

MARKETBEAT OFFICE SNAPSHOT



NEW BRUNSWICK

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Q4 2014



ECONOMIC OVERVIEW

While economic growth remains weak in New Brunswick (NB), momentum should improve modestly in the coming year. RBC Economics is forecasting GDP growth at 1.0% for 2014, which is expected to accelerate to 1.8% in 2015 as exports increase to meet U.S. demand and capital investments continue. Labour market trends have improved this year, with employment up 0.5% year-over-year (BMO). The province is experiencing job gains in the private sector, however, manufacturing and construction jobs continue to decline (RBC). Stronger exports in 2015 and sustained capital spending will help increase employment in the manufacturing and construction sectors. New Brunswick continues to experience strong net outward migration with higher wages and opportunities in western provinces, although the recent decrease in oil prices may mitigate that in the near future.

OFFICE OVERVIEW

New Brunswick's office market finished the year with an overall vacancy rate of 14.0% for Q4 2014, a 0.4-percentage point increase year-over-year.

The Moncton Area posted an overall vacancy rate of 12.1%, a 0.6-percentage point increase over last quarter's 11.5%. One significant move affecting this sharp increase was NB Government vacating 10,000 square feet (sf) of space at 33 Weldon Street. Other notable moves in Moncton included a 22,822-sf lease at 1070 St. George Boulevard with STIHL taking occupancy, and McSweeney's Dinner Theatre expanding its footprint at 700 Main Street, converting a full floor of office space into commercial space after the Aura Night Club vacated. The Fredericton area posted the lowest vacancy rate in NB, at 11.4%, with net asking rental rates in being the highest in the province averaging \$13.33 per square foot (psf). Fredericton showed no significant movement in occupancy, highlighting the current stability of the office market. The Saint John area continues to post the highest vacancy rate in the province, ending the fourth quarter with an overall rate of 18.8%. The high vacancy rate is due in large part to the 31.9% vacancy rate in class C, which has fallen out of favour with the market. Net asking rental rates in the city currently average about \$11.62 psf.

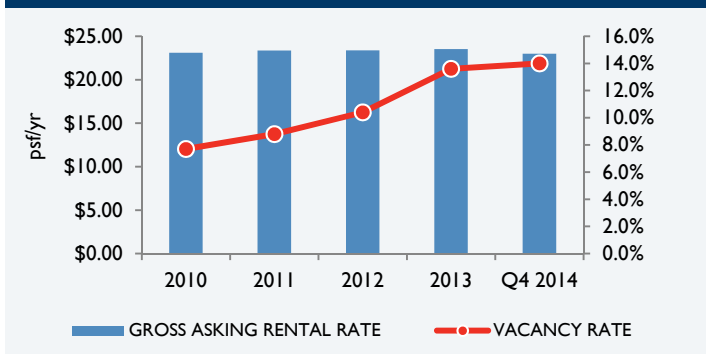
OUTLOOK

Private-sector services including finance, insurance, real estate & wholesale trade will continue to be the foundation of growth in New Brunswick during 2015, according to Scotiabank. This is evident through an increase in capital projects including Bell Aliant's proposed \$25-million data center in Saint John. Other parts of the province are starting to show improvements in the office/commercial sector, with construction underway in Dieppe to extend Dieppe Boulevard to enable retail, office and commercial developments. As other capital projects advance, such as the Energy East Pipeline, JD Irving Ltd, Saint John Pulp Mill, and the Oxford Frozen Food Facility, the Province expects further accelerated growth and positive impacts on domestic indicators. Industry panelists at APEC's Business Outlook Conference, held in Q4 2014, concluded that Atlantic Canada can face its economic challenges by pursuing global opportunities (through investment in technology, marketing and production capacity) and by developing attractive places to live and work to attract skilled workers.

STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.6%	14.0%	0.4 pp	▼
Direct Net Asking Rents (psf/yr)	\$13.22	\$12.61	-4.6%	▲
YTD Absorption (sf)	(135,075)	(26,516)	108,559 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	11.0%	9.7%	0	0	(22,717)	(31,401)	\$15.84	\$28.28
Class B	1,652,213	10.5%	10.5%	0	0	2,923	43,626	\$10.98	\$21.10
Class C	356,482	23.2%	20.4%	0	0	1,566	(19,110)	\$10.27	\$19.69
MONCTON	3,269,905	12.1%	11.3%	0	0	(18,228)	(6,885)	\$12.94	\$23.95
Class A	765,994	15.9%	13.8%	0	0	(13,789)	(35,857)	\$13.99	\$25.56
Class B	833,330	7.3%	6.0%	0	0	(1,875)	2,887	\$13.10	\$21.80
Class C	377,387	11.3%	11.3%	0	0	(485)	(675)	\$12.51	\$20.60
FREDERICTON	1,976,711	11.4%	10.0%	0	0	(16,149)	(33,645)	\$13.33	\$23.03
Class A	780,461	6.7%	6.4%	0	0	3,500	(687)	\$14.28	\$28.55
Class B	893,521	18.6%	16.8%	0	0	9,640	51,280	\$10.95	\$20.30
Class C	730,416	31.9%	31.9%	0	0	(20,731)	(36,579)	\$9.60	\$16.30
SAINT JOHN	2,404,398	18.8%	18.0%	0	0	(7,591)	14,014	\$11.62	\$21.76
TOTALS	7,651,014	14.0%	13.1%	0	0	(41,968)	(26,516)	\$12.61	\$22.99

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
I Germain Street	Saint John	Mariner Partners	A	17,057
1070 St. George Boulevard	Moncton	STIHL Limited	B	22,822
SIGNIFICANT Q4 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				