

ST. JOHN'S OFFICE

Economic Indicators

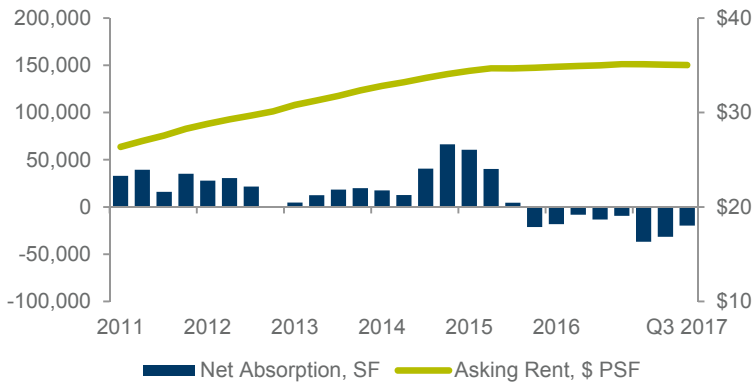
	Q3 16	Q3 17	12-Month Forecast
St. John's Employment	118.5K	119K	▼
St. John's Unemployment	6.7 %	8.4%	▲
Canada Unemployment	7.0%	6.2%	▼

Market Indicators

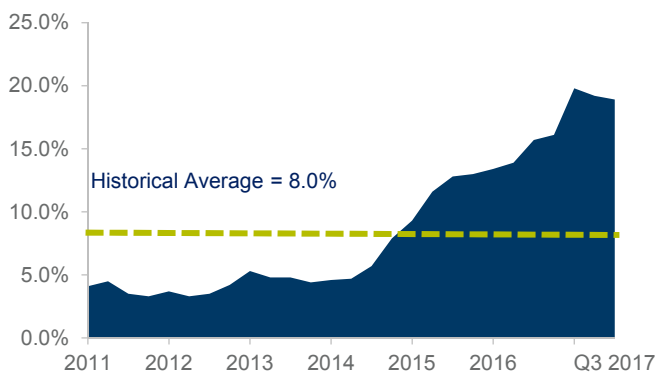
	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	15.7%	18.9%	▲
Net Absorption (sf)	-35,847	11,522	▼
Under Construction (sf)	158,000	90,000	▼
Average Asking Rent*	\$35.19	\$34.88	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The municipal elections were held in Newfoundland and Labrador on September 26th, 2017. The City of St. John's saw few incumbents return to their seats as a younger and more "progressive" slate of candidates were elected in most wards. After several years of serving on council, the new mayor is Danny Breen – who ran against a previous high profile and controversial mayor, Andy Wells.

The new council will be facing a forecasted reduction in the city's GDP by 3.4%, and an increase in the unemployment rate for the metro area to 8.5%. For the first time in several years, it is anticipated there will be a decline in household income, which may adversely affect retail activity, although activity is holding relatively steady thus far province wide.

The outgoing council credited its program review process which resulted in a surplus from the 2016 budget of just over \$12 million.

(Source: City of St. John's, StatsCan)

Market Overview

Activity within the market is percolating, as tenants who are shopping around are fully aware that after several years of a landlord's market they are now in the driver's seat. Several relocations are imminent, while others are under consideration. All have aggressive terms such as several months of free rent, renovations, and reduced rental rates – and due to the current climate, landlords are agreeing.

Nalcor, the provincial crown corporation that was created to manage Newfoundland and Labrador's energy resources, issued a very specific tender in June 2017 for the relocation of some of its executive offices. Out of the 7 bids received, the tender was awarded to Cabox Properties for their building at 45 Hebron Way.

Outlook

With the departure of Suncor from the downtown scheduled for next quarter, the vacancy rate in the Central Business District will sharply increase. It is expected that the vacancy rate will remain relatively unaffected by any of the downtown revitalization strategies that were promised by numerous members of the new council in their election platforms.

MARKETBEAT

ST. JOHN'S, NL

Office Q3 2017


 CELEBRATING
100
 YEARS

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown	14	1,664,965	56,063	308,050	21.9%	12,386	-62,163	0	\$41.37	\$45.60
Central	11	335,354	0	54,468	16.2%	0	-27,226	0	\$26.00	n/a
North	25	728,440	28,866	102,193	18.0%	6,936	-314	90,000	\$28.94	n/a
East & West	26	1,006,489	9,822	145,781	15.5%	-7,800	-15,855	0	\$29.99	\$37.40
"ST. JOHN'S TOTALS	75	3,735,248	94,751	610,492	18.9%	11,522	-105,558	90,000	\$ 34.88	\$ 43.25

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	AVERAGE ASKING RENT OVERALL*
Class A	7	1,016,082	44,664	140,786	18.3%	-7,932	-56,799	0	0	\$43.25
Class B	38	1,621,070	45,708	269,178	19.4%	11,454	-52,521	90,000	0	\$33.47
Class C	31	1,097,596	4,379	200,528	18.7%	8,000	3,762	0	0	\$26.14

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
45 Hebron Way	9,000	Nalcor	Lease	EastWest

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3 & 5 Job Street	3,100 + 10,600	Seagull Prop Mgmt/Sylor Investments	\$ 1,800,000 / \$131	Downtown

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