

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q4 2013



ECONOMIC OVERVIEW

As was reported last quarter, Nova Scotia's projected real GDP growth is expected to settle at 1.2% for 2013. Full production has commenced at the Deep Panuke offshore natural gas facility and is expected to significantly contribute to RBC's forecasted 2.1% GDP growth rate for 2014. Nominal exports in the province have recovered from lows experienced in 2012 and were bolstered by a surge in paper product exports with the Port Hawkesbury mill resuming production. The province's labour market is expecting an overall setback in employment for 2013 with a decline of .2% (RBC). Key challenges in the labour market for 2013 were the availability of skilled labour; the result of out-migration to the western provinces, along with productivity performance (BMO Capital Markets).

OFFICE OVERVIEW

For Q4 2013, the Nova Scotia office market posted an 11.9% overall vacancy rate; a significant increase from the previous quarter's rate of 9.7%, and a 1.9 percentage point increase year-over-year. Increase in vacancy was anticipated with the introduction of new office space at Saint Lawrence Place, 20 Hector Gate at Dartmouth Crossing and 134 Eileen Stubbs Avenue. The Bedford market jumped from 24.8% to 29.7% vacancy, with the R.C.M.P and Halifax Water both relocating their offices out of Bedford. The Central Business District vacancy rate jumped from 8.2% to 9.1% with the introduction of some new floor space at TD Centre, along with substantial sublet space at the Maritime Centre; although this was mitigated slightly by the Bank of Canada Building going offline. Halifax Suburban vacancy increased to 9.8% with the relocation of Intact Insurance from Park Lane Terraces to the aforementioned 20 Hector Gate. The Dartmouth market vacancy rate also increased from 9.4% to 15.4% with its above mentioned construction completions. The overall weighted average gross rental rate in Nova Scotia increased by \$.14; bringing it to \$27.22 per square foot (psf). Vacancy rates are expected to continue to rise due to the anticipated construction completion at TD Centre in 2014, along with a number of other significant office projects that are in the pipeline for 2015-2016.

OUTLOOK

Nova Scotia's economy is expected to show a 2.1% rate of growth for 2014, above the average for Canada, primarily reflective of the bolstering production at Deep Panuke, the recent approval of the Maritime Link project, as well as developments in the energy sector. Shell has recently completed

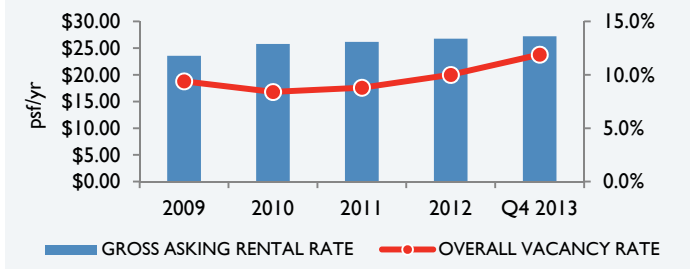
seismic testing, and BP is set to begin its own program in 2014 furthering energy sector developments for future drilling prospects.

The earlier-anticipated one percentage point decrease in HST next year has been taken off the table by the new Liberal majority government because of a major shortfall in the anticipated projected budget surpluses promised by the NDP. The economic and fiscal implications of this development will become clearer once a new budget is tabled (TD).

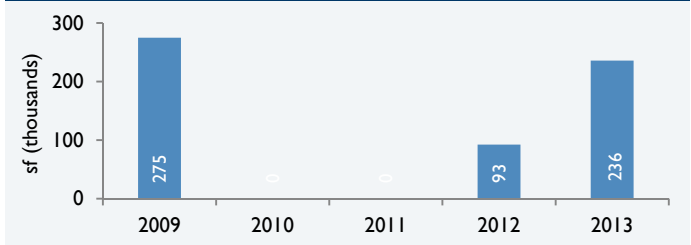
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12-MONTH FORECAST
Overall Vacancy	10.0%	11.9%	1.9 pp	▲
Direct Net Asking Rents (psf/yr)	\$14.59	\$14.86	1.85%	▲
YTD Absorption (sf)	(53,564)	27,093	80,657	▲

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	1,427,977	11.3%	9.0%	345,000	0	1,218	43,230	\$17.72	\$33.51
Class B	2,816,871	7.2%	5.1%	0	0	(36,064)	73,288	\$13.42	\$26.91
Class C	349,578	15.8%	14.6%	0	0	(2,927)	(7,538)	\$14.68	\$24.21
CBD	4,594,336	9.1%	7.0%	345,000	0	(37,773)	108,980	\$14.85	\$28.84
Class A	1,240,130	10.7%	10.6%	0	82,000	42,609	33,410	\$16.31	\$28.33
Class B	1,490,558	8.9%	8.2%	0	0	(16,212)	(8,477)	\$14.56	\$25.92
Class C	548,856	10.0%	9.6%	0	0	(4,974)	(7,811)	\$13.83	\$24.67
SUBURBAN HALIFAX	3,279,544	9.8%	9.3%	0	82,000	21,423	17,122	\$15.11	\$26.63
Class A	1,290,934	14.1%	12.1%	25,000	153,882	41,721	13,177	\$15.86	\$27.05
Class B	984,198	12.7%	12.3%	0	0	(3,817)	(22,973)	\$14.31	\$25.33
Class C	227,489	35.3%	34.1%	0	0	(50,189)	(44,382)	\$10.55	\$17.96
DARTMOUTH	2,502,621	15.4%	14.2%	25,000	153,882	(12,285)	(54,178)	\$14.77	\$25.51
Class A	105,580	28.9%	28.9%	21,950	0	(8,873)	(5,753)	\$16.97	\$29.49
Class B	359,614	31.8%	30.8%	0	0	989	(17,638)	\$14.04	\$25.20
Class C	117,071	23.9%	23.9%	0	0	(20,505)	(21,440)	\$11.10	\$18.92
BEDFORD	582,265	29.7%	29.1%	21,950	0	(28,389)	(44,831)	\$13.98	\$24.72
TOTALS	10,958,766	11.9%	10.5%	391,950	235,882	(57,024)	27,093	\$14.86	\$27.22

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q4 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
238 Brownlow Avenue	Burnside	-	-	6,540
100 MacGregor	Stellerton	-	-	5,055
Significant Q4 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
6140 Quinpool Road	Halifax Suburban	-	-	8,400
26-30 Prince Arthur & 11-15 Princess	Amherst	-	-	18.35 acres
Significant Q4 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
134 Eileen Stubbs Avenue	Dartmouth	TBA	Q4 2013	85,000
20 Hector Gate, Intact Tower	Dartmouth	Intact Insurance	Q4 2013	68,822
Saint Lawrence Place	Halifax Suburban	TBA	Q4 2013	34,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Nova Centre	Halifax	Trade Centre	2016	100,000
Waterside Centre	Halifax	Royal Bank	TBD	100,000
TD Centre	Halifax	TD Bank Group	2014	100,000
68 Highfield Park Drive	Dartmouth	TBA	Q2 2014	25,000
Barrington E-Space	Halifax	TBA	Q1 2014	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q3 2014	21,948
Bank of Canada Building	Halifax	TBA	2016	20,000