

Office Snapshot Q1 2016

St. John's, NL



ST. JOHN'S OFFICE

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
St. John's Employment	115k	113k	▼
St. John's Unemployment	5.9%	7.6%	▲
Canada Unemployment	6.8%	7.3%	▲

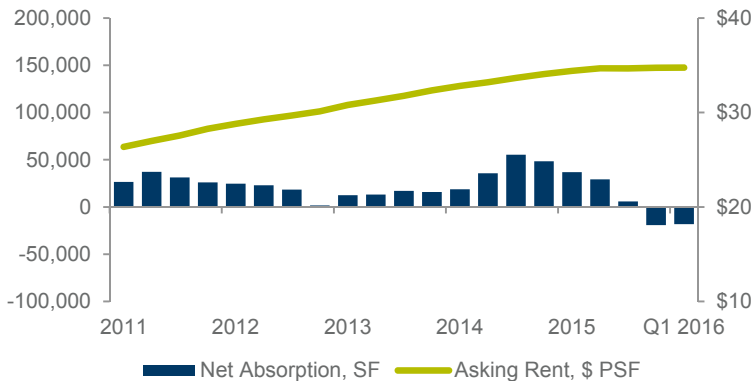
Market Indicators

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	9.3%	13.4%	▲
Net Absorption (sf)	(23,413)	(10,821)	▼
Under Construction (sf)	186,600	186,600	■
Average Asking Rent*	\$34.63	\$35.09	▼

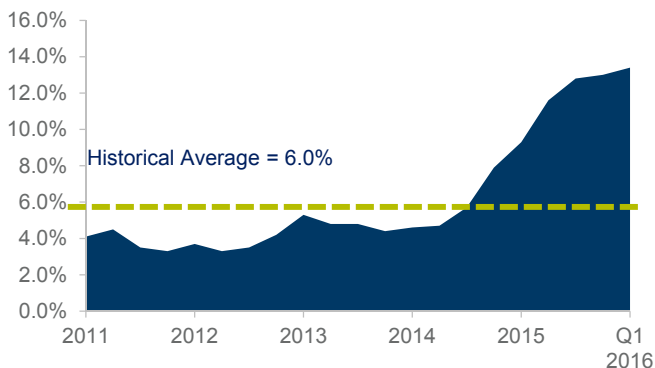
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The provincial budget was released on April 14th, 2016 – and austerity is the word of the year. All provincial departments had been asked to find upwards of 30% reduction in spending – and the rumour was that there will be at minimum 10% cuts across the board, with further cuts planned in next year's budget. Given the fixed costs associated with departments such as health, it was thought much of those savings would be achieved through job cuts, leading to a feared repeat of the serious labour unrest experienced in 2004, when 20,000 public servants went on strike. Instead, revenue growth was the focus – with increases to fees and taxes for both income and consumption - a “womb to tomb” increase in the cost of living in Newfoundland. Job losses were limited to 650 full time positions – but more are expected to follow in a further budget update in the fall.

The municipal tax increases seen last quarter have resulted in higher operating costs for buildings within the City of St. John's – with taxes averaging about 40% of those figures. With hydro rates also forecasted to rise, tenants will continue to face increased costs, regardless of what happens with rental rates.

Market Overview

The biggest announcement this quarter was the confirmation that Suncor will be departing the downtown - leaving their premises at Scotia Centre to take space in two new 45,000 square foot (sf) buildings to be constructed on Kelsey Drive. The company will be the largest oil related company to depart the downtown core – with its associated high rents and parking charges – and head out to the suburbs. The timing for the move is estimated to be 18-24 months hence.

The KMK Capital building which is currently under construction in the north east power centre saw a major lease put in place – with Verafin committing to space in this new building.

The iconic Crosbie Building with its distinctive 1963 Cummings and Campbell design was sold at a price of \$3,500,000 this quarter.

Outlook

While an exodus of the oil companies to the suburbs is not anticipated, the movement of Suncor represents a major shift as all major players within the offshore were located downtown. After years of near 0% vacancy downtown, we are now seeing vacancy in the double digits and no end in sight.

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	65,639	172,221	14.5%	(12,353)	(12,353)	28,600	\$41.64	\$45.79
Central	10	355,354	0	46,897	13.2%	(1,440)	(1,440)	0	\$25.93	N/A
North	25	721,870	6,449	86,963	12.9%	2,972	2,972	90,000	\$29.45	N/A
East & West	24	937,672	19,434	91,035	11.8%	0	0	68,000	\$29.70	N/A
"ST. JOHN'S TOTALS	73	3,651,069	91,522	397,116	13.4%	(10,821)	(10,821)	186,600	\$35.09	\$45.79

*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	37,739	55,046	9.9%	0	0	28,600	0	\$45.79
Class B	36	1,605,070	35,862	184,843	11.5%	(5,185)	(5,185)	158,000	0	\$33.85
Class C	31	1,111,026	17,921	211,010	19.0%	(5,636)	(5,636)	0	0	\$26.44

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Kelsey Drive	90,000	Suncor	Lease	North
18 Hebron Way	34,000	Verafin	Lease	East

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1 Crosbie Place	26,726	Centre City Capital/John D. Allan Ltd.	\$3,500,000 / \$131	Central
84 Thorburn Road	3,900	Parrott Hldgs/Karamar Hldgs	\$950,000 / \$ 244	North

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