

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q1 2014



ECONOMIC OVERVIEW

Economic growth is expected to accelerate moderately for Nova Scotia with 2.0% GDP growth forecasted for 2014, according to RBC Economics. Service industries are forecasted to grow 1.5% in 2014 and retail sales are expected to grow by 3.1% this year. The commencement of full production at Deep Panuke, countering waning output at Sable, is setting the stage for the province's moderate gains, combined with renewed strength in manufacturing exports. Strength in auto sales in the US is expected to support the province's largest export – rubber tires – however, an anticipated reduction in production capacity by the province's largest manufacturer may dampen potential gains for the province. Job growth is expected to be slow at 0.3%-0.4% following a decrease in employment last year. The slight recovery in the job market is expected to aid in restoring consumer confidence, providing a lift in overall consumer spending.

OFFICE OVERVIEW

The Nova Scotia office market continues to soften with a 12.3% overall vacancy rate at the end of Q1 2014; this is a further increase from the previous quarter's rate of 11.9%, and a 2.7-percentage point increase year-over-year. The Bedford market proved to be the exception with a decrease to 23.9% from 29.7% vacancy. Further improvements are expected in the Bedford market with Sunnyside Mall signing major office tenant TeamSpace to the former Goodlife Fitness space. The Central Business District vacancy rate jumped to 9.9% from 9.1%, a shift slightly mitigated by The Roy Building coming offline for redevelopment. Further vacancy is expected in the downtown core as more space comes online with the TD Centre and the Barrington E-Space. Some notable moves in the downtown core this quarter included Fraser & Hoyt relocating from the Maritime Centre, and downsizing activity by multiple tenants at 1801 Hollis Street. Further shifts are expected this year with The NS Department of Energy relocating to the Joseph Howe Building, and Clarkson Gordon leaving Purdy's Wharf in December. Halifax Suburban vacancy increased to 10.5% from 9.8% with Dalhousie Atlantic Health Promotion Research leaving about 9,000 square feet at City Centre Atlantic. Overall gross rents decreased slightly in Nova Scotia and are averaging \$26.97 per square foot (psf). A drop in the first quarter is not typical of the office market, as landlords typically revise and raise their costs to reflect increases in utilities and inflation; however a soft office market in Nova Scotia is making for a very competitive leasing landscape.

OUTLOOK

In its Winter Provincial Outlook, The Conference Board of Canada forecasted that Nova Scotia will have the second strongest economy in Canada for both 2014 and 2015. Continued momentum is expected from capital projects, including the refurbishment of the Halifax Shipyard for Irving Shipbuilding, and the recent authorization of funds for the construction of Arctic Offshore Patrol Ships; allowing for the design phase of the \$288-million contract to progress. Offshore exploration activity is continuing with BP and Shell both completing seismic imaging and potentially beginning to drill by 2015. Provincial government restraint will likely create a drag on growth as the Liberal Government starts to deal with a large budget deficit.

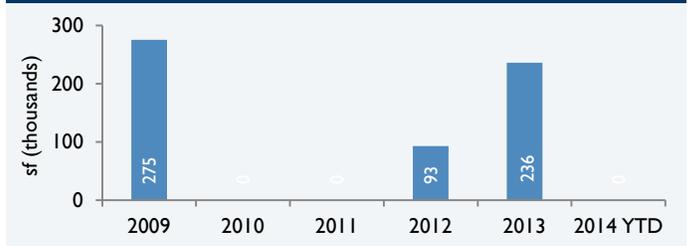
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12-MONTH FORE-CAST
Overall Vacancy	9.6%	12.3%	2.7 pp	▲
Direct Net Asking Rents (psf/yr)	\$14.57	\$14.64	0.4 pp	▲
YTD Absorption (sf)	25,142	(53,851)	(78,993)	▲

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	11.8%	9.7%	345,000	0	(6,502)	(6,502)	\$17.72	\$33.95
Class B	2,816,781	8.7%	6.1%	0	0	(41,093)	(41,093)	\$13.50	\$26.62
Class C	269,499	12.4%	11.0%	0	0	1,527	1,527	\$14.92	\$24.66
CENTRAL, HALIFAX	4,514,257	9.9%	7.5%	345,000	0	(46,068)	(46,068)	\$14.92	\$28.82
Class A	1,240,130	9.0%	9.0%	0	0	21,259	21,259	\$16.09	\$28.36
Class B	1,447,079	12.6%	11.9%	0	0	(49,819)	(49,819)	\$14.33	\$25.94
Class C	548,856	8.0%	7.6%	0	0	11,022	11,022	\$11.86	\$23.33
SUBURBAN, HALIFAX	3,236,065	10.5%	10.0%	0	0	(17,538)	(17,538)	\$14.59	\$26.42
Class A	1,290,934	13.6%	11.7%	25,000	0	5,826	5,826	\$16.03	\$27.44
Class B	984,198	15.7%	15.6%	0	0	(29,918)	(29,918)	\$13.06	\$23.14
Class C	227,489	35.3%	34.1%	0	0	0	0	\$10.25	\$17.69
DARTMOUTH	2,502,621	16.4%	15.3%	25,000	0	(24,092)	(24,092)	\$14.34	\$24.87
Class A	105,580	26.0%	26.0%	21,948	0	3,114	3,114	\$16.97	\$29.49
Class B	359,614	22.8%	21.9%	0	0	32,233	32,233	\$14.15	\$25.31
Class C	117,071	25.2%	25.2%	0	0	(1,500)	(1,500)	\$11.00	\$18.57
BEDFORD	582,265	23.9%	23.3%	21,948	0	33,847	33,847	\$14.03	\$24.71
TOTALS	10,835,208	12.3%	10.9%	391,948	0	(53,851)	(53,851)	\$14.64	\$26.97

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2014 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
26 Union Street	Bedford	26 Ones		2,361
11 Morris	Burnside	ZED IT Solutions		2,686
349 Herring Cove Road	Suburban Halifax	Her Majesty the Queen		1,200
Significant Q1 2014 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5531 Cunard Street	Halifax Suburban	Confidential		
100 Osprey Drive	Shad Bay	Confidential		
Significant Q1 2014 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Nova	Halifax	Trade Centre	2016	100,000
Waterside Centre	Halifax	Royal Bank	TBD	100,000
TD Centre	Halifax	TD Bank Group	2014	100,000
68 Highfield Park Drive	Dartmouth	TBA	Q2 2014	25,000
Barrington E-Space	Halifax	TBA	Q2 2014	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q3 2014	21,948
Bank of Canada Building	Halifax	TBA	2016	20,000