

# MARKETBEAT OFFICE SNAPSHOT

## ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication



Q1 2014



### ECONOMIC OVERVIEW

The provincial budget was presented on March 27, 2014 by new Finance Minister Charlene Johnson. In stark contrast to the cuts of last year, this budget had a little something for everybody – students, schools, seniors, low-income families, and Nalcor – who will receive \$552 million for energy investments and Muskrat Falls. Lower spending than anticipated has resulted in the current year's deficit forecast at \$348.7 million, down from \$450.6 million, as was predicted mid-year 2013. (Source: *The Telegram*)

The Winter Outlook for the City of St. John's was released on February 25, 2014 with economic growth forecasted at 1.7% for 2014, down from the construction-driven 6% of 2013. However, unemployment will continue to fall, and per capita income is anticipated to increase about 3.1% to \$43,899. (Source: *Conference Board of Canada*)

### OUT AND ABOUT

Stantec's leasing of one of the buildings at Kelsey Drive resulted in their staff vacating their offices at 430-434 Water Street - leaving almost 8,000 square feet (sf) available for sublease in the downtown.

The Killick Group also took space at Kelsey Drive. Royal Greenland opened its local office on Pippy Place, and Century 21 moved into its new building at 38 Duffy Place.

Siku Holdings leased its space at 79 Mews Place – with Verafin taking the space for one of its departments. Leasehold construction is currently underway.

After MCP relocated its offices from the Belvedere building to Major's Path in February, the Belvedere building became part of a residential condominium plan that is currently being offered for sale. As a result, the Belvedere building was removed from the office statistics this quarter.

### THE NUMBERS

With Stantec's previous space now available, and a vacancy arising in the Fortis building, downtown vacancy rose to 4.0% from 3.5% last quarter. The removal of the Belvedere building from the survey significantly reduced the central vacancy rate to 1.8% from 4.8%.

Overall rents continue to rise slightly.

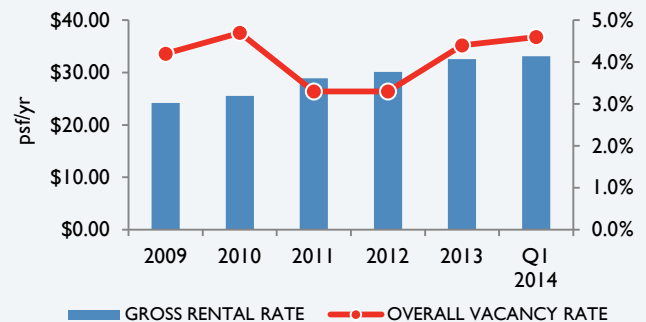
### OUTLOOK

As the engineering for the megaprojects slows down and the project space requirement is eliminated, it is possible that the large, converted spaces may revert to retail usage, as retail experiences its own boom in this market.

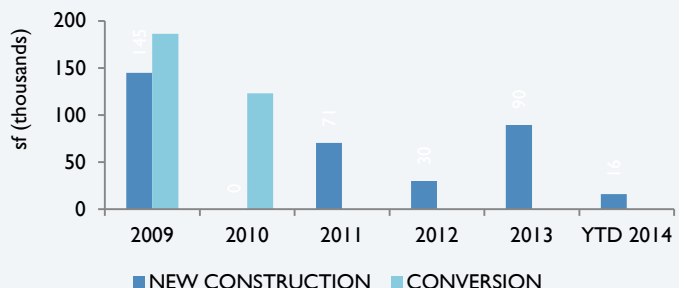
### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	5.3%	4.6%	-0.7 pp	▲
Gross Asking Rents (psf/yr)	\$31.05	\$33.10	6.6%	◄
YTD Absorption (sf)	8,678	-425	-9,103	◄

### RENTAL VS. VACANCY RATES



### NEW SUPPLY



## ST. JOHN'S, NL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Class A	606,619	0.7%	0.7%	310,000	0	0	0	\$25.98	\$41.72
Class B	518,384	2.2%	1.5%	0	0	921	921	\$25.84	\$39.81
Class C	182,816	20.2%	15.9%	0	0	(7,847)	(7,847)	\$20.37	\$30.15
Central	1,310,819	4.0%	3.2 %	310,000	0	(6,926)	(6,926)	\$25.14	\$39.35
Class B	929,926	4.7%	4.7%	71,000	0	5,548	5,548	\$19.61	\$29.28
Class C	810,012	5.4%	5.4%	0	16,000	953	953	\$15.41	\$23.78
Suburban	1,739,938	5.0%	5.0%	,000	16,000	6,501	6,501	\$17.89	\$27.03
<b>TOTALS</b>	<b>3,050,757</b>	<b>4.6%</b>	<b>4.2%</b>	<b>383,000</b>	<b>16,000</b>	<b>(425)</b>	<b>(425)</b>	<b>\$21.41</b>	<b>\$33.10</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

Significant Q1 2014 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Atlantic Place	Downtown	Maderra Engineering	B	TBA
79 Mews Place	Suburban North	Verafin	B	5,186

Significant Q1 2014 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				

Significant Q1 2014 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
38 Duffy Place	Suburban – North	Century 21	Q1 2014	16,000

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
351 Water Street	Downtown	Husky	Q2 2014	165,000
Fortis Place	Downtown	Fortis; Deloitte	Q3 2014	145,000
5-7 Pippy Place (Extensive Renovation)	Suburban – North	Telelink	Q2 2014	36,000
Bristol Court – III	Suburban – North	Technip	Q3 2014	30,000
Bristol Court – IV	Suburban – North	Munn Insurance	Q4 2014	30,000
4 Olympic Dr	Mount Pearl / Paradise	TBA	Q2 2014	13,000