

HALIFAX OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Halifax Employment	227K	224K	▼
Halifax Unemployment	5.6%	7.1%	▲
Canada Unemployment	7.0%	6.2%	▼

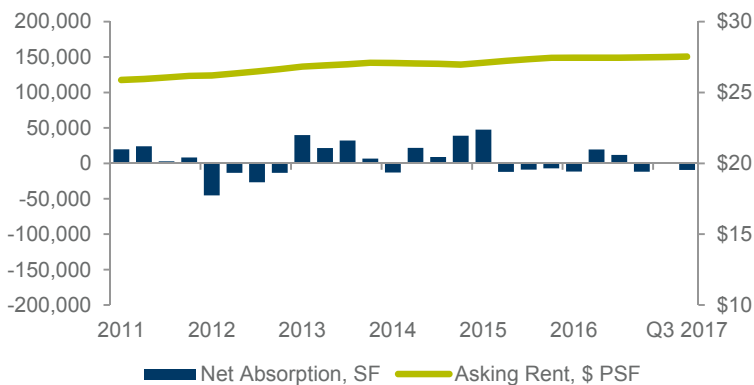
Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	14.5%	15.0%	▲
Net Absorption (sf)	-62,661	56,518	▲
Under Construction (sf)	550,000	465,000	▼
Average Asking Rent*	\$26.43	\$27.56	▲

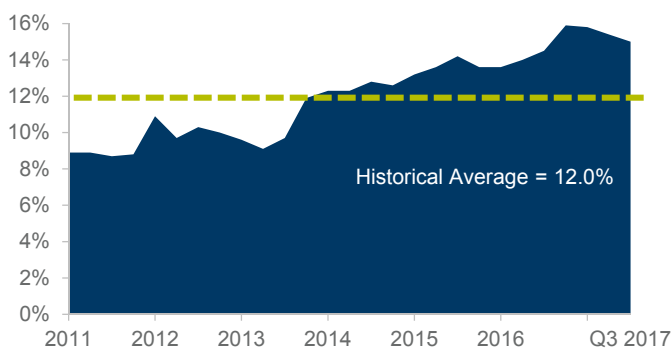
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to RBC Economics, Nova Scotia's economic growth gained momentum in the second half of 2017 and is now forecast to expand by 1.3% in 2017 and 1.1% in 2018. Employment is on track to increase at its fastest pace since 2012, although slow growth in employee compensation and a rising share of part time workers will threaten the strong job gains from retail sales. Despite this, Nova Scotia should still expect a larger drop in unemployment figures moving forward. New construction centred in Halifax continues to reflect the amount of people moving into the city. Even with non-residential investment on a steady decline, the construction sector continues to benefit from the high level of residential building.

Market Overview

The overall vacancy rate in Nova Scotia declined slightly from Q2 2017 to Q3 2017, dropping by 40 basis points to 15.0%. Declines in vacancy occurred in the submarkets outside of the Halifax-Central Business District (CBD), while the CBD had a 40 basis point rise in vacancy from last quarter to reach 15.4% in Q3 2017. Despite the increase in vacancy in the CBD, significant transactions took place in every submarket across the city which helped to lower the overall market vacancy rate for the quarter.

In the Dartmouth submarket, the vacancy rate dropped from 17.0% last quarter to 15.7% in Q3 2017. A transaction that contributed to the decrease is Concentrix Call Centre occupying roughly 35,000 square feet (sf) at the Bluefrog Business Campus. The vacancy rate for the Bedford submarket decreased from 25.1% last quarter to 23.2% in Q3 2017. This was driven by Eon Square's second phase which had a positive absorption total of 54,000 sf, due to RBC and BaseBridge occupying significant space in the building. The Halifax-Suburban submarket also saw a decline quarter-over-quarter from 11.3% down to 10.1%, the result of numerous smaller transactions that occurred over the quarter. Other significant transactions that occurred in the city include: Volta Labs which tripled their presence in the Maritime Centre, and the Atlantic Pilot Authority, Hot Head Games and Keller Marketing occupying over a combined 30,000 sf in the TD Centre.

Outlook

With major construction projects such as the Nova Centre and Maritime Link winding down, support for economic growth in Nova Scotia will diminish. However, following a strong year in Nova Scotia tourism, the province is expected to continue an upward trend overall, which should also help lower the unemployment rate. The free trade agreement between Canada and Europe starting in 2018 should also have positive impact on both the labour force and GDP going forward.

MARKETBEAT

Halifax, Nova Scotia

Office Q3 2017


 CELEBRATING
100
 YEARS

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	5,786,080	26,539	866,954	15.4%	-24,795	-44,038	465,000	\$29.00	\$34.11
Halifax-Suburban	31	2,515,542	54,089	200,851	10.1%	28,774	102,599	0	\$27.08	\$28.84
Dartmouth	42	2,796,112	13,603	424,876	15.7%	35,968	26,255	0	\$25.24	\$27.62
Bedford	20	885,213	1,180	204,606	23.2%	16,571	20,927	0	\$25.76	\$26.29
Total Suburban Area	93	6,196,867	68,872	830,333	14.5%	81,313	149,781	0	\$26.19	\$27.88
HALIFAX TOTALS	150	11,982,947	95,411	1,697,287	15.0%	56,518	105,743	465,000	\$27.56	\$30.53

*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	58	5,040,976	57,568	651,627	14.1%	65,979	153,817	465,000	0	\$30.53
Class B	63	5,595,737	36,238	821,705	15.3%	-6,898	-47,101	0	0	\$25.79
Class C	28	1,346,234	1,605	223,955	16.8%	-2,563	-973	0	0	\$23.33

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1577 Barrington Street/1544 Granville Street	20,100	Da Vinci College of Art & Design	Lease	Halifax
101 Ilsley Avenue	7,730	Clinical Logistics Inc.	Lease	Dartmouth

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Nova Centre	360,000	BMO; Grant Thornton	Q4 2017	Halifax
Queen's Marque	105,000	TBD	Q3 2019	Halifax

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