) 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 2,502,652 ft.². The survey successfully collected information on 93% 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

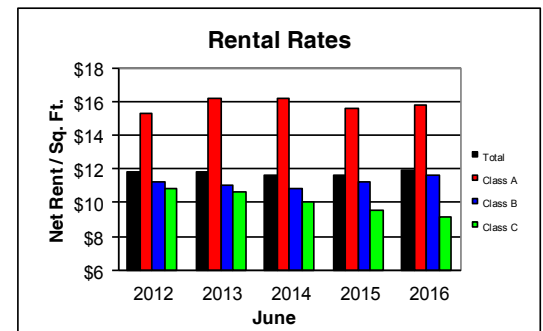
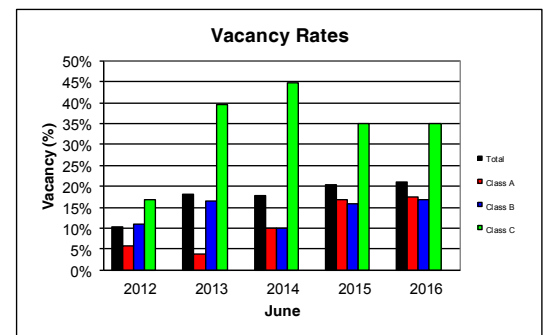
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class 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 increased by 3.22 percentage points in 2016, driven by increased vacancies across the board. 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 17.34%; Class B 16.92%; Class C 34.90%; Overall 21.13%. The current average net absolute rental rates per square foot are: Class A \$15.83; Class B \$11.66; Class C \$9.20; Overall \$11.95.

Our June survey includes five of the 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 decrease to 20.69% from the current 21.13% over the next year, driven by a slight increase in demand. The net absolute rent/ft² is expected to remain stable.



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