

MARKETBEAT OFFICE SNAPSHOT

ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication



Q4 2013



ECONOMIC OVERVIEW

At the provincial year-end financial overview, Finance Minister Tom Marshall emphasized that Newfoundland & Labrador led all provinces in GDP and capital investment growth in 2013.

The projected provincial deficit was downsized

as a result of lower overall anticipated expenditures rather than increased revenue.

Bond rating agencies responded positively, with Dominion confirming the province's credit rating at A, and Standard & Poor's affirmed the credit rating at A+. (Source: Gov't of NL – Dept. of Finance)

Newfoundland and Labrador ranks second in the country for growth in retail sales – with new car sales in 2013 reaching the highest number ever recorded for the province. (Source: Stats Can)

OUT AND ABOUT

The third quarter Marketbeat had indicated there remained some large office requirements within the market. One of these was confirmed – with Technip leasing Bldg III (30,000 square feet (sf)) within the Bristol Court Kelsey Drive development. Occupancy is scheduled for Q3 2014.

275 Duckworth Street is currently undergoing extensive renovations, which will add to the downtown office inventory as well as preserve a distinctive heritage frontage in the historic court district.

In Suburban north, 5-7 Pippy Place is also being completely overhauled and converted into office space. Telelink will take 8,000 sf by the end of the 1st quarter 2014, leaving 28,000 sf available for lease.

THE NUMBERS

Overall vacancy dropped to 4.4 % this quarter. While Downtown rents and vacancies were unchanged there was some slight absorption and minimal increase in rental rates in the suburbs.

Overall vacancy within the market remains very tight at less than 5%, and has remained below that percentage since Q4 2007.

OUTLOOK

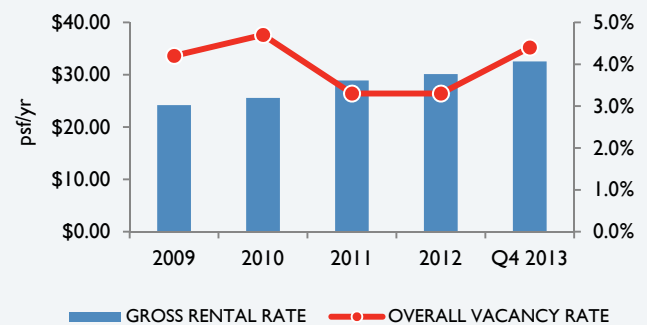
Statoil's recent disclosure that rising costs may dictate a decision as to either continue to develop Alberta's oil sands or invest in actual production of oil from the offshore here in the Flemish Pass Basin –

or both. Once this decision is made, it will provide a barometer to assist in the forecasting of the office and industrial real estate markets – perhaps even for the provincial economy as a whole. The decision should be announced in February 2014.

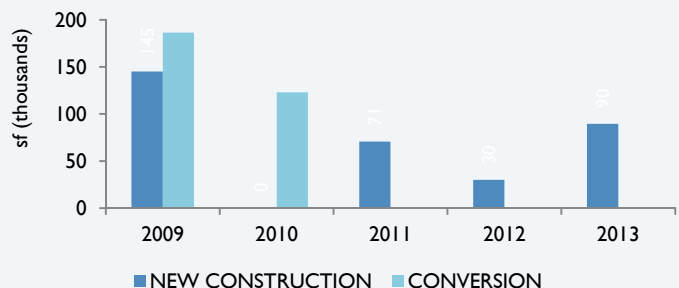
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.2%	4.4%	0.2 pp	▲
Gross Asking Rents (psf/yr)	\$30.21	\$32.55	7.7%	◄►
YTD Absorption (sf)	(124)	80,045	80,169	◄►

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	0	(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	0	(16,448)	\$24.17	\$38.17
Class B	962,708	6.4%	6.4%	56,000	89,592	9,901	88,036	\$19.82	\$29.33
Class C	794,012	3.6%	3.6%	0	0	1,577	8,457	\$15.22	\$23.63
Suburban	1,756,720	5.1%	5.1%	56,000	89,592	11,478	96,493	\$17.97	\$27.02
TOTALS	3,067,539	4.4%	4.3%	366,000	89,592	11,478	80,045	\$21.00	\$32.55

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q4 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Bristol Court III	Suburban – North	Technip (PreLease)	A-	30,000
Significant Q4 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
211 Lemarchant Road	Downtown	DWF Holdings Inc.	\$ 950,000/\$ 79	12,000
Significant Q4 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
351 Water Street	Downtown	Husky	Q1 2014	165,000
Fortis Place	Downtown	Fortis; Deloitte	Q2 2014	145,000
5-7 Pippy Place (Extensive Renovation)	Suburban – North	Telelink	Q1 2014	36,000
Bristol Court - III	Suburban – North	Technip	Q3 2014	30,000
38 Duffy Place	Suburban – North	Century 21	Q1 2014	16,000
2 Olympic Dr	Mount Pearl Paradise	TBA	Q2 2014	10,000