

Our Ref: 2216940:LNW/ABA

FOR IMMEDIATE RELEASE

CONTACT:

Alexandra Baird Allen, Economic Intelligence Unit
Turner Drake & Partners Ltd.
Tel: (902) 429-1811 Ext. 323
Fax: (902) 429-1891
Email: abairdallen@turnerdrake.com
Website: www.turnerdrake.com

TURNER DRAKE & PARTNERS LTD.

Real Estate Counsellors, Brokers & Valuers
6182 North Street
Halifax NS B3K 1P5

Press Release

COMMERCIAL REAL ESTATE IN ATLANTIC CANADA: CAUTIOUSLY OPTIMISTIC FOR OFFICES AND RED HOT ON THE WAREHOUSE FRONT

Demand for office space increased over the past year in three of the five Atlantic Canadian office markets surveyed, held steady in one, and declined in the other. But the supply of office space also ticked up slightly in four of the five markets, with a net result of higher vacancy rates everywhere except Halifax. As a result, office vacancy rates crept upward in four of the markets, and net rent increases were well below recent monthly rates of inflation. Meanwhile, demand for warehouse space in Halifax outpaced supply, continuing the downward trajectory of the vacancy rate and resulting in an increase in the average net rental rate that outpaced annual (national) inflation.

These are the conclusions from the latest rental market surveys completed by Halifax real estate counsellors Turner Drake & Partners Ltd. The surveys are thought to be the most comprehensive ever conducted in Atlantic Canada: a team of trained researchers collected rental, operating expense and vacancy data for 585 office and industrial buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 32 million ft.².

In the face of economic uncertainty and rising costs for most goods and services (November's annualised inflation rate was 6.8%), year-over-year changes in the region's office markets allow room for optimism. Demand increased overall in Atlantic Canada, and net rental rates edged up in four of the five markets but well below the increases consumers face elsewhere. Prospective tenants still have lots to choose from, as vacancy rates remain high, with a ten-point spread between the lowest, Halifax at 13.8%, and the highest, St. John's at 23.8%. Demand remains high for warehouse space: in Halifax, the market is effectively fully occupied, and rents are climbing.

In Atlantic Canada, the Halifax office market performed best in the past year, with incremental demand outpacing a slight increase in supply, leading to a 1 percentage point (pp) drop in the vacancy rate, from 14.8% in December 2021 to 13.8% in December 2022. The average net rental rate ticked up almost 4%, from \$14.73/ft.² a year ago to \$15.31/ft.². The vacancy rate for Class A offices contracted from 17.2% to 16.5%, but average net rents fell 1.48% from \$18.30/ft.² to \$18.03/ft.². Moncton enjoyed a 2% increase in demand, exactly matching the increase in supply and holding the vacancy rate virtually unchanged at 16.6%; average net rents increased 1.5% from \$13.30/ft.² to \$13.50/ft.². The Class A market in the Hub city saw a contraction in vacancy from 7.2% to 6.0%, with a 1.42% drop in average net rents, from \$14.78/ft.² to \$14.57/ft.². Each of supply and demand of office space fell year over year in Fredericton, the latter to a larger degree, leading to a 2.7 pp increase in the overall vacancy rate, which now sits at 18.4%, up from 15.7% a year ago. Net rents on average edged up 1.4%, from \$14.13/ft.² to \$14.33/ft.². Class A office rents edged up 1.58% from \$16.42/ft.² to \$16.68/ft.², despite a 7.2 pp increase in the vacancy rate, from 22.7% to 29.9%. Office demand in Saint John held steady year over year, while supply edged up 1.4%, culminating in a 1 pp increase in overall vacancy, from 18.5% to 19.5%, and a 1.6% contraction in average net rents, from \$13.38/ft.² to \$13.16/ft.². The Class A market saw vacancy climb from 16.8% to 17.5%, while average net rents fell 12.5% from \$14.53/ft.² to \$12.71/ft.².

Our December survey also included the Halifax warehouse market, where demand increased 0.6% year over year, leading to a 0.5 pp contraction in the already low vacancy rate, from 3.87% to 3.36%. Average net rents increased 7.68%, from \$8.72/ft.² to \$9.39/ft.².

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian company, has provided real estate property advice for over forty years. From their offices in Halifax, St. John's, Charlottetown, Saint John, Moncton and Toronto they service clients owning property across Canada.

----- 30 -----

If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email abairdallen@turnerdrake.com.