

MARKET SURVEY (JUNE 2016) GREATER FREDERICTON OFFICES

Scope

This survey included every office building with a total rentable area of at least 5,000 ft.², available for rent in the Greater Fredericton Area. A team of trained researchers collected rental, operating expense and vacancy data on 56 buildings with an aggregate rentable area of 2,296,039 ft.². The survey successfully collected information on 100% 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 Fredericton.

Vacancy and Rental Rates

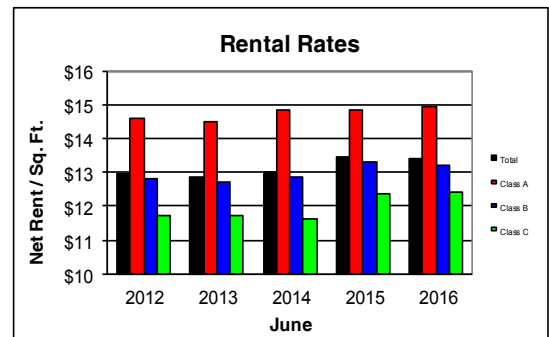
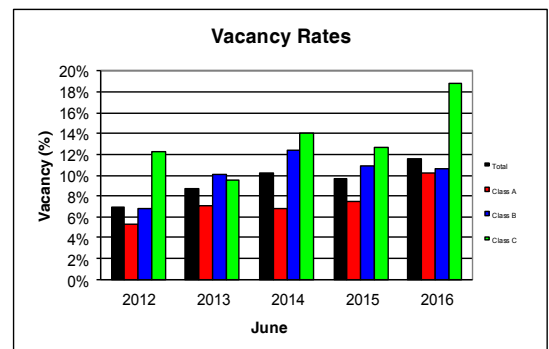
The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies.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

Fredericton's vacancy rate increased to 11.63% in 2016 from 9.64% in 2015. The current vacancy rates in Greater Fredericton are: Class A 10.24%; Class B 10.64%, Class C 18.87%; Overall 11.63%. The current average net absolute rental rates per square foot are: Class A \$14.96; Class B \$13.21; Class C \$12.44; Overall \$13.42.

Our June survey includes five of the major centres in Atlantic Canada. Fredericton sits in the middle of the pack both in New Brunswick and across the Maritimes. 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 10.16% from the current 11.63% over the next year with a moderate expansion in current buildings being balanced by a slight increase in demand. We also predict an increase in overall net absolute rent/ft.² in the region of 0.50%.



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