

Office Snapshot Q2 2016

St. John's, NL



ST. JOHN'S OFFICE

Economic Indicators

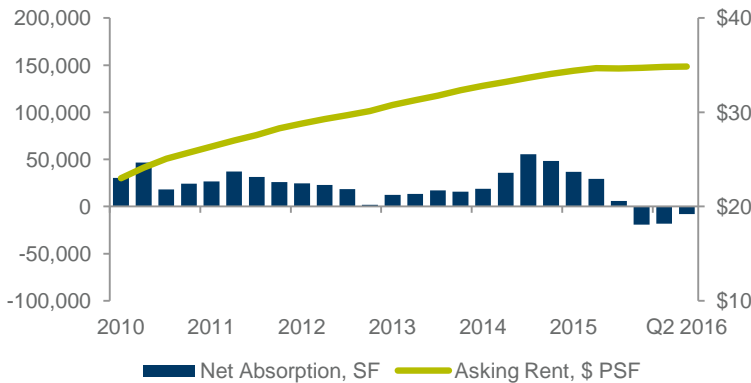
	Q2 15	Q2 16	12-Month Forecast
St. John's Employment	117k	117k	▼
St. John's Unemployment	6.4%	6.8%	▲
Canada Unemployment	6.8%	6.9%	▲

Market Indicators

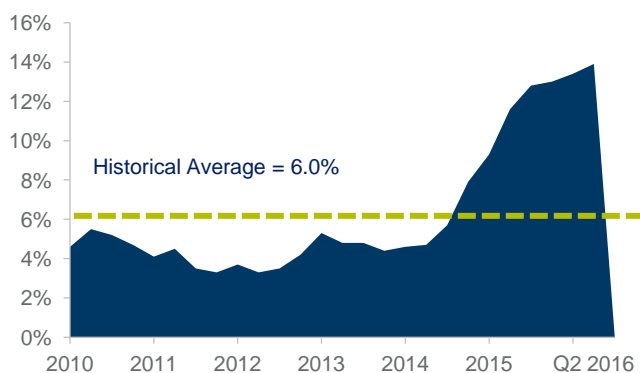
	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	11.6%	13.9%	▲
Net Absorption (sf)	(57,814)	(17,772)	▼
Under Construction (sf)	171,600	186,600	▼
Average Asking Rent*	\$34.78	\$35.14	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The provincial government continues to take heavy criticism for the budget released this past April. They have backtracked on the planned closure of 54 rural libraries – and have engaged EY (Ernst & Young) to undertake a study of the entire provincial library system. The government has also reversed the planned closure of two branches of the Supreme Court of Newfoundland. The increase in the Harmonized Sales Tax from 13% to 15% becomes effective on July 1st, 2016.

On a more optimistic note, the offshore exploration of Newfoundland and Labrador continues, and Statoil announced in June that they had discovered oil in the Baccalieu prospect – representing the fifth oil discovery in the Flemish Pass Basin.

Within St. John's, the re-developed St. John's Convention Centre opened on June 15th, following a \$70 million expansion and upgrade, and now can accommodate much larger conventions. The provincial and federal governments contributed a combined total \$28.8 million to the project.

(Source: Government of NL)

Market Overview

Absorption was negative across all classes throughout the St. John's office market with one exception. The space that had been available for sublease at 351 Water Street was removed from the market - leading to a decline in overall vacancy in class A space and helping to boost absorption totals.

Steers Insurance will be leaving their building at 238 Torbay Road - which is under a sales agreement and is scheduled to close in August – and will be moving to 99 Airport Road in July.

There are a handful of smaller local companies that are seeking 1,500 – 2,000 square feet (sf) of space, and some larger tenants are still shopping around. As these larger tenants now have many options to choose from, the selection process has become lengthier.

Outlook

Although vacancy rates will continue to rise and tenants will be able to be more aggressive in their negotiation of leases and/or renewals, the continued gentle rise of oil prices is providing a quiet optimism. As a result, landlords are reluctant to decrease rental rates which may prove premature in the long run.

MARKETBEAT

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St. John's, NL



SUBMARKET	TOTAL BLDGS	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)*
Downtown	14	1,636,173	37,932	206,862	15.0%	(6,934)	(19,287)	28,600	\$41.56	\$45.85
Central	10	355,354	0	46,403	13.1%	494	(946)	0	\$25.93	n/a
North	25	721,870	8,848	85,021	13.0%	(457)	2,515	90,000	\$29.44	n/a
East & West	24	937,672	17,434	103,910	12.9%	(10,875)	(10,875)	68,000	\$30.11	n/a
"ST. JOHN'S TOTALS"	73	3,651,069	64,214	442,196	13.9%	(17,772)	(28,593)	186,600	\$35.14	\$45.85

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	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)	AVERAGE ASKING RENT OVERALL*
Class A	6	934,973	17,879	64,136	8.8%	10,770	10,770	28,600	0	\$45.85
Class B	36	1,605,070	33,862	172,067	12.8%	(21,086)	(26,271)	158,000	0	\$34.05
Class C	31	1,111,026	12,473	205,993	19.7%	(7,456)	(13,092)	0	0	\$26.26

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
18 Hebron Way	19,000	Vale	Lease	East
139 Water Street	6,000	CeltX	Lease	Downtown

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
N/A				

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