

MARKETBEAT OFFICE SNAPSHOT

ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication



ECONOMIC OVERVIEW

The Conference Board of Canada released its Provincial Outlook report this quarter which indicated that Newfoundland and Labrador will be the “runaway leader” of Canadian provinces this year. GDP growth is estimated to grow by

6% this year and 3.4% in 2014 – mainly a result of rebounding oil production.

Within the City of St. John's, oil activity accounts for approximately 40% of nominal GDP - up from 34% in 2002. Real GDP growth in the St. John's census metropolitan area is expected to reach 6.3% in 2013. (Source: Conference Board of Canada; City of St. John's)

OUT AND ABOUT

Northern Properties' Bristol Court development announced the beginning of construction of the fourth building following the leasing of Building II in its entirety by Stantec. With their acquisition of several local firms, Stantec is looking to consolidate their staff at one location.

Building V is 50% leased to PriceWaterhouse Coopers which will leave a large vacancy at Atlantic Place.

The Eclipse Building had a federal government tenant vacate which opened up close to 9,000 square feet (sf) of space. This contributed to a slight reduction in class B net rents – indicating the market's sensitivity.

THE NUMBERS

In spite of the gradually increasing new construction inventory, overall vacancy fell below 5% again this quarter. The class A vacancy rate actually rose to less than 1% as space became available in the Baine Johnston Centre. The large Kelsey Drive tenancies plus 10,000 sf of leasing activity at Bally Rou Place by Worley Parsons gave a healthy absorption level of 43,825 sf.

The new business tax regime increased operating costs in the second quarter which resulted in gross rents increasing by 4.5% from last quarter.

OUTLOOK

Project space requirements for the oil patch seem to have peaked – but professional service firms have been expanding into the new

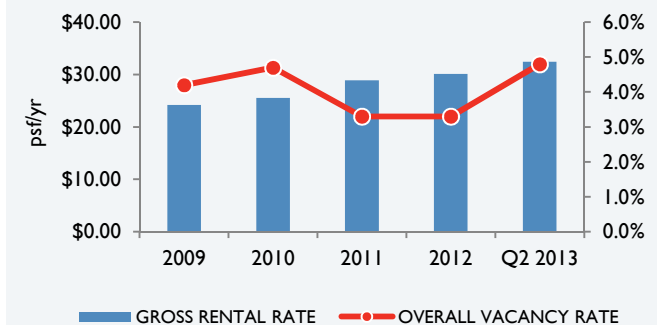
suburban buildings – resulting in projected large vacancies in the downtown market.

Given the significant increases in rental rates over the last 5 years – up by 55% - landlords will be able to hold these vacancies and still be better off than they were three years ago.

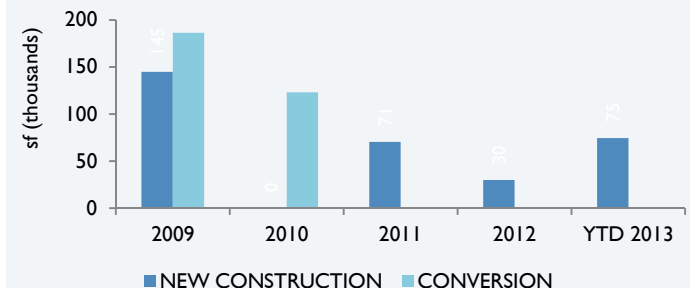
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	3.3%	4.6%	1.3 pp	◀▶
Gross Asking Rents (psf/yr)	\$30.11	\$32.47	7.8%	◀▶
YTD Absorption (sf)	1,892	52,503 sf	50,611 sf	◀▶

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	606,482	0.7%	0.7%	310,000	0	(1,414)	(4,414)	\$24.70	\$40.78
Class B	518,384	0.6%	0.0%	0	0	443	4,843	\$24.18	\$38.16
Class C	182,816	15.9%	15.9%	0	0	(7,984)	(7,984)	\$19.94	\$29.24
Central	1,307,682	2.8%	2.6 %	310,000	0	(8,955)	(7,555)	\$23.83	\$38.13
Class B	947,708	6.8%	6.8%	56,000	74,592	53,500	67,635	\$19.56	\$29.04
Class C	794,012	5.6%	5.4%	0	0	(720)	(7,577)	\$15.24	\$23.60
Suburban	1,741,720	6.3%	6.2%	56,000	74,592	52,780	60,058	\$17.77	\$26.78
TOTALS	3,049,402	4.8%	4.6%	366,000	74,592	43,285	52,503	\$20.77	\$32.47

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Bristol Court II *	Suburban – North	Stantec	A-	30,000
Bristol Court V	Suburban – North	PriceWaterhouseCoopers	A-	13,500
Bally Rou Place	Suburban – East	Worley Parsons	C	10,000
Significant Q2 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
Significant Q2 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Bristol Court – V	Suburban – North	PriceWaterhouseCoopers	Q2 2013	30,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
351 Water Street	Downtown	Husky	Q4 2013	165,000
Fortis Place	Downtown	Fortis; Deloitte	Q3 2013	145,000
38 Duffy Place	Suburban – North	Century 21	Q3 2013	17,000
79 Mews Place	Suburban – North	50% Owner Occupied	Q3 2013	15,000