

## ST. JOHN'S OFFICE

### Economic Indicators

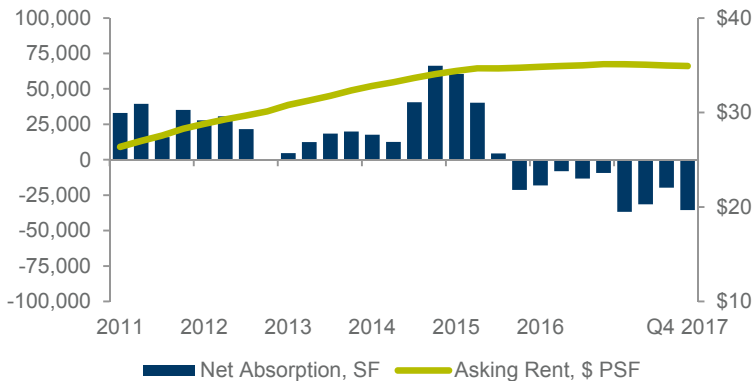
	Q4 16	Q4 17	12-Month Forecast
St. John's Employment	127K	110K	▼
St. John's Unemployment	7.0 %	8.2%	▲
Canada Unemployment	6.9%	5.7%	■

### Market Indicators

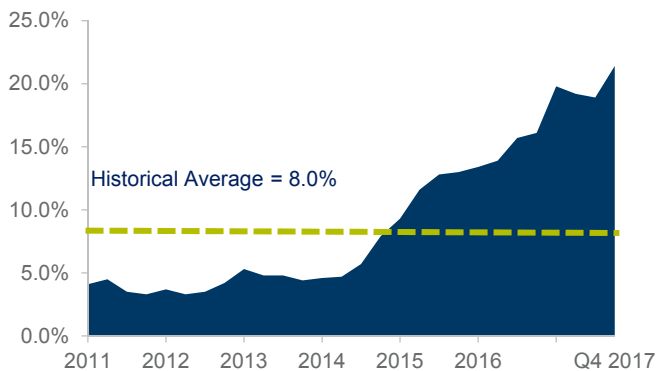
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	16.1%	21.4%	▲
Net Absorption (sf)	26,905	-36,455	▼
Under Construction (sf)	90,000	20,000	▲
Average Asking Rent*	\$35.19	\$34.78	▼

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

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



### Overall Vacancy



## Economy

On November 27th, 2017 Exxon Mobil announced that first oil had been produced ahead of schedule from the \$14-billion Hebron project in Jeanne D'Arc Basin - about 350 kilometres southeast of St. John's. At its peak, it is designed to produce 150,000 barrels of oil per day. The project is expected to have a 30-year lifespan and will draw on a reservoir with 700-million barrels of oil. The provincial government released their fall economic update in November and while expenses are as budgeted, revenues are less than anticipated. Low oil prices and higher exchange rates have contributed to revenues being down \$147 million from the forecasted figure in the 2017 budget, thereby increasing the forecasted provincial deficit to \$852 million.

(Source: Government of Newfoundland & Labrador)

## Market Overview

The most noteworthy event that impacted the office market in the fourth quarter was Suncor leaving its premises at the recently expanded Scotia Centre, located in the downtown market, and moving to the newly constructed buildings at 130 and 140 Kelsey Drive – achieving significant savings in rent and parking costs. The overall vacancy rate for the downtown market now sits at just over 29% with all market classes having vacancy rates over 27%, making the days of 0% vacancy for Central Class A & B buildings seem like a distant memory.

Macdonald Chisolm Insurance of Nova Scotia purchased the personal home and auto insurance lines of both Cal Legrow Insurance and the Newfoundland Insurance Agency. They have leased over 10,000 square feet (sf) in Bally Rou Place on Torbay Road.

5 Hallett Crescent sold in the fourth quarter to 80373 NL Inc and will be partially occupied by a group of accountants and financial planners.

## Outlook

The overall vacancy rate for St. John's currently sits at 21.4%, however it is likely to rise even further. New office development is either underway or in the planning stages, totaling approximately 120,000 sf. This space, if not pre-leased, could potentially push Suburban vacancy from a current vacancy rate of 15.4% to 19.9%.

## MARKETBEAT

## ST. JOHN'S, NL

Office Q4 2017



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	428,395	29.1%	-120,345	-182,508	0	\$41.05	\$45.03
Central	10	335,354	0	67,421	20.1%	-12,953	-40,179	0	\$25.89	n/a
North	25	797,870	28,866	83,623	14.1%	90,500	90,186	20,000	\$29.61	n/a
East & West	26	1,006,489	9,822	139,438	14.8%	6,343	-9,512	0	\$29.99	\$37.40
<b>ST. JOHN'S TOTALS</b>	<b>75</b>	<b>3,804,678</b>	<b>94,571</b>	<b>718,877</b>	<b>21.4%</b>	<b>-36,455</b>	<b>-142,013</b>	<b>20,000</b>	<b>\$ 34.78</b>	<b>\$ 42.71</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	222,571	26.3%	-81,785	-138,584	0	0	\$42.71
Class B	39	1,711,570	45,708	301,892	20.3%	57,286	4,765	20,000	0	\$33.50
Class C	30	1,077,026	4,379	194,414	18.5%	-11,956	-8,194	0	0	\$26.19

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

## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Bally Rou Place– 370 Torbay Road	10,753	Macdonald Chisolm Insurance	Lease	Suburban East

## Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
5 Hallett Crescent	20,570	10804 NL Ltd. / 80373 NL Inc.	\$ 1,850,000 / \$90	Suburban North

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