

ST. JOHN'S OFFICE

Economic Indicators

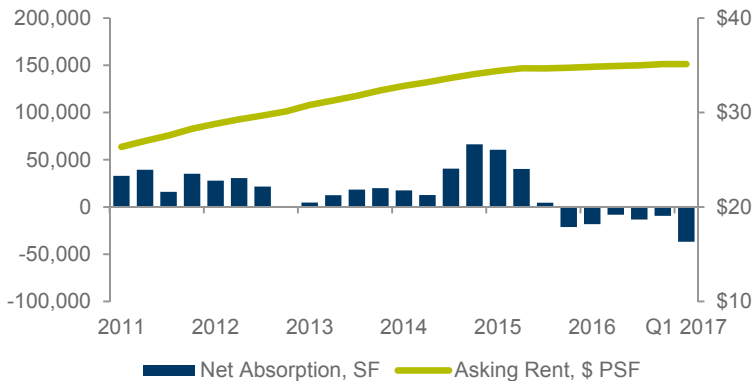
	Q1 16	Q1 17	12-Month Forecast
St. John's Employment	113k	114K	▼
St. John's Unemployment	7.6%	11.4 %	▲
Canada Unemployment	7.3%	6.7 %	▼

Market Indicators

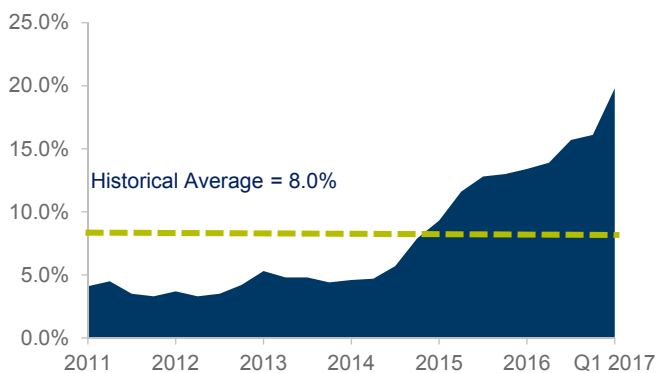
	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	13.4%	19.8%	▲
Net Absorption (sf)	(10,821)	(120,320)	▼
Under Construction (sf)	186,600	90,000	▼
Average Asking Rent*	\$35.09	\$34.95	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The 2017/18 provincial budget was presented on April 6th, 2017 by Finance Minister Cathy Bennett and there was good news in that the provincial government exceeded their deficit reduction target - mainly as a result of higher than forecast oil revenues. Unlike last year, there were no additional taxes or fees implemented to assist in reducing the significant deficit of \$800 million. In addition the gas tax of 16 cents per litre that was introduced in last year's budget? will in fact drop to 8.5 cents in June and then by an additional four cents in December.

The budget anticipates the province will have to borrow \$400 million – a significant reduction of the forecast from last year of \$2.4 billion. The funds are slated for investment as opposed to covering operating expenses. The province awaits the response of the credit rating agencies. (Source: Dept of Finance)

Market Overview

As predicted, the provincial government achieved some cost savings by reducing the amount of space that they lease; with the budget stating that by doing this there were annual savings of \$1.4 million. One of the more significant moves was the Newfoundland & Labrador English School District vacating over 22,500 square feet (sf) of office space at Atlantic Place in the downtown area to relocate to a government owned building on Elizabeth Avenue.

Better news for the market arrived by way of the announcement that Johnson Insurance – which has operated within the province for more than 130 years - extended their lease at 10 Factory Lane by 10 years, with naming rights on the building as part of the deal. The "Johnson Building" is owned by Slate Office REIT.

Outlook

What is the priority for landlords moving forward through the remainder of 2017 is going to be tenant retention as the office sector continues its shift from a landlord's market to a tenant's market.

With the upcoming departure of Suncor from the downtown area in Q4 2017, Central class A vacancy will exceed 20%. It is likely that vacancy will continue to remain high into 2018 as currently there is no appetite for space from either the private or public sector.

MARKETBEAT

ST. JOHN'S, NL

Office Q1 2017



CELEBRATING
100
YEARS

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	1,670,465	51,649	323,123	22.4%	(67,322)	(67,322)	0	\$41.75	\$45.47
Central	10	355,354	0	71,968	20.3%	(24,726)	(24,726)	0	\$25.65	n/a
North	25	728,440	24,502	109,129	18.3%	(2,886)	(2,886)	90,000	\$28.94	n/a
East & West	26	1,005,989	8,822	156,312	16.4%	(25,386)	(25,386)	0	\$29.80	\$37.40
"ST. JOHN'S TOTALS	75	3,760,248	84,973	660,532	19.8%	(120,320)	(120,320)	90,000	\$ 34.95	\$ 43.13

*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	7	1,016,082	40,250	129,684	12.8%	(41,283)	(41,283)	0	0	\$ 43.13
Class B	36	1,621,070	40,344	293,303	18.1%	(71,782)	(71,782)	90,000	0	\$ 33.86
Class C	32	1,123,096	4,379	237,545	21.2%	(7,755)	(7,755)	0	0	\$ 26.09

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
n/a				

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
n/a				

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