

HALIFAX OFFICE

Economic Indicators

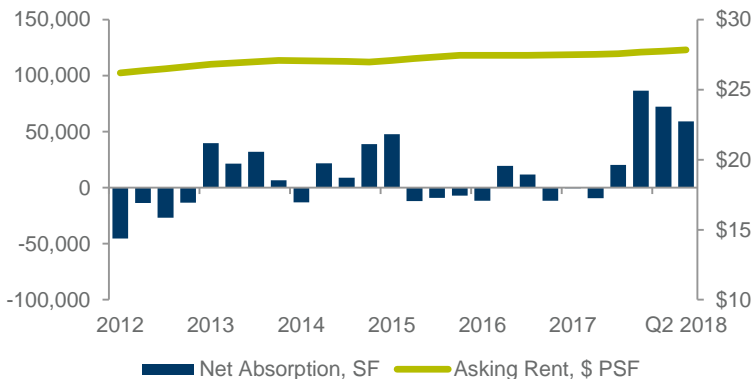
	Q2 17	Q2 18	12-Month Forecast
Halifax Employment	226K	234K	▲
Halifax Unemployment	7.0%	5.7%	▼
Canada Unemployment	6.6%	5.8%	■

Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	15.4%	16.0%	▲
Net Absorption (sf)	41,755	-10,727	▼
Under Construction (sf)	465,000	105,000	▼
Average Asking Rent*	\$27.60	\$27.91	▼

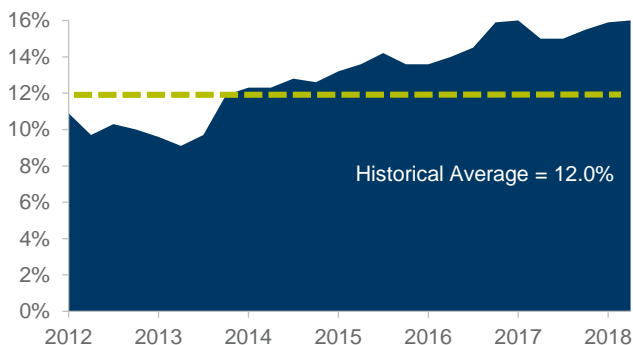
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



*Rental rates reflect gross asking \$psf/year

Overall Vacancy



Economy

Nova Scotia's economy performed well in 2017 with GDP growth of 1.4%, stronger than the anticipated growth rate of 1.1%. The Bank of Canada has reported though that GDP growth in the province will weaken through 2018, reaching 0.9% by 2019. RBC Economics cites a decline in consumer spending, a slowdown in manufacturing, and falling housing starts as the driving factors behind the slowed growth. Although the overall consumer spending pace has slowed from 2017 through to the beginning of 2018, the outlook for household goods expenditures remains strong, partially due to the increase of immigration which will add to the consumer base. Nova Scotia's employment rate increased by 0.1% since the second quarter of 2017; however, Halifax saw growth of 2.3% in its labour force over the same period in time. Halifax's economy is forecasted to hold strong through to 2022, largely due to the manufacturing sector, as preparations are underway at Irving Shipbuilding to deliver the first of six Arctic Patrol Vessels.

(Sources: Statistics Canada, National Bank of Canada, RBC Economics), Conference Board of Canada)

Market Overview

Nova Scotia's office market remained relatively steady quarter-over-quarter, with only a 10 basis point increase in vacancy to finish the second quarter at 16.0%. In Halifax's Central Business District (CBD), the Class A vacancy rate declined to 22.7% as this market segment had approximately 35,000 square feet (sf) of positive absorption. The Class B segment counter-acted that growth with 54,000 sf of negative absorption, and vacancy headed upwards to sit at 17.2% for the second quarter. The respective vacancy rate directions in Class A and Class B space are partially due to the now availability of the Grant Thornton space at Cogswell Tower following their move to Nova Centre in Q1. Finally, the Class C market improved this quarter, with vacancy declining to 19.3%. Overall vacancy in the CBD; however, remained unchanged at 19.6%.

Suburban Halifax vacancy climbed to 7.7% in the second quarter of 2018 from 7.3% last quarter. In the City of Lakes submarket there was a 50 basis point increase in vacancy in the second quarter of 2018 as additional space came on the market at 137 Venture Run and 237 Brownlow Avenue, while the vacancy rate at Bluefrog 130 decreased by 11.6 percentage points. While the Bedford market saw no movement in either its Class B and C segments, Class A vacancy decreased to 20.2% as 14,000 sf was leased at Westway Park (formerly Eon Square) II.

Outlook

Continued strong immigration to Nova Scotia and a performing manufacturing sector are two of the pillars which will help to propel the economy for the balance of 2018. Due to the strengthening demand once again for workers in Western Canada, a growing number of residents will leave the province. As more workers are set to retire in 2018 and beyond, Nova Scotia's labour force will feel the pressure.

MARKETBEAT

Halifax, Nova Scotia

Office Q2 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)*
Halifax-Central Business District	57	6,146,080	19,230	1,187,692	19.6%	-2,323	-125,059	105,000	\$29.55	\$34.87
Halifax-Suburban	31	2,515,542	1,177	192,065	7.7%	-8,459	-794	0	\$27.19	\$29.03
Dartmouth	42	2,796,112	6,760	383,187	13.9%	-14,069	51,217	0	\$25.25	\$27.63
Bedford	20	885,213	1,180	181,090	20.6%	14,124	14,048	0	\$25.59	\$26.29
Total Suburban Area	93	6,196,867	9,117	756,342	14.1%	-8,404	64,471	0	\$26.25	\$27.95
HALIFAX TOTALS	150	12,342,947	28,347	1,944,034	16.0%	-10,727	-60,588	105,000	\$27.91	\$31.16

*Rental rates reflect gross asking \$psf/year

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)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	59	5,400,976	27,167	876,951	16.7%	28,720	19,840	105,000	0	\$31.16
Class B	64	5,595,737	1,180	879,772	15.7%	-55,214	-140,473	0	0	\$25.71
Class C	29	1,346,234	0	187,311	13.9%	15,767	60,045	0	0	\$23.56

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
46 Portland Street	8,109	United Way	Lease	Dartmouth
238A Brownlow Ave	10,700	Economical Mutual Insurance Company	Renewal	Burnside

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Queen's Marque	105,000	Stewart McKelvey	2019	Halifax

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