

MARKETBEAT OFFICE SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

During this quarter, two major trade shows were held in the region. St. John's played host to the NOIA (Newfoundland and Labrador Oil and Gas Industry Association) show from June 15 to June 18, while the Atlantic Real Estate Forum was held in Halifax on June 9. St. John's real estate market dominated the conversation at the previous Forum, in 2013. This year, the conversation was based on Newfoundland's shrinking economy, which is expected to continue into next year. With 7% of the jobs within the provincial economy relating to oil, the unemployment rate will likely trend upwards.

All eyes were on Statoil oil at this year's NOIA conference. The premier opened the conference with a speech announcing that a term sheet based on the 2013 discovery at Bay du Nord was 'weeks away'. Statoil responded with cautious optimism. Regardless of the excitement associated over the size of the find, challenges will be presented in terms of ocean depths, logistics and harsh weather conditions. Competition for capital required for such a large scale project will be intense, as approximately \$200 billion of capital investment has been postponed or cancelled globally since last year. (CBC News)

OUT AND ABOUT

Slate Office REIT's acquisition of the Fortis portfolio, (which included a strategic co-ownership agreement with a Canadian institutional real estate fund) of the Fortis portfolio which is comprised of 14 commercial properties for an aggregate purchase price of \$430 million, closed at the end of this quarter. This included two class A and two class B office towers in St. John's downtown core. Nora Duke, who had served as CEO of Fortis Properties for eight years, was appointed to Slate's Board of trustees.

THE NUMBERS

Space available for sublease increased by approximately 50% from last quarter in surveyed buildings. Just under 18,000 square feet (sf) opened in the Fort William Building (class A Central), and Stantec offered nearly 10,000 sf in the PHB building near the airport. In addition, DNV is offering approximately 5,000 sf of their new space at 121 Kelsey Drive for sublease.

OUTLOOK

Despite less than promising economic statistics, industry analysts and investors at the Forum remained fairly bullish on St. John's economy. The Slate purchase certainly reinforced this perspective. New leases

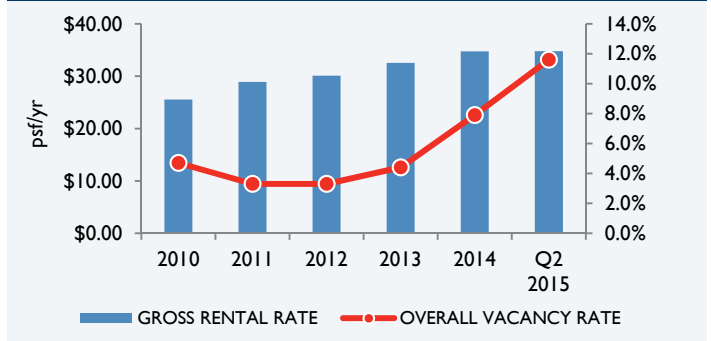
in the newly constructed buildings, most for ten year terms, will enable rents to remain stable in class A and class B – both central and suburban.

However, with competitive pressures mounting, we are seeing the return of tenant inducements to the marketplace as well sufficient space available for sublease through all classes, which may temper additional planned development.

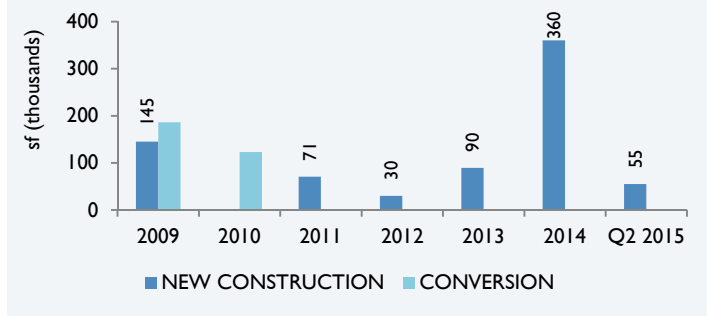
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.7%	11.6%	6.9pp	◀▶
Direct Asking Rents (psf/yr)	\$21.72	\$22.24	2.4%	◀▶
YTD Absorption (sf)	22,705	(75,504)	(98,209)	◀▶

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	8.8%	4.4%	28,600	0	(21,766)	(39,751)	\$29.36	\$45.11
Class B	518,384	11.2%	9.9%	0	0	11,853	(18,717)	\$24.18	\$38.15
Class C	182,816	25.4%	16.8%	0	0	0	5,723	\$23.23	\$33.09
CENTRAL	1,625,244	11.4%	7.6 %	28,600	0	(9,913)	(52,745)	\$27.02	\$41.68
Class B	1,00,926	7.6%	6.0%	146,000	41,000	(22,367)	6,428	\$19.96	\$31.51
Class C	925,484	16.0%	15.0%	0	14,000	(25,534)	(29,187)	\$15.11	\$23.85
SUBURBAN	1,926,410	11.7%	10.3%	146,000	55,000	(47,901)	(22,759)	\$17.68	\$27.97
TOTALS	3,551,654	11.6%	9.1%	174,600	55,000	(57,814)	(75,504)	\$22.24	\$34.78

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Fortis Properties Portfolio	Regional	Slate Office REIT	\$430 million	2.8 million (Office & Retail)
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5 Hallett Crescent	Suburban – North	Owner Occ	Q2 2015	14,000 (36%)
4 Olympic Drive	Suburban – Mt. Pearl	TBA	Q2 2015	11,000 (0%)
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%)