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& PARTNERS
Real Estate Counsellors,
Brokers & Valuers
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Newsletter

Turner Drake & Partners Ltd.
6182 North Street,
Halifax, N.S., B3K 1P5
Tel.: (902) 429-1811

St. John's, N.L.
Tel: (709) 722-1811

Charlottetown, P.E.
Tel: (902) 368-1811

Moncton, N.B.
Tel: (506) 389-1811

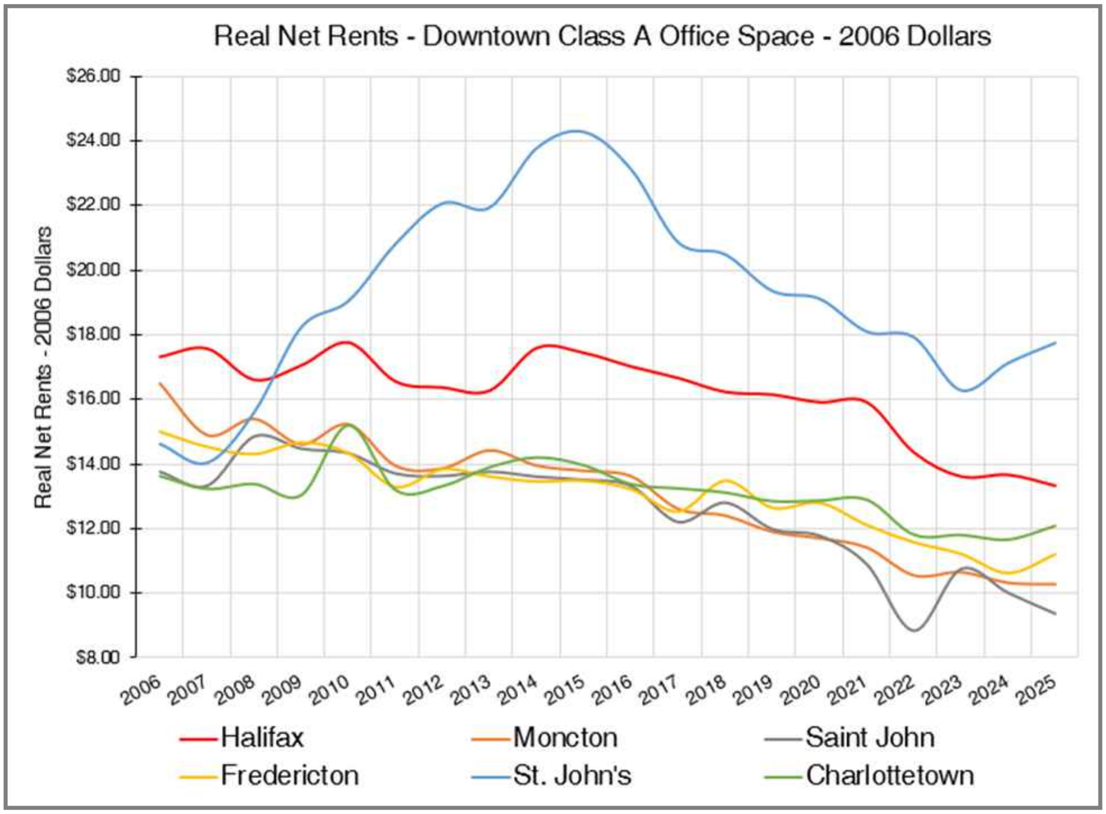
Saint John, N.B.
Tel.: (506) 634-1811

Toronto, ON.
Tel.: (416) 504-1811

Toll Free: (800) 567-3033
Fax.: (902) 429-1891
E-Mail: tdp@turnerdrake.com
Internet: www.turnerdrake.com

Winter 2025 - 2026 Atlantic Canada Edition **Vol. 2 No. 135 (ISSN. 1203-1410)**

The Goose That Used to Lay the Golden Egg



Source: Turner Drake & Partners Ltd. Economic Intelligence Unit.

Downtowns define communities, they are its heart and soul. The hollowing out of smaller towns that occurred in the 1960s and 1970s as shoppers became more mobile and gravitated instead to free standing centres on greenfield sites, killed their character. Some, lucky enough to have a university or community college as an anchor, have witnessed something of a revival in recent decades hosting coffee shops, bakeries, pubs and restaurants. But most were dealt a body blow from which they never recovered. Larger towns and cities suffered too from the exodus of shoppers, leaving behind the carcasses of once thriving multi-level department stores and street level facades gazing forlornly over empty streets. Then, during the 1970s and 1980s office expansion rode to the rescue, high rises to be sure, but they helped populate the downtown during working hours. In the past decade residents have returned to the downtowns in many cities in the Atlantic Region, partly baby boomers retiring with time available to enjoy the finer things in life. It is true that the financial base of Central Business Districts (CBDs) has always ebbed and flowed. In Atlantic Canada they, like their urban host, were founded to live off the water transportation routes, by the ocean or on river banks. And that is part of their charm, bounded by the water on one side and often by topography on the other, they are compact and (somewhat) walkable, offering chance glimpses of the water and vessels traversing it. They are usually guardians too of our built heritage, grounding us in the hope that they will still be there no matter the idiocrasies on our southern border. Nevertheless, many Central Business Districts are in trouble, no matter that they are enjoying a temporary respite from the Baby Boomers (who enjoyed peak retirement in 2025 and will fade away post 2030). Offices continue to struggle and while some government departments are now implementing the end of working from home, the dire state of many office markets hide in plain sight.

Much of the national and industry commentary on office markets still leans on a familiar storyline: asking rents continue to rise, even as vacancy increases. The implicit message is that landlords are holding rate discipline, markets remain fundamentally strong, and weakness is mostly transitional. The problem is that this narrative is derived almost exclusively from nominal asking rents. It rarely accounts for inflation, inducements, concessions, or changing lease structures. In other words, it tells us what landlords would like to achieve, not what occupiers are actually paying in real economic terms. Once we adjust rents for inflation and look across time, the story changes. As the "*Real Net Rents – Downtown Class A Office Space*

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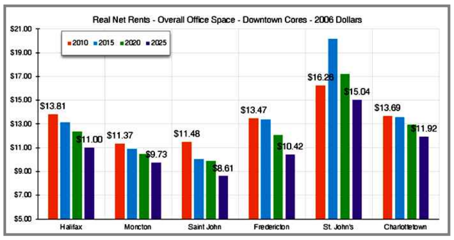
(2006 Dollars)" graph on Page 1 shows, real net absolute rents across downtown office markets in Atlantic Canada have not been rising. Although our data set does not go back to 1990, we were active in the market and real rents peaked that year. With a few ups but mainly downs it has been a remorseless downward slide in most markets since then. There was a brief rally in most cities' real rental rates between the mid-2000s and early 2010s but they have since declined by $3 to $6 per square foot in inflation-adjusted terms, depending on market and class. In some places, such as Halifax and Moncton, the erosion has been gradual but persistent. In others, such as St. John's, the market first experienced a powerful commodity-led surge, followed by a pronounced retracement and a long period of elevated vacancy.



Source: Economic Intelligence Unit.

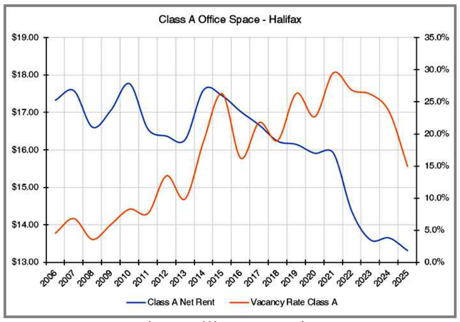
It is easy to be fooled. When commentators say that office rents are "resilient," they are usually referring to nominal face rates. But what matters for investment, taxation, asset value, and municipal revenue is real economic rent and sustained lease-up. Our analysis shows that when we strip away inflation and look at what's actually happened in the downtown cores of Atlantic cities over the past two decades, the trend is unambiguous: real office rents have generally fallen, while vacancy has materially increased. Ignoring that reality leads to flawed planning and policy conclusions. It risks overstating market strength at the very time when many downtown office districts are undergoing structural adjustment that will define their urban economies for the next decade. (Skip to the end of the article to look at how real rents were calculated).

Notes and Considerations

- All analyses done in this study are for the downtown areas and do not include any area outside the downtown core.
- Inflation adjustment uses provincial CPI.
- Vacancy reflects space physically available, not shadow vacancy.

Our analysis looked at all three Classes (A, B, C) of office space but we have focused on Class A space in this Newsletter because of space constraints. If you are interested in the Full Monty you will find it on our corporate web site www.turnerdrake.com/news-research/research/

Halifax



Source: Economic Intelligence Unit.

Class A space has experienced the most volatile cycle. It has historically commanded a significant premium, but vacancy has been exceptionally high for much of the past decade. Real rents in the Class A segment peaked in the pre-2015 period, averaging $17 to $18 per square foot. After 2015, Class A rent stabilized at approximately $16 to $17 through 2019. The COVID era marks a break in that trend, Class A net rent declined to $15.91 in 2020 and $15.92 in 2021, before falling further to $14.35 in 2022 and $13.60 in 2023. In 2024, Class A rent registered at $13.65 per square foot, with a further decline to $13.32 in 2025. This represents a $4 to $5 per square foot reduction compared to pre-2015 levels.

Vacancy in Class A space has been structurally elevated for more than a decade. Class A vacancy was already 13.5% in 2012, then surged to 18.9% in 2014 and 26.3% in 2015. Unlike other asset classes, Class A vacancy remained extremely high, fluctuating between 19.0% and 30.0% from 2016 onward. The market peaked at 29.6% vacancy in 2021, followed by 26.8% in 2022, 26.2% in 2023, and 23.5% in 2024. The first meaningful improvement occurs in 2025, when Class A vacancy fell to 15.0%. This is still elevated, but materially better than the near 30% level observed earlier in the decade. The implication is straightforward. Class A supply significantly overshot demand in the mid-2010s, hybrid work amplified the imbalance, and only now is absorption meaningfully catching up.

Main Takeaways

- Halifax's office market has structurally repriced lower. Overall rent has fallen from approximately $14/sf in the mid-2000s to $11/sf today.
- The major adjustment occurred via vacancy, not rent collapse. Vacancy rose from 4% to 6% pre-2010 to 15% to 20%+ for the past decade.
- Class A vacancy was the true shock absorber. It reached nearly 30% in 2021, representing chronic oversupply relative to demand.
- Class B has been the market's stabilizer. Rents have softened but space remains broadly absorbable.
- Class C faces existential risk. Vacancy repeatedly exceeds 20%, reflecting functional obsolescence.
- A turning point may be emerging. Overall vacancy declined sharply from 20.0% in 2023 to 14.8% in 2025.

Outlook

The data indicates that the Halifax office market is entering a period of stabilization following more than a decade of incremental oversupply and three years of pandemic-era demand shock. However, stabilization should not be misunderstood as recovery to pre-2010 conditions. Hybrid work, efficient space planning, and sectoral shifts mean that total office space demand per worker is structurally lower than it once was. As such, it is unlikely that rents will revert to the $14 to $17 per square foot environment of the mid-2000s. Instead, the likeliest trajectory is a slow consolidation phase, characterized by:

- Moderate absorption of higher-quality space;
- Continued selective tenant movement "up market";
- Stagnant or declining values for obsolete stock;
- A widening performance gap between viable and non-viable assets.

Class A space will remain the preferred location for institutional and professional tenants, but landlords should expect sustained negotiation leverage from occupiers.

Class B will continue to serve cost-sensitive demand and is likely to remain the true backbone of the market.

Class C faces the most difficult future. Without reinvestment, significant portions of this inventory will continue to experience chronic vacancy.

The reduction in overall vacancy to 14.8% in 2025 is encouraging. If realized, it would indicate that the worst of the imbalance has passed. But the recovery is likely to be slow, uneven, and selective. The market will favour quality, location, and adaptability rather than age or vintage alone.

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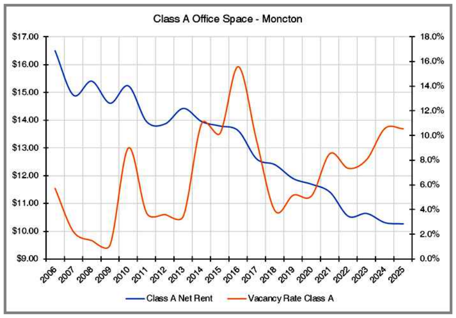
Moncton



Source: Economic Intelligence Unit.

Class A office in Moncton has seen meaningful rent erosion and a sharp increase in vacancy. Rents peaked in the $15 to $16 per square foot range in the mid-2000s. Through the 2010s, Class A rent declined into the $13 to $14 range, with $13.79 in 2015 and $13.62 in 2016. The post-pandemic period saw rents fall further to $11.40 in 2021, $10.53 in 2022, and $10.63 in 2023, before settling at $10.30 in 2024 and $10.26 in 2025. This represents a decline of approximately $6 per square foot from cycle peak to present.

Vacancy has followed an even more dramatic trajectory. While Class A vacancy averaged 2% to 10% through most of the pre-COVID period, it spiked to 15.6% in 2016, retreated to 3.9% in 2018, then moved sharply higher post-2020: 8.6% in 2021; 7.4% in 2022; 8.1% in 2023; and 10.6% in both 2024 and 2025. These numbers are lower than Halifax Class A vacancy but still represent a meaningful deterioration from historical norms. The pattern suggests that while Class A demand remains comparatively resilient, it has not been immune to downsizing and hybrid-work dynamics.

Main Takeaways

- Moncton's office market has structurally weakened since 2020. Overall vacancy has risen from 6.9% in 2019 to 17.5% in 2024, before an improvement to 14.9% in 2025.
- Rents have repriced downward, but in a controlled fashion. Overall rent has declined from $12.81 in 2006 to ~$9.7 to $9.8 today.
- Class A is losing pricing power but remains preferred. Rents have declined from $16 to $15/sf historically to ~$10.3, while vacancy has lifted into the ~10% range.
- Class B is structurally oversupplied. Vacancy now exceeds 20%, signalling space redundancy rather than temporary softness.
- Class C remains volatile and marginal. Occupancy shifts reflect episodic leasing rather than durable demand.
- The post-pandemic period represents a decisive break in trend. Vacancy growth has been faster and broader than earlier cycles.

Outlook

Moncton's office market now sits in a materially softer position than it did prior to COVID. Vacancy levels above 15% indicate meaningful surplus capacity, particularly in the mid-market segment. Unlike earlier cycles, this surplus is unlikely to be absorbed quickly. Hybrid work, more efficient space usage, and disciplined corporate cost management have structurally lowered demand for traditional office footprints.

The decline in vacancy to 14.9% in 2025 suggests that withdrawal of obsolete space, selective tenant movement, or incremental leasing momentum may already be improving balance. However, the market still must contend with:

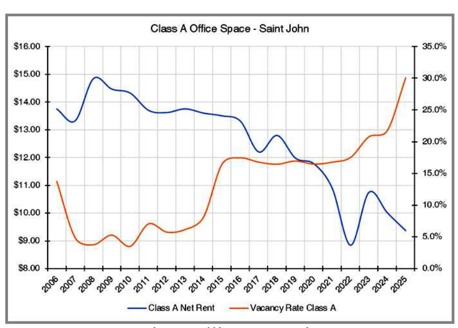
- Reduced space per employee;
- Value-driven tenant behaviour;
- An aging building stock in need of modernization.

Class A will remain the strongest performing segment, though landlords should expect tenants to retain bargaining leverage.

Class B space will continue to bear the most pressure, particularly where buildings lack modernization or location advantages.

Class C will remain highly tactical. It will be viable primarily where users prioritize cost above all else, or where buildings can be repurposed or repositioned.

Saint John



Source: Economic Intelligence Unit.

The overall Saint John's office market shows a long-term erosion in rents combined with a decisive and ongoing surge in vacancy that has intensified materially in the past five years. Class A space in Saint John has not been immune to this deterioration, and in the most recent period it has been hit particularly hard. Class A rent peaked near $14 to $15 per square foot in 2008 and 2009. Through the 2010s, rents drifted down into the $12 to $13.5 range, sitting at $13.31 in 2016, $12.20 in 2017, and $12.80 in 2018. In the pandemic and post-pandemic period, rents continued to decline: $11.78 in 2020, $10.89 in 2021, $8.84 in 2022, $10.74 in 2023, and $10.01 in 2024. By 2025, Class A rent had fallen to $9.36 per square foot. Compared to the late 2000s peak, this represents a $5 to $6 per square foot decline, and it places Class A rents only modestly above Class B.

Vacancy trends are even more striking. Class A vacancy sat within 3% to 7% through the 2006–2012 period, then began to climb: 16.5% in 2015, 17.5% in 2016, 16.8% in 2017, and 16.5% in 2020. After 2021, vacancy accelerated, increasing from 16.8% in 2021 to 17.5% in 2022, 20.8% in 2023, 21.8% in 2024, and 30.1% in 2025. This means that nearly one-third of Class A office space in Saint John is now vacant. The premium segment of the market, which is traditionally the most resilient, is now absorbing the full force of excess supply.

Main Takeaways

- Saint John's office market is now one of the softest in Atlantic Canada. Overall vacancy has risen from 7.0% in 2012 to 30.8% in 2025.
- Real rents have structurally reset downward. Overall rent has fallen from $11.49 to $11.50 in 2008–2009 to $8.61 in 2025.
- Class A is no longer insulated. Vacancy now sits at 30.1%, representing deep oversupply even at the top end of the market.
- Class B is under the most severe pressure. Vacancy reached 40.0% in 2023 and remains 34.4% in 2025 signalling fundamental demand loss.
- Class C remains unstable and largely marginal. Vacancy exceeding 20% to 25% continues to be commonplace.
- The post-2015 period marks a structural turning point. Vacancy prior to 2015 rarely exceeded 10%; now 30%+ is the norm.

Outlook

Saint John's office market faces the most challenging environment among the Atlantic urban centres reviewed. With overall vacancy now exceeding 30%, the market is firmly in surplus-capacity territory, and traditional cyclical improvement will not be sufficient to restore balance.

Hybrid work has amplified pre-existing

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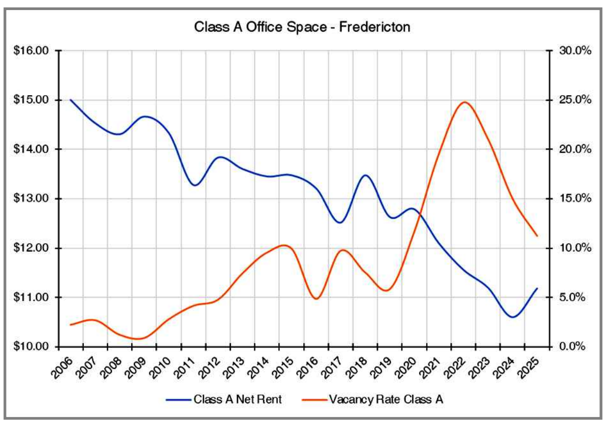
weakness, but it did not cause it. The more fundamental issue is demand contraction in a market with limited net new tenant growth and an aging building inventory. Combined, these forces have eroded both occupancy and pricing power.

Going forward, the following dynamics are likely:

- Class A landlords will compete aggressively on economics, trading face-rate stability for concessions, inducements, and flexibility.
- Class B will remain structurally disadvantaged, caught between tenant aspirations for quality and aggressive Class A negotiation.
- Class C outcomes will be binary. It will be viable only where specific use-cases align or where conversion/redevelopment economics can be justified.

Without strategic withdrawal of inventory through conversion, redevelopment, or demolition, Saint John's vacancy is likely to remain elevated for an extended period. The City's competitive advantage will therefore rely less on price leadership and more on repositioning effort, amenity strategy, and modern workplace suitability.

Fredericton



Source: Economic Intelligence Unit.

Class A space in Fredericton has experienced downward rent adjustment, but demand has remained relatively resilient compared to other markets. Class A rents peaked at $15.00 to $14.66 per square foot between 2006 and 2009, before gradually easing into the $13 to $14 range during the 2010s. Representative values include $13.60 in 2013, $13.45 in 2014, and $13.48 in 2015, declining to $12.63 in 2019 and $12.79 in 2020. More recent levels have been lower, including $12.10 in 2021, $11.56 in 2022, $11.20 in 2023, $10.61 in 2024, and $11.19 in 2025. Even at current levels, Class A continues to carry a premium over B and C.

Vacancy, however, has become more volatile. Class A vacancy sat at 2% to 5% during the 2006–2012 period, before climbing to 7.5% in 2013 and 9.6% in 2014. It then stabilized between 4.9% and 11.7% until 2020. The pandemic period marked a sharp break in trend, with Class A vacancy rising to 19.6% in 2021 and 24.8% in 2022. Since then, demand has strengthened and vacancy declined to 21.1% in 2023, 15.0% in 2024, and 11.3% in 2025. This represents a meaningful recovery in the highest-quality segment.

Main Takeaways

- Fredericton's office market remains more stable than its Atlantic peers. While vacancy rose sharply to 19.9% in 2022, it has since declined to 12.4% in 2025.
- Real rents have softened but not collapsed. Overall rent declined from $14.98 in 2006 to ~$10.4 to $10.8 in the current period.
- Class A vacancy spiked and then recovered strongly. Rising from 2% to 5% pre-2013 to 24.8% in 2022, before improving to 11.3% in 2025.
- Class B vacancy is now trending upward suggesting late-cycle consolidation and flight-to-quality behaviour.
- Class C remains niche but relatively stable with vacancy reverting to 3.0% in 2025 after temporary volatility.
- Fredericton is arguably the most balanced office market in the region today. With improving fundamentals and measured price correction.

Outlook

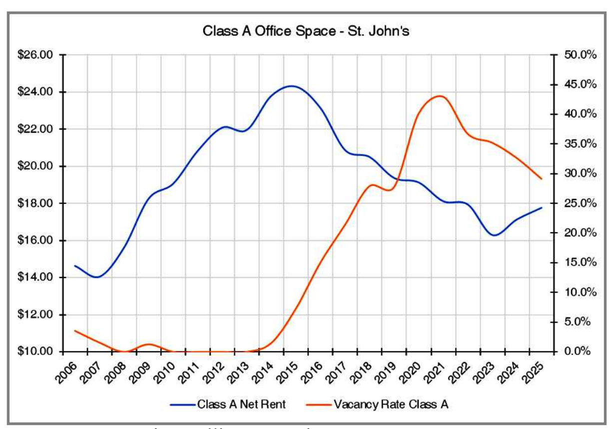
Fredericton stands out among Atlantic Canadian office markets as a comparatively resilient centre. Despite a significant rise in vacancy through 2021–2022, the market has since demonstrated genuine stabilization, with overall vacancy falling from 19.9% in 2022 to 12.4% in 2025. This trajectory contrasts notably with Saint John, where vacancy continues to climb, and with Moncton, where adjustment remains ongoing.

The most likely outlook is one of gradual normalization rather than deep structural reset. Key dynamics include:

- Reabsorption of quality Class A space, as rents now align more competitively with tenant expectations.
- Continued pressure on Class B, as demand bifurcates between quality and cost-driven alternatives.
- Steady niche demand for Class C, supported by affordability and smaller-tenant requirements.

Absent a major supply shock or economic downturn, Fredericton appears positioned to stabilize in the 10% to 14% vacancy range, with rents anchored near current levels. Among Atlantic markets, it currently represents the most balanced, least volatile office environment.

St. John's



Source: Economic Intelligence Unit.

Class A space in St. John's led the price expansion during the boom and has borne the brunt of the vacancy correction.

Class A net rent surged from $14.63 in 2006 to $22.07 in 2012, $21.95 in 2013, and $23.78 in 2014, peaking at $24.28 per square foot in 2015. Since then, rents have fallen materially: $23.12 in 2016, $20.86 in 2017,

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$19.36 in 2019, $19.12 in 2020, then $18.10 in 2021, $17.93 in 2022, $16.29 in 2023, $17.13 in 2024, and $17.75 in 2025. Even at current levels, Class A still commands the highest real rents in the region, but the spread has narrowed significantly.

Vacancy tells an even more striking story. Class A vacancy was effectively 0% from 2008 to 2013, before rising modestly to 1.5% in 2014. From there, it surged to 7.3% in 2015, 15.1% in 2016, 21.4% in 2017, 28.0% in 2018, 27.8% in 2019, and 40.2% in 2020. The high-vacancy environment persisted at 43.0% in 2021, 36.7% in 2022, 35.2% in 2023, 32.6% in 2024, and 29.2% in 2025. This means nearly one-third of prime office space remains vacant, despite rent correction.

The market is still working through the legacy of a supply pipeline that was calibrated for a much stronger economy than exists today.

Main Takeaways

- St. John's experienced the steepest rent boom in Atlantic Canada. Overall rents rose from $13.08 in 2006 to $20.16 in 2015; a ~55% increase.
- The market then entered a prolonged oversupply period. Overall vacancy increased from ~4% to 6% pre-2015 to 41.6% in 2021, easing to 28.4% in 2025.
- Class A remains expensive, but under-occupied. Even at $17.75/sf, vacancy sits near 30%.
- Class B shows signs of normalization. Vacancy has fallen from 31%+ to 10% to 11%, although rents have weakened.
- Class C remains opportunistic and volatile. Vacancy remains well above balanced-market levels.
- The structural issue is not price; it is demand. The market was built for a higher-growth economy than currently exists.

Outlook

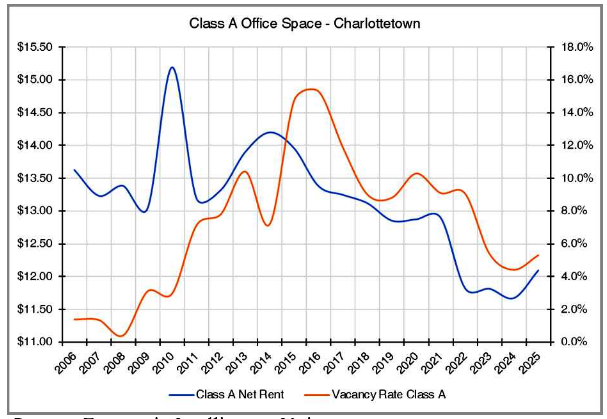
St. John's remains in the later stages of a structural market correction. The worst of the vacancy surge appears to be behind it but the market is still significantly oversupplied relative to sustainable tenant demand. For the foreseeable future:

- Class A will remain tenant-favoured, with landlords competing through concessions and flexibility rather than nominal rate cuts.
- Class B is likely to remain the value segment, attractive to cost-conscious firms or those seeking smaller footprints.
- Class C demand will remain episodic, driven primarily by price sensitivity and niche needs.

Meaningful recovery will depend on either employment expansion in office-using sectors or permanent structural withdrawal of inventory from the market. Absent those drivers, St. John's is likely to stabilize at elevated vacancy levels, even as real rents remain above regional peers.

Charlottetown

Class A rents in Charlottetown have remained comparatively stable, reflecting limited inventory and consistent tenant demand. Class A rent moved within a narrow band ranging from $11.7 to $15.2 per square foot, peaking at $15.20 in 2010, before moderating gradually: $13.96 in 2015, $13.12 in 2018, $12.86 in



Source: Economic Intelligence Unit.

2019, $12.88 in 2020, and $12.90 in 2021. Recent values include $11.82 in 2022, $11.82 in 2023, $11.67 in 2024, and $12.10 in 2025.

Vacancy in Class A tightened through the 2006–2012 period, then rose during the mid-2010s adjustment phase, from 10.4% in 2013 to 14.7% in 2015 and 15.3% in 2016. Since 2018, the trend has improved materially: vacancy declined from 9.0% in 2018 to 8.8% in 2019, 10.3% in 2020, then 9.1% in both 2021 and 2022, further tightening to 5.4% in 2023, 4.4% in 2024, and 5.3% in 2025.

In other words, Class A office has largely normalized, sitting firmly within healthy occupancy ranges.

Main Takeaways

- Charlottetown is one of the most stable office markets in Atlantic Canada. Real rents have moved narrowly, and vacancy sits at 6.1% in 2025, down from 17.5% in 2015. The market has rebalanced organically. Absorption has worked through oversupply without major rent erosion.
- Class A is healthy and competitive. Vacancy has normalized to ~4% to 6%, signalling firm tenant demand.
- Class B is recovering. Vacancy has fallen sharply, from 25% in 2015–2016 to 6.1% in 2025.
- Class C remains chronically oversupplied. Vacancy near 16% remains standard.
- The defining feature is stability for Charlottetown, not volatility. Unlike Moncton, Saint John, or St. John's, the market has avoided structural disruption.

Outlook

Charlottetown enters the current cycle in a position of relative strength. With overall vacancy near 6%, the market now sits well inside balanced-to-tight territory. Real rents, while modest by national standards, have proven remarkably resistant to downward pressure. Instead, the market has adjusted through occupancy cycles rather than price resets. Looking ahead:

- Class A will likely retain pricing stability, with limited new supply and consistent institutional or professional demand.
- Class B should continue to be firm, supported by cost -conscious tenants and a shrinking pool of available space.
- Class C will remain structurally challenged, although affordability may continue to support niche uptake.

Charlottetown lacks the boom-and-bust dynamics seen elsewhere. Instead, it reflects measured demand,

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modest supply, and steady economic momentum. Barring an external shock, conditions are likely to remain stable, with vacancy anchored near 6% to 8% and rents holding close to current levels.

CRE as a Municipal Asset

Commercial real estate is often discussed as an investment class, a business input, or an urban design feature. But it is also one of the most important municipal financial assets in any city. That reality is rarely acknowledged with sufficient clarity.

When a building produces rental income, there are three primary beneficiaries:
(1) Mortgage lenders, through interest payments;
(2) Municipal governments, through property taxes; and
(3) Property owners, through net operating income.

This means downtown office buildings are not simply private investments, but rather pillars of the municipal fiscal base. They help fund transit, policing, water, waste, housing supports, recreation, climate adaptation, and economic development.

Which leads to the fact that a structural weakness in the downtown office market is a structural weakness in municipal finance. When vacancy rises and rents adjust lower in real terms, assessed values flatten or decline. Meanwhile, costs for service delivery continue to rise. The funding gap either shifts onto residents and businesses elsewhere in the city, or services are reduced.

This should change how cities think about commercial real estate policy. Office assets are not just private risks to be borne by landlords and lenders. They are civic infrastructure. And because of that, municipal decision-making i.e., zoning, taxation, permitting, incentives, and public realm investment, plays a direct role in shaping their long-term viability.

Measuring Downtown Success

If downtown office space is a civic asset, we need better ways to measure whether the downtown itself is succeeding. Relying on surface impressions or legacy narratives is no longer sufficient. A credible, defensible framework should draw from measurable, repeatable indicators that reflect economic health, livability, and long-term competitiveness.

A balanced dashboard should include at least the following:

(1) Market Health Indicators:
- Real net office rent (trend, not just level);
- Vacancy rate by class;
- Absorption over time;
- Building reinvestment rate (retrofits, upgrades, conversions).

These tell us whether market demand is supporting asset value.

(2) Economic & Employment Indicators:
- Employment density in the core;
- Share of regional office employment located downtown;
- Business formation rate.

These reflect whether the core is still the primary economic node.

(3) Urban Vitality Indicators:
- Pedestrian activity and dwell time;
- Retail occupancy and turnover;
- Residential population growth downtown;
- Amenity mix and hours of operation.

These measure whether the downtown functions as a living urban environment rather than a commuter workplace district.

(4) Accessibility & Connectivity Indicators:
- Transit access and ridership to/from the core;
- Active transportation mode share;
- Parking utilization (not just supply).

These reflect whether the core is reachable and attractive.

(5) Fiscal Indicators:
- Contribution of downtown properties; to municipal tax base; ;
- Change in assessment vs. city-wide trend.

These link market performance directly to civic finance.

A "successful" downtown is not one where office vacancy is artificially low or where rents are pushed up at the expense of competitiveness. It is one where economic activity is dense, diverse, resilient, and fiscally supportive of the services a city needs to thrive.

Implications for Municipalities, Investors, and Economic Development

Across much of Atlantic Canada, real office rents have fallen and vacancy has risen, most recently since the mid-2010s and accelerating through the pandemic era. This is not a temporary blip; it is evidence of structural adjustment driven by hybrid work, space efficiency, sectoral change, and aging building stock.

For Municipalities

Municipalities need to recognize office real estate as part of the public finance system, not simply as private-market inventory. That means:

- Planning for lower long-run real rent environments;
- Protecting assessment stability where possible;
- Supporting reinvestment, modernization, and selective conversion;
- Proactively managing land-use to concentrate economic activity.

For Investors & Owners

Investors should recalibrate expectations. Many downtown assets will not return to peak-cycle pricing. Competitive advantage will accrue to buildings that:
- Deliver workplace quality and experience;
- Support smaller and more flexible footprints;
- Are energy-efficient and modernized;
- Are well-located within true amenity-rich cores.

Class B and C inventory will increasingly face a choice between reinvest, repurpose, or gradually lose relevance.

For Economic Development

Economic development strategies should recognize that vibrant downtowns remain competitive assets, even in a hybrid world. The path forward is not nostalgia for the 2010s office market or that of the 1970s and 1980s. It is building the next version of the urban core, where residential, institutional, cultural, and commercial uses reinforce one another, and where the office remains important, but more selective, efficient, and experience-driven.

How Real Rents Were Calculated

This analysis is only possible because Turner Drake has built the most comprehensive commercial real estate dataset in Atlantic Canada. Our firm has been surveying the region's office and industrial markets twice every year since the early 2000s, compiling consistent, class-segmented data on asking rents, vacancy, absorption, inventory, and building characteristics across the major downtown cores. This long-running dataset gives us a uniquely detailed view into how markets evolve over time, across multiple periods of expansions and contractions.

Drawing from this dataset, we converted

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nominal downtown office net rents into inflation-adjusted (real) rents so that long-term rent trends could be meaningfully compared.

The calculation followed standard economic practice:

- Nominal net rents were taken from our semi-annual market surveys for each year and Building Class (A, B, C, and overall).
- These annual rent figures were then deflated using their respective provincial Consumer Price Index (CPI) to remove the effect of inflation.
- A base year was established, meaning all rents are expressed in constant dollars relative to that year. The base year for our study was 2006.

The resulting figures represent the real purchasing-power value of rent per square foot, rather than the face rent at the time, allowing us to directly compare rent paid in 2006 with one paid in 2025. If nominal rents increased but inflation increased faster, then real rents actually fell, which is what we observed across many downtown markets in Atlantic Canada.

The adjustment was applied consistently to:

- Overall downtown office market rents.
- Class A, B, and C rents.

This ensures that differences across cities reflect true economic performance, not inflation distortions.

It is worth noting that this method is conservative:

- It does not incorporate inducements, free rent, or improvement allowances.
- It assumes landlords achieved face rates.
- It reflects market conditions even before incentives are layered in.

So where real rents are already declining after adjusting for inflation, the true effective rental return is likely lower still.

Our commercial real estate dataset also includes industrial properties in each of the six major cities in Atlantic Canada. For more information on these and other analyses, contact Jigme Choerab, Manager, Economic Intelligence Unit, by email at jchoerab@turnerdrake.com or 1-800-567-3033 Ext. 323. Our EIU works in close conjunction with our Planning Division, to provide unique data-based solutions to planning issues. They also undertake primary and secondary research to provide clients with practical real estate solutions to problems they face in today's rapidly changing world (market surveys, site selection, trade area analysis, supply and demand analysis, demographic reports, impact and economic analysis). Visit our web site at www.turnerdrake.com/services/economic-intelligence/ for a detailed look at the services EIU provides.

Economic Intelligence Unit

What does Turner Drake's Economic Intelligence unit do? We asked Artificial Intelligence.

*"Turner Drake's Economic Intelligence Unit provides market research and data analysis for real estate, offering services like **Market Surveys, Site Selection, Trade Area Analysis, and Supply/Demand Studies** to help clients understand property trends, forecast future conditions, and make informed decisions, using GIS and proprietary databases to analyze demographics, rents, and economic impacts for commercial and residential properties across Atlantic Canada and beyond. They blend real estate expertise with tech. to offer practical, data-driven solutions for property owners, developers, and even municipalities."* **Google AI.**

Wow! Couldn't have put it better myself. So, what makes them special?

*"Turner Drake's Economic Intelligence Unit (EIU) stands out due to its deep focus on **Atlantic Canada's unique real estate markets**, proprietary data platform **CompuVal®**, rigorous semi-annual market surveys, integration of demographic/fiscal data for predictive modeling, and the combined expertise of its in-house salaried professionals. They don't just collect data; they transform overwhelming information into practical, actionable real estate solutions using their unique IT tools, building long-term relationships and providing specialized insights for landlords, tenants, and developers.* **Google AI.**

Golly! Is Turner Drake's economic intelligence unit staffed with egg heads?

"Yes, Turner Drake & Partners' website uses the term "Egg Head" affectionately for their Economic Intelligence Unit, referring to their data-focused, analytical experts who provide insights on real estate markets, with people like Mark B. Turner, B.Comm., AACI., involved in providing these specialized surveys and reports for clients." **Google AI.**

No Google AI! You are hallucinating! Mark Turner is the Company President; you know, the guy who picks up the garbage, shovels snow, drives a pickup truck, has a dog that eats socks, likes his eggs scrambled… keeps our show on the road.

Property Tax Division

To Appeal or Not to Appeal…

Photo Credit: BigStock Photo

… that is the question. To be clear, the purpose of an appeal is not to minimize your property tax load per se (though on occasion, we may have carelessly couched it that way) but rather to ensure that you are not unfairly assessed and thus bear more of the tax burden than should be your lot in life. Deciding whether to appeal should be driven by logic, not emotion. Generally, there are two broad decision rules that determine whether you have reason for appeal:

(1) Is my property's Assessed Value greater than its Market Value on the Base Date having regard to its condition on the State Date? In Nova Scotia and New Brunswick, for example, the Base Date for the 2026 assessment year is January 1st 2025 (Nova Scotia) and January 1st 2026 (New Brunswick) having regard to the property's state (condition) on the date the assessment roll closed in Nova Scotia (December 1st 2025) or at the beginning of the prior tax year in New Brunswick (January 1st 2025). If the answer is "yes" you should file an appeal. If the answer is "no" there is a further legal ground of appeal in most provinces other than New Brunswick.

(2) Is my property's Assessed Value greater than those of similar properties in the municipality? If the answer is "yes" you should probably file an appeal. This is commonly referred to the "uniformity"

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or "equity" rule and, amongst other things, is designed to ensure that the assessment authority does not assess properties below Market Value and thus deprive property owners of their right of appeal even when they shoulder more of the tax burden than similar properties. New Brunswick is the only province in Atlantic Canada which eschews this provision; however, its property tax system is currently under formal review following an election commitment made in 2024 so we are hopeful this sad omission may soon be rectified. However, the way the "uniformity/ equity" rule is applied may vary by provincial assessment authority. In Nova Scotia, for example, case law has determined that it should be calculated by application of the "General Level of Assessment" (GLA) by property category (commercial or residential) in the municipality. The GLA is calculated by PVSC, the assessment authority, by totaling all of the 2026 assessments, for those properties whose sales occurred during the calendar year 2024, and dividing this by the aggregate of their sale prices, in each municipality. PVSC usually publishes its municipal GLAs at close to 100% but we have access to all sales in the province courtesy of our proprietary CompuVal® IT system and it generally tells a different tale. In Nova Scotia, properties whose Assessed Value > (Market Value × GLA) are over-assessed.

It Matters Where You Live

Our Property Tax Division represents clients with properties located coast to coast so they have experience with many assessment authorities. Over the decades most have become more transparent, sometimes because the provincial ombudsman has weighed in on the taxpayer's behalf as was the case in New Brunswick. Within the Atlantic Region, PVSC (Nova Scotia) is the most open, professional and transparent. In the other provinces it depends on the individual assessor.

Cost Effective?

There is little point in appealing your property's assessment unless the tax savings outweigh the cost of the appeal. And of course, there is always the risk that the appeal may not be successful. However, having successfully fought this battle for almost four decades we can usually accurately gauge the probable outcome… and there is also the fact that a reduction in assessed value, following an appeal, may well form the base for future assessments.

It has been some time since we compared tax savings with the cost of the appeal to calculate the ratio. But Mark Turner (yes, the same guy who shovels the snow and runs the generators when the power goes out) also works in that Division when the weather allows. He also keeps track of the money he saves clients. We caught him on his snow break, asked him about tax savings over the past three years, and compared that with the cost of the appeal. On average Mark recovers \$4 to \$5 in annual taxes for every dollar spent on the appeal… and most of these annual savings will continue in future years. We anticipate similar success rate with other senior personnel in the Division. They have an edge; CompuVal® our proprietary multi-million IT platform which incorporates a family of intelligent databases that talk to each other and analyse data on the fly. And they are supported by unsung heroes, a cadre of enthusiastic, highly tech savvy, younger (and less expensive) junior tax agents and our excellent Support Staff team (most of whom have been with us for decades). Less visible, but critical components for success.

Of course, the "taxes saved versus cost incurred" ratio is not the only measure of success. Our Property Tax staff are salaried professionals, rather than being on commission, *so there is no temptation to just go for the low hanging fruit*. Property taxes are a function of the Tax Rate and the Property Assessment. Since we cannot control the Tax Rate, we focus on the Property Assessment… and the Property Class if the taxing authority has multiple classifications. Often the initial negotiation with the Assessment Authority will yield the bulk of the tax savings, but not all. To get the remainder it may be necessary to go to court or the review panel, a worthwhile strategy so long as the tax savings are greater than the cost of achieving them. This will be a more time intensive process than the initial negotiations but it can stimulate negotiations with the Assessment Authority resulting in additional tax savings for future years. As indicated earlier, it pays off in another way as well: an assessment reduction this year will usually follow through in future years, so it is worthwhile pushing to get the most appropriate assessment reduction because this is a gift that keeps on giving. This is where our long-term relationships with clients through our PAMS® Property Tax Manager program pays off in aggregate tax savings. In appealing, we can focus on tax savings in future years not just the year under appeal. We have also measured the impact of PAMS® on discouraging tax increases in future years, without intervention by our tax team, and it is significant. The fact that the property is protected by the PAMS® umbrella, and will be part of a larger family, significantly reduces the chance that they will be included when the Assessment Authority implements "across the board" assessment increases. *If your property is not yet enrolled in our PAMS® you are paying too much in taxes.*

We also measure client satisfaction more broadly through a semi-annual anonymous survey, a requirement of our ISO 9001 Quality System. 97% of clients surveyed rated our Property Tax Division as good (21%) or excellent (76%) on a five-point scale ranging from poor, fair, average, good, excellent. These are similar ratings to the remaining Divisions in the company where 96% of clients answered good (20%) or excellent (76%) to the same question. These statistics are based on the past three years but are consistent over that time frame. Most of our work is for private sector clients: a dollar saved drops down to their bottom line.

Fees (Insider Knowledge)

Your commercial property taxes are too high (you think) and you would like to retain a property tax agency to negotiate a reduction in your Property Assessment. The most obvious fee structure is one based on a percentage of the tax savings, aka a "Contingency Fee". As property owner you eliminate your risk and incentivise the tax agency to get the highest reduction. Yes? Not really! But this is the way 80% of tax agencies are compensated because it is the easiest way to sell their service, especially to large corporations. Our Property Tax Division also takes some assignments on this basis; we have to compete… and some clients insist. However, it is often the most expensive and sub-optimal fee structure and can actually achieve the reverse of the property owner's intentions. Think about it. Property owners often focus on negotiating the lowest Contingency Fee and tax agencies compete on this basis. So, achieving the lowest Contingency Fee and paying the tax agency the lowest fee, incentivises them to make the greatest effort? How does that work? And compensating the tax agency this way ensures that they will fight for the greatest tax savings by going to court or the appeal board if necessary, rather than maximising their hourly earnings by harvesting only the low hanging fruit? (Not to mention that Courts will reject or discount expert witness testimony if the tax agent benefits from the outcome of the case, considering it biased, effectively foreclosing that opportunity for a tax agent working on a Contingency basis). Not convinced? You are not alone, over

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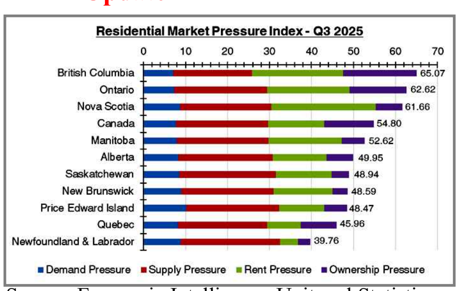
half voted for Trump.

Our fees for our PAMS® program are based on our "time and expenses", much the same way you retain other professionals. We are transparent: all invoices spell out what we did, how many hours were spent and by whom, their hourly rate and all expenses in detail. We are heavily invested in information technology to reduce costs and increase effectiveness; this is an ongoing commitment. Our CompuVal® IT platform is proprietary and focuses on data acquisition and analysis across all of our Divisions. We partially fund that commitment by including an IT expense in each invoice, based on 10% of our labour cost (it saves you more than this amount and is less expensive than recouping it through our hourly rates). While you enroll your property for life, and we so warn the Assessment Authority, you can terminate the contract without penalty at any time. Additionally, if our Valuation Division has valued your property, we will have full details in our CompuVal® IT system so your first-year cost will be lower.

If you prefer we can also provide our Property Tax service on a "time and expenses" basis outside PAMS®, or on a "fixed fee", and yes on a “Contingency" basis (we don't recommend it but we will still fight for the optimum tax savings… old habits die hard).

RMPI Update



Source: Economic Intelligence Unit and Statistics Canada.

Housing stress has become Canada’s defining economic issue, but until recently, there hadn’t been a single, consistent way to measure it. Home prices tell part of the story. Rents tell another. Construction numbers suggest progress that, too often, doesn’t reach the people who need housing most. Turner Drake's Residential Market Pressure Index (RMPI) aka. "*rimpee",* bring these signals together. First introduced in our Fall 2025 Newsletter for Quarter 2 2025 it translates the tension between demand, supply, and affordability into one clear score. It reveals where Canada’s housing markets are overheating, and where they’re finally cooling. The graph above ranks the provinces by RMPI for Quarter 3 2025.

Residential market pressure remains elevated across much of Canada in Q3 2025, with British Columbia (65.1), Ontario (62.6), and Nova Scotia (61.7) recording the highest index scores. In these provinces, pressure is being driven by a combination of persistent supply constraints and heightened rent and ownership burdens.

Notably, Nova Scotia’s pressure remains comparable to Ontario’s despite having a far smaller market, reflecting the far greater rental pressure in the province. Nationally, Canada posts an RMPI score of 54.8, indicating that affordability and availability challenges are still firmly entrenched, even as some regions show modest stabilization.

Conditions are somewhat less acute in the Prairie provinces and Atlantic Canada outside Nova Scotia, although pressures remain far from benign. Manitoba (52.6), Alberta (50.0), Saskatchewan (48.9), and New Brunswick (48.6) sit close to the national midpoint, while Prince Edward Island (48.5) and Quebec (46.0) fall slightly below. Newfoundland and Labrador continues to stand apart with the lowest score in the country at 39.8, reflecting comparatively soft rent and ownership pressures

Overall, the Q3 data underscores an increasingly uneven housing landscape: while some provinces retain manageable pressure levels, Canada’s largest and fastest-growing regions continue to experience sustained housing stress driven by tight rental markets, price escalation, and chronic under-supply relative to demand.

RMPI thresholds: 0 to 25: Low Pressure; 26 to 50: Moderate Pressure; 51 to 75: High Pressure; Above 75: Very High / Extreme Pressure.

Double Your Money!

Photo Credit: Turner Drake.

The Brunswick Street Mission, and others like it, helps people get back on their feet and into the workforce if they are able to work. The Mission gets no government support, they depend on donations from all of us. We are again partnering with the Brunswick Street Mission in Halifax by matching your financial donations to an aggregate amount of $5,000 (if you are located elsewhere and prefer to donate to a charity in your home town email us your receipt and we will match your donation without derogating from our Brunswick Mission commitment). So far you have helped raise almost all of the $5,000…. we are just $280 short of that goal. If the $5,000 goal is exceeded we will match the excess as well.

The Mission provides a hot breakfast during the week, a “choice model” food bank, a tax clinic and access to a social worker through their Outreach Program. Their food programs have experienced a dramatic increase in demand in the past two years, with over 18,000 breakfasts served and 4,195 food bank visits in 2024 (up from 11,000 breakfasts and 3,576 food bank visits in 2023).

Through their tax clinic, available to individuals earning $35,000 or less a year, the Mission helps those who have a job, pay their taxes…. and amongst other things, access benefits such as Employment Insurance, Social Security and the Child Benefit. The Mission files over 1,000 tax returns for clients every year.

Your donation is tax deductible and easily made through their web site at www.brunswickstreetmission.org/turnerdrake .

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