

# MARKETBEAT OFFICE SNAPSHOT

## ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication



Q1 2013



### ECONOMIC OVERVIEW

The results of the 2013-2014 provincial budget were better than anticipated with the expected deficit of \$1.6 billion trimmed to \$563.8 million through a combination of spending cuts and increased revenue from offshore oil royalties

and taxes.

Having played catch-up in terms of infrastructure for the last several years, the province now has to resize and restructure service provisions – although spending in real terms is actually up from last year.

This bad news is tempered by the 4.4% growth rate that is being predicted by RBC for 2013. Standard and Poor's has also affirmed Newfoundland and Labrador's long and short term credit ratings of A+ and A-1+ on the basis of "... elevated capital investment-related major resource developments...". (Source: Business News February 2013)

### OUT AND ABOUT

The city's new Business Realty Tax came into effect on January 1, 2013 – replacing the Business Occupancy Tax. Where tenants had previously been assessed and paid their own occupancy tax, now building owners are billed directly and are to charge back the tenants proportionately. A general consensus is that most building owners will be charging the tax as a separate item – as opposed to combining it with operating costs.

The Hebron project continues to send its ripples through the market and Worley Parsons has taken project space in the ICON building on Kenmount Road.

Northern Properties Bristol Court development continues to entertain offers to lease for areas large and small – with the announcement of a major tenant soon forthcoming.

### THE NUMBERS

The inventory increase in Q3 2012 appeared to show a stabilization of rental rates, however, this quarter shows another increase overall. Vacancy rates are now above 5% - for the first time since Q3 2010. Absorption continues to be skewed by the take up of space as soon as it is vacated.

### OUTLOOK

The oil patch players are busily renewing – or upgrading – their local office space in downtown and new suburban buildings as well as

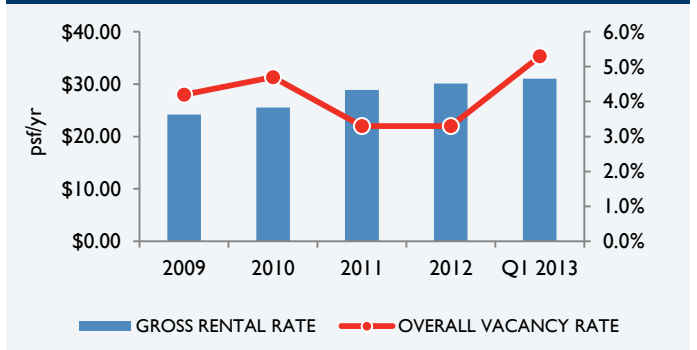
taking project space in older suburban buildings. Absorption will level off when this project space requirement has been met.

The positive growth outlook for the province and the city continue to attract service providers who are seeking smaller spaces wherever their budgets allow.

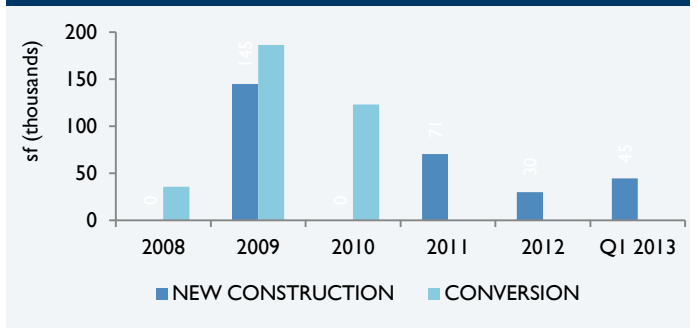
### STATS ON THE GO

	Q1 12	Q1 13	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	3.7%	5.3%	1.6 pp	↕
Gross Asking Rents (psf/yr)	\$29.11	\$31.05	6.7%	↕
YTD Absorption (sf)	(10,268)	8,678	18,946 sf	↕

### 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	606,482	0.5%	0.5%	310,000	0	(3,000)	(3,000)	\$24.39	\$37.22
Class B	518,384	0.7%	0.1%	0	0	4,400	4,400	\$24.18	\$37.39
Class C	182,816	11.6%	11.6%	0	0	0	0	\$20.30	\$29.24
Central	1,307,682	2.1%	1.9 %	310,000	0	1,400	1,400	\$23.73	\$36.17
Class B	917,708	9.6%	9.6%	76,000	44,592	14,135	14,135	\$19.32	\$28.25
Class C	794,012	5.5%	5.3%	0	0	(6,875)	(6,875)	\$14.95	\$22.49
Suburban	1,711,720	7.7%	7.6%	76,000	44,592	7,278	7,278	\$17.47	\$25.79
<b>TOTALS</b>	<b>3,019,402</b>	<b>5.3%</b>	<b>5.1%</b>	<b>386,000</b>	<b>44,592</b>	<b>8,678</b>	<b>8,678</b>	<b>\$20.61</b>	<b>\$31.05</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Bristol Court II *	Suburban – North	Stantec	A-	30,000
*Confirmed after statistics deadline				
ICON Building	Suburban – North	Worley Parsons	C	9,000
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
The Battery Hotel	Downtown	Memorial University	\$ 9,000,000	Hotel + Ofc Tower
803-807 Water Street **	Downtown	TBA	\$ 1,595,000	50,000
** Due to close March 31, 2013				
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
15 International Place	Suburban – East	Grant Thornton, Investors	Q1 2013	44,592
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
351 Water Street	Downtown	Husky	Q4 2013	165,000
Fortis Place	Downtown	Fortis; Deloitte	Q3 2013	145,000
Bristol Court V	Suburban – North	Price Waterhouse Cooper	Q2 2013	30,000
38 Duffy Place	Suburban – North	Century 21	Q2 2013	17,000
79 Mews Place	Suburban – North	50% Owner Occupied	Q2 2013	15,000