

MARKETBEAT OFFICE SNAPSHOT

ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication



Q3 2013



ECONOMIC OVERVIEW

The Royal Bank of Canada's provincial outlook for September anticipates economic growth in Newfoundland and Labrador to surpass all other provinces with real GDP forecasted at 6% for 2013; the result of a rebound in the oil and gas industry and improved conditions for large scale mining projects. Correspondingly, the Conference Board of Canada's summer 2013 metropolitan outlook indicates St. John's is the fastest growing economy among 15 Canadian cities – with growth forecast at 5%. (Sources: RBC; Dept of Finance – Gov't of NL; City of St. John's)

OUT AND ABOUT

The municipal election was held on September 24 with development and transit issues at the forefront; which is to be expected in a city undergoing rapid growth.

Northern Properties' Bristol Court development continued their brisk pre-leasing activity with AON Insurance taking 6,000 square feet (sf) in Building V.

Lotek Wireless sold their downtown building to Stella Burry Community Services for their employment services CanDo and Hopeworks.

The anticipated larger downtown vacancies have started to appear but are apparently not large enough as agents and owners compete to attract rumoured office space requirements in excess of 20,000 sf for two companies.

THE NUMBERS

Overall vacancy remained at 4.8 % this quarter; although downtown vacancy is up to 3.5% from 2.8% last quarter as vacancies opened up at the Baine Johnston Centre and Atlantic Place. These new availabilities were offset by absorption in the suburbs.

There was a minimal increase in net rents but a slight decrease in operating costs kept gross rents stable.

OUTLOOK

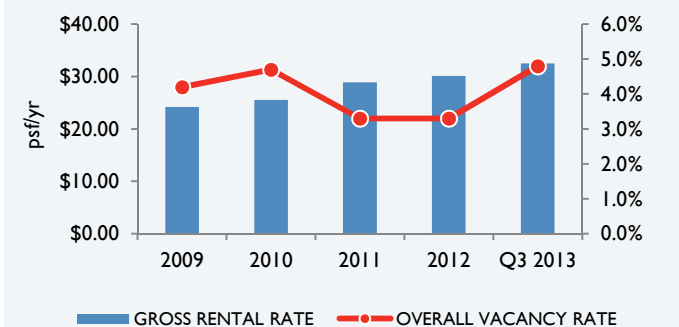
Consolidation, mergers and acquisitions of companies within this market drove demand for larger, more modern spaces. The ongoing and completed new office inventory has fulfilled that demand for the most part.

Essentially, the market has lost the urgency that was being dictated by insufficient available space. Players can now settle in and respond to the booming economy with a more relaxed, long term approach to planning.

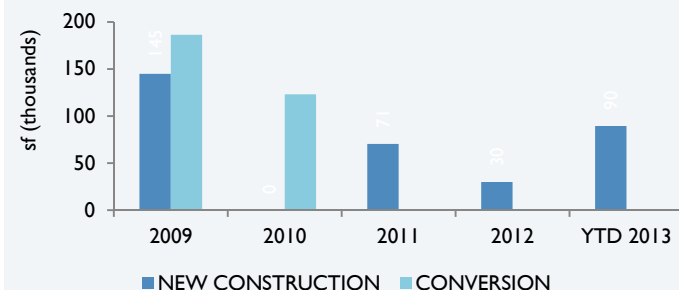
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	3.5%	4.8%	1.3 pp	▲
Gross Asking Rents (psf/yr)	\$30.11	\$32.50	7.9%	◀▶
YTD Absorption (sf)	-5,918	68,567	74,485	◀▶

RENTAL VS. VACANCY RATES



NEW SUPPLY



ST. JOHN'S, NL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Class A	606,619	0.7%	0.7%	310,000	0	0	(4,414)	\$25.32	\$40.75
Class B	518,384	2.4%	1.7%	0	0	(8,893)	(4,050)	\$24.18	\$38.16
Class C	182,816	15.9%	15.9%	0	0	0	(7,984)	\$20.30	\$29.61
Central	1,310,819	3.5%	3.2 %	310,000	0	(8,893)	(16,448)	\$24.17	\$38.17
Class B	962,708	7.4%	7.4%	61,000	89,592	10,500	78,135	\$19.61	\$29.10
Class C	794,012	3.8%	3.8%	0	0	14,457	(6,880)	\$15.16	\$23.58
Suburban	1,756,720	5.8%	5.8%	61,000	89,592	24,957	85,015	\$17.79	\$26.82
TOTALS	3,067,539	4.8%	4.7%	371,000	89,592	16,064	68,567	\$20.94	\$32.50

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions Bristol Court V	SUBMARKET Suburban – North	TENANT AON Insurance	BUILDING CLASS A-	SQUARE FEET 6,000
Significant Q3 2013 Sale Transactions 114 Cabot Street	SUBMARKET Central	BUYER Stella Burry Community Services	PURCHASE PRICE / \$PSF \$ 1,625,000 / \$108	SQUARE FEET 15,000
Significant Q3 2013 Construction Completions 79 Mews Place	SUBMARKET Suburban – North	MAJOR TENANT Owner Occupied	COMPLETION DATE Q3 2013	BUILDING SQUARE FEET 15,000
Significant Projects Under Construction 351 Water Street	SUBMARKET Downtown	MAJOR TENANT Husky	COMPLETION DATE Q4 2013	BUILDING SQUARE FEET 165,000
Fortis Place	Downtown	Fortis; Deloitte	Q2 2014	145,000
Bristol Court - III	Suburban – North	TBA	Q3 2014	30,000
38 Duffy Place	Suburban – North	Century 21	Q4 2013	17,000
2 Olympic	Mount Pearl	TBA	Q1 2014	14,000