

Office Snapshot Q2 2016

New Brunswick



NEW BRUNSWICK OFFICE

Economic Indicators

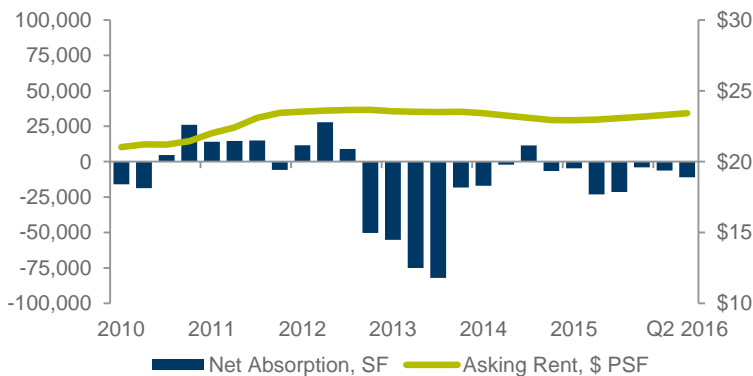
	Q2 15	Q2 16	12-Month Forecast
NB Employment	349k	348k	▼
NB Unemployment	9.6%	9.9%	▼
Canadian Unemployment	6.8%	6.9%	▲

Market Indicators (Overall, All Classes)

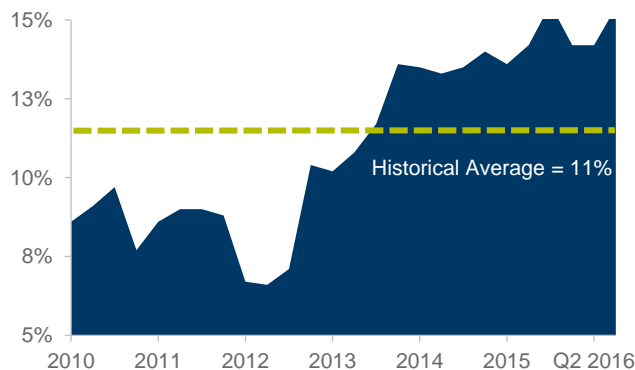
	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	14.2%	15.4%	▲
Net Absorption (sf)	(55,778)	(74,556)	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$23.19	\$23.60	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Economic growth remains subdued in New Brunswick, with real GDP expected to reach 0.7% in 2016 - the softest growth among non-oil-producing provinces (RBC). While exports should receive a boost from the lagged impact of a weaker dollar, the fiscal environment remains challenging and some private-sector capital spending projects are winding down (BMO Capital Markets). Many projects scheduled in Metro Moncton in the coming months will have a positive impact on the economy, which include: the Downtown Centre; which is scheduled to open in September 2018, a new RCMP detachment, a wastewater treatment plant, and a new bridge on the Petitcodiac River.

Market Overview

New Brunswick's office market concluded Q2 with an increase of over a full percentage point in the overall vacancy rate from last quarter, reaching 15.4%. Moncton posted an overall vacancy rate of 12.8%, a slight decrease of 0.1 percentage points from Q1 2016. Although Fredericton continues to have the lowest vacancy rate in the province at 12.1%, it is an increase of over three percentage points from the previous quarter. Fredericton had one significant change in vacancy at 416 York Street as approximately 14,600 square feet (sf) became available. The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 21.6%; this is a 1.1 percentage point increase from the previous quarter's 20.5%. Vacancy in Saint John is over 6 full percentage points higher than the provincial vacancy average of 15%. The vacancy rate in Saint John's class C segment is 28.4% which is driving the overall elevated vacancy rates. There was a notable transaction in Saint John this quarter as The Red Cross leased over 26,000 sf at 120 McDonald Street in Saint John leaving 85,000 sf vacant.

Outlook

RBC Economics cites that the government's tight grip on spending is leaning into challenging conditions for the domestic economy, and steep job losses in the public sector are contributing to a 1.5% year-to-date decline in employment. While the pace of job losses will likely reverse somewhat, we expect New Brunswick to shed jobs in both 2016 and 2017 following overall employment declines in six of the past seven years.

Despite sustained job losses in the province, the unemployment rate has come down as the labour force and pool of working-age adults shrink. The province's economic and labour market fortunes are linked to these demographic trends as fewer workers translates into less demand for consumer goods and housing construction, and a shrinking tax base encumbers the government with the structural deficit that it has grappled with in recent budgets.

MARKETBEAT

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New Brunswick



SUBMARKET	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)*
MONCTON	3,121,485	0	398,817	12.8%	16,358	(8,770)	0	\$24.58	\$29.29
FREDERICTON	1,931,711	27,018	207,523	12.1%	(66,527)	(55,148)	0	\$23.65	\$27.53
SAINT JOHN	2,304,498	0	497,751	21.6%	(24,387)	(6,890)	0	\$22.29	\$28.88
NEW BRUNSWICK TOTALS	7,357,694	27,018	1,104,091	15.4%	(74,556)	(70,808)	0	\$23.60	\$28.71

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	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 (SF)	OVERALL AVERAGE ASKING RENT*
Class A	2,762,665	27,018	303,899	12.0%	(33,540)	(29,588)	0	0	\$28.71
Class B	3,209,549	0	435,972	13.6%	(10,728)	(29,731)	0	0	\$21.20
Class C	1,385,480	0	364,220	26.3%	(30,288)	(11,489)	0	0	\$18.27

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
123 Halifax Street	8,622	Atlantic Farm Services Inc.	Lease	Moncton
150 Edmonton Avenue	4,122	The Play Café	Lease	Moncton
77 Vaughn Harvey	1,248	Pattison Signs	Lease	Moncton

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1289 Bayside Drive	800 sf and 1.1 acres	Undisclosed	Undisclosed	Saint John
195 Rothesay Avenue	4,500	Undisclosed	Undisclosed	Saint John
869 Main Street	5,812	Undisclosed	Undisclosed	Moncton
1199 Main Street	8,469	Undisclosed	Undisclosed	Moncton

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