

## ST. JOHN'S OFFICE

### Economic Indicators

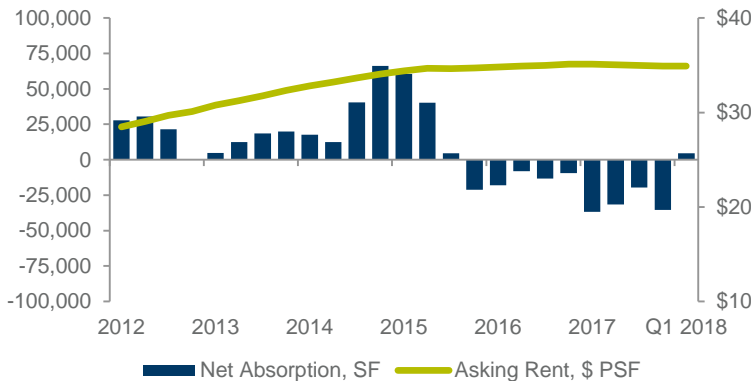
|                         | Q1 17 | Q1 18 | 12-Month Forecast |
|-------------------------|-------|-------|-------------------|
| St. John's Employment   | 114K  | 118K  | ▼                 |
| St. John's Unemployment | 11.4% | 8.5%  | ▲                 |
| Canada Unemployment     | 6.7%  | 5.8%  | ▼                 |

### Market Indicators

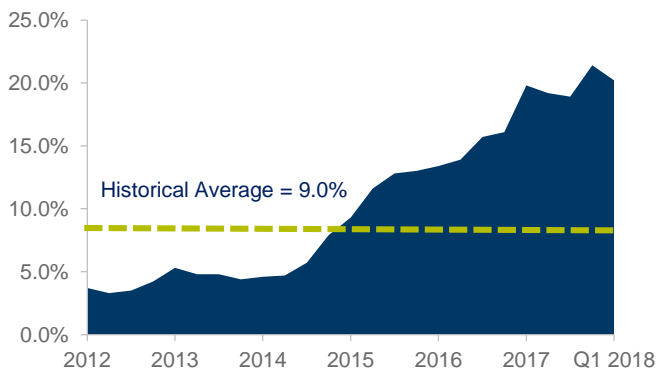
|                         | Q1 17    | Q1 18   | 12-Month Forecast |
|-------------------------|----------|---------|-------------------|
| Overall Vacancy         | 19.8%    | 20.2%   | ■                 |
| Net Absorption (sf)     | -120,320 | 39,722  | ▼                 |
| Under Construction (sf) | 90,000   | 34,000  | ▲                 |
| Average Asking Rent*    | \$34.95  | \$34.98 | ▼                 |

\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

In March 2018 the provincial government outlined the budget for 2018/2019 and the expectations are modest. Household income will rise by a mere 0.7%, with a corresponding increase in retail sales to a total of \$9.3 billion. Employment levels in the province are forecast to average 221,900, which is a decrease of 1.0% from 2017. Capital investment will reach \$9.7 billion, representing a 9.3% decline from last year, as major projects transition from the development and construction phase to the production phase.

The province borrows \$1.8 million dollars per day to service its debt. Initial reactions from bond rating agencies seem to indicate that debt servicing expenses might hold steady – although it will be next quarter before the detailed reports of their analyses are published.

(Source: Government of Newfoundland & Labrador)

## Market Overview

The provincial government reduced its leased space footprint by 92,000 square feet (sf) over the last several quarters, with much of that space located within the St. John's area. In doing so, the provincial government achieved a cost reduction of \$2.7 million.

The downtown towers are seeing welcome interest and activity such as Fortis Inc. leasing another full floor in Fortis Place. Existing tenants such as Aker and Kvaerner have undergone expansion in Atlantic Place. A new entrant to St. John's is Pearson VUE, which has opened an office at 235 Water (formerly called Scotia Centre). Some current occupiers of downtown office space with upcoming renewals are exploring options solely within the Central Business District (CBD).

Tenants requiring 1,000 sf or less continue to compete for spaces that are few and far between.

## Outlook

The overall vacancy rate for the total market fell slightly to 20.2% in the first quarter of 2018. This was driven by absorption in the CBD – although the total vacancy rate within the CBD remains at 26.7%. Activity within the office market is increasing – consistent with the uptick in activity that is usually seen as spring and summer approach.

MARKETBEAT

ST. JOHN'S, NL

Office Q1 2018



| 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          | 1,664,919        | 42,872             | 401,414            | 26.7%                | 35,167                      | 35,167                          | 0                | \$41.45                                    | \$45.54                                |
| Central                  | 10          | 335,354          | 0                  | 69,163             | 20.6%                | -1,742                      | -1,742                          | 0                | \$25.70                                    | n/a                                    |
| North                    | 25          | 797,870          | 24,487             | 91,821             | 14.6%                | -3,819                      | -3,819                          | 20,000           | \$29.52                                    | n/a                                    |
| East & West              | 26          | 1,006,489        | 9,822              | 129,272            | 13.8%                | 10,166                      | 10,166                          | 14,000           | \$30.05                                    | \$37.40                                |
| <b>ST. JOHN'S TOTALS</b> | <b>75</b>   | <b>3,804,781</b> | <b>77,181</b>      | <b>691,670</b>     | <b>20.2%</b>         | <b>39,772</b>               | <b>39,772</b>                   | <b>34,000</b>    | <b>\$ 34.98</b>                            | <b>\$ 43.20</b>                        |

\*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           | 1,016,036      | 39,659             | 206,035            | 24.2%                | 16,536                      | 16,536                          | 0                | 0                          | \$43.20                      |
| Class B          | 39          | 1,711,570      | 37,522             | 288,936            | 19.1%                | 21,142                      | 21,142                          | 34,000           | 0                          | \$33.65                      |
| Class C          | 30          | 1,077,026      | 0                  | 196,699            | 18.3%                | 2,094                       | 2,094                           | 0                | 0                          | \$26.13                      |

\*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2018

| PROPERTY                           | SF     | TENANT      | TRANSACTION TYPE | SUBMARKET |
|------------------------------------|--------|-------------|------------------|-----------|
| Fortis Place – 5 Springdale Street | 10,934 | Fortis Inc. | Lease            | Downtown  |

Key Sales Transactions Q1 2018

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|----------|----|--------------|---------------|-----------|
|----------|----|--------------|---------------|-----------|

Cushman & Wakefield  
 49 Elizabeth Avenue, Suite 302  
 P.O. Box 1135  
 St. John's, NL A1C 5M5  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

For more information, contact:  
 Joanne Earle, Research/Comm. Sales & Leasing  
 Tel: +1 709 576 3777  
[jearle@cwatlantic.com](mailto:jearle@cwatlantic.com)

**About Cushman & Wakefield**

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

Copyright © 2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.