

Office Snapshot Q4 2015

St. John's, NL



ST. JOHN'S OFFICE

Economic Indicators

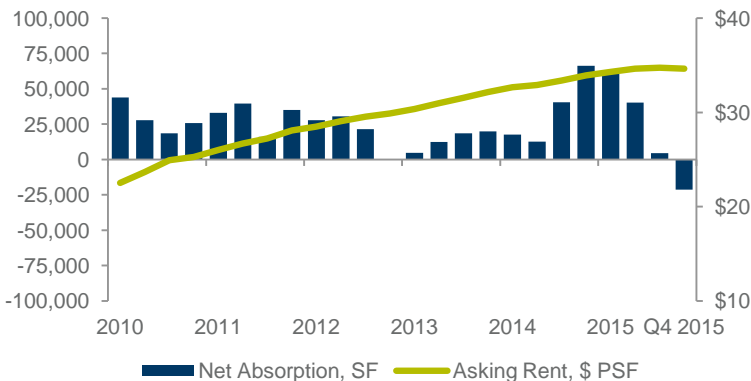
	2014	2015	12-Month Forecast
St. John's Employment	115k	116k	▼
St. John's Unemployment	6.1%	6.2%	▲
Canada Unemployment	6.6%	7.0%	■

Market Indicators (Overall, All Classes)

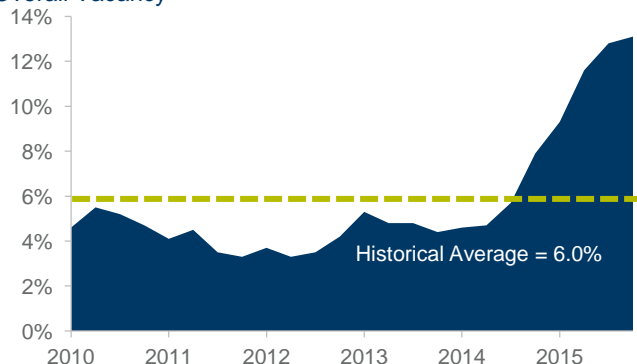
	2014	2015	12-Month Forecast
Overall Vacancy	7.9%	13.1%	▲
Net Absorption (sf)	265,071	(83,525)	▼
Under Construction (sf)	92,000	96,600	■
Average Asking Rent*	\$34.75	\$34.32	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The provincial election held on November 30th, 2015 resulted in a Liberal majority government, led by new Premier Dwight Ball. Shortly afterwards the new Minister of Finance, Cathy Bennett, announced the projected deficit for the province had been revised upwards to \$1.96 billion – an increase of \$869.5 million from the 2015/16 budget projection. This climb in the deficit figure was largely the result of lower oil production, continued low oil prices, and a contracting mining sector. As a result, all spending is under review – including an independent review of the cost, schedule and associated risk for the Muskrat Falls project to be undertaken by E & Y.

Municipally, building owners received their new assessments which are based on 2014 valuations. While commercial buildings averaged an increase of 16%, some newer office buildings saw increases in excess of 50%. The business realty tax regime will potentially see significantly higher amounts of tax recovery from tenants.

Market Overview

With the completion of the Cabox Building on Hebron Way the owners, Maderra Engineering and KCA Deutag vacated their premises in Atlantic Place and relocated to their new premises in the suburbs.

The 11,000-sf building at 4 Olympic Drive in Mount Pearl, which has been sitting empty for several quarters, secured Genoa Design to lease 50% of the building. This new tenant has been awarded a major contract to design non-combatant ships for the Canadian government. In other tenant news, Blue Cross vacated their space at the Kenmount Business Centre – which is rumored to soon be undergoing re-development – and established their new premises at the Viking Building on Crosbie Road.

The overall vacancy rate rose throughout 2015, reaching 13.1% in Q4; a climb of 4 percentage points from Q1 2015. Slate Office REIT has responded by communicating some flexibility with their asking rental rates in their downtown towers - properties they recently acquired from Fortis Properties in Q2 2015.

Outlook

While the province remained insulated from the 2008 financial crisis, its vulnerability to the continuing declines in commodity prices have rendered market expansion unlikely. Any activity will be the result of companies either downsizing or relocating to take advantage of falling rental rates.

MARKETBEAT

Office Snapshot Q4 2015

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	1,625,244	68,139	157,488	13.9%	(21,068)	(98,292)	28,600	\$40.71	\$43.90
Central	11	352,628	0	45,457	12.9%	12,959	(3,480)	0	\$26.17	N/A
North	25	721,870	10,848	85,536	13.4%	(9,214)	(8,390)	0	\$29.14	N/A
East & West	25	937,672	19,434	91,035	11.8%	28,693	26,637	68,000	\$28.43	N/A
ST. JOHN'S TOTALS	75	3,637,414	98,421	379,516	13.1%	11,370	(83,525)	96,600	\$34.32	\$43.90

*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	924,044	37,739	55,046	10.0%	(5,047)	(51,577)	28,600	0	\$43.90
Class B	37	1,605,070	35,862	143,796	11.2%	14,448	7,559	68,000	106,000	\$33.88
Class C	32	1,108,300	24,820	180,674	18.5%	1,969	(39,907)	0	14,000	\$25.39

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
45 Hebron Way	25,800	Maderra /KCA Deutag	Lease	East/West
4 Olympic Drive	5,500	Genoa Design	Lease	East/West
136 Crosbie Road	5,000	Blue Cross	Lease	Central

Key Sales Transactions Q4 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
----------	----	--------------	-------	-----------

N/A

Cushman & Wakefield
49 Elizabeth Avenue, Suite 302
P.O. Box 1135
St. John's, NL A1C 5M5
www.cushmanwakefield.com

For more information, contact:
Joanne Earle,
Research/Commercial Sales &
Leasing
Tel: +1 709 576 3777
jearle@cwatlantic.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2016 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.