

MARKETBEAT OFFICE SNAPSHOT

NEW BRUNSWICK

A Cushman & Wakefield Research Publication



Q2 2014



ECONOMIC OVERVIEW

Financial growth remains sluggish in New Brunswick for 2014, but it is expected to improve slightly through the remainder of 2014. BMO Capital Markets Provincial Monitor states that “real GDP is expanding at just a 0.3% annualized pace between 2009 and 2013. Growth should pick up to 1.3% this year, and gain further momentum in 2015 as capital spending looks to pick up.” Mid-2014 is bringing uncertain improvement in New Brunswick’s service and retail spending, but exports are still struggling slightly. A weaker Loonie should provide some boost to exports and tourism industries for the New Brunswick Province. “Atlantic regions remain highly leveraged to their tourism sectors, especially as improving incomes in the United States lead to a rebound in U.S. tourist traffic” says TD Economics. Employment in New Brunswick increased 0.6% year-to-date with multiple jobs being announced in the IT and gaming industries. Of Atlantic Canada, only New Brunswick showed job growth last quarter, which is pleasing news for the province. Atlantic Provinces Economic Council (APEC) said that “job announcements from IT and gaming companies will support positive performance by adding approximately 415 positions over the next couple of years”.

OFFICE OVERVIEW

New Brunswick’s industrial market vacancy rate dropped by 0.2 percentage points from last quarter, posting at an overall rate of 13.3% in Q2 2014. In the Moncton market, significant moves included an undisclosed major tenant at 735 Main Street expanding within the building. The Fredericton market experienced a small shift with a 16,000-square feet (sf) sublet space leased by RIM came to market at the fourth phase of Knowledge Park. Saint John experienced some change this quarter The Maritime Opportunity Center leasing out 8,000 sf to AI Auctioneers, and 100 Prince Edward Street gained 9,498 vacant sf when they lost Wyndham Worldwide Canada Inc as a tenant. 555 Somerset Street also gained new tenants including Saint John Orthopedics and Centric Lifemark Health, leasing out 11,384 sf. Average gross rental rates were almost unchanged across all markets from last quarter, with a marginal decrease for the overall province again. This speaks to the softness remaining in the market currently.

OUTLOOK

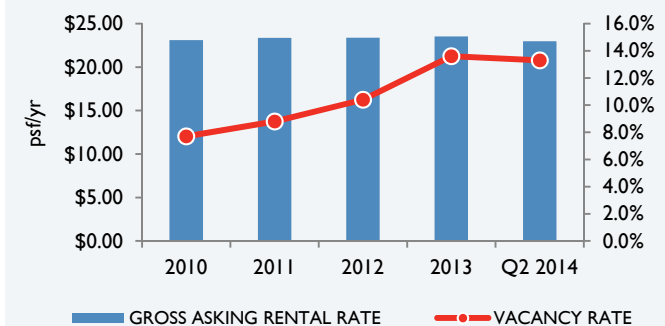
With a growth projected in GDP and a hopeful increase in the labour market, things are looking up for New Brunswick. This quarter, APEC’s Major Projects Inventory list provided a positive outlook on what is to come for the rest of 2014-2015. In Moncton, The Junction-

Urban Village is set to become a dynamic +/- 11-acre development on the corner of Main Street & Vaughan Harvey Boulevard. Moncton will also be welcoming a three-storey office/retail building in the heart of Downtown Dieppe. In Saint John, Bell Aliant Inc is building a \$25-million data center to meet current and future needs of the information and communication technology sector. Because of the anticipated turnaround in the province’s labor markets, growth prospects are set to accelerate to 1.4% in 2015. Upcoming projects are expected to increase employment rates, boost retail sales, and provide growth in the housing markets throughout the province.

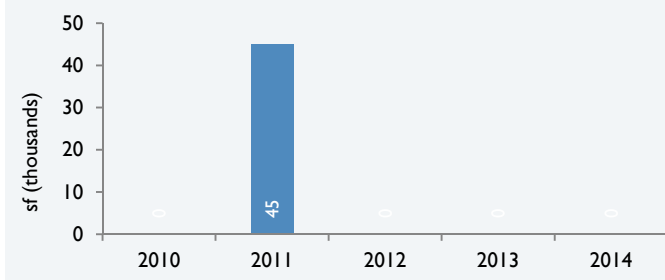
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.8%	13.3%	2.5pp	▲
Direct Net Asking Rents (psf/yr)	\$13.27	\$12.70	-4.3%	▼
YTD Absorption (sf)	(42,156)	22,616	64,772 sf	▲

RENTAL VS. VACANCY RATES



NEW SUPPLY



NEW BRUNSWICK

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER OVERALL ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG NET ASKING RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Class A	1,261,210	9.1%	8.8%	0	0	(7,123)	(7,021)	\$15.54	\$27.76
Class B	1,348,116	9.6%	9.5%	0	0	(6,170)	48,409	\$11.17	\$20.92
Class C	356,482	21.3%	21.3%	0	0	(6,559)	(12,108)	\$9.89	\$18.86
MONCTON	2,965,808	10.8%	10.6%	0	0	(19,852)	29,280	\$12.91	\$23.65
Class A	720,994	14.0%	11.8%	0	0	(18,795)	(29,976)	\$14.00	\$25.42
Class B	833,330	7.3%	6.0%	0	0	8,940	2,762	\$13.19	\$21.87
Class C	377,387	11.3%	11.3%	0	0	(1,917)	(590)	\$12.73	\$20.82
FREDERICTON	1,931,711	10.6%	9.2%	0	0	(11,772)	(27,804)	\$13.40	\$22.99
Class A	780,461	6.9%	6.8%	0	0	(19,409)	(2,402)	\$14.55	\$28.99
Class B	853,521	20.3%	18.4%	0	0	46,033	41,040	\$11.35	\$20.80
Class C	730,416	29.3%	29.3%	0	0	22,538	(17,498)	\$9.60	\$16.30
SAINT JOHN	2,364,398	18.7%	17.9%	0	0	49,162	21,140	\$11.87	\$22.11
TOTALS	7,261,917	13.3%	12.6%	0	0	17,538	22,616	\$12.70	\$22.97

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
10 Desbrisay Ave	Moncton	Health Connect		5,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
30 Canterbury	Saint John	Historica Developments Inc	\$1,450,000	53,699
704 Principal	Saint John	Fisheries & Oceans Canada	\$850,000	12,363
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				