

Office Snapshot Q4 2015

New Brunswick



NEW BRUNSWICK OFFICE

Economic Indicators

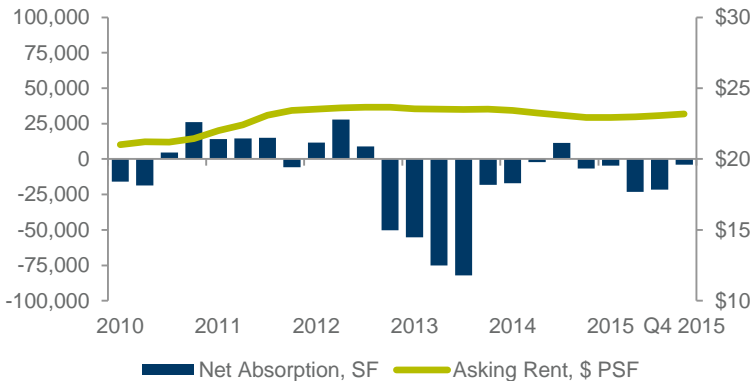
	Q4 14	Q4 15	12-Month Forecast
NB Employment	355.4k	355.8k	▲
NB Unemployment	8.9%	7.7%	▼
Canadian Unemployment	6.6%	7.1%	■

Market Indicators (Overall, All Classes)

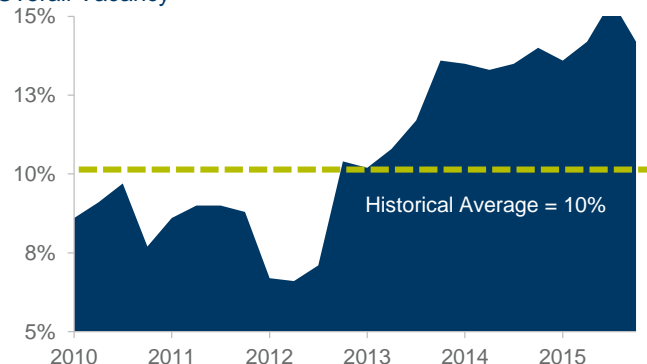
	2014	2015	12-Month Forecast
Overall Vacancy	14.0%	14.2%	▲
Net Absorption (sf)	(26,516)	(16,169)	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$22.99	\$23.34	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

RBC Economics released a report in the fourth quarter of this year stating that overall economic growth for 2015 continued its subdued four year trend in New Brunswick. That being said, BMO Capital Markets is forecasting real GDP to grow by 1.1% during the upcoming year, with signs in the economy indicating increased momentum for 2016. These include a boost in non-energy exports linked to a weaker Canadian dollar, and boosts in manufacturing employment; primarily driven by recent capital investment in Saint John. A continued increase in export-related hiring is expected for 2016, which should provide support to consumer spending trends despite the province's declining demographic trends.

Market Overview

New Brunswick's office market concluded the fourth quarter with an overall vacancy rate of 14.2%, a 0.3-percentage point decrease from the previous quarter's vacancy rate of 14.5%. Moncton posted an overall vacancy rate of 12.1%, an increase of 0.1 percentage points from Q3 2015. Making news this quarter is the addition of 837 Champlain Street to the Moncton market, a 9,375-sf building with 3,750 square feet (sf) vacant. In addition, Cushman & Wakefield Atlantic also facilitated a 9,200-sf lease at 663 Pinewood Road, which is now fully occupied.

Fredericton continues to experience the lowest vacancy rate in the province at 9.3%, a slight decrease from the previous quarter. Rents in the city currently average \$12.85 per square foot (psf), with class A office space at \$15.19 psf. Fredericton had one significant change in vacancy at 40 Crowther Lane as 10,000 sf became available; the result of an early termination.

The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 21.3%; although this is a 0.4 percentage point decrease from the previous quarter's 21.7%. Vacancy in Saint John is over 7 full percentage points higher than the provincial vacancy average of 14.2%. The vacancy rate in Saint John's class C segment is 30.4% which is driving the overall elevated vacancy rates.

Outlook

Economic growth for 2016 will be very closely tied to the weak Canadian dollar; with boosts in tourism, non-residential construction investment, a stronger U.S. housing market, and increased government infrastructure spending also being contributing factors. Non-energy related exports including forestry products and seafood, are expected to boost the province's economy as these sectors make investments in new capacity (RBC). An increase in metal ore mining activity is expected to contribute to growth as well, as is the export of potash. The RBC Provincial Outlook cited some reprieve for the economy in Saint John late in 2015, with the Saint John refinery undergoing a \$200 million upgrade project which created thousands of temporary jobs.

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	3,211,890	14,925	375,122	12.1%	3,577	(4,939)	0	\$24.30	\$28.88
FREDERICTON	1,931,711	16,000	163,393	9.3%	14,223	29,554	0	\$23.19	\$26.16
SAINT JOHN	2,304,498	5,000	485,861	21.3%	9,883	(40,784)	0	\$22.20	\$28.77
NEW BRUNSWICK TOTALS	7,448,099	35,925	1,024,376	14.2%	27,683	(16,169)	0	\$23.34	\$28.14

*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	32,925	268,404	10.9%	(4,962)	(4,077)	0	0	\$28.14
Class B	3,209,549	3,000	403,241	12.7%	30,237	(27,736)	0	9,375	\$21.23
Class C	1,475,885	0	352,731	23.9%	2,378	15,644	0	0	\$18.48

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
164 Collishaw Street	3,200	The Hospice	Lease	Moncton
480 Mountain Road	2,300	Undisclosed	Lease	Moncton

Key Sales Transactions Q4 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
149 King Street	10,320	N/A	Undisclosed	St. Stephen

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