

# MARKETBEAT OFFICE SNAPSHOT

## HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q2 2014



### ECONOMIC OVERVIEW

Although exports have been strong in the province, most economic indicators are signaling a slower start to 2014 than anticipated. The boost in the province's exports is expected to be mitigated by the recent fall in the province's workforce participation rate. Nova Scotia had the largest reduction in the labour force in Canada, down 1.8% year-to-date in April (APEC). The underperforming labour market is impeding any income gains taking place, as well as detracting from any boosts in consumer spending (TD). RBC Economics is forecasting real GDP growth to accelerate to 2.2%, led by output at Deep Panuke. The increase in exports is primarily being attributed to natural gas exports, although demand for the province's seafood products and rubber tires are contributing significantly (RBC). Increased natural gas prices coupled with the depreciating Canadian Dollar should boost export gains (TD).

### OFFICE OVERVIEW

The Nova Scotia office market posted a 12.3% overall vacancy rate for Q2 2014, identical to Q1 2014, and a 3.2-percentage point increase year-over-year. Central Halifax posted a vacancy rate of 10.5%, an increase over last quarter's 9.9% vacancy rate. New space was introduced to the market with the completion of both TD Centre and RBC Waterside Centre, where RBC will be relocating later this summer. Some notable moves in the downtown core this quarter included Minacs vacating Purdy's Tower II, and The NS Department of Energy relocating to the Joseph Howe Building. Dartmouth's vacancy remains relatively unchanged at 16.5% despite the introduction of Mic Mac Place on Waverley Road. Bedford experienced a significant jump to 29.7% with new space coming on the market at 210-220 Waterfront Drive, and some space opening up at Bedford Tower. The Suburban submarket fared particularly well, posting an 8.6% rate with the full lease up of WM Fares' Saint Lawrence Place. Overall gross rents have held steady in Nova Scotia, and are averaging \$26.91 per square foot (psf). The office market in NS remains extremely competitive with incentives including free gross rent until 2015 at TD Centre, and widespread increases in tenant improvement allowances, and net rent discounts.

### OUTLOOK

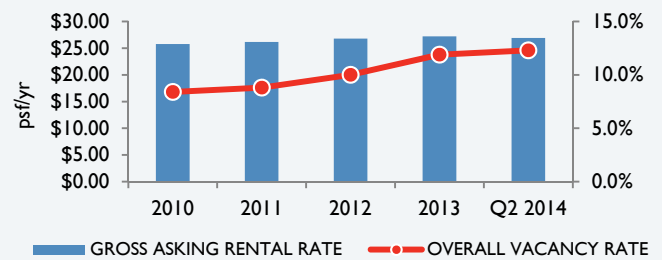
In its 2014 Nova Scotia Major Projects Inventory, APEC identified 183 rolling projects totalling \$55 billion, with \$3.4 billion to be spent in 2014 (RBC). Projects related to manufacturing led potential

investment in the province, including the Halifax Shipbuilding project, the \$8.3-billion Pieridae LNG export facility, and the H-Energy LNG export project (APEC). Spending on major projects is expected to increase by approximately 11% in 2015 as spending begins on the Maritime Link project, with an estimated \$335 million to be spent on the 180-kilometre link in 2014 (RBC). Spending in Halifax will include the MacDonald Bridge renovation, the ongoing construction of the recently approved \$500-million Nova Centre, continued preparatory work at the Halifax Shipyard and the commencement of building the Arctic Offshore Patrol Vessels (APEC). The forecasted deficit from the province of \$279 million in 2014/2015 is causing the Province to rely heavily on spending restraint to get back to balance by 2017/2018 (APEC).

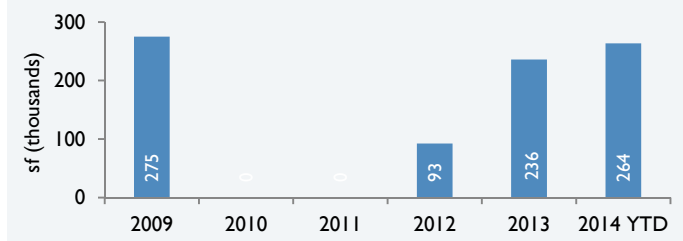
### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12-MONTH FORE-CAST
Overall Vacancy	9.1%	12.3%	3.2 pp	▲
Direct Net Asking Rents (psf/yr)	\$14.56	\$14.53	-0.2%	▲
YTD Absorption (sf)	76,823	137,032	60,209 sf	▲

### RENTAL VS. VACANCY RATES



### NEW SUPPLY



## NOVA SCOTIA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	OVERALL ABSORPTION CURRENT QUARTER	YTD OVERALL ABSORPTION	OVERALL WTD. AVG. NET ASKING RENTAL RATE*	OVERALL WTD. AVG. GROSS RENTAL RATE*
Class A	1,727,977	16.4%	14.9%	375,000	197,527	92,597	86,095	\$18.37	\$34.08
Class B	2,714,308	6.9%	5.7%	0	0	45,203	4,110	\$12.82	\$25.98
Class C	269,499	8.8%	7.4%	0	0	9,703	11,230	\$14.92	\$24.66
<b>CENTRAL, HALIFAX</b>	<b>4,711,784</b>	<b>10.5%</b>	<b>9.2%</b>	<b>375,000</b>	<b>197,527</b>	<b>147,503</b>	<b>101,435</b>	<b>\$14.90</b>	<b>\$28.76</b>
Class A	1,240,130	8.6%	8.6%	60,000	34,000	4,872	26,131	\$16.09	\$28.36
Class B	1,504,487	7.8%	6.7%	0	0	66,846	17,027	\$14.14	\$25.97
Class C	548,856	11.1%	10.8%	0	0	(17,284)	(6,262)	\$11.95	\$23.34
<b>SUBURBAN HALIFAX</b>	<b>3,293,473</b>	<b>8.6%</b>	<b>8.1%</b>	<b>60,000</b>	<b>34,000</b>	<b>54,434</b>	<b>36,896</b>	<b>\$14.51</b>	<b>\$26.43</b>
Class A	1,322,051	12.7%	12.2%	25,000	32,000	40,101	45,927	\$15.91	\$27.41
Class B	998,628	16.9%	16.6%	0	0	(14,016)	(43,934)	\$12.31	\$22.58
Class C	227,489	36.6%	35.5%	0	0	(3,120)	(3,120)	\$10.53	\$18.17
<b>DARTMOUTH</b>	<b>2,549,051</b>	<b>16.5%</b>	<b>16.0%</b>	<b>25,000</b>	<b>32,000</b>	<b>22,965</b>	<b>(1,127)</b>	<b>\$14.02</b>	<b>\$24.69</b>
Class A	105,580	39.2%	39.2%	21,948	0	(14,000)	(10,886)	\$16.97	\$29.49
Class B	359,614	28.4%	27.4%	0	0	(20,019)	12,214	\$14.15	\$25.31
Class C	117,071	25.2%	25.2%	0	0	0	(1,500)	\$11.00	\$18.57
<b>BEDFORD</b>	<b>582,265</b>	<b>29.7%</b>	<b>29.1%</b>	<b>21,948</b>	<b>0</b>	<b>(34,019)</b>	<b>(172)</b>	<b>\$14.03</b>	<b>\$24.71</b>
<b>TOTALS</b>	<b>11,136,573</b>	<b>12.3%</b>	<b>11.5%</b>	<b>481,948</b>	<b>263,527</b>	<b>190,883</b>	<b>137,032</b>	<b>\$14.53</b>	<b>\$26.91</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
3473 Joseph Howe Drive (St. Lawrence Place)	Suburban Halifax	GBS Communications	A	9,002
3473 Joseph Howe Drive (St. Lawrence Place)	Suburban Halifax	Key Physiotherapy	A	3,000
3473 Joseph Howe Drive (St. Lawrence Place)	Suburban Halifax	Schofield Insurance	A	1,500
238A Brownlow Avenue	Dartmouth	Economical Insurance	B	10,700
155 Ochterloney Street	Dartmouth	Alderney Chiropractic	B	4,700
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
RBC Waterside Centre	Central	RBC	Q2 2014	100,000
TD Centre	Halifax	TD Bank Group	Q2 2014	(Additional) 97,527
Mic Mac Place	Dartmouth	TBD	Q2 2014	32,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Nova Centre	Halifax	Trade Centre	2016	350,000
68 Highfield Park Drive	Dartmouth	TBA	Q3 2014	25,000
Granite View at Bayers Lake, 90 Lovett Lake Court	Suburban Halifax	TBA	Q3 2014	60,000
Barrington E-Space	Halifax	TBA	Q3 2014	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q3 2014	21,948
Bank of Canada Building	Halifax	TBA	2016	20,000