

# MARKETBEAT OFFICE SNAPSHOT

## HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q1 2013



### ECONOMIC OVERVIEW

Calculations for 2012 are still in the final stages but it is forecasted that Real GDP will rest at 1.1% for the province. While economic growth in 2012 unfolded weaker than expected for Nova Scotia, the outlook for 2013 is looking more positive with projected growth of 1.9% in Real GDP. Due to many delays, mainly at Deep Panuke and Sable Island, Natural Gas did not create the boost in revenue that was expected in 2012; however, recommencement of these projects in 2013 should have a significant positive impact to the provincial economy. Further improvement in provincial exports this year is another sure sign of positive growth within Nova Scotia. The forestry and energy sectors are expected to fare better in 2013 compared to 2012. Coupled with the provinces main exports to the U.S. (rubber tires) and China (fish and crustacean), this should help boost export sales in 2013. Employment is forecasted to drop to 0.3% (a 0.3% decrease from 2012), and the unemployment rate is forecasted to remain the same as last year at 9.0%. Expect to see growth in retail sales for 2013 to 3.4%, a 2.4% jump from 2012.

### OFFICE OVERVIEW

The Halifax market began 2013 with an overall office vacancy rate of 9.6%, a slight 0.4 percentage point drop from Q4 2012. The highest overall vacancy rate continues to belong to the Bedford area, resting at 23.2% - a 1.2 percentage point increase from last quarter. The Central Business District now has the second highest overall vacancy rate in the city with 11.4% this quarter, while Suburban Halifax and Dartmouth take third and fourth place, with vacancy rates of 7.1% and 7.0% respectively. The slight fluctuations in vacancy rates within each market show that tenants are continuing to favor the lower overall occupancy costs within the more suburban markets, as opposed to the available inventory within Central Business District. The average gross rental rate for the total market rests at \$27.06 per square foot (psf), a very minor \$0.27 decrease from Q4 2012. The market is still in need of a supply or alternatively high demand in order to generate material changes. With no change in existing inventory and new supply slated for the coming months, vacancy rates will increase, assuming there is no change to absorption rates.

### OUTLOOK

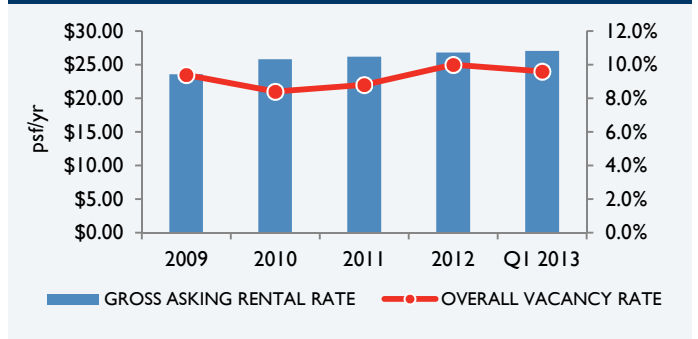
As mentioned above, the recommencement of the Deep Panuke project in mid-2013 is expected to create substantial year-over-year natural gas production gains for the first time since 2008, according to RBC Economics. The Irving Shipbuilding Contract will only contribute

modestly to the economy throughout 2013, the result of a slow start to begin 2013. Forecasters are predicting that any substantial impact from this project may not be seen until 2015 and beyond; however, it still remains a positive outlook for future economic growth.

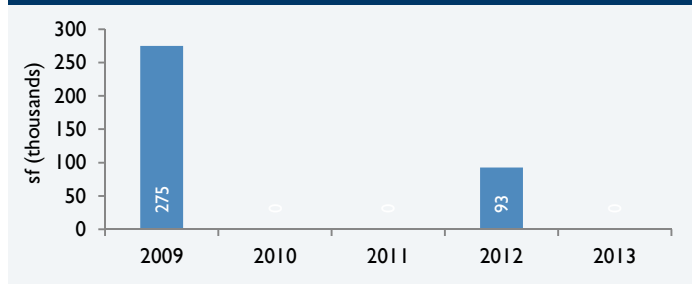
### STATS ON THE GO

|                                  | Q1 2012   | Q1 2013 | Y-O-Y CHANGE | 12-MONTH FORECAST |
|----------------------------------|-----------|---------|--------------|-------------------|
| Overall Vacancy                  | 10.9%     | 9.6%    | 1.3 pp       | ▼                 |
| Direct Net Asking Rents (psf/yr) | \$14.36   | \$14.57 | 1.5%         | ▲                 |
| YTD Absorption (sf)              | (187,582) | 25,142  | (162,440)    | ▼                 |

### RENTAL VS. VACANCY RATES



### NEW SUPPLY



## NOVA SCOTIA

| SUBMARKET               | INVENTORY         | OVERALL VACANCY RATE | DIRECT VACANCY RATE | UNDER CONSTRUCTION | YTD CONSTRUCTION COMPLETIONS | OVERALL ABSORPTION CURRENT QUARTER | YTD OVERALL ABSORPTION | OVERALL WTD. AVG NET ASKING RENTAL RATE* | OVERALL WTD. AVG. GROSS RENTAL RATE* |
|-------------------------|-------------------|----------------------|---------------------|--------------------|------------------------------|------------------------------------|------------------------|--|--------------------------------------|
| Class A                 | 1,427,977         | 13.7%                | 9.4%                | 600,000            | 0                            | 9,324                              | 9,324                  | \$17.72                                  | \$33.35                              |
| Class B                 | 2,857,191         | 9.3%                 | 8.1%                | 0                  | 0                            | 10,013                             | 10,013                 | \$13.37                                  | \$26.82                              |
| Class C                 | 349,578           | 12.2%                | 11.1%               | 0                  | 0                            | 4,814                              | 4,814                  | \$14.60                                  | \$24.17                              |
| <b>CBD</b>              | <b>4,634,746</b>  | <b>10.9%</b>         | <b>8.7%</b>         | <b>600,000</b>     | <b>0</b>                     | <b>24,151</b>                      | <b>24,151</b>          | <b>\$14.83</b>                           | <b>\$28.74</b>                       |
| Class A                 | 1,158,130         | 7.9%                 | 7.7%                | 0                  | 0                            | (6,886)                            | (6,886)                | \$16.08                                  | \$27.58                              |
| Class B                 | 1,445,558         | 6.6%                 | 6.6%                | 0                  | 0                            | 15,004                             | 15,004                 | \$14.47                                  | \$25.65                              |
| Class C                 | 548,856           | 6.9%                 | 6.9%                | 0                  | 0                            | 9,159                              | 9,159                  | \$14.11                                  | \$25.22                              |
| <b>SUBURBAN HALIFAX</b> | <b>3,152,544</b>  | <b>7.1%</b>          | <b>7.0%</b>         | <b>0</b>           | <b>0</b>                     | <b>17,277</b>                      | <b>17,277</b>          | <b>\$14.94</b>                           | <b>\$26.20</b>                       |
| Class A                 | 1,303,908         | 6.3%                 | 5.9%                | 0                  | 0                            | (23,900)                           | (23,900)               | \$15.07                                  | \$26.22                              |
| Class B                 | 776,622           | 6.2%                 | 6.2%                | 0                  | 0                            | 14,545                             | 14,545                 | \$11.46                                  | \$26.08                              |
| Class C                 | 227,489           | 15.8%                | 15.8%               | 0                  | 0                            | 37                                 | 37                     | \$10.55                                  | \$18.14                              |
| <b>DARTMOUTH</b>        | <b>2,308,019</b>  | <b>7.2%</b>          | <b>7.0%</b>         | <b>0</b>           | <b>0</b>                     | <b>(9,318)</b>                     | <b>(9,318)</b>         | <b>\$13.68</b>                           | <b>\$25.28</b>                       |
| Class A                 | 105,580           | 27.9%                | 27.9%               | 0                  | 0                            | (4,680)                            | (4,680)                | \$16.97                                  | \$29.49                              |
| Class B                 | 359,614           | 27.5%                | 27.5%               | 0                  | 0                            | (2,288)                            | (2,288)                | \$14.20                                  | \$25.37                              |
| Class C                 | 117,071           | 5.6%                 | 5.6%                | 0                  | 0                            | 0                                  | 0                      | \$9.97                                   | \$17.61                              |
| <b>BEDFORD</b>          | <b>582,265</b>    | <b>23.2%</b>         | <b>23.2%</b>        | <b>0</b>           | <b>0</b>                     | <b>(6,968)</b>                     | <b>(6,968)</b>         | <b>\$13.85</b>                           | <b>\$24.56</b>                       |
| <b>TOTALS</b>           | <b>10,677,574</b> | <b>9.6%</b>          | <b>8.6%</b>         | <b>600,000</b>     | <b>0</b>                     | <b>25,142</b>                      | <b>25,142</b>          | <b>\$14.57</b>                           | <b>\$27.06</b>                       |

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

|   |                  |                                    |                        |                             |
|---|------------------|------------------------------------|------------------------|-----------------------------|
| <b>Significant Q1 2013 Lease Transactions</b>       | <b>SUBMARKET</b> | <b>TENANT/BUYER</b>                | <b>BUILDING CLASS</b>  | <b>SQUARE FEET</b>          |
| 26 Union Street                                     | Halifax          | Newpace Tech Development Inc.      | -                      | 6,407                       |
| 3260 Barrington Street 14-17                        | Halifax          | Atlantic Free Daily Newspaper Inc. | -                      | 4,160                       |
| 6100 Young Street                                   | Halifax          | TPB Feature ILL Productions        | -                      | 4,000                       |
| 3545 Joseph Howe Drive                              | Halifax          | Southport Asset Management         | -                      | 1,500                       |
| <b>Significant Q1 2013 Sale Transactions</b>        | <b>SUBMARKET</b> | <b>BUYER</b>                       | <b>PURCHASE PRICE</b>  | <b>SQUARE FEET</b>          |
| N/A   |                  |                                    |                        |                             |
| <b>Significant Q1 2013 Construction Completions</b> | <b>SUBMARKET</b> | <b>MAJOR TENANT</b>                | <b>COMPLETION DATE</b> | <b>BUILDING SQUARE FEET</b> |
| N/A   |                  |                                    |                        |                             |
| <b>Significant Projects Under Construction</b>      | <b>SUBMARKET</b> | <b>MAJOR TENANT</b>                | <b>COMPLETION DATE</b> | <b>BUILDING SQUARE FEET</b> |
| Nova Centre   | Halifax          | Trade Centre                       | TBD                    | 500,000                     |
| Waterside Centre                                    | Halifax          | Royal Bank                         | TBD                    | 100,000                     |