

MARKETBEAT OFFICE SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

The Conference Board of Canada released its "How Canada Performs: Economy" report in May. The resource driven economy of Newfoundland and Labrador was one of three provinces to receive an "A+" for economic performance using indicators such as per capita income, economic growth, unemployment and productivity. Weekly earnings in the St. John's metro area have risen 57% since 2005. (Source: Conference Board of Canada; Statistics Canada) The St. John's International Airport has announced a ten-year plan for improvements totaling \$243 million that will see the size of the main terminal doubled. (Source: City of St. John's)

OUT AND ABOUT

Technip moved into its new building at Bristol Court on Kelsey Drive. Like Stantec, they leased an entire 30,000-square foot (sf) building. This suburban business cluster is now populated with an interesting mix of insurance and financial services, and engineering firms – almost all of whom significantly expanded their footprint when they leased this new space – as a result of the pent-up demand given the lack of construction in St. John's for several decades.

Next quarter will see Husky move into its new offices at 351 Water Street and any ripple effect on the downtown market will begin to be more evident.

Renovations continue at 5-7 Pippy Place in the suburbs and at 275 Duckworth Street in the downtown.

Provincial government offices are relocating, with the Office of the Privacy Commissioner "piggybacking" into some available space at the NL Housing Commission. The office of Vital Statistics and the Government Service Centre have moved into space at the Department of Motor Vehicle building at 149 Smallwood Drive in Mount Pearl.

THE NUMBERS

Absorption in the Suburban North submarket was up sharply, given the Technip move noted above. The Downtown saw some vacancies open in both Atlantic Place and the Fortis Building – giving a direct vacancy rate of 3.3%, which is the highest it has been for several years. The opening of the Technip space for sublease in their downtown building at 430 Water Street brought the total Central vacancy rate to 4.8%. The lingering vacancy of the office space at 152 Water Street is the major contributor to this rate.

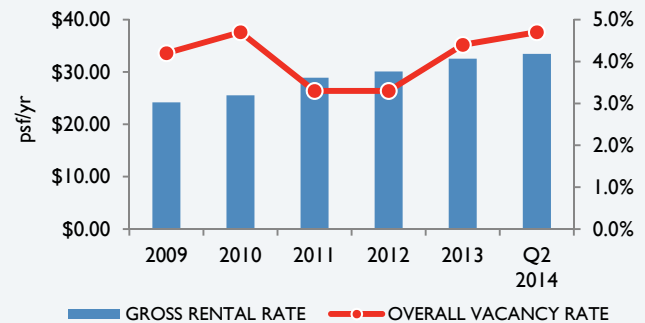
OUTLOOK

The new tower at 351 Water Street has been pre-leased in its entirety, with Husky taking 120,000 sf and Subsea 7 taking the balance. We do not anticipate a spike in the vacancy rate however – as Husky has elected to keep some of its existing downtown space for project space, and other tenants in their current location at Scotia Centre take the opportunity to expand.

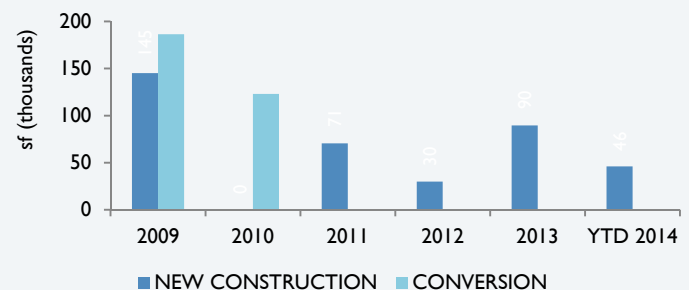
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.8%	4.7%	-0.1 pp	↔
Direct Asking Rents (psf/yr)	\$32.47	\$33.45	3.0%	↕
YTD Absorption (sf)	52,503	22,705	-29,798	▲

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	606,619	0.0%	0.0%	310,000	0	4,414	4,414	\$26.92	\$42.74
Class B	518,384	3.4%	2.8%	0	0	(6,578)	(5,657)	\$25.84	\$39.81
Class C	182,816	24.5%	15.9%	0	0	(7,847)	(15,694)	\$20.37	\$30.15
CENTRAL	1,310,819	4.8%	3.3 %	310,000	0	(10,011)	(16,937)	\$25.58	\$39.83
Class B	959,926	3.9%	3.9%	68,000	30,000	36,021	41,569	\$19.92	\$29.73
Class C	835,012	5.6%	5.6%	0	16,000	(2,880)	1,927	\$15.50	\$23.92
SUBURBAN	1,794,938	4.7%	4.7%	68,000	46,000	33,141	39,642	\$18.15	\$27.40
TOTALS	3,105,757	4.7%	4.1%	378,000	46,000	23,130	22,705	\$21.72	\$33.45

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Bristol Court III	Suburban – North	Technip	B+	30,000
Baine Johnston Centre	Downtown	Vale	A`	4,414
Bristol Court V	Suburban – North	AON Insurance	B+	6,362
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Bristol Court III – 131 Kelsey Drive	Suburban – North	Technip	Q2 2014	30,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
351 Water Street	Downtown	Husky	Q3 2014	165,000 (100%)
5 Springdale Street	Downtown	Fortis; Deloitte	Q1 2015	145,000 (78%)
121 Kelsey Drive	Suburban – North	MUNN Insurance	Q4 2014	30,000 (50%)
80 Hebron Way	St. John's East	Crosbie Group	Q4 2015	27,000/25%
4 Olympic Drive	Suburban – Mt. Pearl	TBA	Q3 2014	11,000 (0%)