



MARKET SURVEY

HRM OFFICES & WAREHOUSES

JUNE 2017



Survey Scope: 163 office & 153 warehouse buildings
11,871,370 ft.² of rental office space
7,870,561 ft.² of rental warehouse space
expert researchers



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JUNE 2017 MARKET SURVEY

HRM OFFICES

Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	11,507,283	11,871,370	↑ 364,087
Net Absorption (ft. ²)	177,139	128,259	↓ (48,880)
Vacancy Rate	15.40%	16.91%	↑ 1.51 pp
Avg. Net Rent/ft. ²	\$ 14.17	\$ 14.18	↑ 0.07%
Avg. RTCAM/ft. ²	\$ 12.41	\$ 12.43	↑ 0.16%
Avg. Gross Rent/ft. ²	\$ 26.47	\$ 26.52	↑ 0.19%

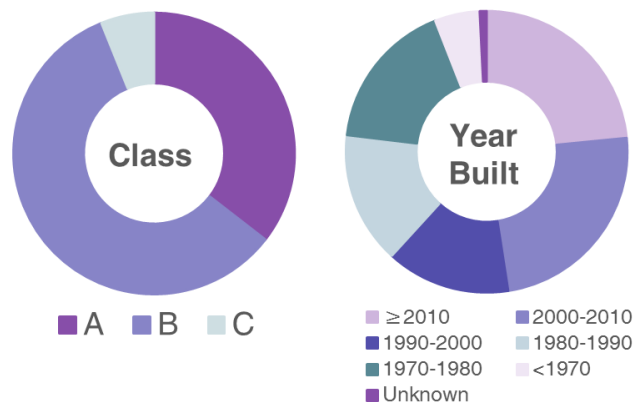
Supply & Demand Overview

The total amount of rentable office space in Greater Halifax increased 3.16% over last year, due to new space coming to market, including the second building on Innovation Drive in Bedford's EON Square business campus. The overall vacancy rate increased from 15.40% in 2016 to 16.91% in 2017. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates that 2018 will see GDP growth of 1.2%, leading to an uptick in demand for office space of 0.6%. This will not be enough to keep pace with additional supply being brought to market, including the anticipated completion of the Nova Centre. The vacancy rate is expected to climb to 19%.

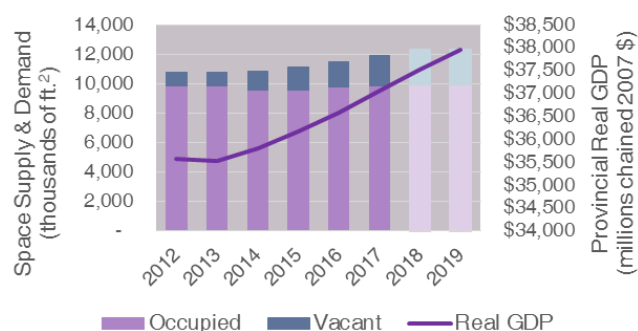
Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class B buildings offer "no frills" modern, air conditioned space. Class C buildings make up the remainder of the office rental market. The current vacancy rates by class are: Class A 15.51%; Class B 17.60%; Class C 18.44%; Overall 16.91%. 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. Current average net absolute rental rates per square foot are: Class A \$17.14; Class B \$13.12; Class C \$11.23; Overall \$14.18.

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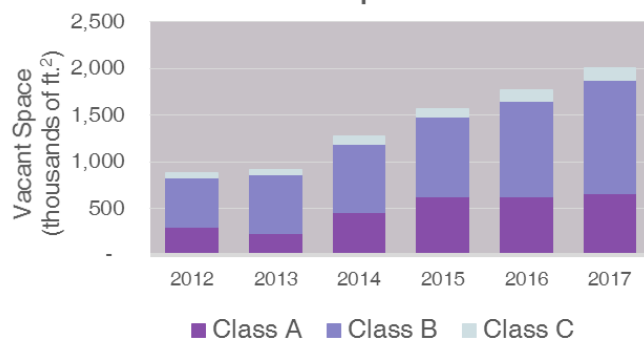
Overall Office Inventory



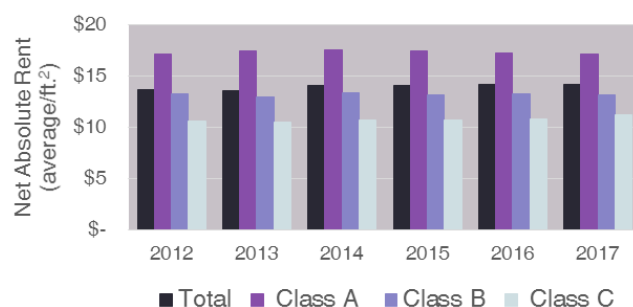
Supply, Demand & GDP



Vacant Space



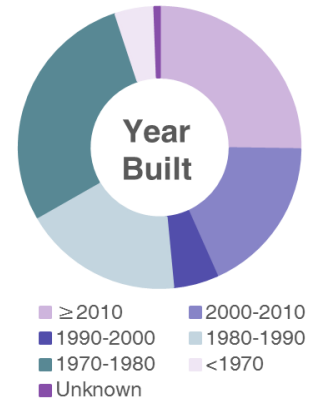
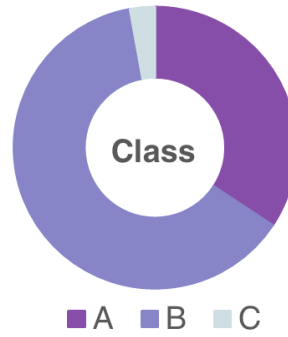
Net Absolute Rent/ft.²



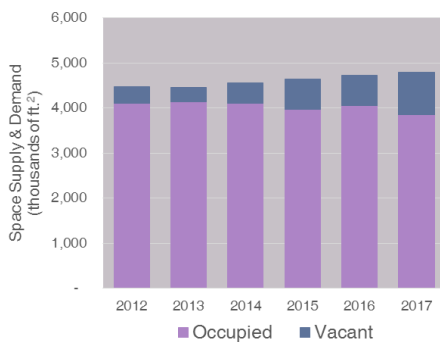
HALIFAX DOWNTOWN

Year at a Glance

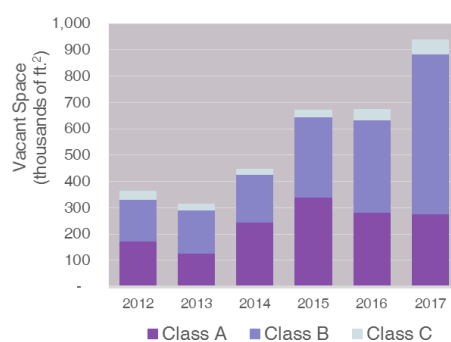
	2016	2017	Change
Office Inventory (ft. ²)	4,723,704	4,796,610	↑ 72,906
Net Absorption (ft. ²)	71,488	(191,899)	↓ (263,387)
Vacancy Rate	14.29%	19.59%	↑ 5.30 pp
Avg. Net Rent/ft. ²	\$ 14.87	\$ 15.03	↑ 1.08%
Avg. RTCAM/ft. ²	\$ 13.73	\$ 13.78	↑ 0.36%
Avg. Gross Rent/ft. ²	\$ 28.60	\$ 28.80	↑ 0.70%



Supply & Demand



Vacant Space



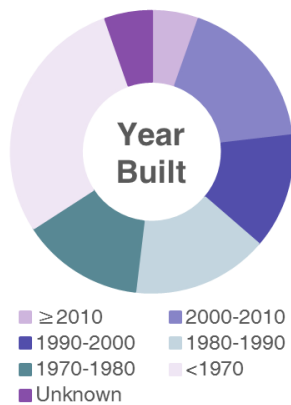
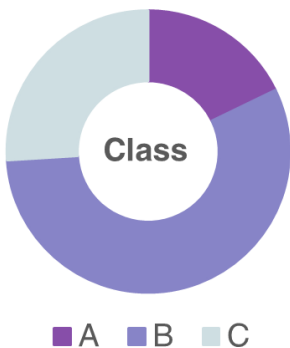
Net Absolute Rent/ft.²



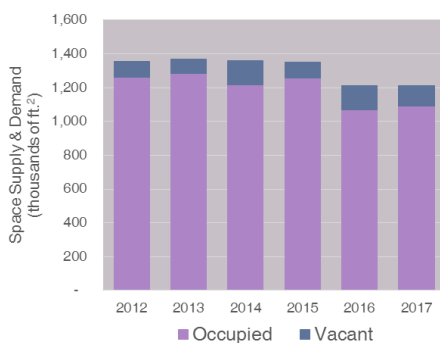
HALIFAX PERIPHERAL

Year at a Glance

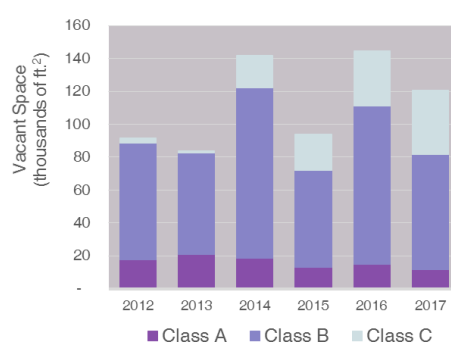
	2016	2017	Change
Office Inventory (ft. ²)	1,211,849	1,211,849	↔ - - -
Net Absorption (ft. ²)	(188,721)	23,817	↑ 212,538
Vacancy Rate	11.93%	9.97%	↓ -1.97 pp
Avg. Net Rent/ft. ²	\$ 13.84	\$ 14.03	↑ 1.37%
Avg. RTCAM/ft. ²	\$ 13.56	\$ 13.47	↓ -0.66%
Avg. Gross Rent/ft. ²	\$ 27.40	\$ 27.50	↑ 0.36%



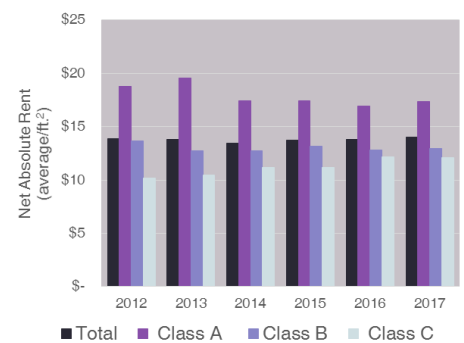
Supply & Demand



Vacant Space



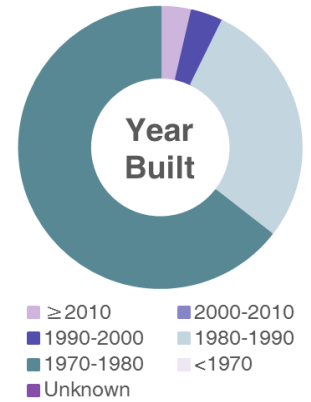
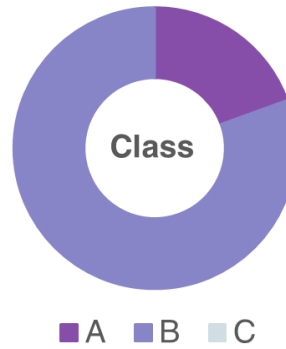
Net Absolute Rent/ft.²



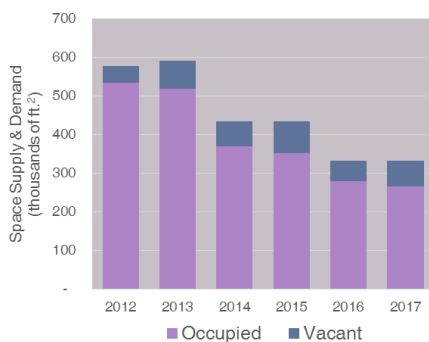
CENTRAL DARTMOUTH

Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	332,221	332,221	↔ ---
Net Absorption (ft. ²)	(72,584)	(15,338)	⬆ 57,246
Vacancy Rate	15.12%	19.74%	⬆ 4.62 pp
Avg. Net Rent/ft. ²	\$ 10.42	\$ 10.42	↔ 0%
Avg. RTCAM/ft. ²	\$ 11.21	\$ 9.94	⬇ -11.33%
Avg. Gross Rent/ft. ²	\$ 21.63	\$ 20.36	⬇ -5.87%



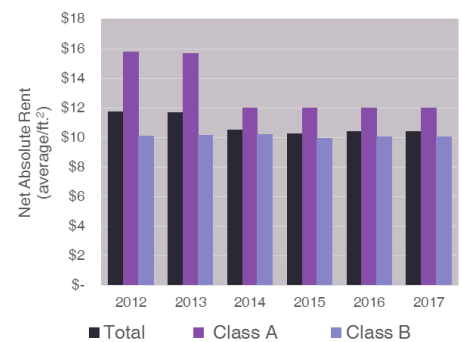
Supply & Demand



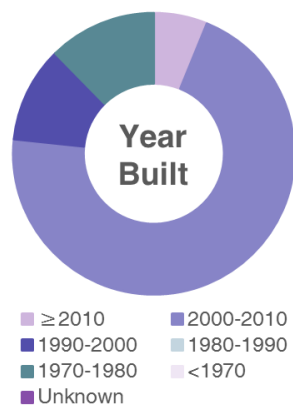
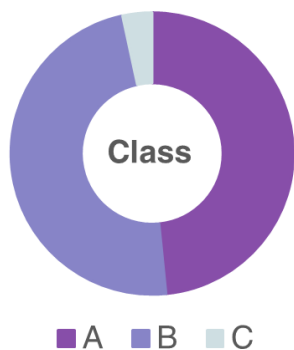
Vacant Space



Net Absolute Rent/ft.²



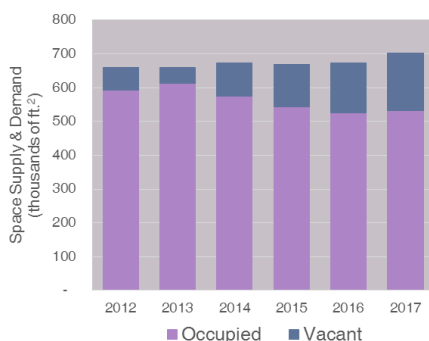
DARTMOUTH PERIPHERAL



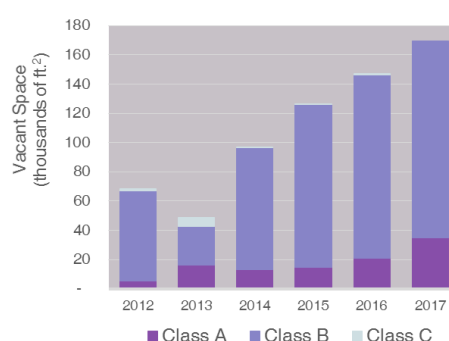
Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	673,093	701,294	⬆ 28,201
Net Absorption (ft. ²)	(17,120)	6,029	⬆ 23,149
Vacancy Rate	21.86%	24.14%	⬆ 2.28 pp
Avg. Net Rent/ft. ²	\$ 12.64	\$ 12.82	⬆ 1.42%
Avg. RTCAM/ft. ²	\$ 10.62	\$ 10.41	⬇ -1.98%
Avg. Gross Rent/ft. ²	\$ 23.25	\$ 23.44	⬆ 0.82%

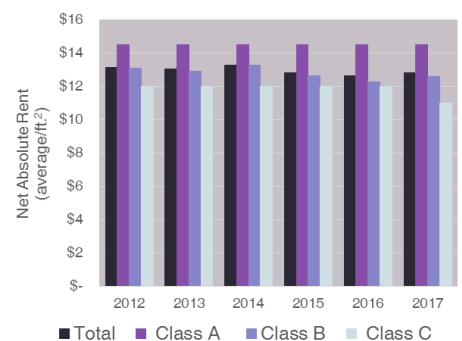
Supply & Demand



Vacant Space



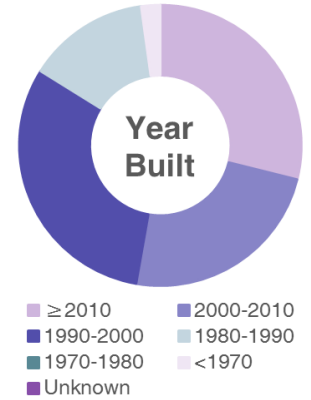
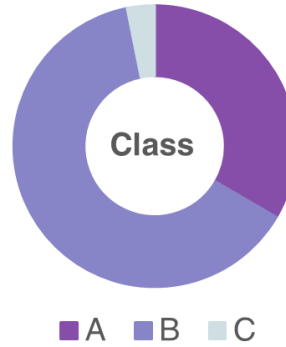
Net Absolute Rent/ft.²



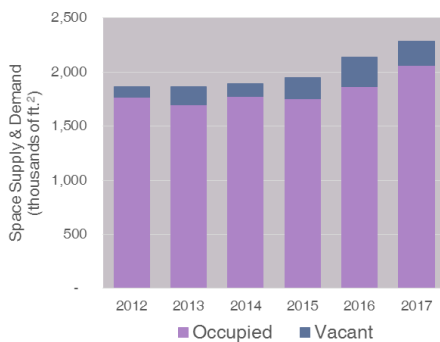
SUBURBAN HALIFAX

Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	2,138,164	2,283,164	↑ 145,000
Net Absorption (ft. ²)	111,095	194,481	↑ 83,386
Vacancy Rate	12.74%	9.76%	↓ -2.98 pp
Avg. Net Rent/ft. ²	\$ 14.87	\$ 14.88	↑ 0.07%
Avg. RTCAM/ft. ²	\$ 11.78	\$ 11.45	↓ -2.80%
Avg. Gross Rent/ft. ²	\$ 26.53	\$ 26.33	↓ -0.75%



Supply & Demand



Vacant Space



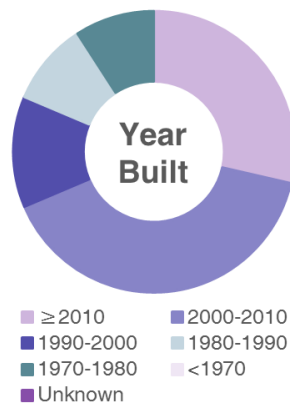
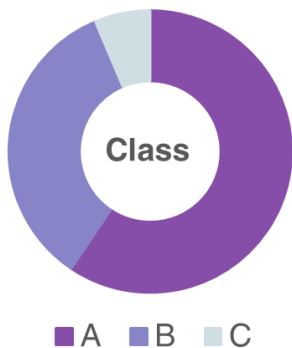
Net Absolute Rent/ft.²



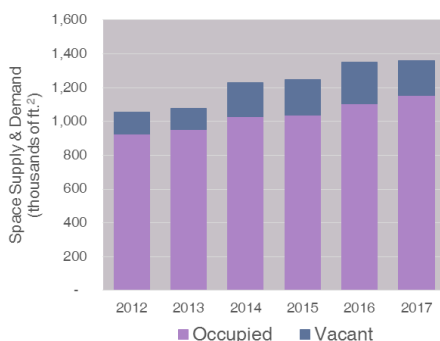
BURNSIDE/CITY OF LAKES & DARTMOUTH CROSSING

Year at a Glance

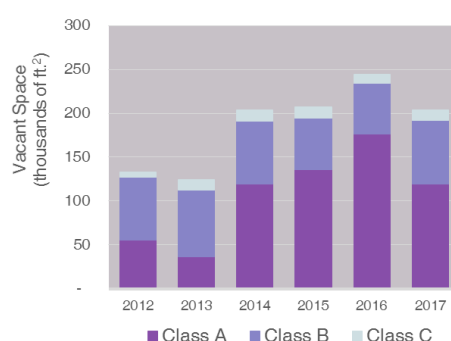
	2016	2017	Change
Office Inventory (ft. ²)	1,348,975	1,358,955	↑ 9,980
Net Absorption (ft. ²)	65,932	51,036	↓ (14,896)
Vacancy Rate	18.15%	14.99%	↓ -3.15 pp
Avg. Net Rent/ft. ²	\$ 14.64	\$ 14.34	↓ -2.05%
Avg. RTCAM/ft. ²	\$ 11.82	\$ 12.53	↑ 6.01%
Avg. Gross Rent/ft. ²	\$ 25.95	\$ 26.35	↑ 1.54%



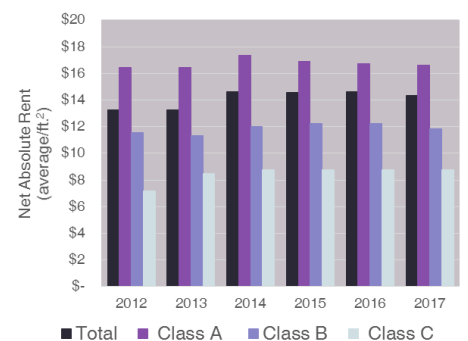
Supply & Demand



Vacant Space



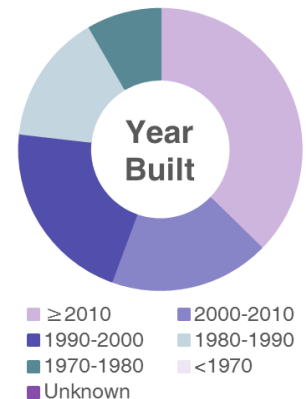
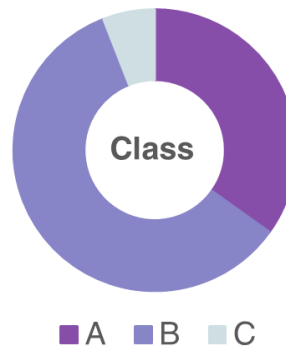
Net Absolute Rent/ft.²



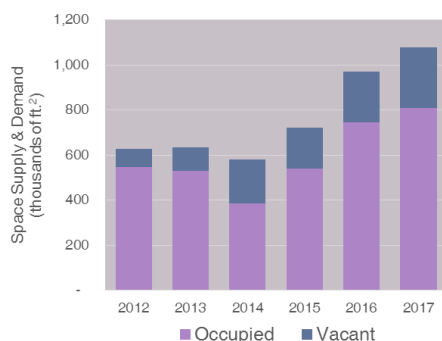
BEDFORD

Year at a Glance

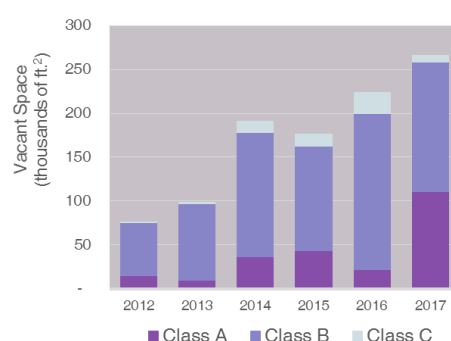
	2016	2017	Change
Office Inventory (ft. ²)	970,185	1,078,185	↑ 108,000
Net Absorption (ft. ²)	203,314	65,133	↓ (138,181)
Vacancy Rate	23.05%	24.72%	↑ 1.67 pp
Avg. Net Rent/ft. ²	\$ 13.88	\$ 14.00	↑ 0.86%
Avg. RTCAM/ft. ²	\$ 12.22	\$ 12.39	↑ 1.39%
Avg. Gross Rent/ft. ²	\$ 26.10	\$ 26.39	↑ 1.11%



Supply & Demand



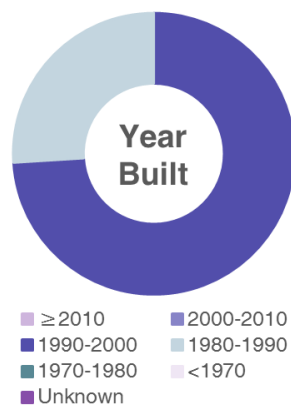
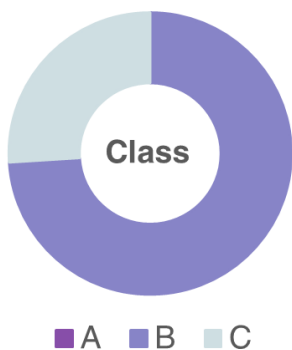
Vacant Space



Net Absolute Rent/ft.²



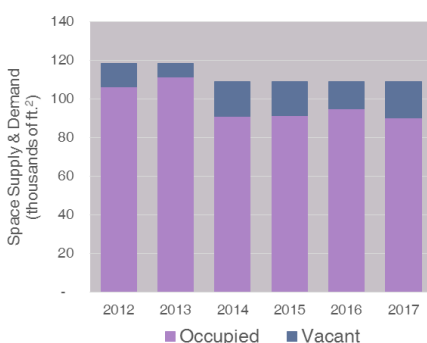
SACKVILLE



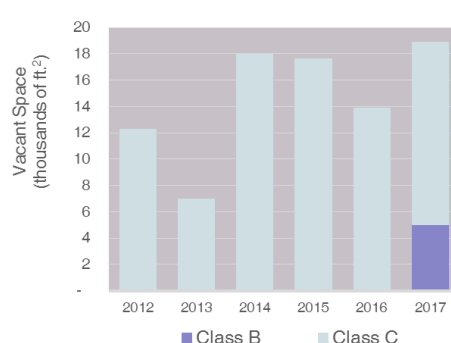
Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	109,092	109,092	↔ - - -
Net Absorption (ft. ²)	3,735	(5,000)	↓ (8,735)
Vacancy Rate	12.72%	17.31%	↑ 4.58 pp
Avg. Net Rent/ft. ²	\$ 10.00	\$ 8.33	↓ -16.70%
Avg. RTCAM/ft. ²	\$ 6.02	\$ 5.87	↓ -2.49%
Avg. Gross Rent/ft. ²	\$ 16.02	\$ 14.21	↓ -11.30%

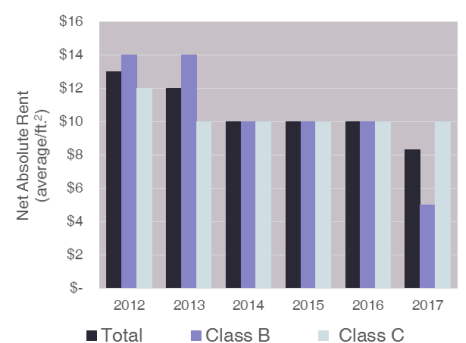
Supply & Demand



Vacant Space



Net Absolute Rent/ft.²



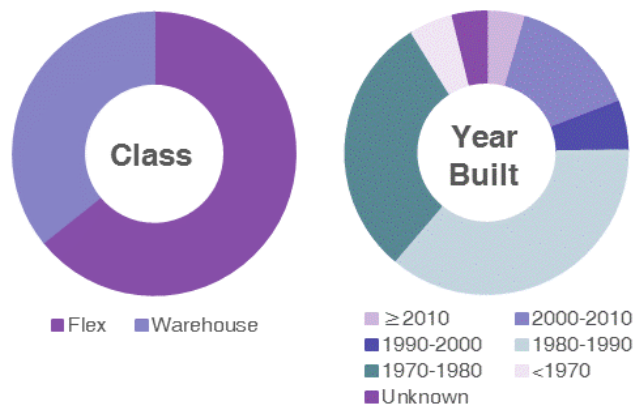
JUNE 2017 MARKET SURVEY

HRM WAREHOUSES

Year at a Glance

Warehouse	2016	2017	Change
Inventory (ft. ²)	7,815,947	7,870,561	↑ 54,614
Net Absorption (ft. ²)	30,639	69,358	↑ 38,719
Vacancy Rate	14.04%	13.76%	↓ -0.28 pp
Avg. Net Rent/ft. ²	\$ 7.80	\$ 7.77	↓ -0.38%
Avg. RTCAM/ft. ²	\$ 5.20	\$ 5.23	↑ 0.58%
Avg. Gross Rent/ft. ²	\$ 12.98	\$ 12.97	↓ -0.08%

Overall Warehouse Inventory



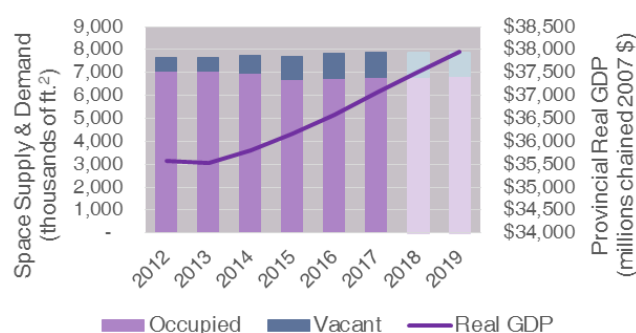
Supply & Demand Overview

The total amount of rentable warehouse space in Greater Halifax increased 0.7% over last year, mainly due to new space coming to market in Burnside. The overall vacancy rate decreased from 14.04% in 2016 to 13.76% in 2017. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates that 2018 will see GDP growth of 1.2%, leading to an uptick in demand for office space of 0.6%. With no significant additional supply being brought to market in the year ahead, the vacancy rate is expected to decline further to 13.3%.

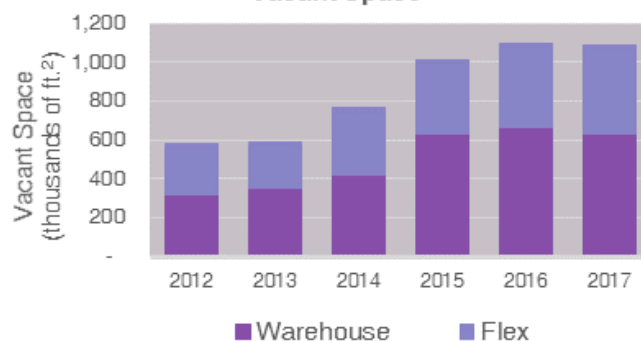
Our survey measured the vacancy rate by geographic node. The current vacancy rate in each of the following locations is: Atlantic Acres Industrial Park 7.57%; Bayers Lake Industrial Park 24.39%; Bedford 22.72% Burnside/City of Lakes Industrial Park 13.51%; Central Halifax 9.14%; Ragged Lake Industrial Park 18.85%; Sackville Industrial Park 0.00%.

Our survey also measured rental rates. Industrial properties in H.R.M saw the overall net absolute rent/ft.² decrease by 0.38% year over year, to \$7.77/ft.² in 2017. The average overall net rental rates/ft.² in each of the following locations are: Atlantic Acres Industrial Park \$7.80; Bayers Lake Industrial Park \$10.92; Bedford \$11.60; Burnside/City of Lakes Industrial Park \$7.33; Central Halifax \$8.36; Ragged Lake Industrial Park \$7.50; Sackville Industrial Park \$7.75.

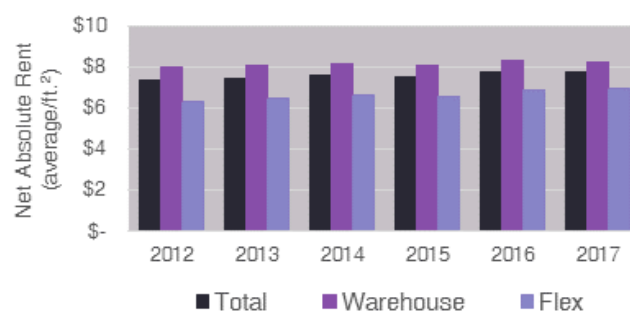
Supply, Demand & GDP



Vacant Space



Net Absolute Rent/ft.²

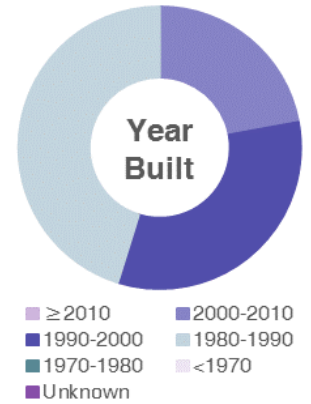
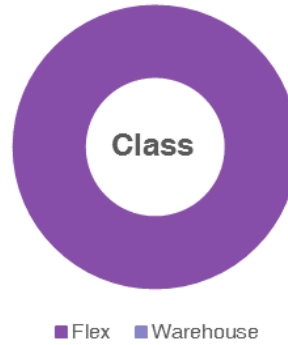


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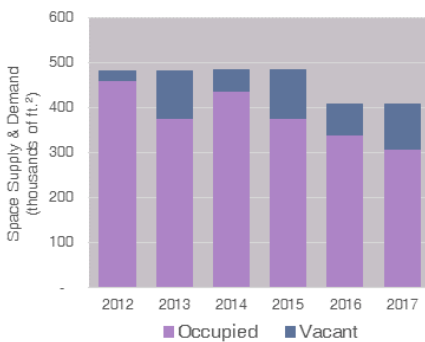
BAYERS LAKE INDUSTRIAL PARK

Year at a Glance

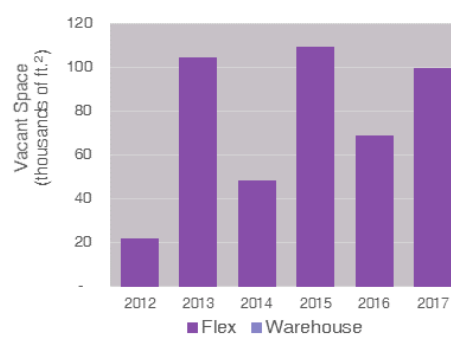
Warehouse	2016	2017	Change
Inventory (ft. ²)	407,019	407,019	↔ ---
Net Absorption (ft. ²)	(37,091)	(30,880)	↑ 6,211
Vacancy Rate	16.80%	24.39%	↑ 7.59 pp
Avg. Net Rent/ft. ²	\$ 10.91	\$ 10.91	↔ ---
Avg. RTCAM/ft. ²	\$ 6.01	\$ 6.21	↑ 3.33 %
Avg. Gross Rent/ft. ²	\$ 16.93	\$ 17.13	↑ 1.18 %



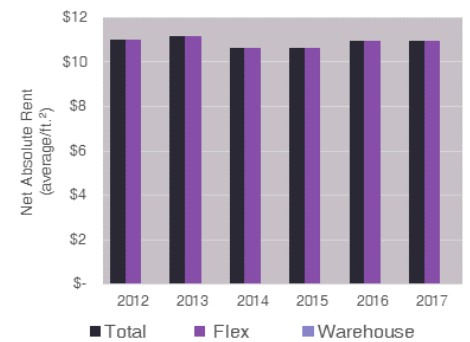
Supply & Demand



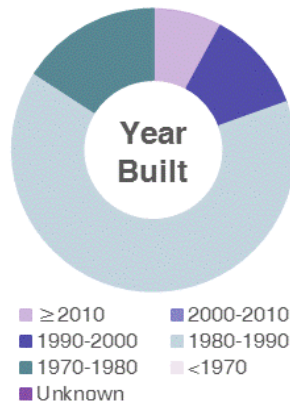
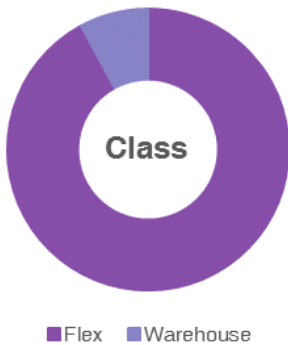
Vacant Space



Net Absolute Rent/ft.²



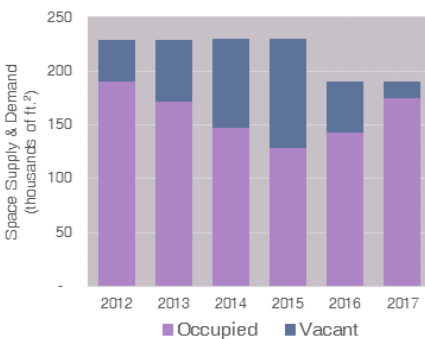
ATLANTIC ACRES



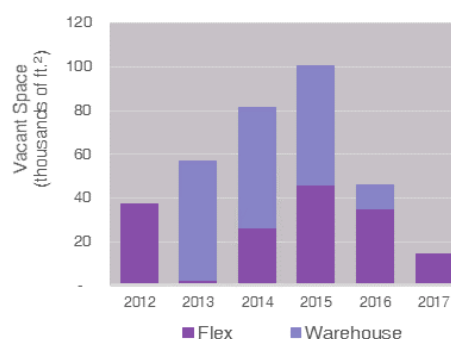
Year at a Glance

Warehouse	2016	2017	Change
Inventory (ft. ²)	189,615	189,615	↔ ---
Net Absorption (ft. ²)	14,794	31,574	↑ 16,780
Vacancy Rate	24.22 %	7.57%	↓ -16.65 pp
Avg. Net Rent/ft. ²	\$ 7.52	\$ 7.80	↑ 3.72%
Avg. RTCAM/ft. ²	\$ 4.67	\$ 4.05	↓ -13.28%
Avg. Gross Rent/ft. ²	\$ 12.19	\$ 11.85	↓ -2.79%

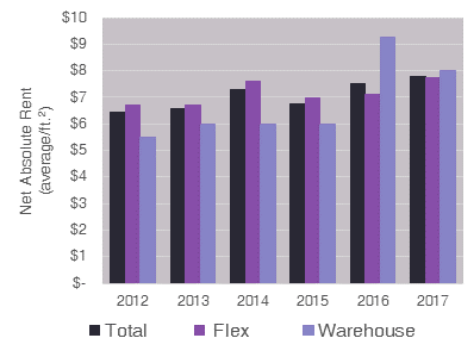
Supply & Demand



Vacant Space



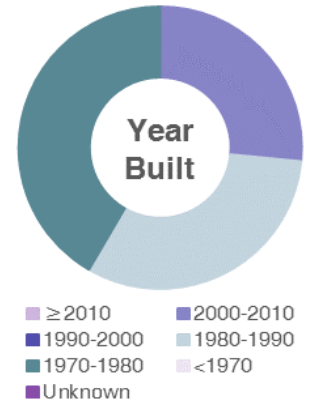
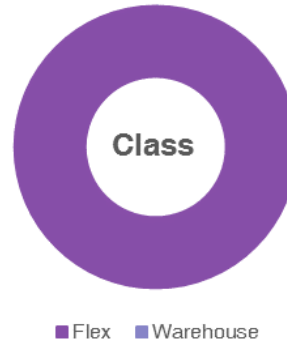
Net Absolute Rent/ft.²



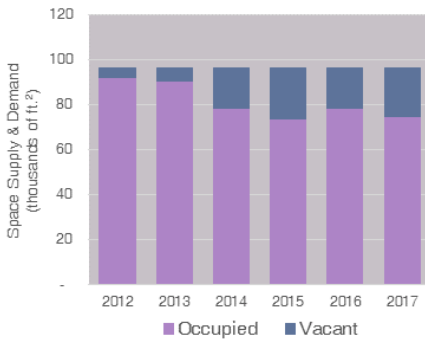
BEDFORD

Year at a Glance

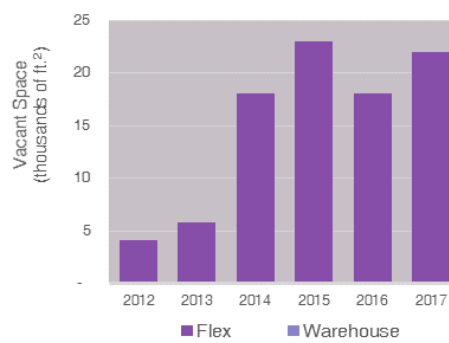
Warehouse	2016	2017	Change
Inventory (ft. ²)	96,434	96,434	↔ ---
Net Absorption (ft. ²)	4,928	(3,951)	↓ (8,879)
Vacancy Rate	18.62%	22.72%	↑ 4.10 pp
Avg. Net Rent/ft. ²	\$ 11.20	\$ 11.60	↑ 3.57%
Avg. RTCAM/ft. ²	\$ 6.94	\$ 7.01	↑ 1.01%
Avg. Gross Rent/ft. ²	\$ 18.14	\$ 18.61	↑ 2.59%



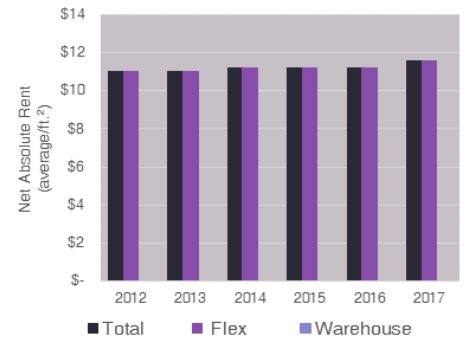
Supply & Demand



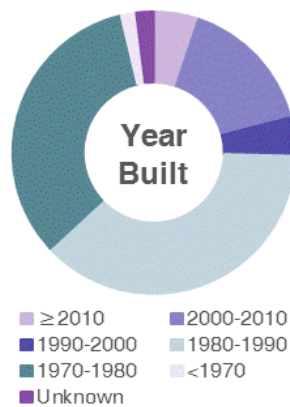
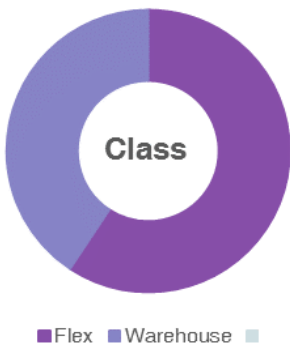
Vacant Space



Net Absolute Rent/ft.²



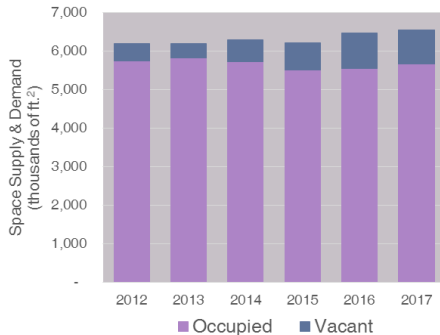
BURNSIDE/ CITY OF LAKES



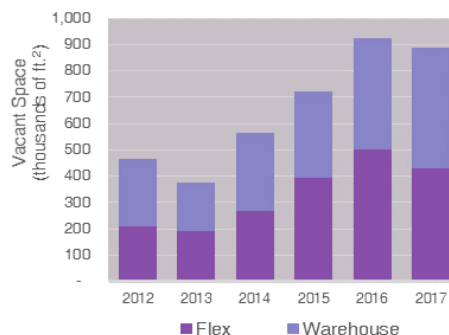
Year at a Glance

Warehouse	2016	2017	Change
Inventory (ft. ²)	6,485,048	6,554,760	↑ 69,712
Net Absorption (ft. ²)	55,645	106,111	↑ 50,466
Vacancy Rate	14.21%	13.51%	↓ -0.71 pp
Avg. Net Rent/ft. ²	\$ 7.34	\$ 7.33	↓ -0.14%
Avg. RTCAM/ft. ²	\$ 5.12	\$ 5.12	↔ ---
Avg. Gross Rent/ft. ²	\$ 12.43	\$ 12.41	↓ -0.16%

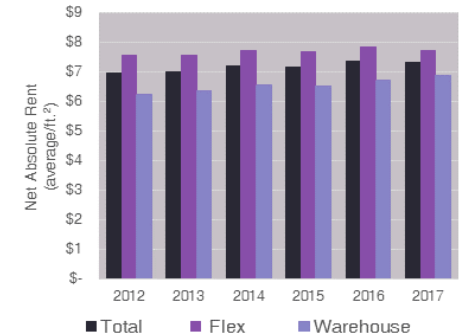
Supply & Demand



Vacant Space



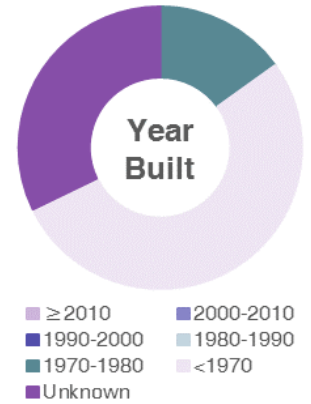
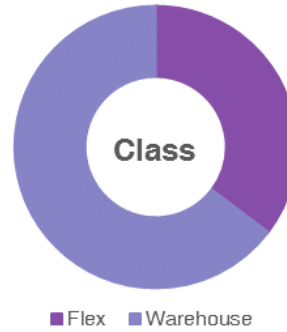
Net Absolute Rent/ft.²



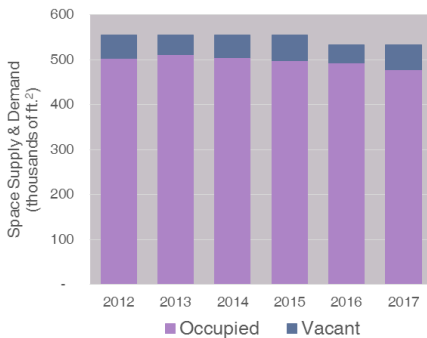
CENTRAL HALIFAX

Year at a Glance

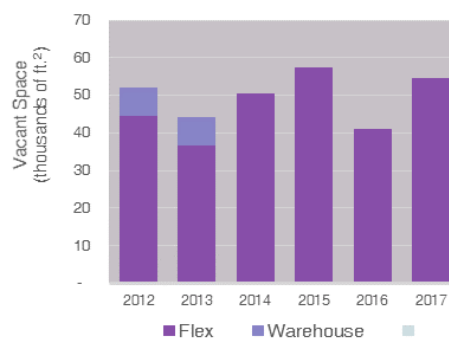
Warehouse	2016	2017	Change
Inventory (ft. ²)	533,236	533,236	↔ ---
Net Absorption (ft. ²)	(5,137)	(13,548)	↓ (8,411)
Vacancy Rate	7.68%	10.22%	↑ 2.54 pp
Avg. Net Rent/ft. ²	\$ 8.36	\$ 8.36	↔ ---
Avg. RTCAM/ft. ²	\$ 5.20	\$ 5.44	↑ 4.62%
Avg. Gross Rent/ft. ²	\$ 13.56	\$ 13.80	↑ 1.77%



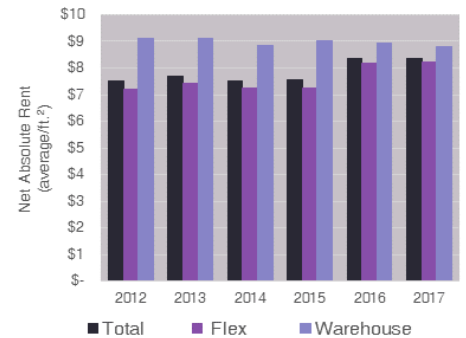
Supply & Demand



Vacant Space



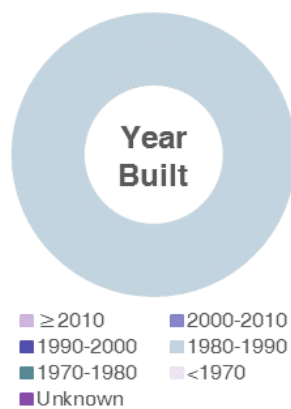
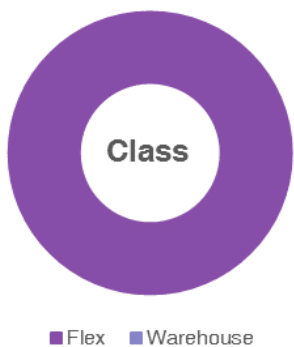
Net Absolute Rent/ft.²



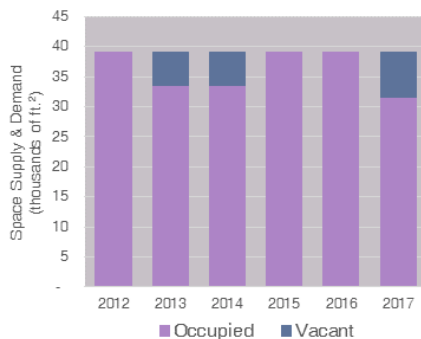
RAGGED LAKE INDUSTRIAL PARK

Year at a Glance

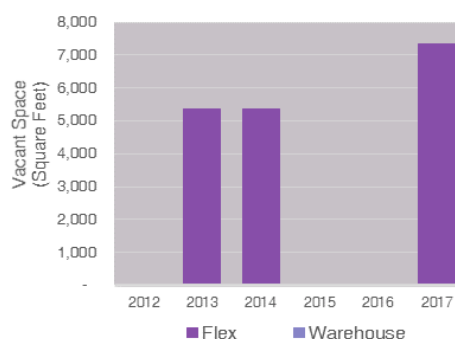
Warehouse	2016	2017	Change
Inventory (ft. ²)	39,000	39,000	↔ ---
Net Absorption (ft. ²)	---	(7,350)	↑ (7,350)
Vacancy Rate	0.00%	18.85%	↑ 18.85 pp
Avg. Net Rent/ft. ²	\$ 7.50	\$ 7.50	↔ ---
Avg. RTCAM/ft. ²	\$ 4.79	\$ 4.83	↑ 0.84%
Avg. Gross Rent/ft. ²	\$ 12.29	\$ 12.33	↑ 0.33%



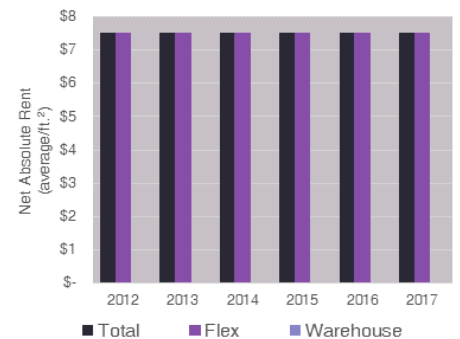
Supply & Demand



Vacant Space



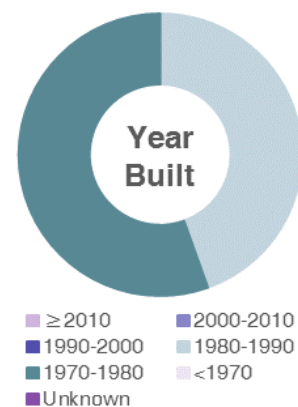
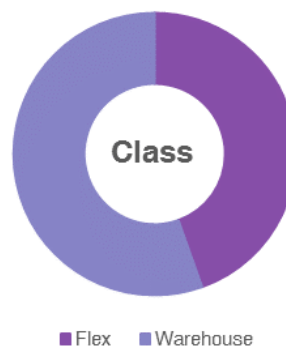
Net Absolute Rent/ft.²



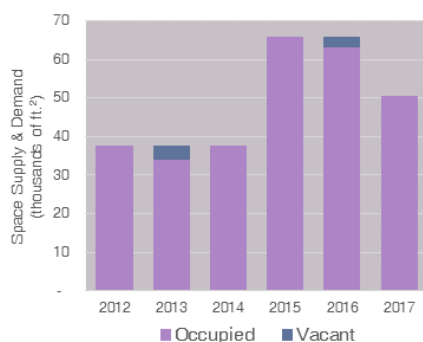
SACKVILLE

Year at a Glance

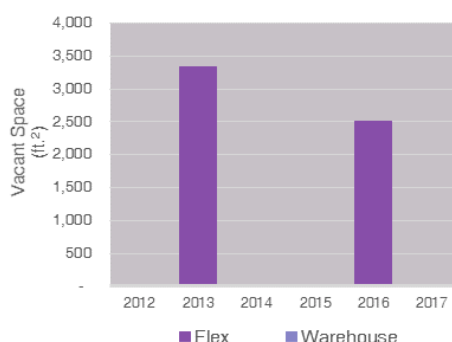
Warehouse	2016	2017	Change
Inventory (ft. ²)	65,595	50,497	↓ (15,098)
Net Absorption (ft. ²)	(2,500)	(12,598)	↓ (10,098)
Vacancy Rate	3.81%	0.00%	↓ -3.81 pp
Avg. Net Rent/ft. ²	\$ 9.83	\$ 7.75	↓ -21.16%
Avg. RTCAM/ft. ²	\$ 3.99	\$ 5.46	↑ 36.84%
Avg. Gross Rent/ft. ²	\$ 14.99	\$ 13.46	↓ -10.21%



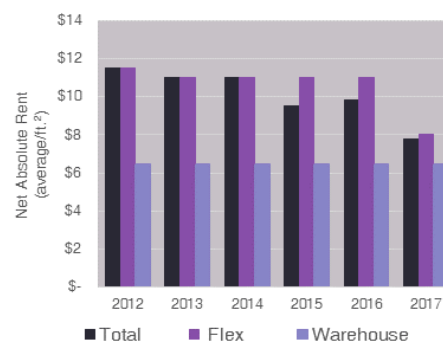
Supply & Demand



Vacant Space



Net Absolute Rent/ft.²



JUNE 2017 MARKET SURVEY

HRM OFFICES & WAREHOUSES

Survey Overview

This survey included every office & warehouse building with a total rentable area of 5,000 ft.² or greater, available for rent in the Greater Halifax area. A team of trained researchers collected rental, operating expense and vacancy data on 163 office buildings with an aggregate rentable area of 11,871,370 ft.² and 153 warehouse buildings with an aggregate rentable area of 7,870,561 ft.². The survey successfully collected information on 90% of the rental stock polled. The results flow from what we believe is the most comprehensive survey of office and warehouse space ever undertaken in Greater Halifax.

Glossary

Inventory/Supply: The total rentable area of office space in the rental market, occupied or vacant.

Building Class:

Office Class - This is the industry definition common to this particular marketplace.

Class A - These office buildings command the highest rents, have “presence” by virtue of their distinctive design and lobbies, are air-conditioned and sprinklered. They are regarded as “prestige” buildings in their marketplace and are usually the most modern buildings. They typically include the leading firms of lawyers and accountants, together with regional or head offices for banks, financial institutions and other major companies, as their tenants.

Class B - These are “second tier” office buildings in terms of rents. They are usually older than Class A buildings and lack “presence”. They are air conditioned and are usually sprinklered. They are regarded as offering modern, but not “prestige” office accommodation in their marketplace. Typically they were built over 20 years ago. Tenants usually include second tier firms of lawyers and accountants, together with a wide selection of private sector companies, provincial and local government agencies.

Class C - These include all office buildings not classed as “A” or “B”.

Class W - Distribution warehouse

Class F - Flex space. This type of space may be used for retail or office use as an alternative to pure warehousing and is typically located at the entrance to a business park in an area with high traffic exposure.

Income & Expense Data:

Net Absolute Rent - This is often referred to as “AAA” or “Base” rent and does not include Realty or Business Occupancy Taxes, Common Area Maintenance (CAM), or any other services such as Electricity, Cleaning or Heating.

Current Realty Taxes - These are the Realty Taxes (not the Business Occupancy Taxes) currently paid by the Landlord and which are recovered from the Tenant usually as part of the Service Rent.

Current CAM - This is the additional amount recovered by the Landlord from the Tenant to cover the operating and maintenance costs of the building including the tenant suites. Common Area Maintenance (CAM) typically includes fire insurance, repairs and maintenance, cleaning (common areas plus often the tenant suites), electricity (common areas plus often the tenant suites), heating and air conditioning (common areas plus often the tenant suites), water, garbage removal, snow clearing, elevator maintenance, management, security, etc. It, together with the Realty Taxes, is recovered by the Landlord from the Tenant as “Service Rent”, if the Tenant has a “net absolute” lease.

Total Realty Taxes + CAM (RTCAM) - This is the total of the Realty Taxes and CAM, and is often recovered from the tenant as “Service Rent”.

Total Gross Rent - This is the total rent recovered from the Tenant by the Landlord and is the total of the Base (Net Absolute Rent) plus the Service Rent (Realty Taxes + CAM).

Vacancy Rate - The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased.

Absorption - This is the amount of additional space absorbed by the market during that period. It is the incremental market demand.

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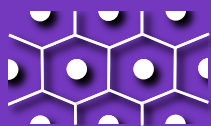


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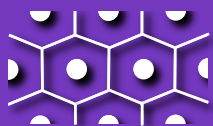
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