

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Atlantic Research Publication



Q2 2015



ECONOMIC OVERVIEW

Nova Scotia's economic momentum is expected to improve this year, with RBC Economics forecasting real GDP to grow by 1.7% in 2015, with a slightly higher rate of 2.0% in 2016. BMO Economics is predicting that this improving growth rate will set the tone for the other Atlantic Provinces, and would be the first time that growth would be above the national average since the recession. Despite diminishing outlooks for natural gas production in the province due to unexpected water infiltration issues at Deep Panuke, manufacturing activity is expected to get a boost from the commencement of Irving's shipbuilding work, which will boost the industry, stimulate job growth and increase consumer spending.

OFFICE VACANCY CONTINUES TO INCREASE

Nova Scotia's office market posted a slight increase in vacancy during the second quarter of 2015, rising from 13.2% in Q1 to 13.6% in Q2.

Halifax's Central Business District (CBD) increased one full percentage point to 13.0% overall with Bell Aliant relocating to Bedford, bringing close to 80,000 square feet (sf) to market. Other significant moves included two new tenants for Armour Group's RBC Waterside Centre, as well as 11,382 sf being absorbed by Scotiabank in Crombie REIT's Duke Tower. This positive absorption was mitigated by additional space coming to market in TD Centre, the Centennial Building and Renaissance South. This upward trend is expected to continue with an additional 398,000 sf of office space currently under construction in the CBD, with further proposed project announcements from Southwest Properties, Killam Properties, the Armour Group and the Hardman Group.

The Halifax Suburban market continues to post the lowest vacancy rate in the city, at 10.4%, a decrease of 0.3 percentage points from last quarter. Dartmouth's vacancy declined by 0.6 percentage points to 15.4% overall, with notable negative absorption of 21,034 sf at NWHP's Royal Bank Building on Portland Street, with the NS Department of Community Services vacating the 4th floor. Bedford continues to post the highest vacancy rate in the city, at 24.8% overall.

EXPORTS HELP OUTLOOK: CHALLENGES REMAIN

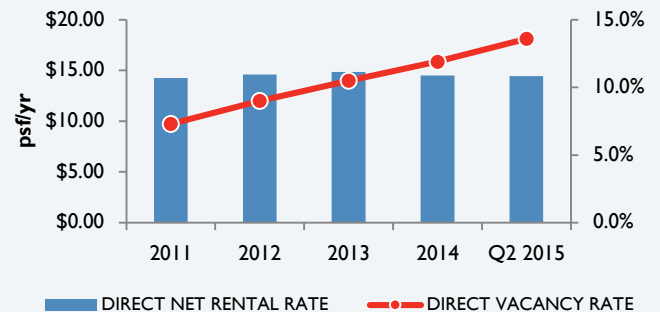
Despite a dimmer outlook for natural gas production coupled with restrained government spending, growth is expected to develop in the near future supported by strong U.S. demand, increases in exports as well as the Irving shipbuilding contract (BMO). Lower gas prices tied with an increase in the minimum wage are expected to influence consumer spending, which should stimulate job growth as

well as increase housing starts (RBC). Many proposed capital projects have commenced this year including: the cutting of steel for the Irving Shipbuilding Contract, the Maritime Link project, construction on the \$500-million Nova Centre, construction on the MacDonald Bridge re-decking, and \$2 billion of investment in offshore oil exploration. There continues to be an unprecedented number of multi-residential developments underway in HRM, including Icon Bay in Rockingham, Killam's "The Alexander" project, Southport and their newly acquired property on Spring Garden Road, Southwest Properties' The Maple and Pavilion on South Park, the new J.W. Lindsay YMCA, Monaghan Square, The Keep, The Dillon, Southport, The Roy Building, Rockingham South, King's Wharf and several others.

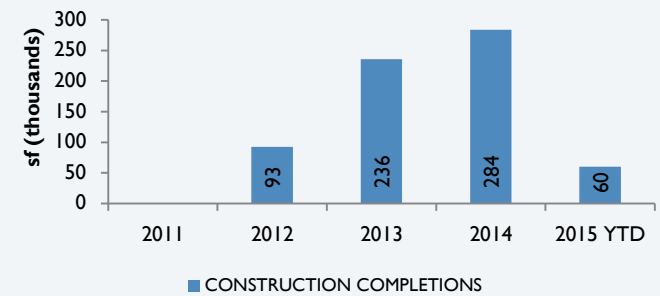
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.3%	13.6%	1.3 pp	▲
Direct Asking Rents (psf/yr)	\$14.53	\$14.64	0.8%	▼
YTD Absorption (sf)	137,032	(66,641)	(203,673) sf	▲

DIRECT RENTAL VS. VACANCY RATES



CONSTRUCTION COMPLETIONS



NOVA SCOTIA

SUBMARKET	INVENTORY (SF)	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL ABSORPTION CURRENT QUARTER	YTD OVERALL ABSORPTION (SF)	OVERALL WTD. AVG NET ASKING RENTAL RATE*	OVERALL WTD. AVG. GROSS RENTAL RATE*
Class A	2,123,760	16.4%	15.7%	395,000	0	22,105	(45,572)	\$17.93	\$33.76
Class B	3,201,391	10.9%	6.8%	0	0	(87,301)	(37,625)	\$12.52	\$26.11
Class C	445,254	11.6%	11.0%	0	0	8,845	(4,067)	\$12.72	\$23.74
CENTRAL HALIFAX	5,770,405	13.0%	10.4%	395,000	0	(56,351)	(87,264)	\$14.53	\$28.74
Class A	904,347	12.5%	12.5%	99,000	60,000	2,500	3,757	\$17.25	\$29.54
Class B	1,017,404	9.6%	7.1%	0	0	(793)	(29,415)	\$14.95	\$26.51
Class C	379,416	7.3%	6.8%	0	0	6,310	3,777	\$14.70	\$26.13
SUBURBAN HALIFAX	2,301,167	10.4%	9.2%	99,000	60,000	8,017	(21,881)	\$15.63	\$27.39
Class A	1,383,495	13.1%	12.9%	0	0	8,312	8,636	\$16.01	\$27.40
Class B	998,628	14.2%	13.7%	0	0	(23,992)	10,104	\$12.29	\$23.19
Class C	227,489	34.4%	34.4%	0	0	0	(1,288)	\$10.53	\$18.17
DARTMOUTH	2,609,612	15.4%	15.1%	0	0	(15,680)	17,452	\$14.11	\$24.98
Class A	106,580	30.9%	30.9%	141,948	0	8,500	8,500	\$14.98	\$27.50
Class B	359,614	24.8%	24.8%	0	0	7,739	13,352	\$13.89	\$26.60
Class C	117,071	19.3%	19.3%	0	0	0	3,200	\$11.00	\$18.57
BEDFORD	583,265	24.8%	24.8%	141,948	0	16,239	25,052	\$13.51	\$25.15
TOTALS	11,264,449	13.6%	12.0%	720,948	60,000	(47,775)	(66,641)	\$14.64	\$27.46

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
RBC Waterside Centre	Halifax	Concertia & TBD	AAA	28,500
Duke Tower	Halifax	Scotiabank	A	11,382
237 Brownlow Avenue	Burnside	Sunlife Assurance Company	B	10,200
210-220 Waterfront Drive	Bedford	Desjardins & Get Chalk	A	8,500
60 Dorey Avenue	Burnside	The Eldis Group	A	8,440
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	SALE PRICE	BUILDING SQUARE FEET
Governor's Place, 26 Union Street	Bedford	Chalice Canada	N/A	+/- 20,000
140 Ilsley Avenue	Burnside	Swarnet Holdings	N/A	14,440
SIGNIFICANT OFFICE PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Nova Centre	Halifax	Trade Centre	2016	300-350,000
EON Square	Bedford	Bell Aliant	Q2 2016	120,000
The Bay Expansion	Suburban Halifax	CBC, TC Media	Q1 2016	90,000
Barrington E-Space	Halifax	TBA	Q3 2015	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q3 2015	21,948
Bank of Canada Building	Halifax	TBA	Q4 2016	20,000
3138 Isleville Street	Suburban Halifax	TBA	Q4 2015	9,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS