

ST. JOHN'S OFFICE

Economic Indicators

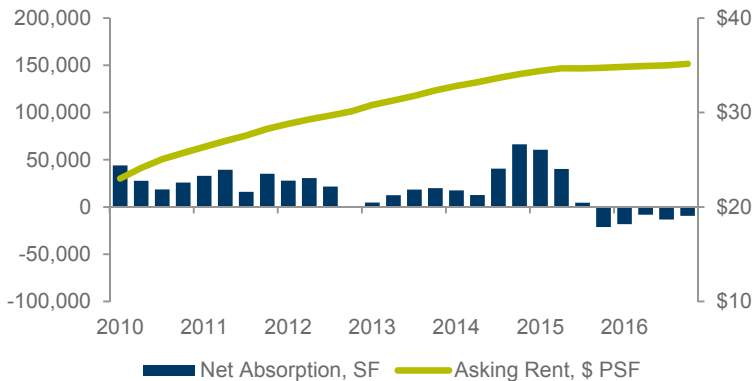
	Q4 15	Q4 16	12-Month Forecast
St. John's Employment	116k	127 K	▼
St. John's Unemployment	6.2%	7.0 %	▲
Canada Unemployment	7.0%	6.9%	▼

Market Indicators

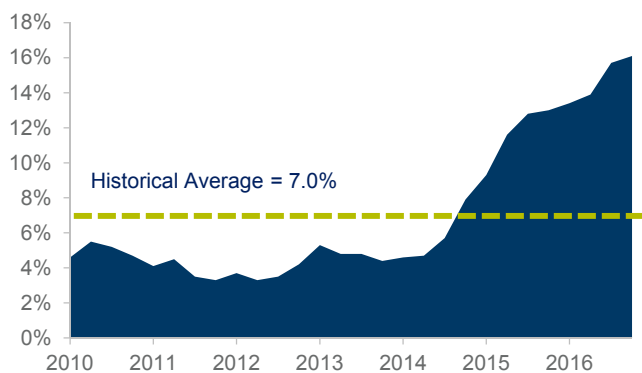
	Q4 15	Q4 16	12-Month Forecast
Overall Vacancy	13.1%	16.1%	▲
Net Absorption (sf)	11,370	26,905	▼
Under Construction (sf)	96,600	90,000	▼
Average Asking Rent*	\$34.32	\$35.19	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The province released a 2016-2017 mid-year fiscal and economic update in late October. Highlights included a decreased projected deficit of \$ 1.58 billion – lower by \$250M from the original projection announced in May 2016. Oil prices and production were higher than anticipated, resulting in a total revenue of over \$217M higher than what was forecasted. Borrowing requirements were also down by \$500M to reach \$2.9 billion; a result of higher revenues as well as a deferred cash flow from infrastructure projects. Economic indicators are on par with budget projections. Following this update, Dominion Bond Rating Service confirmed a low credit rating for the province, while Moody's issued an update indicating that the province's 2016-17 fiscal performance, as well as an additional federal loan guarantee for the Muskrat Falls hydro project, were both credit positive. (Source: Dept. of Finance)

Market Overview

The new KMK Capital building on Hebron Way saw tenants take occupancy this quarter – with Vale occupying approximately 18,000 square feet (SF), and local IT firm Verafin moving into close to 34,000 SF. This is the first suburban class A building in the St. John's market. Verafin vacated two locations; one on Newfoundland Drive and the other located at 79 Mews Place. The Public Service Pension Plan vacated the Confederation Building and successfully negotiated to take the entire second floor - totaling 15,692 SF - at 15 International Place, which is now fully leased. Tenant fit-ups are currently underway in the building. The Battery Facility of Memorial University of Newfoundland and Labrador (MUN) is receiving \$8.63M from the federal government under the Post-Secondary Institutions Strategic Investment Fund. MUN itself will contribute \$16.2M. The facility will allow MUN to consolidate four of its innovation centres and will effectively serve as a provincial innovation and engagement hub.

Outlook

Vacancy will continue to rise next quarter; the result of the provincial government downsizing its footprint in leased premises and consolidate within their own buildings. Landlords will continue to be aggressive in their attempts to attract and retain tenants, with offers of one to two years of free net rent already in play.

MARKETBEAT

ST. JOHN'S, NL

Office Q4 2016



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	56,996	244,954	18.1%	(7,877)	(47,651)	0	\$ 42.07	\$ 45.97
Central	11	355,354	0	47,242	13.3%	(3,160)	(1,785)	0	\$25.93	n/a
North	25	728,440	24,502	106,243	17.6%	(11,637)	(27,137)	90,000	\$ 29.09	n/a
East & West	25	989,989	11,569	112,179	12.5%	49,579	39,038	0	\$ 29.87	n/a
"ST. JOHN'S TOTALS	75	3,738,748	93,067	510,618	16.1%	26,905	(37,535)	90,000	\$ 35.19	\$ 45.97

*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	40,250	88,401	12.7%	52,317	45,243	0	81,109	\$ 45.97
Class B	36	1,605,070	40,344	206,021	15.3%	(23,138)	(66,053)	90,000	0	\$ 34.02
Class C	31	1,117,596	12,473	216,196	20.5%	(2,274)	(16,725)	0	0	\$ 26.11

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
15 International Place	15,692	Public Service Pension Plan	Lease	East/West

Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
n/a				

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