

MARKET SURVEY

ST. JOHN'S NL OFFICES

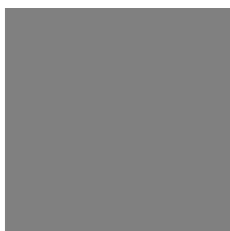
JUNE 2018



Survey Scope: 85 office buildings
 3,977,124 ft.² of rental office space
 expert researchers



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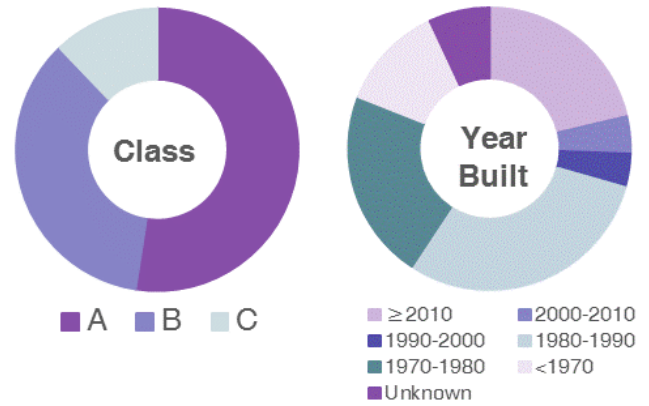


JUNE 2018 MARKET SURVEY ST. JOHN'S NL OFFICES

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	3,842,590	3,977,124	↑ 134,534
Net Absorption (ft. ²)	(94,367)	30,829	↑ 125,196
Vacancy Rate	18.01%	20.01%	↑ 2.00 pp
Avg. Net Rent/ft. ²	\$19.07	\$18.88	↓ -1.00%
Avg. RTCAM/ft. ²	\$11.46	\$10.93	↓ -4.62%
Avg. Gross Rent/ft. ²	\$29.58	\$29.49	↓ -0.30%

Overall Office Inventory

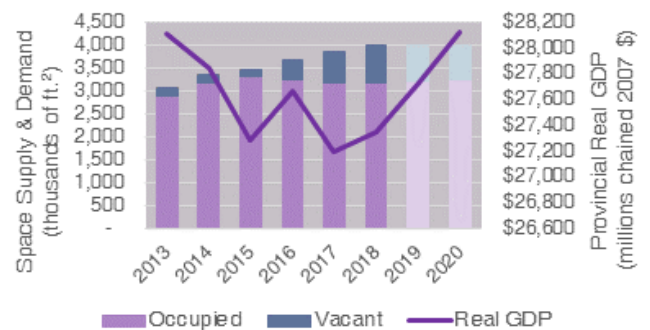


Supply & Demand Overview

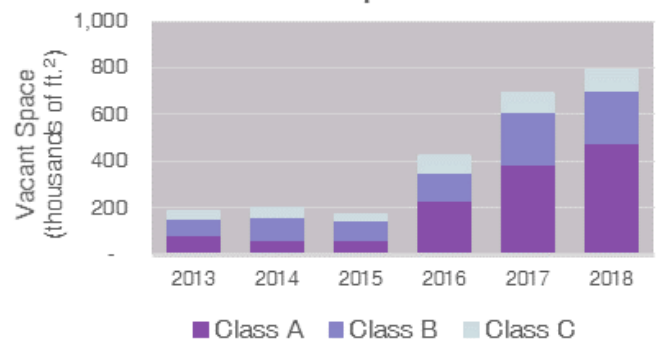
The total amount of rentable office space in St. John's increased 3.50% over last year, due in part to new supply coming to rental space. The overall vacancy rate increased from 18.01% in 2017 to 20.01% in 2018. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates a growth of 1.4% in the next 12 months, leading to an increase in demand for office space of 0.6%. With no anticipated new supply coming to the market, the vacancy rate is expected to drop slightly to 19.5%.

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 23.06%; Class B 15.86%; Class C 19.37%; Overall 20.01%. 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 \$22.55; Class B \$18.11; Class C \$16.00; Overall \$18.88.

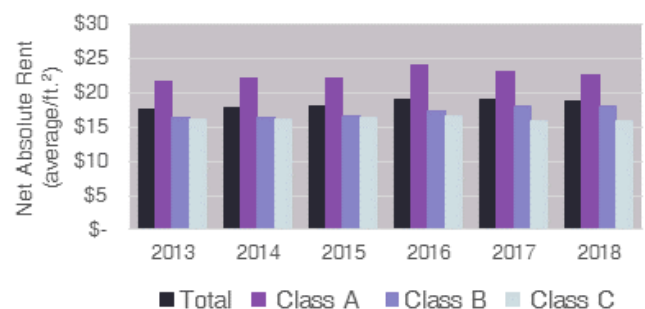
Supply, Demand & GDP



Vacant Space



Net Absolute Rent/ft.²

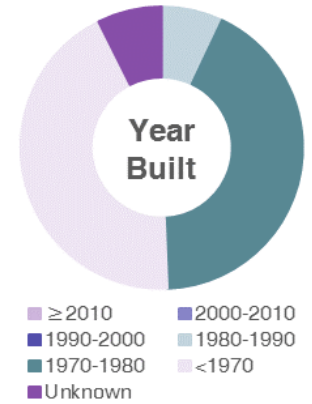
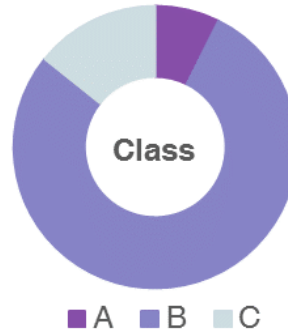


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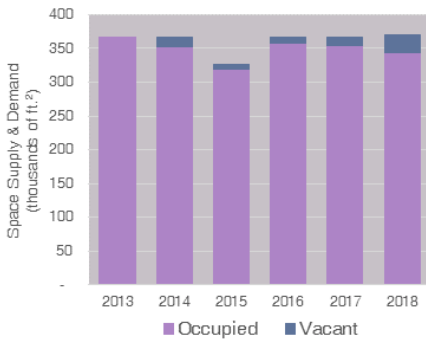
CENTRAL ST. JOHN'S NL

Year at a Glance

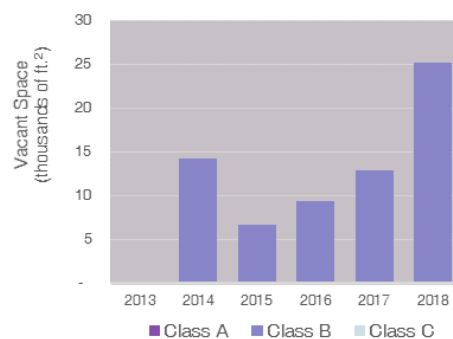
	2017	2018	Change
Office Inventory (ft. ²)	366,804	369,438	↑ 2,634
Net Absorption (ft. ²)	(3,528)	(9,580)	↓ (6,052)
Vacancy Rate	3.50%	6.78%	↑ 3.28 pp
Avg. Net Rent/ft. ²	\$16.00	\$16.00	↔ 0.00%
Avg. RTCAM/ft. ²	\$10.88	\$10.88	↔ 0.00%
Avg. Gross Rent/ft. ²	\$26.88	\$26.88	↔ 0.00%



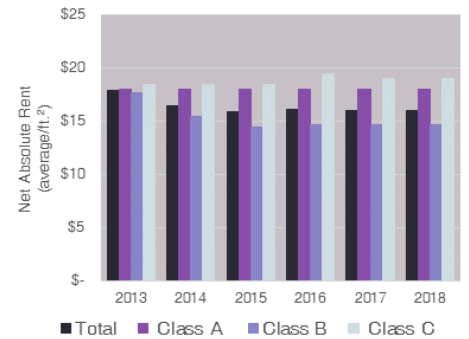
Supply & Demand



Vacant Space



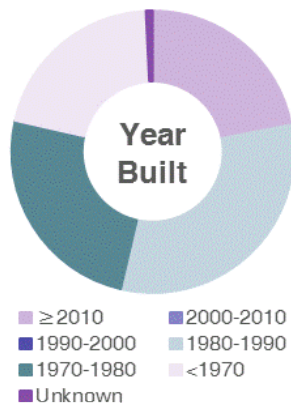
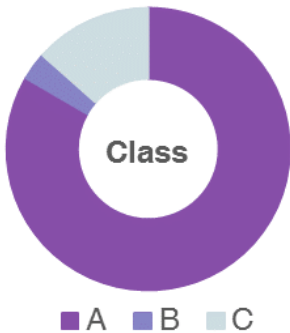
Net Absolute Rent/ft.²



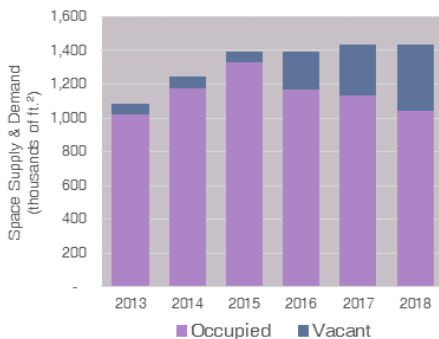
DOWNTOWN ST. JOHN'S NL

Year at a Glance

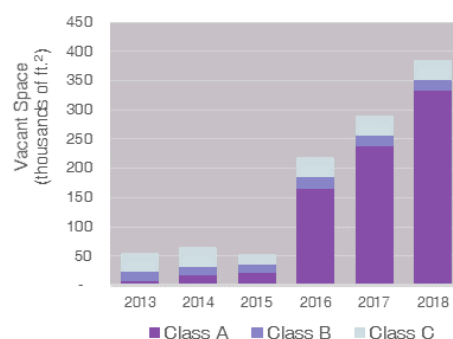
	2017	2018	Change
Office Inventory (ft. ²)	1,428,164	1,428,164	↔ - - -
Net Absorption (ft. ²)	(33,467)	(95,147)	↓ (61,680)
Vacancy Rate	20.31%	26.97%	↑ 6.66 pp
Avg. Net Rent/ft. ²	\$21.46	\$20.97	↓ -2.28%
Avg. RTCAM/ft. ²	\$12.58	\$12.41	↓ -1.35%
Avg. Gross Rent/ft. ²	\$32.67	\$33.19	↓ 1.59%



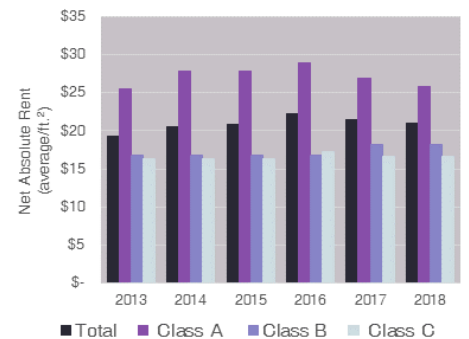
Supply & Demand



Vacant Space



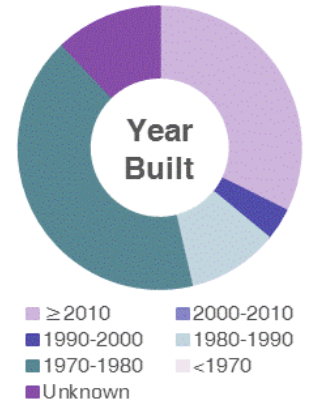
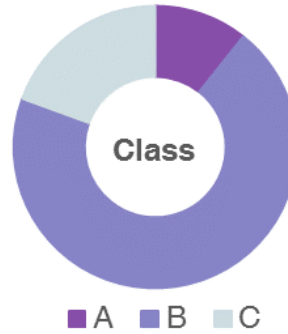
Net Absolute Rent/ft.²



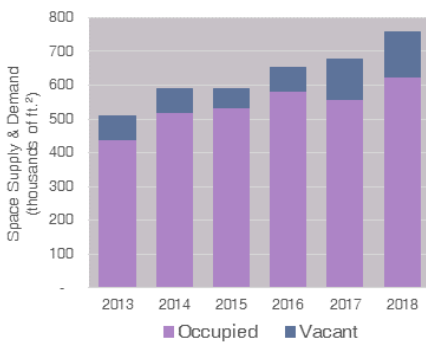
NORTH ST. JOHN'S NL

Year at a Glance

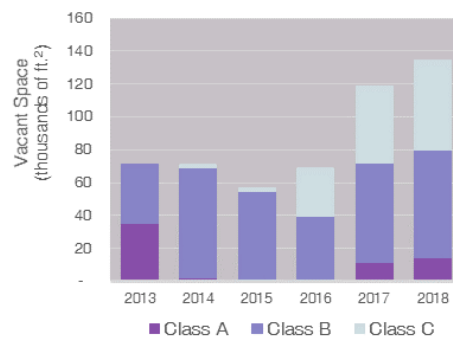
	2017	2018	Change
Office Inventory (ft. ²)	676,894	758,975	↑ 82,081
Net Absorption (ft. ²)	(23,928)	65,921	↑ 89,849
Vacancy Rate	17.52%	17.75%	↑ 0.23 pp
Avg. Net Rent/ft. ²	\$18.62	\$18.72	↑ 0.54%
Avg. RTCAM/ft. ²	\$11.16	\$10.78	↓ -3.41%
Avg. Gross Rent/ft. ²	\$29.17	\$29.24	↑ 0.24%



Supply & Demand



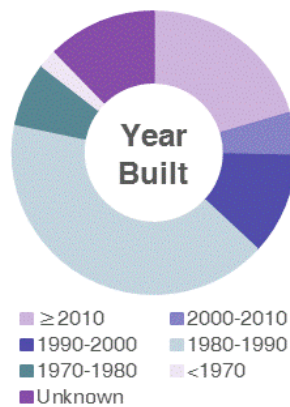
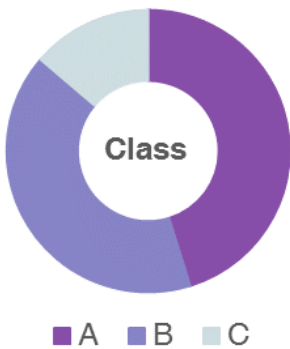
Vacant Space



Net Absolute Rent/ft.²



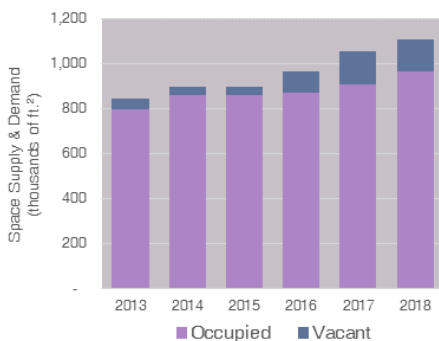
EAST & WEST ST. JOHN'S NL



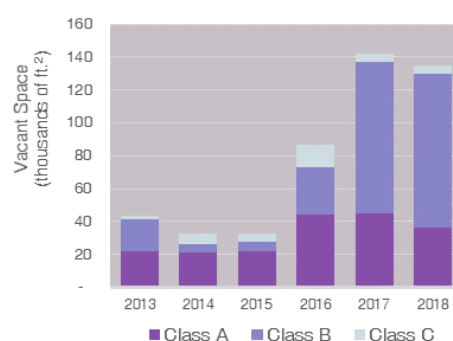
Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	1,054,439	1,103,834	↑ 49,395
Net Absorption (ft. ²)	38,040	56,665	↑ 18,625
Vacancy Rate	13.44%	12.18%	↓ -1.26 pp
Avg. Net Rent/ft. ²	\$19.30	\$19.00	↓ -1.55%
Avg. RTCAM/ft. ²	\$12.01	\$10.92	↓ -9.08%
Avg. Gross Rent/ft. ²	\$30.18	\$29.33	↓ -2.82%

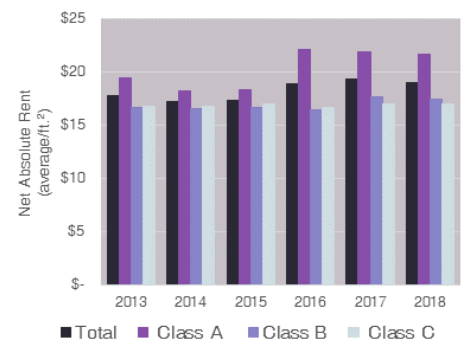
Supply & Demand



Vacant Space



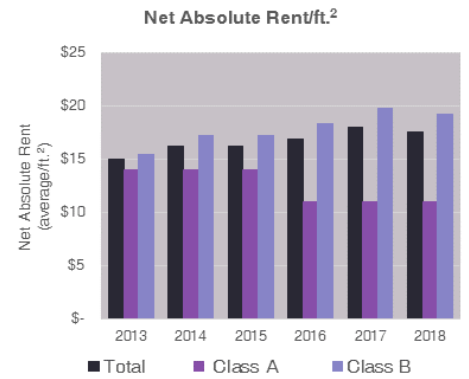
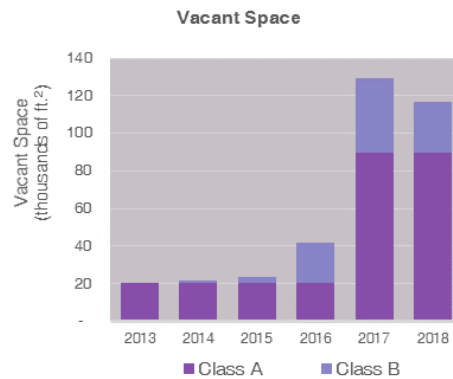
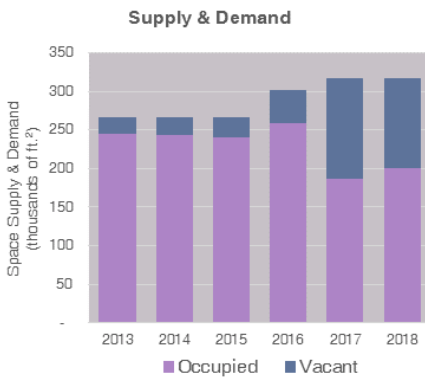
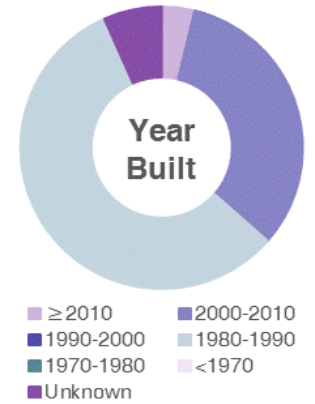
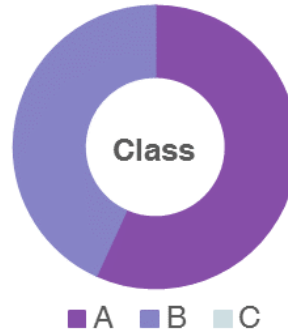
Net Absolute Rent/ft.²



MOUNT PEARL/PARADISE

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	316,289	316,713	↑ 424
Net Absorption (ft. ²)	(71,484)	12,970	↑ 84,454
Vacancy Rate	40.70%	36.69%	↓ -4.02 pp
Avg. Net Rent/ft. ²	\$18.00	\$17.60	↓ -2.22%
Avg. RTCAM/ft. ²	\$7.85	\$7.00	↓ -10.83%
Avg. Gross Rent/ft. ²	\$24.08	\$23.68	↓ -1.66%



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Glossary

Inventory/Supply: The total rentable area of office or warehouse 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”.

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.