

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q2 2013



ECONOMIC OVERVIEW

Real GDP growth is projected at 1.7% in Nova Scotia for 2013, a 0.2 percentage point drop from the forecasted rate reported in Q1 2013. Overall, economic growth moved at a sluggish pace over the first half of 2013, with provincial industry output growth estimates essentially flat at 0.2% - the slowest pace since 2009, (RBC Economics). As discussed in Q1 2013, this weakness can mainly be attributed to various Natural Gas project delays, a decline in forestry export output, and weak domestic performance. The positive news is that this lull is expected to be temporary and the economy should gain some momentum during the second half of 2013, mainly due to the startup at Deep Panuke later this year. The weak domestic economic progress experienced last year has continued into 2013. Increases in self-employment and public sector employment are masking the declines seen so far in private sector employment. The end result is that the unemployment rate is expected to remain relatively steady at 9.1%. RBC Economics also reports that retail sales have struggled to regain positive ground following continued year-over-year declines in motor vehicle sales..

OFFICE OVERVIEW

The Nova Scotia office market posted a 9.1% overall vacancy rate in Q2 2013, a slight drop from the 9.6% rate posted in Q1 2013, and is a 0.6 percentage point decrease year-over-year. Adjustments seen within each submarket were relatively minor this quarter. The Bedford market continues to hold the highest overall vacancy rate at 24.7% (a 1.5 percentage point increase from last quarter) with the Halifax Suburban market holding the lowest overall vacancy rate of 6.4% (a 0.7% decrease from last quarter). The overall vacancy rates within the Central Business District (CBD) and the Dartmouth market rest extremely close to one another at 9.0% and 9.1% respectively. Compared to last quarter, that is a 1.9 percentage point decrease for the CBD and a 2.5 percentage point increase for the Dartmouth area. The overall average gross rental rate did not change significantly in the second quarter with a \$27.03 per square foot (psf) average for the province; a \$0.03 decrease from last quarter. In the second half of 2013 there will be new building completions. It is anticipated that vacancy will rise as overall demand strength is not strong enough to absorb this new vacancy.

OUTLOOK

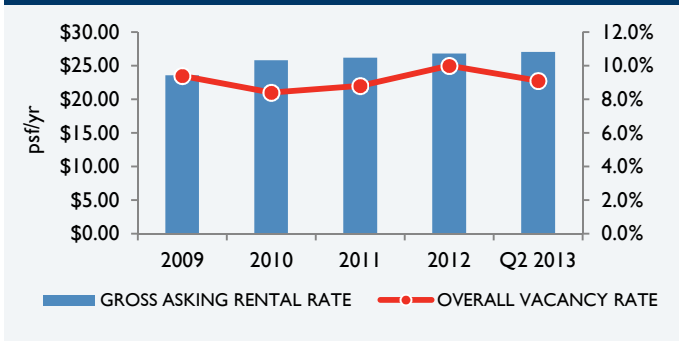
It has been discussed that the startup of Deep Panuke will significantly impact Nova Scotia's economic activity in the latter half of 2013. Economic activity in 2014 is also looking to gain headwinds from the

energy sector with Shell's offshore exploration bid, as well as British Petroleum preparing for its own seismic testing early next year (RBC Economics). Other positive economic indicators for the second half of 2013 into 2014 include the possibility that the Maritime Transmission Link will proceed as well as indications of advances in the shipbuilding contract. Nova Scotia is expected to see a HST reduction in 2014 and 2015 by 1.0 percentage point each year. According to APEC this will provide tax savings of \$195 million for each 1.0 percentage point reduction.

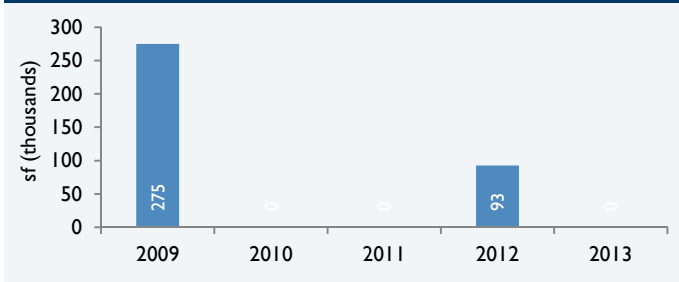
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12-MONTH FORECAST
Overall Vacancy	9.7%	9.1%	0.6 pp	▼
Direct Net Asking Rents (psf/yr)	\$14.54	\$14.56	\$0.02	▲
YTD Absorption (sf)	(62,727)	76,823	139,550	▲

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	13.2%	9.0%	600,000	0	7,046	16,370	\$17.72	\$33.52
Class B	2,857,191	6.7%	5.7%	0	0	73,874	83,887	\$13.37	\$26.79
Class C	349,578	10.9%	9.8%	0	0	4,563	9,377	\$14.68	\$24.26
CBD	4,634,746	9.0%	7.0%	600,000	0	85,483	109,981	\$14.83	\$28.79
Class A	1,158,130	7.1%	6.9%	0	0	8,470	1,584	\$16.08	\$27.58
Class B	1,445,558	6.3%	6.3%	0	0	3,924	18,928	\$14.47	\$25.64
Class C	548,856	5.3%	5.3%	0	0	8,541	17,700	\$13.83	\$24.67
SUBURBAN HALIFAX	3,152,544	6.4%	6.4%	0	0	20,935	38,212	\$14.88	\$26.10
Class A	1,127,052	6.1%	5.6%	0	0	(14,253)	(38,153)	\$15.50	\$26.94
Class B	972,698	11.8%	11.6%	0	0	(39,391)	(24,846)	\$11.74	\$24.76
Class C	227,489	12.4%	12.4%	0	0	7,599	7,636	\$10.55	\$17.96
DARTMOUTH	2,327,239	9.1%	8.8%	0	0	(46,045)	(55,363)	\$13.68	\$25.21
Class A	105,580	27.4%	27.4%	0	0	500	(4,180)	\$16.97	\$29.49
Class B	359,614	28.3%	26.2%	0	0	(2,917)	(5,205)	\$14.20	\$25.37
Class C	117,071	11.0%	11.0%	0	0	(6,275)	(6,275)	\$9.97	\$17.61
BEDFORD	582,265	24.7%	23.3%	0	0	(8,692)	(15,660)	\$13.85	\$24.56
TOTALS	10,696,794	9.1%	8.1%	600,000	0	51,681	76,823	\$14.56	\$27.03

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2013 Lease Transactions	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
75 Akerley Drive, Unit 10	Dartmouth	Reptile Zoo		6,296
5475 Spring Garden Road, Unit 401	Halifax CBD	Paladin Security	A	3,354
5280 St. Margaret's Bay Road	Halifax Suburban	RBC		2,789
2050 Gottingen Street	Halifax CBD	Norex.ca Limited		2,672
3845 Joseph Howe Drive	Halifax Suburban	Silver Crescent Academy		2,450
Significant Q2 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
Significant Q2 2013 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 Centre	Halifax	Trade Centre	2016	500,000
Waterside Centre	Halifax	Royal Bank	TBD	100,000