

# Office Snapshot Q1 2016

New Brunswick



## NEW BRUNSWICK OFFICE

### Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
NB Employment	351k	346k	▼
NB Unemployment	11.6%	9.3%	▼
Canadian Unemployment	6.8%	7.3%	▲

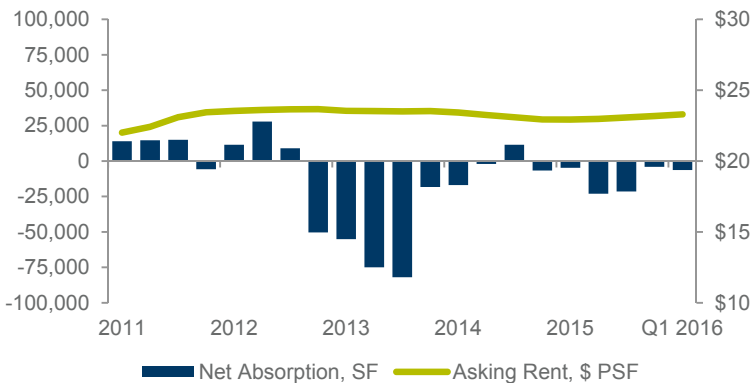
### Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	13.6%	14.2%	▲
Net Absorption (sf)	12,725	3,748	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$23.11	\$23.50	▲

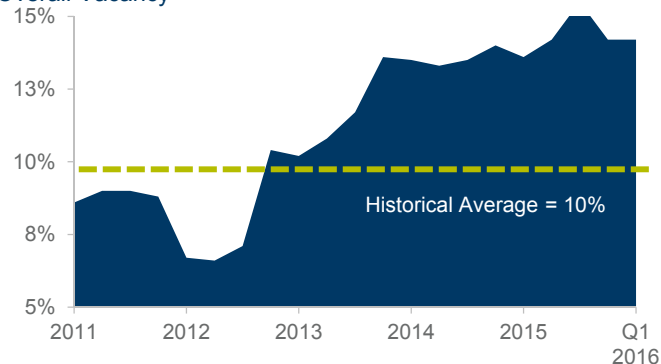
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The province of New Brunswick is projecting a \$347 million deficit for fiscal year (FY) 16/17, or a still-large 1.0% of GDP. That follows a FY 15/16 shortfall of \$466 million (1.4% of GDP) - slightly larger than previously expected - and comes despite a host of tax increases. Both years maintain a \$100 million contingency reserve. Looking ahead, the province expects to balance the budget in FY 20/21, whereas there was previously no firm timeline in place, while net debt will jump toward 40% of GDP this coming fiscal year. In a nutshell, the province is leaning on tax hikes and some public-sector restraint measures to support spending growth in other areas, leading to a drawn out pace of deficit reduction (BMO Capital Markets). West Jet announced in early April that they will be opening a call centre; bringing 400 jobs to Metro Moncton which have a positive impact on the city. This is in addition to the 113 new jobs at the Moncton-based medical marijuana producer OrganiGram over the next three years.

## Market Overview

New Brunswick's office market concluded Q1 with an overall vacancy rate of 14.2%, identical to last quarter. Moncton posted an overall vacancy rate of 12.9%, an increase of 0.8 percentage points from Q4 2015. Making news this quarter, a 2,000 square foot (sf) class A addition to 364 York Street in Fredericton was completed. In addition, Cushman & Wakefield Atlantic also facilitated a 28,000-sf lease at 495 Prospect Street in Fredericton.

Fredericton continues to have the lowest vacancy rate in the province at 8.7%, a decrease from the previous quarter. Rents in the city currently average \$13.76 per square foot (psf), with class A office space at \$15.33 psf. Fredericton had one significant change in vacancy at 1133 Regent Street as slightly over 20,000 sf became available; the result of tenants downsizing and others moving. The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 20.5%; although this is a 0.8 percentage point decrease from the previous quarter's 21.3%. Vacancy in Saint John is over 6 full percentage points higher than the provincial vacancy average of 14.2%. The vacancy rate in Saint John's class C segment is 27% which is driving the overall elevated vacancy rates.

## Outlook

Since December 2015, RBC economics cites that adverse economic conditions have gathered in New Brunswick, and they now expect employment to be flat during the forecast period; however, the labour force should also contract as the pool of working-age adults continues to decline, thereby keeping the unemployment rate relatively stable during 2017. However, the Energy East pipeline initiative, as well as construction projects such as the new Irving Oil Head Office building in Saint John continue to stem the negative macro news.

MARKETBEAT

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SUBMARKET	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)*
MONCTON	3,211,890	14,925	400,250	12.9%	(25,128)	(25,128)	0	\$24.33	\$29.25
FREDERICTON	1,931,711	900	167,114	8.7%	11,379	11,379	0	\$23.64	\$27.51
SAINT JOHN	2,304,498	0	473,364	20.5%	17,497	17,497	0	\$22.29	\$28.88
<b>NEW BRUNSWICK TOTALS</b>	<b>7,448,099</b>	<b>15,825</b>	<b>1,040,728</b>	<b>14.2%</b>	<b>3,748</b>	<b>3,748</b>	<b>0</b>	<b>\$23.50</b>	<b>\$28.69</b>

\*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	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 (SF)	OVERALL AVERAGE ASKING RENT*
Class A	2,762,665	15,825	281,552	10.8%	3,952	3,952	0	0	\$28.69
Class B	3,209,549	0	425,244	13.2%	(19,003)	(19,003)	0	0	\$21.12
Class C	1,475,885	0	333,932	21.2%	18,799	18,799	0	0	\$18.35

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1180 St. George Boulevard	20,000	OK Tire	Lease	Moncton
643 Babin Street	3,200	Vista Care	Lease	Dieppe
495 Prospect Street	28,000	AMEC	Lease	Fredericton

## Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
327 King William Road	8,800	N/A	Undisclosed	Saint John

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MARKETBEAT

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Q1 2016	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,211,890	1,931,711	2,304,498	7,448,099
Direct Vacant Space (Square Feet):	400,250	167,114	473,364	1,040,728
Sublet Space (Square Feet)	14,925	900	0	15,825
Total Vacant Space (Square Feet)	415,175	168,014	473,364	1,056,553
Direct Vacancy Rate (Percent):	12.5%	8.7%	20.5%	14.0%
Total Vacancy Rate (Percent):	12.9%	8.7%	20.5%	14.2%
Occupied Space (Sf): (including sublet)	2,811,640	1,764,597	1,831,134	6,407,371
Occupancy Rate (%):(inc.sublet)	87.5%	91.3%	79.5%	86.0%
<b>Occupied Space (excluding sublet)</b>	<b>2,796,715</b>	<b>1,763,697</b>	<b>1,831,134</b>	<b>6,391,546</b>
<b>Occupancy Rate (%): (exc.sublet)</b>	<b>87.1%</b>	<b>91.3%</b>	<b>79.5%</b>	<b>85.8%</b>
<b>Weighted Average Net</b>	<b>\$13.08</b>	<b>\$13.76</b>	<b>\$12.01</b>	<b>\$12.93</b>
<b>Weighted Average Cam</b>	<b>\$11.25</b>	<b>\$9.88</b>	<b>\$10.28</b>	<b>\$10.57</b>
<b>Gross Rent</b>	<b>\$24.33</b>	<b>\$23.64</b>	<b>\$22.29</b>	<b>\$23.50</b>
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	-25,128	-3,721	12,497	-16,352
YTD Absorption (including sublet)	-25,128	-3,721	12,497	-16,352
<b>3 month Absorption (exc.sublet)</b>	<b>-25,128</b>	<b>11,379</b>	<b>17,497</b>	<b>3,748</b>
<b>YTD Absorption (exc. Sublet)</b>	<b>-25,128</b>	<b>11,379</b>	<b>17,497</b>	<b>3,748</b>
Demand Factor	-0.89%	-0.21%	0.69%	-0.25%

Q4 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,211,890	1,931,711	2,304,498	7,448,099
Direct Vacant Space (Square Feet):	375,122	163,393	485,861	1,024,376
Sublet Space (Square Feet)	14,925	16,000	5,000	35,925
Total Vacant Space (Square Feet)	390,047	179,393	490,861	1,060,301
Direct Vacancy Rate (Percent):	11.7%	8.5%	21.1%	13.8%
Total Vacancy Rate (Percent):	12.1%	9.3%	21.3%	14.2%
Occupied Space (Sf): (including sublet)	2,836,768	1,768,318	1,818,637	6,423,723
<b>Occupancy Rate (%):(inc.sublet)</b>	<b>88.3%</b>	<b>91.5%</b>	<b>78.9%</b>	<b>86.2%</b>
<b>Occupied Space (excluding sublet)</b>	<b>2,821,843</b>	<b>1,752,318</b>	<b>1,813,637</b>	<b>6,387,798</b>
<b>Occupancy Rate (%): (exc.sublet)</b>	<b>87.9%</b>	<b>90.7%</b>	<b>78.7%</b>	<b>85.8%</b>
<b>Weighted Average Net</b>	<b>\$13.05</b>	<b>\$13.52</b>	<b>\$12.00</b>	<b>\$12.85</b>
<b>Weighted Average Cam</b>	<b>\$11.24</b>	<b>\$9.67</b>	<b>\$10.20</b>	<b>\$10.49</b>
Gross Rent	\$24.30	\$23.19	\$22.20	\$23.34
New Supply (Current Quarter)	9,375	0	0	9,375
New Supply (YTD)	9,375	0	0	9,375
3 Month Absorption (including sublet)	-6,106	1,093	-6,438	-11,451
YTD Absorption (including sublet)	-17,102	19,142	-54,796	-52,756
<b>3 month Absorption (exc.sublet)</b>	<b>3,577</b>	<b>14,223</b>	<b>9,883</b>	<b>27,683</b>
YTD Absorption (exc. Sublet)	-4,939	29,554	-40,784	-16,169
Demand Factor	-0.21%	0.06%	-0.35%	-0.18%

Q3 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,202,515	1,931,711	2,304,498	7,438,724
Direct Vacant Space (Square Feet):	365,943	164,486	479,423	1,009,852
Sublet Space (Square Feet)	24,608	29,130	21,321	75,059
Total Vacant Space (Square Feet)	390,551	193,616	500,744	1,084,911

Direct Vacancy Rate (Percent):	11.4%	8.5%	20.8%	13.6%
Total Vacancy Rate (Percent):	12.2%	10.0%	21.7%	14.6%
Occupied Space (Sf): (including sublet)	2,836,572	1,767,225	1,825,075	6,428,872
<b>Occupancy Rate (%):(inc.sublet)</b>	<b>88.6%</b>	<b>91.5%</b>	<b>79.2%</b>	<b>86.4%</b>
<b>Occupied Space (excluding sublet)</b>	<b>2,811,964</b>	<b>1,738,095</b>	<b>1,803,754</b>	<b>6,353,813</b>
<b>Occupancy Rate (%): (exc.sublet)</b>	<b>87.8%</b>	<b>90.0%</b>	<b>78.3%</b>	<b>85.4%</b>
<b>Weighted Average Net</b>	<b>\$13.07</b>	<b>\$13.52</b>	<b>\$12.00</b>	<b>\$12.85</b>
<b>Weighted Average Cam</b>	<b>\$11.24</b>	<b>\$9.67</b>	<b>\$10.20</b>	<b>\$10.49</b>
Gross Rent	\$24.31	\$23.19	\$22.20	\$23.35
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	7,467	-10,174	-4,894	-7,601
<b>YTD Absorption (including sublet)</b>	<b>-17,298</b>	<b>18,049</b>	<b>-48,358</b>	<b>-47,607</b>
<b>3 month Absorption (exc.sublet)</b>	<b>7,467</b>	<b>-10,174</b>	<b>-4,394</b>	<b>-7,101</b>
YTD Absorption (exc. Sublet)	-14,818	15,331	-50,667	-50,154
Demand Factor	0.26%	-0.57%	-0.27%	-0.12%

Q2 2015	Moncton	Fredericton	Saint John	TOTALS
Area (Square Feet):	3,269,905	1,931,711	2,404,398	7,606,014
Direct Vacant Space (Square Feet):	373,410	154,312	475,929	1,003,651
Sublet Space (Square Feet)	24,608	29,130	21,821	75,559
Total Vacant Space (Square Feet)	398,018	183,442	497,750	1,079,210
Direct Vacancy Rate (Percent):	11.4%	8.0%	19.8%	13.2%
Total Vacancy Rate (Percent):	12.2%	9.5%	20.7%	14.2%
Occupied Space (Sf): (including sublet)	2,896,495	1,777,399	1,928,469	6,602,363
<b>Occupancy Rate (%):(inc.sublet)</b>	<b>88.6%</b>	<b>92.0%</b>	<b>80.2%</b>	<b>86.8%</b>
<b>Occupied Space (excluding sublet)</b>	<b>2,871,887</b>	<b>1,748,269</b>	<b>1,906,648</b>	<b>6,526,804</b>
<b>Occupancy Rate (%): (exc.sublet)</b>	<b>87.8%</b>	<b>90.5%</b>	<b>79.3%</b>	<b>85.8%</b>
<b>Weighted Average Net</b>	<b>\$13.06</b>	<b>\$13.51</b>	<b>\$11.89</b>	<b>\$12.80</b>
<b>Weighted Average Cam</b>	<b>\$11.15</b>	<b>\$9.68</b>	<b>\$10.03</b>	<b>\$10.39</b>
Gross Rent	\$24.21	\$23.19	\$21.92	\$23.19
New Supply (Current Quarter)	0	0	0	0
New Supply (YTD)	0	0	0	0
3 Month Absorption (including sublet)	-19,248	23,058	-37,749	-33,939
<b>YTD Absorption (including sublet)</b>	<b>-24,765</b>	<b>28,223</b>	<b>-43,464</b>	<b>-40,006</b>
<b>3 month Absorption (exc.sublet)</b>	<b>-19,248</b>	<b>20,340</b>	<b>-56,870</b>	<b>-55,778</b>
YTD Absorption (exc. Sublet)	-22,285	25,505	-46,273	-43,053
Demand Factor	-0.66%	1.31%	-1.92%	-0.51%

