

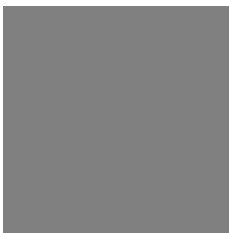
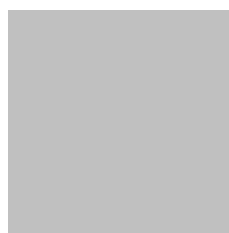
MARKET SURVEY

ST. JOHN'S NL OFFICES & WAREHOUSES

DECEMBER 2018



Survey Scope: 88 office & 105 warehouse buildings
3,992,567 ft.² of rental office space
2,595,783 ft.² of rental warehouse space
expert researchers



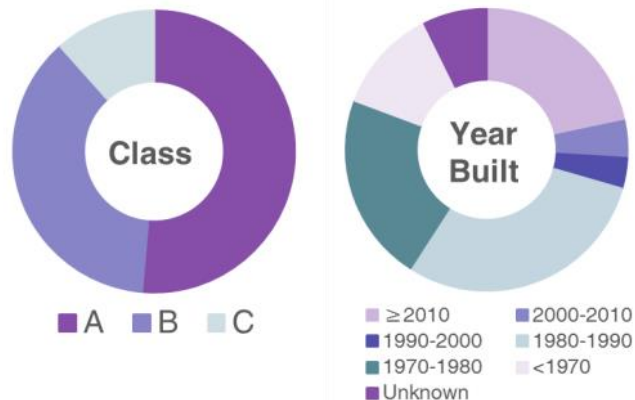
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DEC. 2018 MARKET SURVEY ST. JOHN'S NL OFFICES

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	3,856,953	3,992,567	↑ 135,614
Net Absorption (ft. ²)	(19,629)	64,136	↑ 83,765
Vacancy Rate	15.96%	17.21%	↑ 1.25 pp
Avg. Net Rent/ft. ²	\$18.96	\$18.99	↑ 0.16%
Avg. RTCAM/ft. ²	\$10.79	\$10.77	↓ (0.19)%
Avg. Gross Rent/ft. ²	\$29.57	\$29.75	↑ 0.61%

Overall Office Inventory



Supply & Demand Overview

The total amount of rentable office space in St. John's increased 3.52% over last year, due in part to owner occupied space being converted to rental space. The overall vacancy rate increased from 15.96% in 2017 to 17.21% 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 that 2019 will see GDP increase 1.7%. With an additional supply of approximately 83,000 square feet expected to be brought to the market in 2019 plus the departure of a major tenant to owner occupied premises, the vacancy rate is expected to increase to 19.16%.

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 19.26%; Class B 14.77%; Class C 15.91%; Overall 17.21%. 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 \$22.64; Class B \$18.34; Class C \$15.40; Overall \$18.99.

Supply, Demand & GDP



Vacant Space



Net Absolute Rent/ft.²

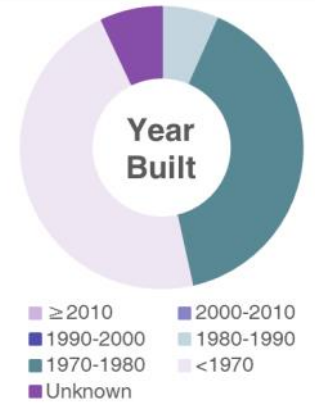
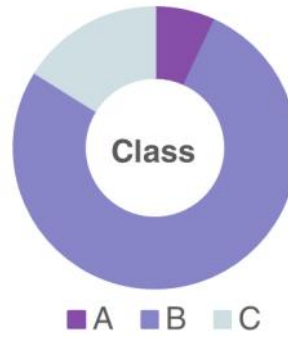


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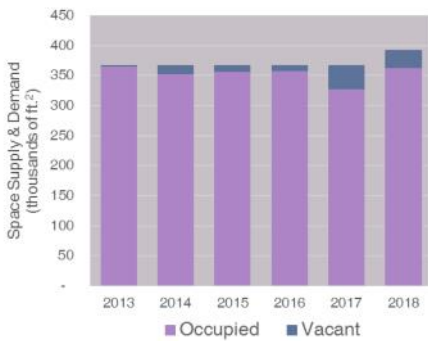
CENTRAL ST. JOHN'S NL

Year at a Glance

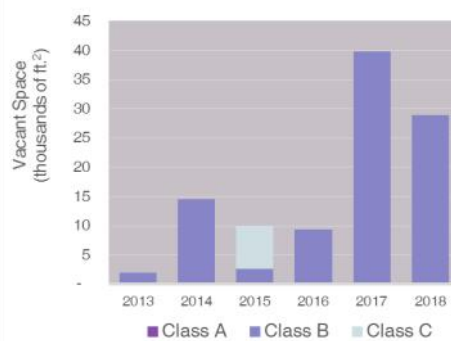
	2017	2018	Change
Office Inventory (ft. ²)	366,804	391,687	↑ 24,883
Net Absorption (ft. ²)	(30,430)	35,771	↑ 66,201
Vacancy Rate	10.83%	7.37%	↓ - 3.47 pp
Avg. Net Rent/ft. ²	\$16.33	\$16.33	↔ 0.00%
Avg. RTCAM/ft. ²	\$11.13	\$11.46	↑ 2.96%
Avg. Gross Rent/ft. ²	\$27.46	\$27.79	↑ 1.20%



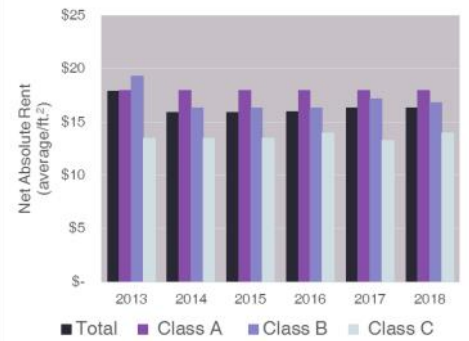
Supply & Demand



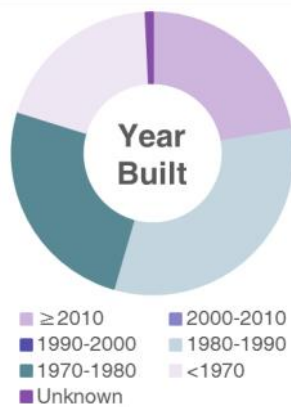
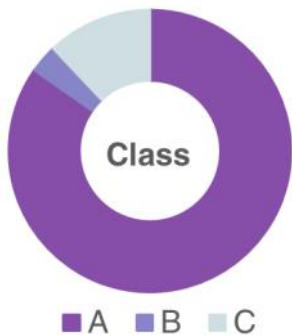
Vacant Space



Net Absolute Rent/ft.²



DOWNTOWN ST. JOHN'S NL



Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	1,410,676	1,405,915	↓ (4,761)
Net Absorption (ft. ²)	(50,932)	(67,599)	↓ (16,667)
Vacancy Rate	22.15%	26.69%	↑ 4.54 pp
Avg. Net Rent/ft. ²	\$20.66	\$21.37	↑ 3.44%
Avg. RTCAM/ft. ²	\$11.92	\$11.65	↓ - 2.27%
Avg. Gross Rent/ft. ²	\$33.02	\$33.45	↑ 1.30%

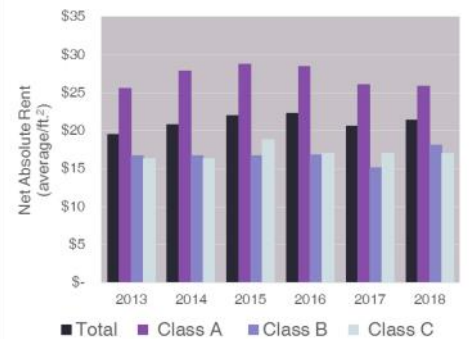
Supply & Demand



Vacant Space



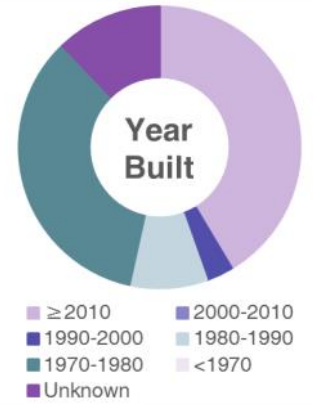
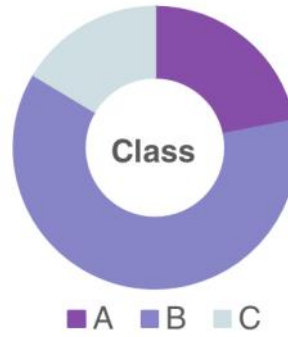
Net Absolute Rent/ft.²



NORTH ST. JOHN'S NL

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	676,894	789,942	↑ 113,048
Net Absorption (ft. ²)	2,120	84,743	↑ 82,623
Vacancy Rate	14.85%	16.31%	↑ 1.46 pp
Avg. Net Rent/ft. ²	\$18.71	\$18.72	↑ 0.05%
Avg. RTCAM/ft. ²	\$10.90	\$10.68	↓ - 2.02%
Avg. Gross Rent/ft. ²	\$29.17	\$28.89	↓ - 0.96%



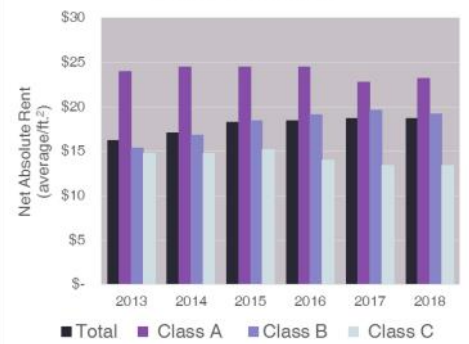
Supply & Demand



Vacant Space



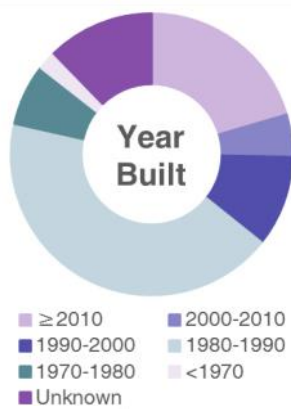
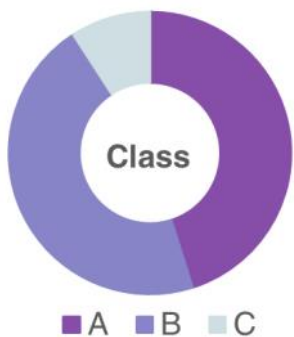
Net Absolute Rent/ft.²



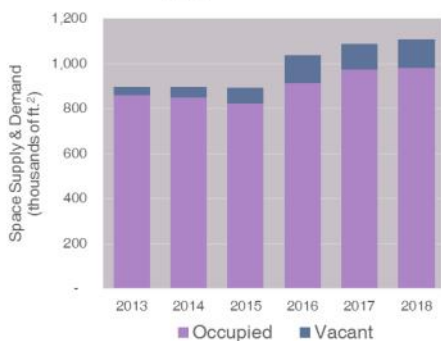
EAST & WEST ST. JOHN'S NL

Year at a Glance

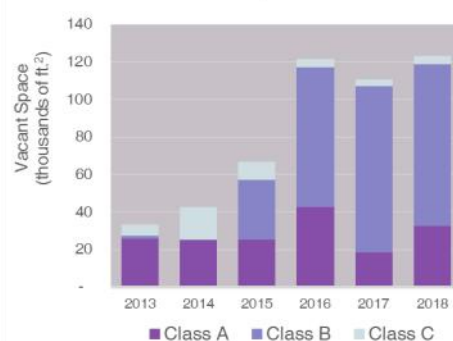
	2017	2018	Change
Office Inventory (ft. ²)	1,085,866	1,107,210	↑ 21,344
Net Absorption (ft. ²)	60,179	8,661	↓ (51,518)
Vacancy Rate	10.17%	11.12%	↑ 0.95 pp
Avg. Net Rent/ft. ²	\$19.16	\$19.04	↓ (0.63)%
Avg. RTCAM/ft. ²	\$10.87	\$10.81	↓ (0.55)%
Avg. Gross Rent/ft. ²	\$29.51	\$30.24	↑ 2.47%



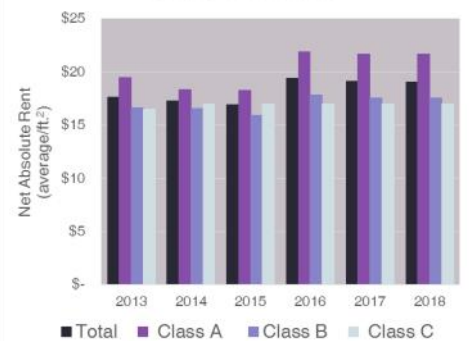
Supply & Demand



Vacant Space



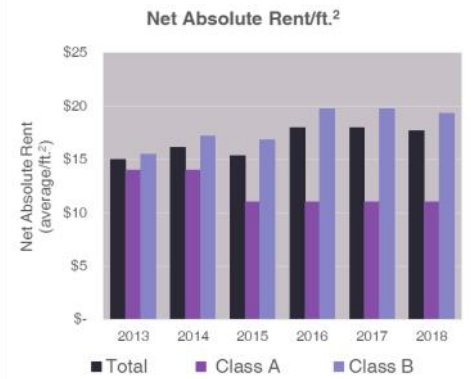
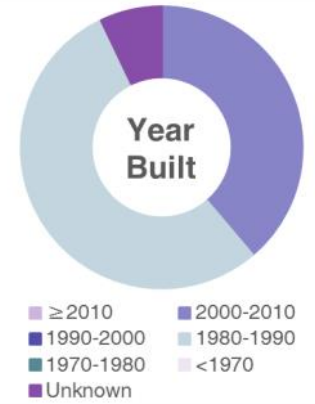
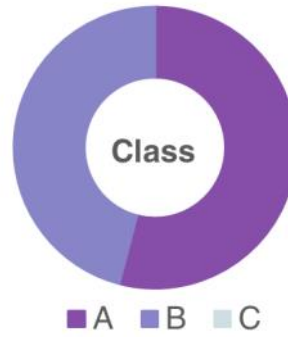
Net Absolute Rent/ft.²



MOUNT PEARL/PARADISE

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	316,713	297,813	↓ (18,900)
Net Absorption (ft. ²)	(566)	2,560	↑ 3,126
Vacancy Rate	16.57%	10.41%	↓ - 6.15 pp
Avg. Net Rent/ft. ²	\$18.00	\$17.70	↓ - 1.67%
Avg. RTCAM/ft. ²	\$6.34	\$6.93	↑ 9.31%
Avg. Gross Rent/ft. ²	\$24.50	\$24.19	↓ - 1.27%

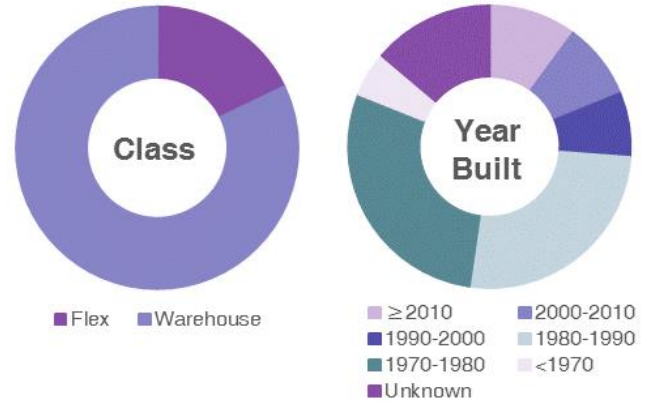


DEC. 2018 MARKET SURVEY ST. JOHN'S WAREHOUSES

Year at a Glance

Warehouse	2017	2018	Change
Inventory (ft. ²)	2,494,842	2,595,783	↑ 100,941
Net Absorption (ft. ²)	36,878	75,274	↑ 38,396
Vacancy Rate	11.32%	11.87%	↑ 0.55 pp
Avg. Net Rent/ft. ²	\$11.00	\$11.14	↑ 1.27%
Avg. RTCAM/ft. ²	\$3.05	\$3.16	↑ 3.61%
Avg. Gross Rent/ft. ²	\$13.54	\$14.26	↑ 5.32%

Overall Warehouse Inventory



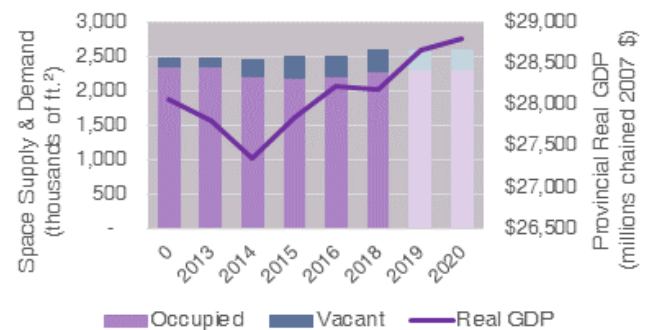
Supply & Demand Overview

The total amount of rentable warehouse space in Greater St. John's increased 4.05% over last year, due in part to some owner occupied warehouse space changing to rental. The overall vacancy rate increased from 11.32% in 2017 to 11.87% 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 that 2019 will see GDP growth of 0.6%, leading to an uptick in demand for warehouse space of 0.8%. With no anticipated new supply coming to market in 2019, the vacancy rate is expected to drop to 11.2%.

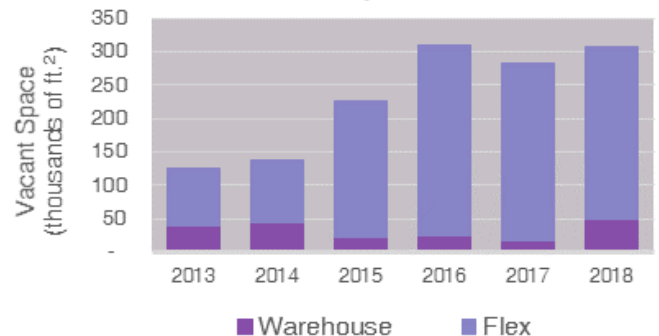
Our survey measured the vacancy rate by geographic node. The current vacancy rate in each of the following locations is: St. John's North 10.01%; Central and Downtown 3.07%; St. John's East 10.40%; St. John's West 0.00%; Mount Pearl/Paradise 13.61%; Overall 11.87%.

Our survey also measured rental rates. Industrial properties in St. John's saw the overall net absolute rent per square foot increase by 1.27% year over year, to \$11.14 in 2018. The average overall net rental rates per square foot in each of the following locations are: St. John's North \$11.75; Central and Downtown \$11.25; St. John's East \$13.71; St. John's West \$9.50; Mount Pearl/Paradise \$10.61; Overall \$11.14.

Supply, Demand & GDP



Vacant Space



Net Absolute Rent/ft.²

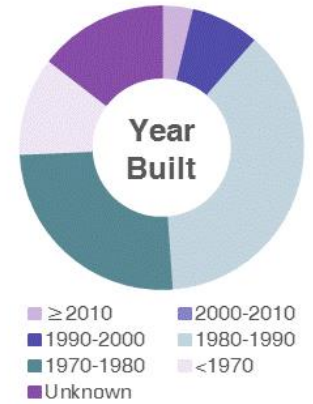
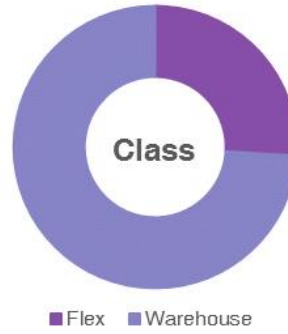


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NORTH ST. JOHN'S NL

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	512,538	561,221	↑ 48,683
Net Absorption (ft. ²)	(21,133)	43,695	↑ 64,828
Vacancy Rate	9.99%	10.01%	↑ 0.02 pp
Avg. Net Rent/ft. ²	\$11.48	\$11.75	↑ 2.35%
Avg. RTCAM/ft. ²	\$3.67	\$3.75	↑ 2.18%
Avg. Gross Rent/ft. ²	\$15.36	\$15.47	↑ 0.72%



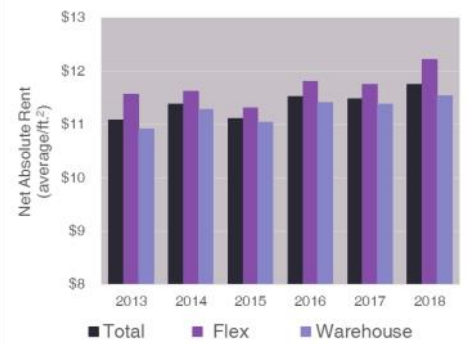
Supply & Demand



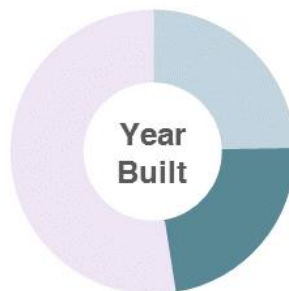
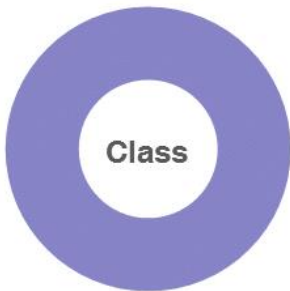
Vacant Space



Net Absolute Rent/ft.²



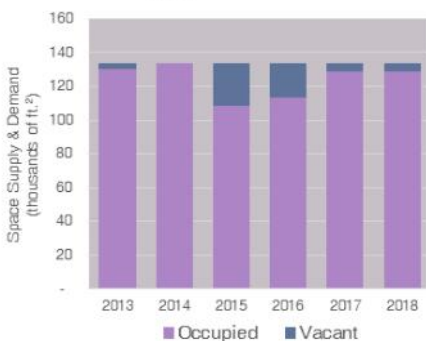
CENTRAL & DOWNTOWN



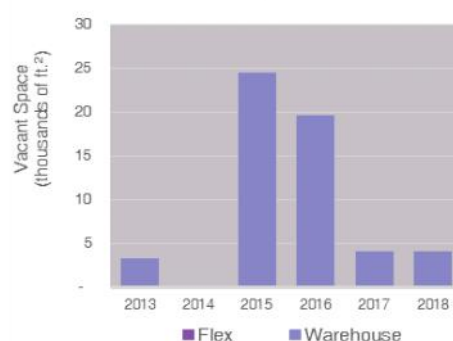
Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	133,396	133,396	↔ ---
Net Absorption (ft. ²)	15,400	---	↓ (15,400)
Vacancy Rate	3.07%	3.07%	↔ 0.00 pp
Avg. Net Rent/ft. ²	\$11.25	\$11.25	↔ 0.00%
Avg. RTCAM/ft. ²	\$4.54	\$4.54	↔ 0.00%
Avg. Gross Rent/ft. ²	\$15.79	\$15.79	↔ 0.00%

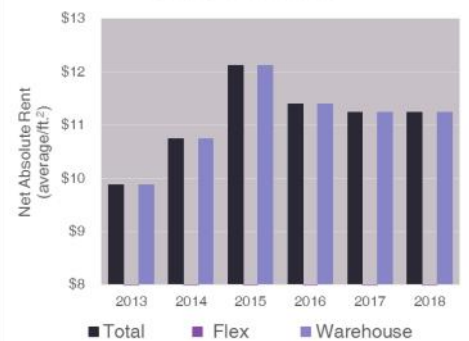
Supply & Demand



Vacant Space



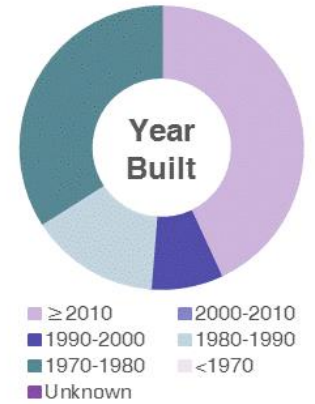
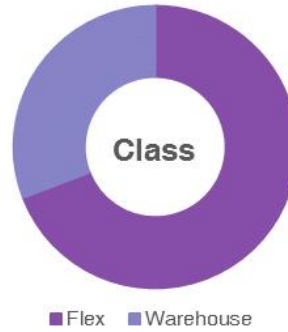
Net Absolute Rent/ft.²



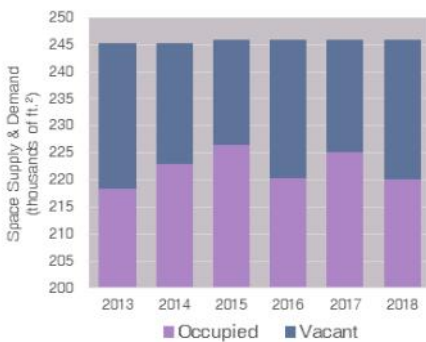
EAST ST. JOHN'S NL

Year at a Glance

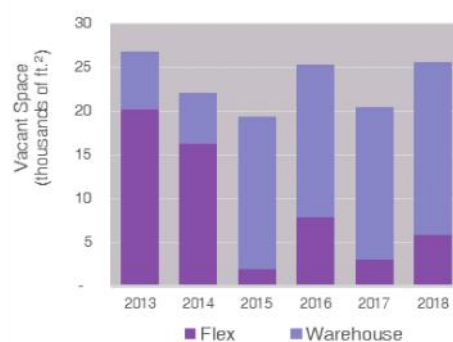
	2017	2018	Change
Office Inventory (ft. ²)	245,717	245,717	↔ ---
Net Absorption (ft. ²)	4,900	(5,182)	↓ (10,082)
Vacancy Rate	8.29%	10.40%	↑ 2.11 pp
Avg. Net Rent/ft. ²	\$13.89	\$13.71	↓ - 1.30%
Avg. RTCAM/ft. ²	\$4.95	\$5.33	↑ 7.68%
Avg. Gross Rent/ft. ²	\$18.84	\$19.04	↑ 1.06%



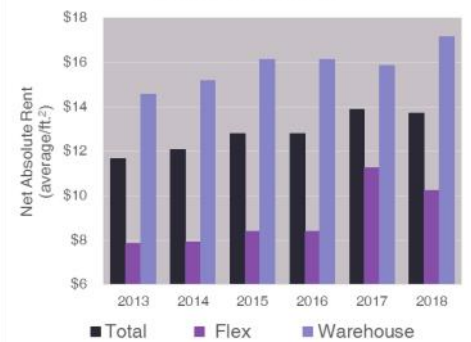
Supply & Demand



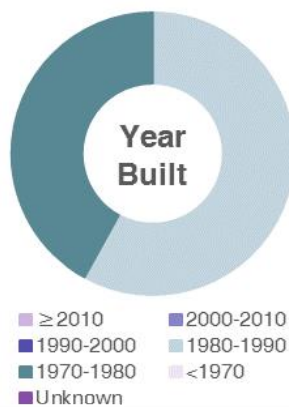
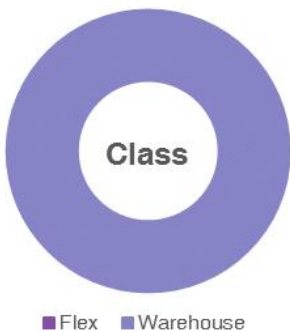
Vacant Space



Net Absolute Rent/ft.²



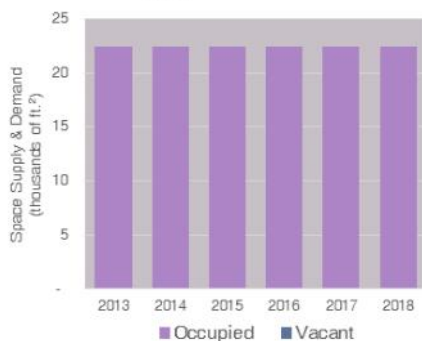
WEST ST. JOHN'S NL



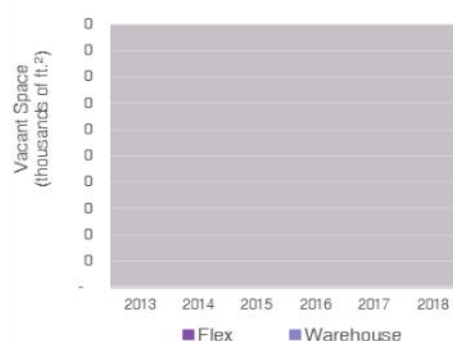
Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	22,397	22,397	↔ ---
Net Absorption (ft. ²)	---	---	↔ ---
Vacancy Rate	0.00%	0.00%	↔ 0.00 pp
Avg. Net Rent/ft. ²	\$9.50	\$9.50	↔ 0.00%
Avg. RTCAM/ft. ²	\$2.99	\$2.99	↔ 0.00%
Avg. Gross Rent/ft. ²	\$12.49	\$12.49	↔ 0.00%

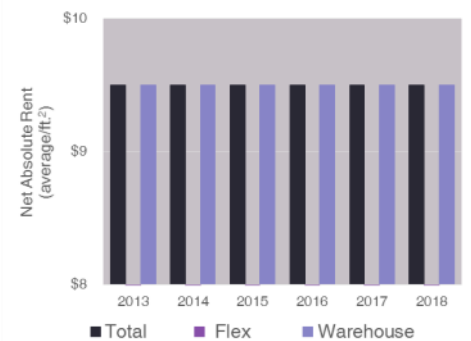
Supply & Demand



Vacant Space



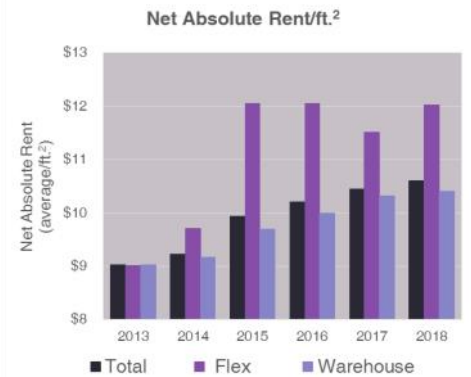
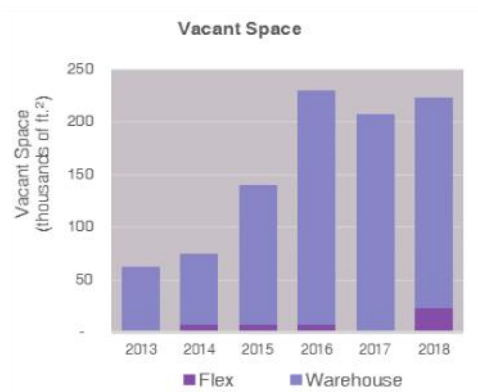
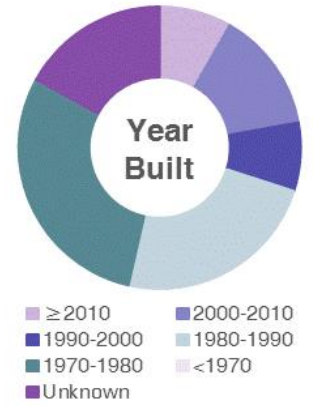
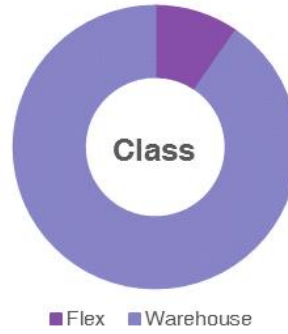
Net Absolute Rent/ft.²



MOUNT PEARL/ PARADISE

Year at a Glance

	2017	2018	Change
Office Inventory (ft. ²)	1,580,794	1,633,052	↑ 52,258
Net Absorption (ft. ²)	37,711	36,761	↓ (950)
Vacancy Rate	13.08%	13.61%	↑ 0.53 pp
Avg. Net Rent/ft. ²	\$10.45	\$10.61	↑ 1.53%
Avg. RTCAM/ft. ²	\$2.47	\$2.53	↑ 2.43%
Avg. Gross Rent/ft. ²	\$12.04	\$13.10	↑ 8.80%



DEC. 2018 MARKET SURVEY

ST. JOHN'S NL OFFICES & WAREHOUSES

Survey Overview

This survey included every office building with a total rentable area of 5,000 ft.² or greater, available for rent in the Greater St. John's area. A team of trained researchers collected rental, operating expense and vacancy data on 88 office and 105 warehouse buildings with an aggregate rentable area of 3,992,567 ft.² and 2,595,783, respectively. The survey successfully collected information on 83% 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 St. John's.

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".

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.