

NEW BRUNSWICK OFFICE

Economic Indicators

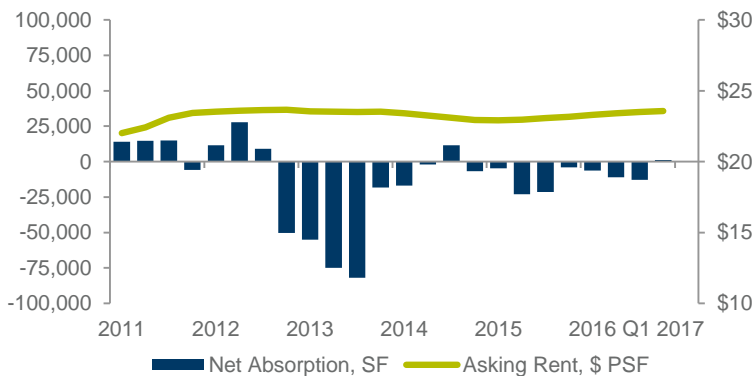
	Q2 16	Q2 17	12-Month Forecast
NB Employment	348K	352.3K	▲
NB Unemployment	9.9%	8.4%	▼
Canadian Unemployment	6.9%	6.6%	▼

Market Indicators (Overall, All Classes)

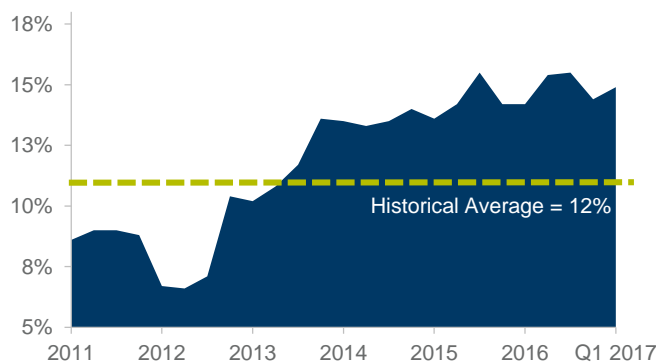
	Q2 16	Q2 17	12-Month Forecast
Overall Vacancy	15.4%	15.0%	▼
Net Absorption (sf)	(74,556)	(12,309)	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.60	\$23.59	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

RBC Economics sees a series of encouraging data that forecast a rise in the New Brunswick economy for 2017. As the construction industry and the consumer industry picked up in 2016, this year RBC expects higher government capital spending and a strong performance from the natural resource sector to boost jobs and provide a year of above average growth in the province. Unemployment has declined from 8.9% in Q1 2017 to 8.4% this quarter, heavily due to a the rise in the construction and consumer services sectors. RBC projects New Brunswick's economy to grow by 1.1% in 2017, slightly lower then their projections were for 2016 of 1.3%. Weak underlying demographic factors are also indicating a slower growth movement for 2018.

Market Overview

New Brunswick's office market saw a slight change in the overall vacancy rate this quarter, climbing from 14.9% in Q1 2017 to 15% this quarter. Moncton's vacancy rate decreased by over two full percentage points from last quarter dropping to 11.3% this quarter from 13.4% in Q1 2017. The driving factor behind this decrease in vacancy was WestJet, located at 77 Foundry Avenue, vacating approximately 11,000 square feet (sf) of space and 1234 Main Street acquiring a tenant for a move in of 22,620 square feet (sf). As Fredericton market continues to have the lowest vacancy rate in the province, there was some downward movement this quarter as vacancy declined from 10.7% in Q1 2017 to 9.6% this quarter. One of the factors behind this decrease was Accreon moving in 18,690 square feet (sf) of office space at 440 King Street. The Saint John area continues to have the highest overall vacancy rate in New Brunswick; with a significant increase this quarter, the vacancy rate increased by over four whole percentage points from 20.3% in Q1 2017 to 24.6% this quarter. The driving contributor behind this increase was located at Brunswick Square where Bell left, leaving 55,050 square feet (sf) of vacant space.

Outlook

TD Economics shows that following a better than expected 2016 due to non-residential construction and tourism-related activities, the province will face some headwinds moving forward. This will arise from lower mining output and the now expired Softwood Lumber Agreement. New U.S initiatives following the agreement expiration may cause sawmills to close operations due to high financial duties. Overall, TD Economics forecasts growth to hold at just 1% this year and next.

MARKETBEAT

New Brunswick

Office Q2 2017



CELEBRATING
100
YEARS

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	353,741	11.3%	65,919	35,787	0	\$24.15	\$28.28
FREDERICTON	1,931,711	0	185,039	9.6%	20,854	924	0	\$23.65	\$26.75
SAINT JOHN	2,305,408	8,876	557,850	24.6%	(99,082)	(86,255)	0	\$22.81	\$29.86
NEW BRUNSWICK TOTALS	7,358,604	8,876	1,096,630	15.0%	(12,309)	(49,544)	0	\$23.59	\$28.33

*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	2,500	331,793	12.1%	(8,648)	(32,683)	0	0	\$28.33
Class B	3,210,459	6,376	418,485	13.2%	18,726	(19,025)	0	0	\$21.54
Class C	1,385,480	0	346,352	25.0%	(22,387)	2,164	0	0	\$18.34

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
50 Foundry Street	5,390	REMAX Avante	Lease	Moncton
400 Main Street, Suite 1060 & 1070	5,625	IBM Canada Ltd.	Lease	Saint John

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
250 King Street, 460 Two Nations Crossing	Undisclosed	Slate Office	Undisclosed	Fredericton

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