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Press Release

Turner Drake Examines the Structural Reset of Atlantic Canada's Downtown Office Markets

Real Rents Reveal Long-Term Decline Beneath "Resilient" Headline Numbers

HALIFAX, NS — Turner Drake & Partners Ltd. today released its Winter 2025–2026 Atlantic Canada Newsletter (Vol. 2 No. 135), featuring a comprehensive Economic Intelligence Unit (EIU) analysis of downtown office market conditions across Atlantic Canada.

Titled **"The Goose That Used to Lay the Golden Egg,"** the lead article examines inflation-adjusted ("real") net rents, vacancy, and structural demand trends in downtown Class A, B, and C office markets across Halifax, Moncton, Saint John, St. John's, Fredericton, and Charlottetown. While nominal asking rents may appear stable or rising, the analysis finds that real economic rents have declined for decades, with vacancy absorbing much of the resulting imbalance.

Looking Past Face Rents

National commentary often points to rising asking rents as evidence of market resilience. Turner Drake's analysis shows this framing is incomplete and can obscure longer-run trends.

Drawing on more than two decades of semi-annual downtown office market surveys, Turner Drake's Economic Intelligence Unit evaluated long-run rent and vacancy trends using a consistent, class-segmented dataset covering the region's major urban cores. By adjusting surveyed net rents for inflation using provincial CPI, the analysis isolates real economic rent — what tenants are actually paying in purchasing-power terms.

Viewed this way, real net rents peaked years ago across most Atlantic downtowns, with only brief cyclical recoveries since. In many markets, real rents are now \$3 to \$6 per square foot below mid-2000s levels, even before accounting for inducements.

"It's easy to confuse nominal stability with economic health," said Jigme Choerab, Manager of Turner Drake's Economic Intelligence Unit. "When inflation is stripped out, the long-term trend is clear: downtown office markets are undergoing a structural reset."

Vacancy, Not Rents, Has Absorbed the Shock

The analysis shows vacancy — particularly in Class A space — has borne most of the adjustment, with several Atlantic downtowns recording sustained vacancy well above historically balanced levels.

Key findings include:

- Halifax: Real Class A rents are down roughly \$4–\$5 per square foot from pre-2015 levels; Class A vacancy peaked near 30% before easing.
- Saint John: Overall vacancy exceeds 30%, with Class A no longer insulated.
- Moncton: Post-pandemic vacancy now exceeds 15%, with rents structurally repriced downward.
- St. John's: Nearly one-third of prime space remains vacant following a commodity-driven boom.
- Fredericton and Charlottetown: The region's most balanced markets, adjusting primarily through occupancy rather than rent erosion.

Across markets, Class C inventory faces the greatest risk, while Class B space increasingly anchors cost-sensitive demand.

Why This Matters — Beyond Real Estate

The report notes that downtown office buildings are central to municipal fiscal health. Rental income supports assessed values, which fund public services including transit, infrastructure, and housing.

"When downtown office markets weaken structurally, municipal finances weaken with them," the article notes. "Ignoring real rent erosion risks overstating fiscal resilience."

A Selective, Uneven Recovery

While vacancy has begun to decline in some centres, Turner Drake cautions against expecting a return to pre-2010 conditions. Hybrid work, smaller footprints, and sectoral shifts mean long-run demand per worker is structurally lower.

The most likely outcome is gradual consolidation:

- Adaptable, amenity-rich assets remain viable;
- Obsolete stock continues to struggle without reinvestment or conversion; and
- Performance gaps between buildings widen.

"The downtown office market isn't disappearing," said Jigme. "But it is changing — permanently. Markets that recognize this early will fare far better than those waiting for conditions that no longer exist."

About Turner Drake & Partners Ltd.:

Turner Drake & Partners Ltd., a *"home-grown"* leader in real estate consulting, specialises in Valuation, Property Tax, Counseling, Planning, Economic Intelligence, and Space Measurement Services. From our offices in Halifax, St. John's, Charlottetown, Saint John, and Toronto, we service clients in the real estate industry across Canada.