

# Office Snapshot Q4 2015

HALIFAX, NS



## HALIFAX OFFICE

### Economic Indicators

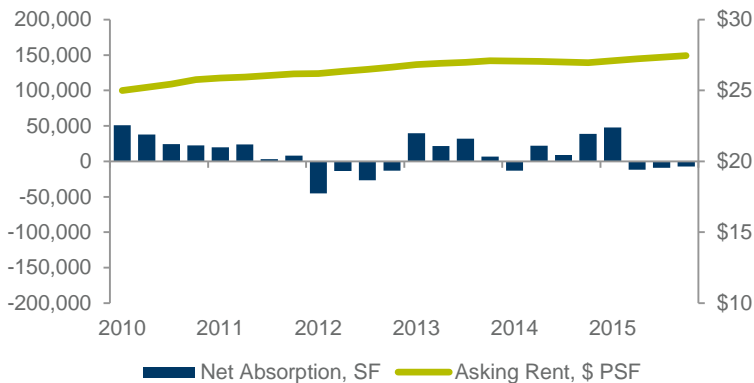
	2014	2015	12-Month Forecast
Halifax Employment	227k	224k	▲
Halifax Unemployment	14.8%	14.6%	▼
Canada Unemployment	6.6%	7.1%	■

### Market Indicators (Overall, All Classes)

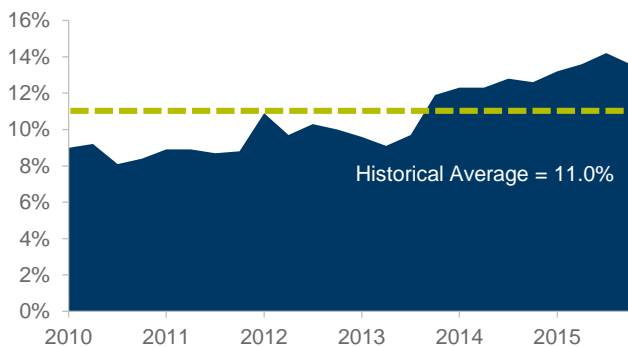
	2014	2015	12-Month Forecast
Vacancy	12.6%	13.6%	▲
Net Absorption (sf)	155,613	(28,594)	▲
Under Construction (sf)	720,948	780,000	■
Average Asking Rent*	\$27.02	\$27.42	▼

\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Expansion in Nova Scotia's economy has stagnated since 2010, largely due to rapid declines in natural gas production. However, the outlook is brightening as RBC Economics forecasts GDP growth to accelerate to 1.8% in 2016 from 0.9% in 2015. This optimism is driven by stronger construction activity coupled with the current year old ship-building contract with the Canadian federal government. CIBC forecasts have shown that Nova Scotia is expected to outperform the remainder of Atlantic Canada driven by defense expenditures in Canadian shipbuilding. The falling Canadian dollar has also increased the demand for non-energy exports such as seafood and tires.

## Market Overview

Nova Scotia's office market recovered slightly in the fourth quarter seeing an overall decrease in vacancy from 14.2% last quarter to 13.6% in Q4. Halifax's Central Business District (CBD) vacancy increased to 12.8% as the new Barrington E-Space building came on the market in Q3 2015 fully vacant. Suburban market vacancy jumped from 11.7% to 14.4% as there was some softening in the class B market. Bedford continues to attract new businesses and as such vacancy continues to decrease, currently sitting at 18.2% down from 20.3% in Q3. In development news, the Nova Centre continues to progress and will add 350,000 sf to the downtown market by year-end 2016. Construction also continues on Phase II for both Bedford's Eon Square and Dartmouth's Burnside Business Campus. Finally 145 Hobsons Lake Drive, home to Canada Revenue Agency, is close to completion and will add 138,000 square feet (sf) to the inventory.

## Outlook

It is expected that declines in natural gas exports will continue to hinder the provincial economy. However, exploration activity by Shell and BP have the potential for future production opportunities within the province. Driven by the construction of new multi-unit structures in Halifax, investment in residential property has increased substantially in 2015, and should continue in 2016, before tapering off in 2017 as the regions aging demographic deters further growth. The office market is expected to have an increase in vacancy due to an inventory surge of 780,000 sf that is currently under construction. This surplus creates opportunity for prospective tenants moving into new sought after locations while at the same time creating challenges in the leasing of legacy properties. This trend is not unique to the Halifax market and is seen nationwide where legacy landlords actively try to find incentives such as competitive pricing strategies to allure tenants to their aging properties.

MARKETBEAT

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Halifax, NS



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
<b>Halifax-Central Business District</b>	<b>56</b>	<b>5,780,405</b>	<b>107,454</b>	<b>739,184</b>	<b>12.8%</b>	<b>56,019</b>	<b>(49,704)</b>	<b>370,000</b>	<b>\$28.86</b>	<b>\$33.85</b>
Halifax-Suburban	29	2,233,167	51,225	296,408	13.3%	(35,602)	(79,878)	237,000	\$27.52	\$29.54
Dartmouth	41	2,609,612	4,520	371,032	14.2%	33,512	48,465	60,000	\$25.06	\$27.53
Bedford	19	765,213	0	139,343	18.2%	16,356	52,523	120,000	\$24.32	\$23.81
<b>Total Suburban Area</b>	<b>89</b>	<b>5,607,992</b>	<b>55,745</b>	<b>806,783</b>	<b>14.4%</b>	<b>14,266</b>	<b>21,110</b>	<b>417,000</b>	<b>\$25.94</b>	<b>\$27.82</b>
<b>HALIFAX TOTALS</b>	<b>145</b>	<b>11,388,397</b>	<b>163,199</b>	<b>1,545,967</b>	<b>13.6%</b>	<b>70,285</b>	<b>(28,594)</b>	<b>787,000</b>	<b>\$27.42</b>	<b>\$30.55</b>

\*Rental rates reflect gross asking \$psf/year

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	54	4,730,130	23,922	630,764	13.3%	97,438	48,784	787,000	111,948	\$28.68
Class B	64	5,489,037	135,317	616,714	11.2%	(61,796)	(119,659)	0		\$23.44
Class C	27	1,169,230	3,960	135,290	11.6%	34,643	42,281	0		\$23.05

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q4 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Founders Square	10,425	Barteaux Durnford law firm, Kuene & Nagel and Mamma Gratti's	New Lease	Central Business District
Centennial Building, 1660 Hollis Street	38,129	Undisclosed	New Lease	Central Business District
5670 Spring Garden Rd	25,585	Undisclosed	New Lease	Central Business District
Granite View 90 Lovett Lake Court	21,000	Nova Scotia Health Authority	New Lease	Suburban Halifax

## Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Nova Centre	350,000	Trade Centre	Q4 2016	Halifax
EON Square	120,000	TBD	Q2 2016	Bedford
The Bay Expansion	90,000	CBC, TC Media	Q1 2016	Suburban Halifax
Bank of Canada Building	20,000	TBD	Q4 2016	Halifax
3138 Isleville St.	9,000	TBD	Q1 2016	Suburban Halifax
145 Hobson Lake Drive	138,000	CRA	Q1 2016	Suburban Halifax
Wright & Burnside	60,000	RSA	Q4 2016	Dartmouth

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