

## NEW BRUNSWICK OFFICE

### Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
NB Employment	356K	355K	▲
NB Unemployment	7.7%	9.4%	▼
Canadian Unemployment	7.1%	6.9%	▼

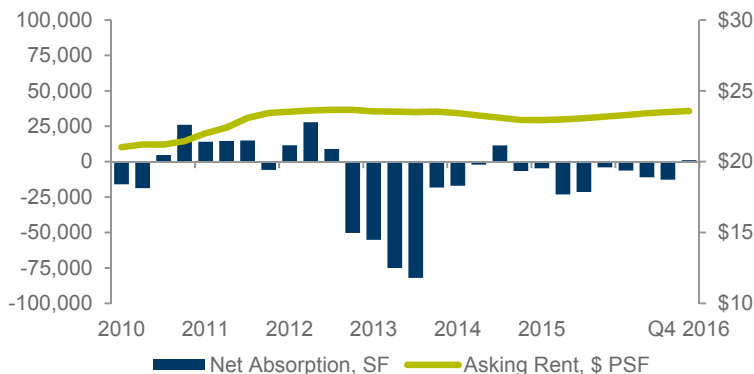
### Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Overall Vacancy	14.2%	14.4%	▲
Net Absorption (sf)	(16,169)	82,969	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.34	\$23.59	▲

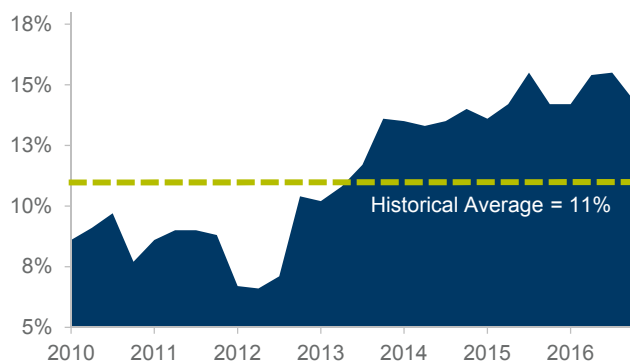
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Economic growth remains subdued in New Brunswick, with real GDP expected to expand by only 0.5% in 2017. This is due to a major mine closure, job losses, and slumping exports (RBC Economics). The closure of the Picadilly potash mine has caused exports of mining, along with mineral products, to drop more than 50%. According to BMO Capital Markets, New Brunswick continues to face tough demographics but is hoping the weak Canadian dollar will help boost exports.

Construction on a new development in the city of Moncton, which has been named The Junction, began in August 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 concluded Q4 with an overall vacancy rate of 14.4%, a notable decline from the Q3 vacancy of 15.5%. Moncton had no significant changes this quarter and the overall vacancy rate remained steady from Q3 to Q4 at 12.5%. The Fredericton market continues to have the lowest vacancy rate in the province and it continues to decrease, falling from 12.6% in Q3 to 9.6% in Q4. One of the factors behind this decline in vacancy is Cox & Palmer leasing a 16,225-sf space at 77 Westmorland Street, taking occupancy in January 2017. The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 20.7%, a slight decrease from the Q3 vacancy rate of 22.0%. Vacancy in Saint John is over 6 full percentage points higher than the provincial vacancy average of 14.4%. One notable change in the Saint John market was at 120 McDonald Street where Red Cross moved into a 5,000-sf unit. The vacancy rate in Saint John's class C segment is 27.5%, which is driving the overall elevated vacancy rates.

## Outlook

RBC Economics cites that overall employment in New Brunswick has declined by 0.6% during the first eight months of 2016; reflecting losses of both part-time and full-time jobs. As for 2017, RBC Economics is "expecting sustained private-sector hiring to contribute to a rise of 0.4% in provincial employment" – making it only the second annual increase in the past nine years. Over the next couple of years New Brunswick will see an increase in the Moncton office market when The Junction Urban Village comes online in the summer of 2018, which will likely result in rising vacancy.

MARKETBEAT

# New Brunswick

Office Q4 2016



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	16,040	373,488	12.5%	(453)	519	0	\$24.60	\$29.29
FREDERICTON	1,931,711	2,328	183,635	9.6%	57,533	(6,570)	0	\$23.60	\$27.53
SAINT JOHN	2,304,498	3,000	477,471	20.8%	25,889	10,390	0	\$22.29	\$28.88
<b>NEW BRUNSWICK TOTALS</b>	<b>7,357,694</b>	<b>21,368</b>	<b>1,034,594</b>	<b>14.4%</b>	<b>82,969</b>	<b>4,339</b>	<b>0</b>	<b>\$23.59</b>	<b>\$28.72</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	18,368	283,242	10.9 %	26,402	(281)	0	0	\$28.72
Class B	3,209,549	3,000	402,836	12.6%	35,717	405	0	0	\$21.19
Class C	1,385,480	0	348,516	25.2%	20,850	5,425	0	0	\$18.26

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

## Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
12 Smyth Street	5,977	Ernst & Young	Lease	Saint John
1133 St. George Blvd	9,019	Sun Life Assurance	Lease	Moncton
100 Westmorland	70,000	Rogers Communication	Lease	Moncton

## Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
320 Edinburgh Drive	136,000 sf/ 10 acres	Undisclosed	Undisclosed	Moncton

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