

MARKETBEAT OFFICE SNAPSHOT

NEW BRUNSWICK

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

Despite the slow start to the year and New Brunswick's relatively weak economic growth, it is expected that conditions will significantly improve for the remainder of 2015, marking the fastest rate in economic growth in five years.

Although the population of New Brunswick remains stagnant, the weak Loonie should provide a boost to exports and tourism. Real GDP is expected to grow by 1.1% this year, says BMO Capital Markets, and though the employment rate remains low, there are indications that a turnaround is at hand.

OFFICE OVERVIEW

New Brunswick's office market posted an overall vacancy rate of 14.2% for Q2 2015, a 0.6-percentage point increase from the previous quarter's 13.6%. The Moncton Area posted an overall vacancy rate of 12.2%, a 0.6-percentage point increase over last quarter's 11.6%. A noteworthy move contributing to the decrease was the downsizing of UPS Contact Center, leaving 77 Foundry Street vacant with 26,039 square feet (sf) available. Cushman & Wakefield Atlantic facilitated a lease of 3,815 sf to the expansion of Dexter Construction, which brought the vacancy at 1180 St. George Boulevard to zero.

Once again the Fredericton area posted the lowest vacancy rate in New Brunswick, at 9.5%. Rents in the city currently average \$23.19 per square foot (psf) gross, and \$13.51 psf net. Fredericton had one substantial movement in occupancy this quarter when Blue Spurs expanded within 10 Knowledge Park and occupied the whole third floor.

The Saint John area continues to post the highest overall vacancy rate in the province, at 20.7%, a 2.4-percentage point increase over the quarter. The 31.5% vacancy rate in class C buildings is the primary reason as to why this city's vacancy rate remains so high.

OUTLOOK

New Brunswick will continue to remain relatively subdued, in part due to the demographic challenges and fiscal restraint. However, economic growth is expected to climb from the sluggish pace of recent years and slower activity in Alberta could cool the exodus of younger workers (BMO Capital Markets). Development in Fredericton is at a standstill, therefore we do not expect to see significant change for the remainder of 2015. Moncton and Saint John are projected to remain relatively stable with no big booms in vacancy or absorption. We are seeing moves within the current availabilities

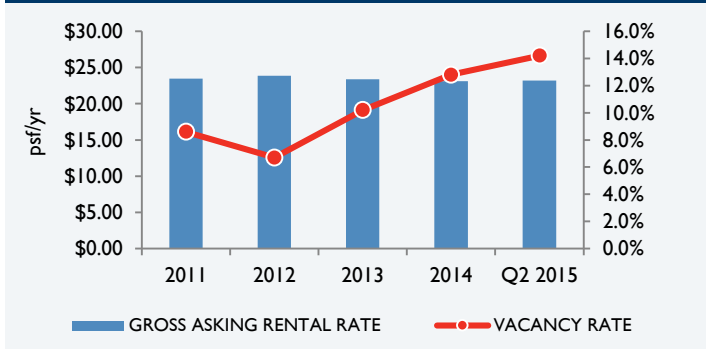
but minimal new construction at this point. Tenants are looking to renew their leases at their current locations and are receiving reasonable offers from their landlords. The high vacancy rates are encouraging landlords to take whatever measures necessary to retain their tenants.

With the proposed Metro Center coming to Moncton there are pent-up redevelopment opportunities in the business district downtown. Westmount Developments is also hoping to have a small office building in their Junction development and are currently in discussion with potential tenants. The province still awaits the commencement of capital projects including Bell Aliant's proposed \$25-million data center in Saint John, the Fredericton Knowledge Park Expansion, as well as the Energy East Pipeline.

STATS ON THE GO

	Q2 2014	Q2 2015	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.3%	14.2%	0.9 pp	▲
Direct Net Asking Rents (psf/yr)	\$12.70	\$12.80	0.8%	▲
YTD Absorption (sf)	22,616	(43,053)	65,669 sf	▲

RENTAL VS. VACANCY RATES



NEW BRUNSWICK

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER OVERALL ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG NET ASKING RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Class A	1,261,210	10.6%	9.3%	0	0	8,472	6,074	\$15.88	\$28.65
Class B	1,652,213	9.7%	9.7%	0	0	(29,172)	(6,675)	\$11.21	\$21.24
Class C	356,482	29.3%	26.9%	0	0	1,452	(21,684)	\$10.27	\$19.95
MONCTON	3,269,905	12.2%	11.4%	0	0	(19,248)	(22,285)	\$13.06	\$24.21
Class A	720,994	12.1%	9.5%	0	0	17,691	18,658	\$14.48	\$26.21
Class B	833,330	6.6%	5.4%	0	0	5,125	5,553	\$13.10	\$21.78
Class C	377,387	11.0%	11.0%	0	0	(2,476)	1,294	\$12.56	\$20.54
FREDERICTON	1,931,711	9.5%	8.0%	0	0	20,340	25,505	\$13.51	\$23.19
Class A	780,461	7.6%	7.3%	0	0	4,235	(6,913)	\$14.72	\$28.77
Class B	893,521	23.3%	21.1%	0	0	(58,521)	(42,020)	\$11.30	\$20.52
Class C	730,416	31.5%	31.5%	0	0	(2,584)	2,660	\$9.60	\$16.32
SAINT JOHN	2,404,398	20.7%	19.8%	0	0	(56,870)	(46,273)	\$11.89	\$21.92
TOTALS	7,606,014	14.2%	13.2%	0	0	(55,778)	(43,053)	\$12.80	\$23.19

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
1180 St. George Boulevard	Moncton	Iron Mountain Canada Operations	B	41,851
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Royal Bank Call Center	Moncton	RBC	Q2 2016	42,500