

HALIFAX OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Halifax Employment	225K	229K	▼
Halifax Unemployment	6.1%	6.4%	▼
Canada Unemployment	6.7%	5.8%	▼

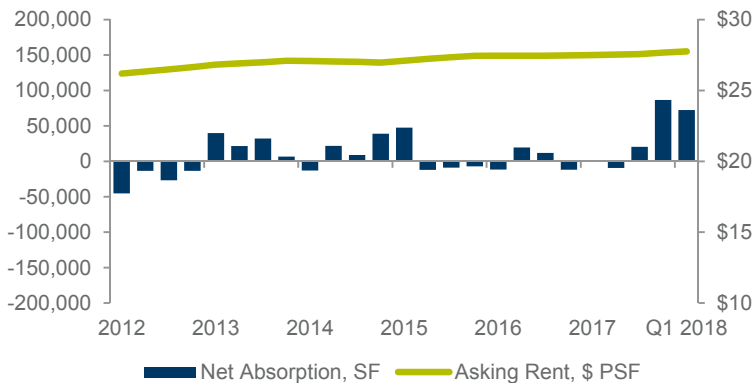
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	15.8%	15.9%	▼
Net Absorption (sf)	7,470	-49,861	▲
Under Construction (sf)	465,000	105,000	▼
Average Asking Rent*	\$27.59	\$27.93	▼

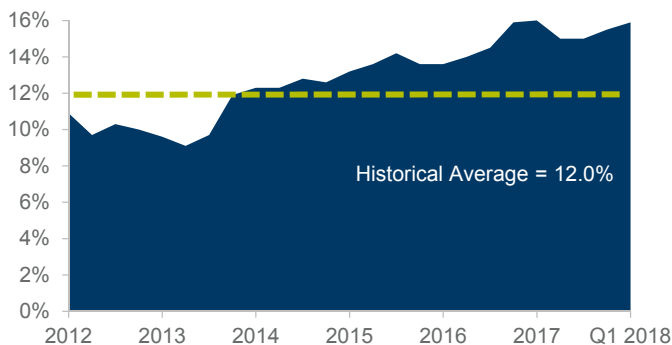
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Although the economy in Nova Scotia had a fairly strong 2017 with GDP growth of 1.1%, RBC Economics anticipates the province's economy to weaken through 2018, with GDP growth falling to 0.8%. At the present time though, current economic growth is driving down the unemployment rate, as modest job gains and a shrinking workforce are helping the outlook of individual workers.

Despite challenging demographics, Nova Scotia had a recent rise in population, largely due to immigration to the province, particularly young adults. Granted, the growth may be difficult to sustain due to the anticipated economic decline and strong activity in other parts of Canada.

(Sources: RBC Economics & TD Economics)

Market Overview

Nova Scotia's office market saw a slight weakening in first quarter of 2018, after finishing 2017 with steep vacancy numbers. Overall vacancy climbed to 15.9% this quarter, 40 basis points higher than the fourth quarter of 2017. Halifax's Central Business District in particular saw an increase in vacancy this quarter, with the vacancy rate rising 2 full percentage points to 19.6%, due to the timing of lease expiries related to moves by tenants into Nova Centre. In addition, tenant departures at Summit Place and Purdy's Wharf Tower II combined for over 50,000 square feet (sf) of negative absorption.

The vacancy rate for the Suburban Halifax submarket (excluding Dartmouth and Bedford) declined slightly from 7.7% in the fourth quarter 2017 to 7.3% in the first quarter. A contributing factor to the decline in vacancy came from undisclosed tenants occupying roughly 13,000 sf at 7071 Bayers Road (Bayer's Road Centre). Another notable move in the Halifax Suburban market came from Athletigen Technologies occupying approximately 3,000 sf at 211 Horseshoe Lake Drive. In the City of Lakes submarket there was a 140 basis point decrease in vacancy in the first quarter of 2018, as 111 Ilsley Avenue and 202 Brownlow Avenue both gained new tenants. The Bedford market saw little movement remaining at 22.2%. The overall vacancy rates of Class A and B office space in Halifax increased quarter-over-quarter, while vacancy within the Class C market decreased significantly by 330 basis points compared to last quarter.

Outlook

According to TD Economics, favourable federal policies towards immigration should help support population growth in Nova Scotia, although some moderation from the rapid pace in recent years is likely. Residential construction and household spending should ease accordingly. The outlook for exporters is very optimistic, due to a healthy U.S. economy and consistent growth in China. Exports should also see a hike from the recent removal of softwood lumber tariffs, providing a slightly higher level of certainty in forestry exports.

MARKETBEAT

Halifax, Nova Scotia

Office Q1 2018



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)*
Halifax-Central Business District	57	6,146,080	15,707	1,188,892	19.6%	-122,736	-122,736	105,000	\$29.58	\$35.01
Halifax-Suburban	31	2,515,542	3,127	181,656	7.3%	7,665	7,665	0	\$27.13	\$29.03
Dartmouth	44	2,796,112	6,760	369,118	13.4%	65,286	65,286	0	\$25.29	\$27.70
Bedford	20	885,213	5,980	190,414	22.2%	-76	-76	0	\$25.73	\$26.29
Total Suburban Area	95	6,196,867	15,867	741,188	12.2%	72,875	72,875	0	\$26.25	\$27.98
HALIFAX TOTALS	152	12,342,947	31,574	1,930,000	15.9%	-49,861	-49,861	105,000	\$27.93	\$31.24

*Rental rates reflect gross asking \$psf/year

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)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	59	5,400,976	24,077	908,761	17.3%	-8,880	-8,880	105,000	0	\$31.24
Class B	64	5,595,737	7,497	818,241	14.8%	-85,259	-85,259	0	0	\$25.72
Class C	29	1,346,234	0	203,078	15.1%	44,278	44,278	0	0	\$23.30

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1675 Grafton (Nova Centre)	36,000	Grant Thornton	Lease	Halifax CBD
211 Horseshoe Lake Drive	3,230	Athletigen Technologies Inc.	Lease	Halifax-Suburban

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Queen's Marque	105,000	Stewart McKelvey	2019	Halifax

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