

## ST. JOHN'S OFFICE

### Economic Indicators

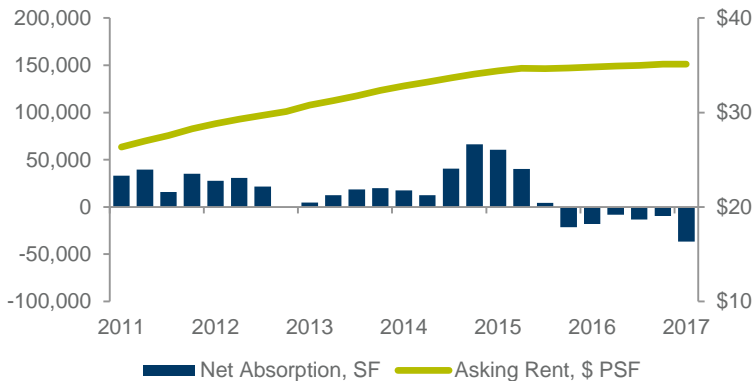
	Q2 16	Q2 17	12-Month Forecast
St. John's Employment	117k	114K	▼
St. John's Unemployment	6.8%	8.5%	▲
Canada Unemployment	6.9%	6.6%	▼

### Market Indicators

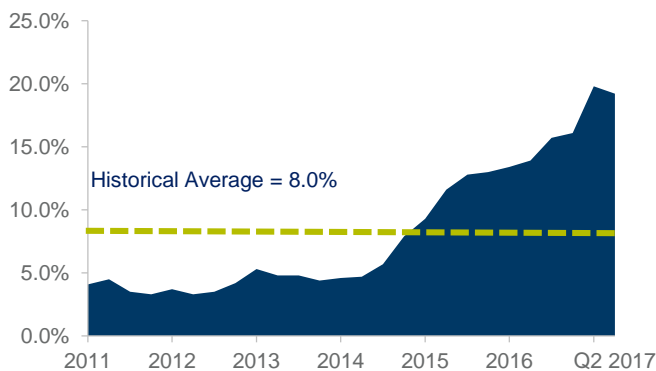
	Q2 16	Q2 17	12-Month Forecast
Overall Vacancy	13.9%	19.2%	▲
Net Absorption (sf)	-17,772	3,240	▼
Under Construction (sf)	186,600	90,000	▼
Average Asking Rent*	\$35.14	\$35.04	▼

\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Offshore oil exploration and production continue to dominate the economy, as Husky Energy and its partners recently announced it will proceed with the West White Rose project. This will include the construction of a fixed wellhead platform that will be tied back to the existing SeaRose FPSO (floating, production, storage, and offloading) vessel. The cost is estimated at \$5.2 billion over the life of the project. The platform construction is anticipated to begin in late-2017, with first oil anticipated in 2022.

The Hebron platform was towed to its drilling location in June 2017 after delays resulting from heavy ice. The Hebron oil field is estimated to contain in excess of 700 million barrels of oil, or a 30 year production span, with the first barrels expected by year-end 2017.

The St. John's International Airport recently announced a new 10 year airport improvement and expansion plan that will allow for 2 million passengers annually. The cost of this project is estimated at \$200 million.

## Market Overview

Activity in the office market remained subdued this quarter. Real estate offices provided some activity – with Keller Williams taking a floor at 17 Duffy Place, and Royal LePage Vision taking the first floor at 4 Olympic Place in Mount Pearl. TransOcean ended its lengthy search for a new office and took space in the Cabox building.

The former Belvedere orphanage building at 57 St. Margaret's Place had been converted into offices and was formerly occupied by the provincial government until February 2014. The building remained vacant – and was destroyed by fire in the second quarter of 2017. It had recently been approved for residential re-development.

## Outlook

Despite the announcement from the oil industry, demand for office space continues to be dominated by small local tenants who have the luxury of numerous options and motivated landlords. With tenant's preferring newer, modern space, this lull in the market will provide an opportunity for owners of older stock to invest in upgrades.

## MARKETBEAT

## ST. JOHN'S, NL

Office Q2 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	1,664,965	56,063	320,436	22.6%	-7,227	-74,549	0	\$41.77	\$45.47
Central	11	335,354	0	54,468	16.2%	-2,500	-27,226	0	\$26.15	n/a
North	25	728,440	28,866	109,129	18.9%	-4,364	-7,250	90,000	\$28.94	n/a
East & West	26	1,006,489	8,822	138,981	14.7%	17,331	-8,055	0	\$29.79	\$37.40
<b>"ST. JOHN'S TOTALS</b>	<b>75</b>	<b>3,735,248</b>	<b>93,751</b>	<b>623,014</b>	<b>19.2%</b>	<b>3,240</b>	<b>-117,080</b>	<b>90,000</b>	<b>\$ 35.04</b>	<b>\$ 43.13</b>

\*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	44,664	132,854	17.5%	-7,584	-48,867	0	0	\$ 43.13
Class B	38	1,621,070	44,708	281,632	20.1%	7,307	-63,975	90,000	0	\$ 33.87
Class C	31	1,097,596	4,379	208,528	19.4%	3,517	-4,238	0	0	\$ 26.22

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
45 Hebron Way	4,700	TransOcean	Lease	EastWest
17 Duffy Place	8,000	Keller Williams	Lease	North
4 Olympic Drive	5,500	Royal Lepage Vision	Lease	East West

## Key Sales Transactions Q2 2017

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

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