MARKETBEAT

New Brunswick

Office Q1 2018

CUSHMAN & WAKEFIELD Atlantic

NEW BRUNSWICK OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
NB Employment	352K	356K	▲
NB Unemployment	8.9%	8.2%	▼
Canadian Unemployment	6.7%	5.8%	▼

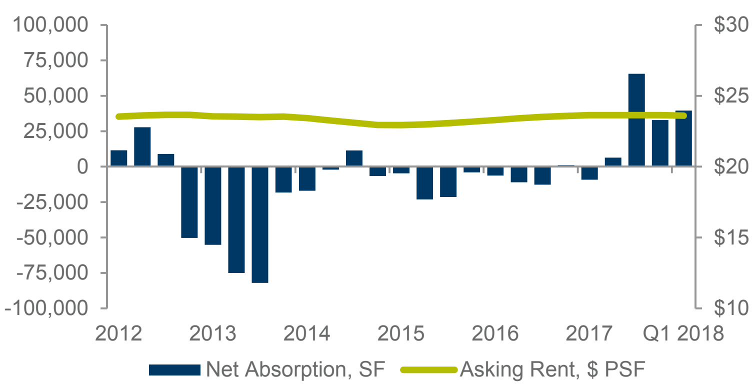
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	14.9%	12.8%	▲
Net Absorption (sf)	-37,235	-10,631	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	$23.74	$23.59	▲

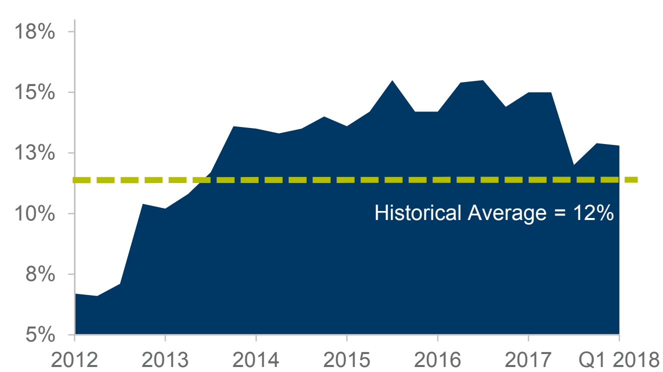
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Better than anticipated economic growth in 2017 allowed the province an opportunity to strengthen its 2018 fiscal policy. There was firmer job growth and lower unemployment then anticipated in 2017. Unfortunately, the economy in New Brunswick is currently surrounded by uncertainty. Current NAFTA negotiations and an unfavourable final decision regarding tariffs with the U.S. on softwood lumber have created potential export challenges, which could run significant risks with the province choosing to run a longer deficit.

Manufacturing and wholesale lost momentum in the first quarter of 2018, although the sectors remain relatively steady. Wood product and fabricated metal manufacturing in particular have seen significant growth over the last year, a trend that is expected to continue. Another sector with a positive outlook is tourism, with a healthy performance in 2017 and no indication of slowing in 2018, in large part due to a robust American dollar.

(Source: TD Economics)

Market Overview

New Brunswick's office market saw a slight decrease in the overall vacancy rate in the first quarter of 2018, falling 10 basis point to 12.8%. Moncton's vacancy rate fell 40 basis points quarter-over-quarter to reach 10.4%. There was no single large transaction driving the declining vacancy, but rather a number of smaller new market additions and expansions. The Fredericton market continues to have the lowest vacancy rate in the province, declining again in the first quarter of 2018 to 6.7%; a decline of 70 basis points from last quarter. The expansion of Pink Larkin at 1133 Regent Street was a driving factor behind the decline. The Saint John market continues to suffer with the highest overall vacancy rate in New Brunswick; rising again to reach 20.9% in the first quarter of 2018. Of note, all asset classes saw movement within the Saint John submarket, with the Class B market alone seeing positive absorption.

Outlook

TD Economics predicts gains in employment, wage growth and retail sales for New Brunswick in 2018. On the other hand, construction will likely be a weak spot for the province as it will be extremely difficult to maintain last year's remarkable results. The latest budget from the New Brunswick government indicated higher spending, aimed at young employment, seniors and business competitiveness. With this higher spending, New Brunswick's net debt should rise extensively to almost 40% of total GDP; making New Brunswick one of the most indebted provinces in Canada, promoting a downgrade by DBRS following the recent budget launch.

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SUBMARKET	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)*
MONCTON	2,942,112	1,500	305,048	10.4%	11,037	11,037	0	$24.13	$28.21
FREDERICTON	1,919,986	0	128,369	6.7%	-1,897	-1,897	0	$23.68	$26.78
SAINT JOHN	2,313,502	8,272	476,168	20.9%	-19,771	-19,771	0	$22.82	$30.00
NEW BRUNSWICK TOTALS	7,175,600	9,772	909,585	12.8%	-10,631	-10,631	0	$23.59	$28.21

*Rental rates reflect gross asking $psf/year

SUMMARY BY CLASS	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)	OVERALL AVERAGE ASKING RENT*
Class A	2,762,665	1,896	250,461	9.1%	-10,595	-10,595	0	0	$28.34
Class B	3,039,180	7,876	373,635	12.6%	8,326	8,326	0	0	$21.53
Class C	1,373,755	0	285,489	20.8%	-8,362	-8,362	0	0	$18.31

*Rental rates reflect gross asking $psf/year

Key Lease Transaction Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
44 Chipman Hill	16,186	Deloitte Management Services LP	Lease Renewal	Saint John

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