

Office Snapshot Q3 2015

New Brunswick



NEW BRUNSWICK OFFICE

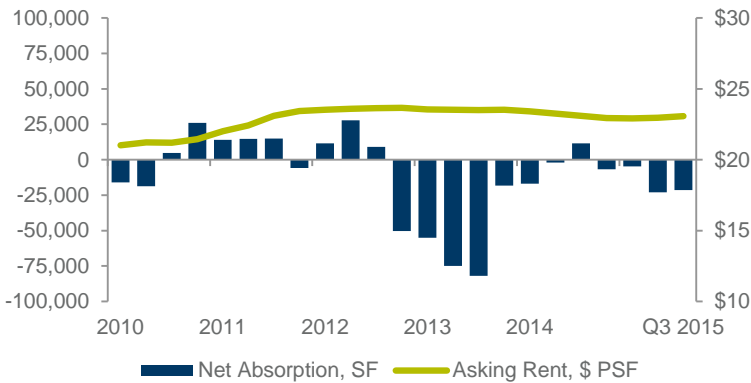
Economic Indicators

	Q3 14	Q3 15	12-Month Forecast
NB Employment	353k	350k	▼
NB Unemployment	8.7%	10.1%	▲
Canadian Unemployment	6.9%	7.0%	■

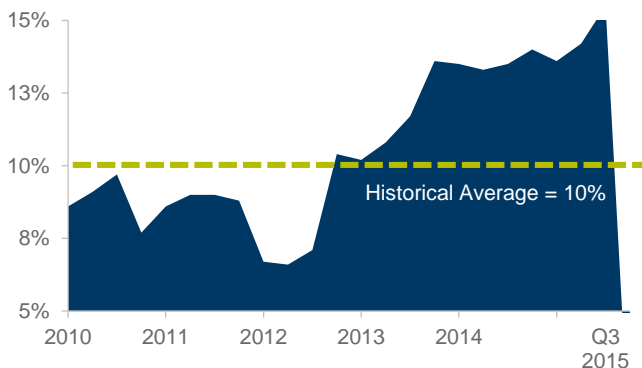
Market Indicators

	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	13.5%	14.5%	▼
Net Absorption	(7)k	(0.8)k	▲
Under Construction	0	9k	■
Overall Average Asking Rent	\$22.90	\$23.35	▲

Net Absorption/Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to TD Economics, New Brunswick's real GDP is expected to expand by 1.0% in 2015, following 4 years of effectively no growth in the provincial economy. Helping to pull the economy out of its lull this quarter was the manufacturing and finance/insurance sectors; each expanding by 0.8%, with the latter being bolstered by a growing housing market. The FIFA Women's World Cup coming to Moncton during the third quarter also left its mark on real GDP, helping to grow the local economy.

Market Overview

New Brunswick's office market concluded the third quarter with an overall vacancy rate of 14.5%, a 0.3-percentage point increase from the previous quarter's vacancy rate of 14.2%. Moncton posted an overall vacancy rate of 12.0%, a decline of 0.2 percentage points from Q2 2015. Making news this quarter was 1234 Main Street in Moncton, where MD Management leased 5,400 square feet (sf) and Sobey's Inc. leased 2,400 sf leaving the building with 54,000 sf of vacancy. In addition, Cushman & Wakefield Atlantic also facilitated a 14,500-sf lease at 73 Capitol Avenue, which is now fully occupied.

As has been the trend in the New Brunswick office market, the Fredericton area posted the lowest vacancy rate in the province at 10.0%. Rents in the city currently average \$13.52 per square foot (psf), with class A office space at \$14.48 psf. Fredericton had one substantial change in vacancy at 364 York Street as 6,000 sf became available; the result of a two-storey addition to the building that was vacant upon completion.

The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 21.7% which is over 7 full percentage points higher than the provincial vacancy average. The vacancy rate in the class C segment is 28.7% which is driving the overall elevated vacancy rates. A noteworthy transaction for this quarter was Aviva Insurance leasing 6,500 sf at Brunswick Square bringing the total vacancy to 8,839 sf.

Outlook

The green light for the Downtown Moncton Event Centre is promising "new growth" for the province as the government is planning to spend millions in retail, office and restaurant developments in Moncton's Downtown core. Approximately 80-90% of new jobs in Moncton are created from business expansion, and the centre will help businesses attract the best talent to the region. In other good news, Times & Transcript has reported that the expansion of BMM Testlabs will bring 1,000 new jobs to Metro Moncton over the next five years.

Growth appears to have re-commenced across the province, and while large capital investment could remain weak in the province for some time, the New Brunswick export sector appears to be showing some strength supported by the rising U.S demand and the low level of the Canadian dollar.

MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
MONCTON	N/A	3,202,515	24,608	359,641	12.0%	13,769	(8,516)	9,375	\$24.31	\$28.88
FREDERICTON	N/A	1,931,711	29,130	164,486	10.0%	(10,174)	15,331	0	\$23.19	\$26.16
SAINT JOHN	N/A	2,304,498	21,321	479,423	21.7%	(4,394)	(50,667)	0	\$22.20	\$28.77
NEW BRUNSWICK TOTALS	N/A	7,438,724	75,059	1,003,550	14.5%	(799)	(43,852)	9,375	\$23.35	\$28.14

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	YTD CNSTR COMPLETIONS	AVERAGE ASKING RENT OVERALL*
Class A	N/A	2,762,666	36,758	259,609	10.7%	(16,934)	885	9,375	0	\$28.14
Class B	N/A	3,200,174	29,733	397,400	13.3%	(14,861)	(58,003)	0	0	\$21.24
Class C	N/A	1,475,885	8,568	346,541	24.1%	30,996	13,266	0	0	\$18.48

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
73 Capitol Avenue	14,500	Franji Agency Ltd.	Lease	Moncton
123 Halifax Street	8,622	The Chief Electoral Officer of Canada	Lease	Moncton

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
2729 Fredericton Road	5,000	Salisbury Chiropractic & Rehab	\$578,600	Salisbury
663 Pinewood Road	9,200/1 acre	Southeastern Mutual Insurance Co.	\$1,050,000	Riverview
Route 112	2 x 4,000	Petz International Ltd.	\$213,560	Salisbury

About Cushman & Wakefield

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Q3 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,202,515	1,931,711	2,304,498	7,438,724
Direct Vacant Space (Square Feet):	365,943	164,486	479,423	1,009,852
Sublet Space (Square Feet)	24,608	29,130	21,321	75,059
Total Vacant Space (Square Feet)	390,551	193,616	500,744	1,084,911
Direct Vacancy Rate (Percent):	11.4%	8.5%	20.8%	13.6%
Total Vacancy Rate (Percent):	12.2%	10.0%	21.7%	14.6%
Occupied Space (Sf): (including sublet)	2,836,572	1,767,225	1,825,075	6,428,872
Occupancy Rate (%):(inc.sublet)	88.6%	91.5%	79.2%	86.4%
Occupied Space (excluding sublet)	2,811,964	1,738,095	1,803,754	6,353,813
Occupancy Rate (%): (exc.sublet)	87.8%	90.0%	78.3%	85.4%
Weighted Average Net	\$13.07	\$13.52	\$12.00	\$12.85
Weighted Average Cam	\$11.24	\$9.67	\$10.20	\$10.49
Gross Rent	\$24.31	\$23.19	\$22.20	\$23.35
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	7,467	-10,174	-4,894	-7,601
YTD Absorption (including sublet)	-17,298	18,049	-48,358	-47,607
3 month Absorption (exc.sublet)	7,467	-10,174	-4,394	-7,101
YTD Absorption (exc. Sublet)	-14,818	15,331	-50,667	-50,154
Demand Factor	0.26%	-0.57%	-0.27%	-0.12%

Q2 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,269,905	1,931,711	2,404,398	7,606,014
Direct Vacant Space (Square Feet):	373,410	154,312	475,929	1,003,651
Sublet Space (Square Feet)	24,608	29,130	21,821	75,559
Total Vacant Space (Square Feet)	398,018	183,442	497,750	1,079,210
Direct Vacancy Rate (Percent):	11.4%	8.0%	19.8%	13.2%
Total Vacancy Rate (Percent):	12.2%	9.5%	20.7%	14.2%
Occupied Space (Sf): (including sublet)	2,896,495	1,777,399	1,928,469	6,602,363
Occupancy Rate (%):(inc.sublet)	88.6%	92.0%	80.2%	86.8%
Occupied Space (excluding sublet)	2,871,887	1,748,269	1,906,648	6,526,804
Occupancy Rate (%): (exc.sublet)	87.8%	90.5%	79.3%	85.8%
Weighted Average Net	\$13.06	\$13.51	\$11.89	\$12.80
Weighted Average Cam	\$11.15	\$9.68	\$10.03	\$10.39
Gross Rent	\$24.21	\$23.19	\$21.92	\$23.19
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	-19,248	23,058	-37,749	-33,939
YTD Absorption (including sublet)	-24,765	28,223	-43,464	-40,006
3 month Absorption (exc.sublet)	-19,248	20,340	-56,870	-55,778
YTD Absorption (exc. Sublet)	-22,285	25,505	-46,273	-43,053
Demand Factor	-0.66%	1.31%	-1.92%	-0.51%

Q1 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,269,905	1,976,711	2,404,398	7,651,014
Direct Vacant Space (Square Feet):	354,162	193,370	438,180	985,712
Sublet Space (Square Feet)	24,608	26,412	2,700	53,720
Total Vacant Space (Square Feet)	378,770	219,782	440,880	1,039,432

Direct Vacancy Rate (Percent):	10.8%	9.8%	18.2%	12.9%
Total Vacancy Rate (Percent):	11.6%	11.1%	18.3%	13.6%
Occupied Space (Sf): (including sublet)	2,915,743	1,783,341	1,966,218	6,665,302
Occupancy Rate (%):(inc.sublet)	89.2%	90.2%	81.8%	87.1%
Occupied Space (excluding sublet)	2,891,135	1,756,929	1,963,518	6,611,582
Occupancy Rate (%): (exc.sublet)	88.4%	88.9%	81.7%	86.4%
Weighted Average Net	\$13.00	\$13.35	\$11.76	\$12.69
Weighted Average Cam	\$11.15	\$9.70	\$10.09	\$10.42
Gross Rent	\$24.14	\$23.06	\$21.86	\$23.11
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	61,873	5,165	-5,715	61,323
YTD Absorption (including sublet)	61,873	5,165	-5,715	61,323
3 month Absorption (exc.sublet)	64,353	5,165	10,597	80,115
YTD Absorption (exc. Sublet)	64,353	5,165	10,597	80,115
Demand Factor	2.17%	0.29%	-0.29%	0.93%

Q4 2014	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,269,905	1,976,711	2,404,398	7,651,014
Direct Vacant Space (Square Feet):	368,390	198,535	432,465	999,390
Sublet Space (Square Feet)	27,088	26,412	19,012	72,512
Total Vacant Space (Square Feet)	395,478	224,947	451,477	1,071,902
Direct Vacancy Rate (Percent):	11.3%	10.0%	18.0%	13.1%
Total Vacancy Rate (Percent):	12.1%	11.4%	18.8%	14.0%
Occupied Space (Sf): (including sublet)	2,901,515	1,778,176	1,971,933	6,651,624
Occupancy Rate (%):(inc.sublet)	88.7%	90.0%	82.0%	86.9%
Occupied Space (excluding sublet)	2,874,427	1,751,764	1,952,921	6,579,112
Occupancy Rate (%): (exc.sublet)	87.9%	88.6%	81.2%	86.0%
Weighted Average Net	\$12.94	\$13.33	\$11.62	\$12.61
Weighted Average Cam	\$11.01	\$9.69	\$10.14	\$10.38
Gross Rent	\$23.95	\$23.03	\$21.76	\$22.99
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	-3,591	-16,149	-7,591	-27,331
YTD Absorption (including sublet)	10,785	-33,870	33,026	9,941
3 month Absorption (exc.sublet)	-18,228	-16,149	-7,591	-41,968
YTD Absorption (exc. Sublet)	-6,885	-33,645	14,014	-26,516
Demand Factor	-0.12%	-0.90%	-0.38%	-0.41%

