

ST. JOHN'S OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
St. John's Employment	119K	111K	▼
St. John's Unemployment	8.4%	9.5%	▲
Canada Unemployment	6.2%	6.0%	■

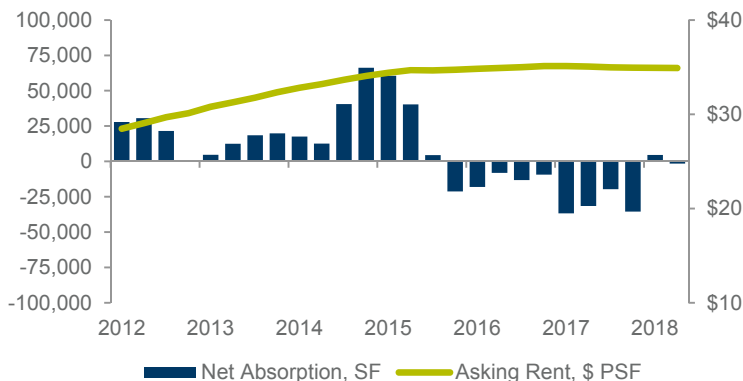
Market Indicators

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	18.9%	20.5%	■
Net Absorption (sf)	11,522	10,804	▼
Under Construction (sf)	90,000	120,000	▲
Average Asking Rent*	\$34.88	\$34.92	▼

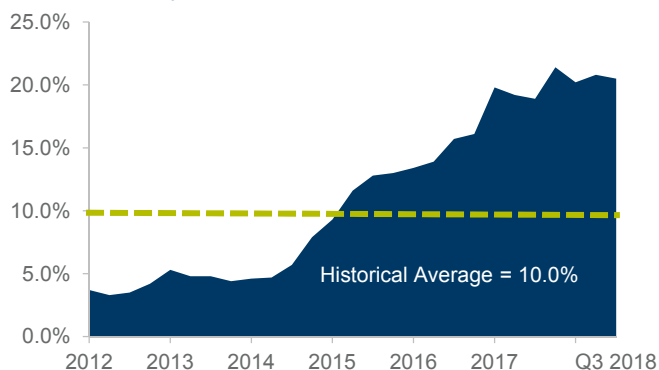
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Conference Board of Canada anticipates that economic growth for St. John's will be 1.9% in 2018, a slight decrease from the 2.1% growth rate in 2017. This decrease is less than anticipated - largely the result of the direct and indirect benefits of the offshore oil industry.

The local housing market continues to struggle and is contributing to a slowdown in the construction industry. In addition, continued provincial fiscal pressures are negatively affecting multiple service sectors; as a result local employment numbers are anticipated to decline for the second year.

(Source: Conference Board of Canada, City of St. John's)

Market Overview

The market rippled with some surprise when the landmark Fortis Building at 139 Water Street was sold. It had previously been acquired by SLATE Office REIT with their purchase of the Fortis Properties portfolio in 2015. The purchaser is a local developer and this property will be their second significant downtown asset, as they acquired 275 Duckworth Street about a year ago. This latest purchase includes several adjacent low rise office and retail properties.

Steele Hotels continued their property assembly that is adjacent to their JAG Hotel, with the purchase of 430- 434 Water Street for \$3,680,000. This 3 storey office building with parking is next to the former John Howard Society building, which Steele also purchased this year.

NOVA Physiotherapy outgrew their space at 84-86 Elizabeth Avenue and have relocated to a remodelled 4,000 square foot space at 570 Newfoundland Drive.

Outlook

These two sales transactions in the downtown core will likely drive some re-development and opportunities in the retail market.

MARKETBEAT

ST. JOHN'S, NL

Office Q3 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	41,432	413,599	27.3%	-12,402	24,422	0	\$41.40	\$45.35
Central	10	335,354	0	64,305	19.2%	5,293	3,116	0	\$25.70	n/a
North	25	797,870	20,123	91,908	14.0%	10,913	458	20,000	\$29.32	n/a
East & West	26	1,006,489	11,222	136,626	14.7%	7,000	1,412	100,000	\$30.05	\$37.40
ST. JOHN'S TOTALS	75	3,804,632	72,777	706,438	20.5%	10,804	29,408	120,000	\$ 34.92	\$ 43.02

*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	205,333	24.1%	-955	17,238	100,000	0	\$43.02
Class B	39	1,711,570	33,118	308,584	20.0%	-7,654	5,898	20,000	0	\$33.60
Class C	30	1,077,026	0	192,521	17.9%	19,413	6,272	0	0	\$26.20

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
n/a				

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
139 Water Street – Fortis Building	92,325	SOT NLNB Inc. / Pier 8 Properties Development Group	\$17,000,000 / \$184	Downtown
430-434 Water Street	22,250	2148502 Ontario Inc. / Steele Hotels Ltd.	\$3,680,000 / \$165	Downtown

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