

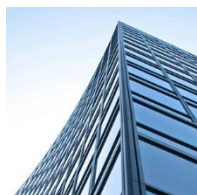
# MARKETBEAT OFFICE SNAPSHOT



## ST. JOHN'S, NL

A Cushman & Wakefield Research Publication

Q1 2015



### ECONOMIC OVERVIEW

Oil prices remain depressed, with the resulting drop in provincial revenue adding an element of uncertainty to the upcoming provincial budget. Given the public sector accounts for 20% of total real GDP, the anticipated contraction of the public service weighs heavily on the St John's economy.

The St. John's International Airport Authority continued the expansion and improvement of their facilities – with planned investment of \$50 million in 2015. Improvements will focus on expanding the terminal building and the accessibility and safety initiative entailing significant upgrades to the airfield. Upon completion in 2016, the usability of the airport will be at 99% - ranking within the top eight airports in Canada. (Source: St. John's International Airport Authority)

### OUT AND ABOUT

The final building in the Bristol Court business park was completed, with MUNN Insurance moving its operation there from various locations. DNV GL will be taking the second floor of the building, with both of its newly merged entities leaving the downtown area to accommodate their large parking requirement.

Husky is offering an additional 13,000 square feet (sf) of space (and some of the best views in the city!) for sublease on the seventh floor of 351 Water Street.

### THE NUMBERS

With the large increase in class A inventory over the last two quarters of 2014, direct vacancy remains below 5%, but the addition of the Husky sublease has taken the overall vacancy in central class A product to 6.4%. Additional space has been vacated at the Fortis Building resulting in class B central vacancy to rise to 13.5%.

The new 30,000-sf building at Kelsey Drive contributed to positive absorption in the suburbs. Rental rates have decreased very slightly this quarter, with class A rates holding and central class B rates slightly down – with the Fortis Building and TD Place reducing rents slightly and taking short term leases as we wait to see who buys the Fortis portfolio.

### OUTLOOK

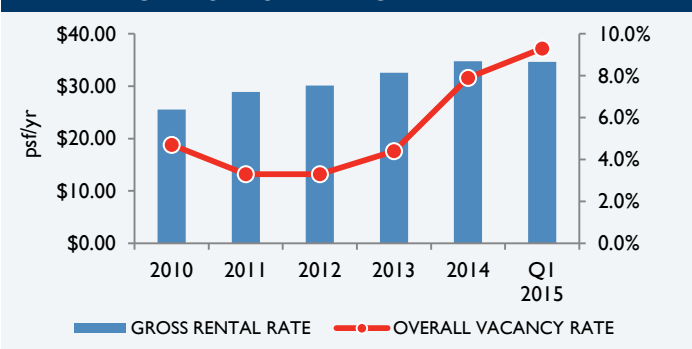
Space is being made available for sublease in both downtown

and suburban buildings, as some larger occupiers have deliberately leased excess space to allow for future expansion. The frustration of pent-up demand has resulted in rental rate increases and the recent spate of new construction will not soon be duplicated if history repeats itself. These new buildings are the first new office construction since the 1980's.

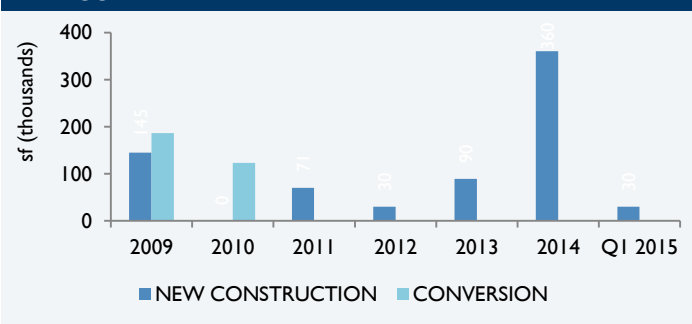
### STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.6%	9.3%	4.9pp	↔
Direct Asking Rents (psf/yr)	\$21.41	\$22.09	3.2%	↕
YTD Absorption (sf)	(425)	(23,413)	(22,988)	▲

### RENTAL VS. VACANCY RATES



### NEW SUPPLY



## ST. JOHN'S, NL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE
Class A	924,044	6.4%	4.3%	28,600	0	(17,985)	(17,985)	\$29.03	\$44.97
Class B	518,384	13.5%	12.2%	0	0	(30,570)	(30,570)	\$23.68	\$37.65
Class C	182,816	25.4%	16.8%	0	0	5,723	5,723	\$23.23	\$33.09
<b>CENTRAL</b>	<b>1,625,244</b>	<b>10.8%</b>	<b>8.2 %</b>	<b>28,600</b>	<b>0</b>	<b>(42,832)</b>	<b>(42,832)</b>	<b>\$26.67</b>	<b>\$41.44</b>
Class B	989,926	4.4%	4.4%	160,000	30,000	28,795	28,795	\$19.94	\$31.41
Class C	911,484	11.9 %	11.2%	0	0	(3,653)	(3,653)	\$15.06	\$23.54
<b>SUBURBAN</b>	<b>1,901,410</b>	<b>8.0%</b>	<b>7.7%</b>	<b>160,000</b>	<b>30,000</b>	<b>25,142</b>	<b>25,142</b>	<b>\$17.66</b>	<b>\$27.80</b>
<b>TOTALS</b>	<b>3,526,654</b>	<b>9.3%</b>	<b>7.9%</b>	<b>186,600</b>	<b>30,000</b>	<b>(17,690)</b>	<b>(17,690)</b>	<b>\$22.09</b>	<b>\$34.63</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
121 Kelsey Drive	Suburban - North	DNV GL	B+	15,000
SIGNIFICANT Q4 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
87 Elizabeth Avenue	Suburban – Central	Harold Snow Service Group	\$ 975,000/\$ 105.44	9,247
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
121 Kelsey Drive	Suburban – North	MUNN Insurance/DNV GL	Q1 2015	30,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
14 International Place	Suburban – East	Medical Group	Q2 2015	20,000 (50%)
80 Hebron Way	St. John's East	Crosbie Group	Q4 2015	27,000 (25%)
235 Water Street	Downtown	TBA	Q1/2 2016	28,600 (0%)
18 Hebron Way	Suburban – East	KMK Capital	Q4 2015	54,000 (30%)
130 Kelsey Drive	Suburban – North	TBA	Q3/Q4 2015	45,000(0%)
4 Olympic Drive	Suburban – Mt. Pearl	TBA	Q1 2015	11,000 (0%)