

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q3 2013



ECONOMIC OVERVIEW

A modest recovery is still expected in Nova Scotia's projected real GDP growth despite a slight downward adjustment to 1.2% from Q2's projection of 1.7%. This adjustment is due in part to further delays in the Deep Panuke offshore natural gas facility, which is now expected to contribute to growth in 2014, as well as a slow start up in domestic activity this year. Year-to-date employment rates dropped in August, bringing down any previous indications of improvement in the province's labour markets this year (RBC). Key challenges in the labour market include availability of skilled labour; the result of out-migration to the western provinces, along with productivity performance (BMO Capital Markets).

OFFICE OVERVIEW

For Q3 2013, the Nova Scotia office market posted a 9.7% overall vacancy rate; a slight increase from the previous quarter's rate of 9.1%, but a 0.6 percentage point improvement year-over-year. The completion of Ravines II in the Halifax Suburban market introduced an additional 48,000 square feet (sf) of office inventory this quarter. The Bedford market remains stagnant, posting the highest overall vacancy rate at 24.8%, with the Central Business District holding the lowest overall vacancy rate of 8.2%. Overall, vacancy rates within the Halifax Suburban and Dartmouth markets posted similar rates of 9.2% and 9.4% respectively. Halifax Suburban experienced a 2.7 percentage point increase over Q2 with the introduction of Ravines II, and Dartmouth vacancy increased slightly by 0.3 percentage points. The overall weighted average gross rental rate in Nova Scotia did not change significantly with only a \$.03 increase, bringing it to \$27.06 per square foot (psf). Vacancy rates are expected to rise in Q4 with the introduction of new office space at Saint Lawrence Place, Dartmouth Crossing, and 134 Eileen Stubbs Avenue.

OUTLOOK

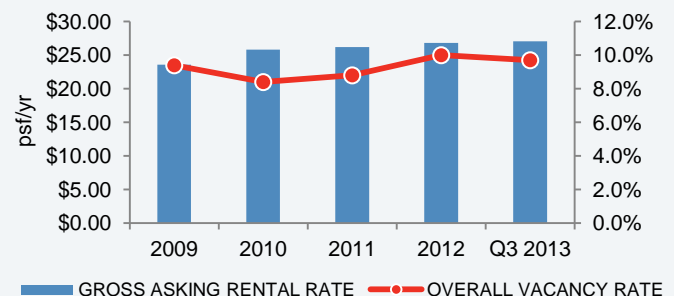
Going forward, Nova Scotia's economy is expected to improve due to large scale capital projects including Deep Panuke, Maritime Link, Irving Shipbuilding and the Donkin Coal mine, as well as the increase in offshore exploratory work by British Petroleum and Shell (TD). Paper product exports are improving in performance in Nova Scotia as well (RBC). Self-employment remains relatively robust, but has been overshadowed by a decline in private sector employment opportunities and employment rates are not expected to significantly improve through the remainder of 2013. In contrast to the falling

employment rates, there are moderate signs of improvement in retail sales, with more significant boosts expected in 2014, as the province maintained its commitment to return to fiscal balance by reporting a slight surplus in the current fiscal year (RBC). The anticipated surplus is expected to allow the government to lower the harmonized sales tax by one percentage point in 2014 and by a further percentage point in 2015 (BMO Capital Markets).

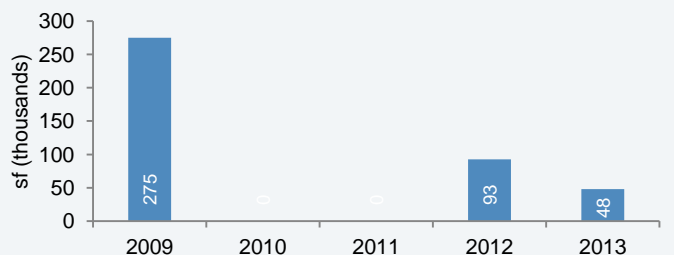
STATS ON THE GO

	Q3 2012	Q3 2013	Y-0-Y CHANGE	12-MONTH FORECAST
Overall Vacancy	10.3%	9.7%	0.6 pp	▼
Direct Net Asking Rents (psf/yr)	\$14.61	\$14.58	0.2%	▼
YTD Absorption (sf)	(97,929)	7,294	105,223	▲

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	11.4%	9.1%	300,000	0	25,642	42,012	\$17.72	\$33.52
Class B	2,857,191	5.8%	4.7%	0	0	25,465	109,352	\$13.37	\$26.79
Class C	349,578	14.9%	13.8%	0	0	(13,988)	(4,611)	\$14.68	\$24.21
CBD	4,634,746	8.2%	6.8%	300,000	0	37,119	146,753	\$14.83	\$28.78
Class A	1,206,130	11.7%	11.1%	34,000	0	(10,783)	(9,199)	\$16.17	\$27.72
Class B	1,445,558	7.1%	6.8%	0	0	(11,193)	7,735	\$14.52	\$25.71
Class C	548,856	9.1%	8.1%	0	0	(20,537)	(2,837)	\$13.83	\$24.67
SUBURBAN HALIFAX	3,200,544	9.2%	8.7%	34,000	0	(42,513)	(4,301)	\$14.96	\$26.21
Class A	1,137,052	6.1%	5.6%	175,500	48,000	9,609	(28,544)	\$15.51	\$26.96
Class B	984,198	12.3%	11.9%	0	0	5,690	(19,156)	\$11.74	\$24.76
Class C	227,489	13.2%	13.2%	0	0	(1,829)	5,807	\$10.55	\$17.96
DARTMOUTH	2,348,739	9.4%	9.0%	175,500	48,000	13,470	(41,893)	\$13.70	\$25.23
Class A	105,580	20.5%	20.5%	0	0	7,300	3,120	\$16.97	\$29.49
Class B	359,614	32.1%	32.1%	0	0	(13,422)	(18,627)	\$14.20	\$25.37
Class C	117,071	6.4%	6.4%	0	0	5,340	(935)	\$9.97	\$17.61
BEDFORD	582,265	24.8%	24.8%	0	0	(782)	(16,442)	\$13.85	\$24.56
TOTALS	10,766,294	9.7%	8.8%	509,500	48,000	7,294	84,117	\$14.58	\$27.06

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
7071 Bayers Road	Halifax Suburban	Royal LePage Atlantic	B	14,023
I Oland Court	Halifax Suburban	Chubb Securities	B	8,356
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
Significant Q3 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Ravines II	Halifax Suburban	TBA	Q3 2013	48,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Nova Centre	Halifax	Trade Centre	2016	100,000
Waterside Centre	Halifax	Royal Bank	TBD	100,000
TD Centre	Halifax	TD Bank Group	2014	100,000
134 Eileen Stubbs Avenue	Dartmouth	TBA	Q4 2013	90,000
Dartmouth Crossing	Dartmouth	TBA	Q4 2013	60,500
Saint Lawrence Place	Halifax Suburban	TBA	Q4 2013	34,000
68 Highfield Park Drive	Dartmouth	TBA	Q2 2014	25,000