

NEW BRUNSWICK OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
NB Employment	352k	352K	▼
NB Unemployment	9.4%	7.8%	▼
Canadian Unemployment	7.0%	6.2%	▼

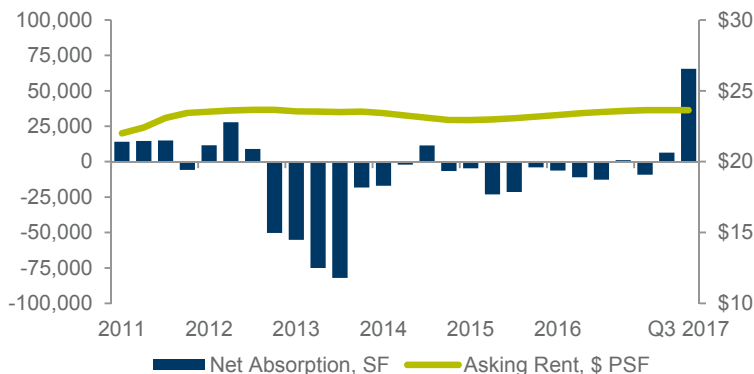
Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	15.5%	11.9%	▼
Net Absorption (sf)	-78,630	228,621	▲
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.58	\$23.59	▲

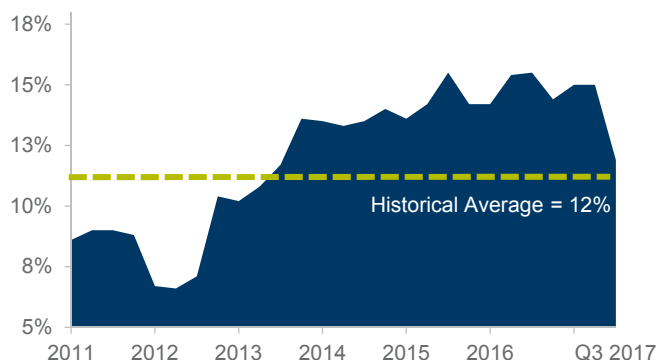
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The New Brunswick economy has been experiencing an uptick in growth the past two years. According to RBC Economics, the province saw 1.4% growth in 2016, with an expected 1.6% growth rate in 2017. This strength and a sharp decline in unemployment numbers have supported the New Brunswick economy. Labour markets are tightening and there has been some upward pressure on wages, which has been positive for retail sales, the service sector and residential investment. Looking ahead to 2018 the province should expect a small decline in growth to roughly 0.9%.

Market Overview

Vacancy within the New Brunswick office market saw a significant decrease of over 300 basis points from last quarter, falling to 11.9% from 15.0% in Q2 2017. Moncton posted an overall vacancy rate of 9.6%, below the 11.3% vacancy rate the submarket had last quarter. A significant factor contributing to this decrease was BDC occupying roughly 17,000 square feet (sf) at 1234 Main Street in Moncton.

Fredericton continues to have the lowest vacancy in the province, with a current vacancy rate of 7.6%. A notable transaction in Fredericton took place at the Towne Centre, where the New Brunswick School of Craft & Design moved into roughly 6,000 sf.

The Saint John area continues to post the highest overall vacancy rate in New Brunswick, but saw a significant decline in Q3 2017. The submarket posted a vacancy rate of 19.6% this quarter, declining 500 basis points from last quarter's 24.6% rate. Although the overall vacancy rate remains significantly higher in Saint John than the provincial average, this decrease helps demonstrate that the Saint John submarket is making strides. Contributing factors to the decrease were Sears occupying 20,000 sf at the Loch Lomond Mall Office, and Red Cross moving into 25,000 sf at Brunswick Square. Class C buildings in Saint John have posted a much lower vacancy rate compared to last quarter, but are still almost double compared to Class A and B assets.

Outlook

RBC Economics has stated that on the horizon there is a potential issue with the trade dispute with the United States over softwood lumber. Historically, New Brunswick was exempt from the majority of tariffs regarding the Softwood Lumber Agreement. Now that the agreement has expired, the province is in the same standing as the rest of Canada with regard to imposed tariffs. It remains to be seen if the province can re-establish their prior position on these tariffs so it can enjoy the previously held advantages from this key sector for the province.

MARKETBEAT

New Brunswick

Office Q3 2017



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	3,122,112	0	300,797	9.6%	52,944	88,731	0	\$24.16	\$28.30
FREDERICTON	1,931,711	0	145,944	7.6%	39,045	39,969	0	\$23.64	\$26.75
SAINT JOHN	2,313,502	8,876	421,218	18.6%	136,632	50,377	0	\$22.82	\$29.86
NEW BRUNSWICK TOTALS	7,367,325	8,876	868,009	11.9%	228,621	179,077	0	\$23.59	\$28.34

*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	2,500	246,643	9.0%	85,150	52,467	0	0	\$28.34
Class B	3,219,180	6,376	350,399	11.1%	68,086	49,061	0	0	\$21.54
Class C	1,385,480	0	270,967	19.6%	75,385	77,549	0	0	\$18.34

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1070 St. George Street	2,212	RCS Construction	Lease	Moncton
844 Main Street	2,920	Dream Payment Corp.	Lease	Moncton

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
80 Rooney Avenue	81,600 sf building / 5.7 acre lot	Pro REIT Acquisition	Undisclosed	Moncton
40 Morton Avenue	12,000 sf building	BFM Foundation Real Estate Management	Undisclosed	Moncton

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