

NEW BRUNSWICK OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
NB Employment	346K	352K	▲
NB Unemployment	9.3%	8.9%	▼
Canadian Unemployment	7.3%	6.7%	▼

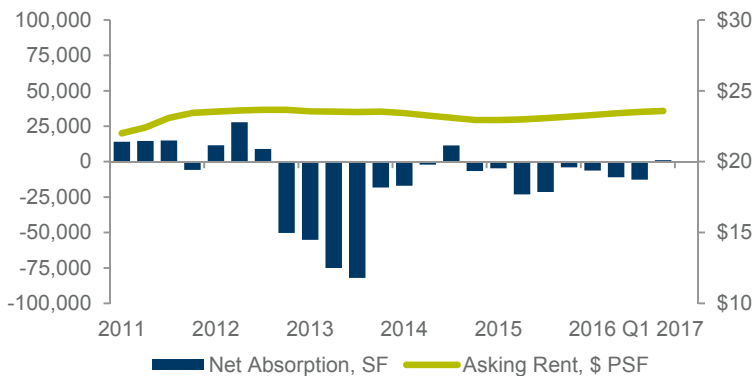
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	14.2%	14.9%	▲
Net Absorption (sf)	3,748	(37,235)	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.50	\$23.74	▼

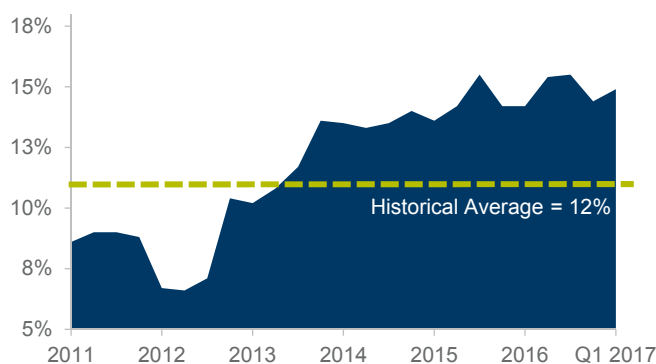
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The provincial economy was at a standstill in 2016 as the Potash closure set back the mining industry, impacting exports and overall employment. However, RBC Economics is forecasting a turnaround in 2017 with economic growth in the province to accelerate to 0.6%, an improvement over the near 0% growth last year.

Construction on a new development in the city of Moncton, named The Junction, began in August 2016 with the extension of Ivan Rand Drive and a new fitness club. There are also plans for a high-end apartment building with retail and office space on the ground level, as well as a new hotel; all of which will have a positive impact on the city's economy.

Market Overview

New Brunswick's office market saw a slight change in the overall vacancy rate for this quarter, climbing from 14.4% in Q4 2016 to 14.9%. Moncton's vacancy rate increased by close to a full percentage point from last quarter to reach 13.4%. The driving factor behind this increase in vacancy was SKYES, located at 774 Main Street, vacating approximately 8,000 square feet (sf) of space. Although the Fredericton market continues to have the lowest vacancy rate in the province, there was some movement this quarter as vacancy edged upwards from 9.6% last quarter to 10.7%. One of the factors behind this was an increase in vacancy at 371 Queen Street. The Saint John area continues to have the highest overall vacancy rate in New Brunswick; however, that being said the vacancy rate decreased by 0.5 percentage points from Q4 of last year to 20.3% this quarter. One notable transaction in the Saint John market was at 120 McDonald Street where Sears Contact Services moved into two spaces, occupying a total of 25,609 (sf).

Outlook

RBC Economics expects 2017 to be a year of expansion for New Brunswick, with both growth in GDP and an anticipated 0.4% growth in employment, reversing a protracted downward trend. TD Economics has reported that the ramp-up of the Caribou mine will begin to lift mining output once again after the closing of the potash mine last year.

New Brunswick may see an increase in vacancy when The Junction Urban Village comes online in Moncton the summer of 2018; however that is subject to what the office component will be of the development.

MARKETBEAT

New Brunswick

Office Q1 2017



CELEBRATING
100
YEARS

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	3,121,485	24,608	395,052	13.4%	(30,132)	(30,132)	0	\$24.36	\$28.83
FREDERICTON	1,931,711	0	205,893	10.7%	(19,930)	(19,930)	0	\$24.24	\$28.32
SAINT JOHN	2,305,408	3,000	464,644	20.3%	12,827	12,827	0	\$22.51	\$28.88
NEW BRUNSWICK TOTALS	7,358,604	27,608	1,065,589	14.9%	(37,235)	(37,235)	0	\$23.74	\$28.71

*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	16,040	309,605	11.8%	(24,035)	(24,035)	0	0	\$28.71
Class B	3,210,459	3,000	440,587	13.8%	(37,751)	(37,751)	0	0	\$21.51
Class C	1,385,480	8,568	315,397	23.4%	24,551	24,551	0	0	\$18.29

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
607 St. George Street, Suite 104	2,532	Autism Intervention Services	Lease	Moncton
607 St. George Street, Suite 103A	1,005	Soccer New Brunswick	Lease	Moncton

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
890 Main Street	9,000	MK Retirement Planning Solutions Inc.	Undisclosed	Moncton

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