

# MARKETBEAT OFFICE SNAPSHOT

## HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Atlantic Research Publication



Q3 2014



### ECONOMIC OVERVIEW

Exports remain strong in the province primarily boosted by energy exports (natural gas), and rising nominal merchandise exports fueled by stronger U.S demand and a weaker loonie (BMO). RBC Economics is still forecasting real GDP growth at around 2.2%. Natural gas exports surged early in the year, but output was notably low month-over-month in August, down 22% at Deep Panuke and 36% for Sable Offshore. In addition to the decrease in production, Sable began a four-week shut down in August for maintenance and inspections according to the Canada-Nova Scotia Offshore Petroleum Board. Despite the rise in exports, domestic indicators remain weak in the province with unemployment at 5.8% (BMO). Other challenges include a weak housing market, demographic challenges resulting from outmigration and an aging population, and ongoing fiscal restraint. Employment is expected to rise in 2015 thanks to increased capital project hiring in manufacturing, construction and professional services, which should boost consumer confidence, and build momentum in retail spending and the real estate market (RBC).

### OFFICE OVERVIEW

The province's office market posted a 12.8% overall vacancy rate for Q3 2014, a 0.5-percentage point increase over last quarter and a 3.1-percentage point increase year-over-year. For Central Halifax, the vacancy rate at the end of the quarter was 11.4%, a significant increase over last quarter's 10.5%; this is mainly attributed to additional completed inventory at TD Centre coming available. Notable moves downtown included RBC's move into Armour Group's new RBC Waterside Centre from their location at 5161 George Street.

The Halifax Suburban submarket continues to have the lowest vacancy rates among the non-CBD market, at 8.8% for Q3, with a new professional services tenant moving into Cornwallis House in the non-CBD Downtown. Dartmouth and Bedford's vacancy remained relatively unchanged at 16.5% and 29.0%, respectively. The office market in Nova Scotia remains extremely competitive with many new projects coming online at once, boosted by a more recent trend to move head offices out of the more expensive downtown core. BCE's takeover of Bell Aliant is expected to lead to a reduction in the office footprint of the company, which poses a significant challenge for Maritime Centre (now listed for sale by Fortis). New tenants entering the market, such as the recently announced Tory's LLP are interested in LEED certified new supply, and are taking advantage of

the competitive pricing offered, further posing a risk to existing Class A office product.

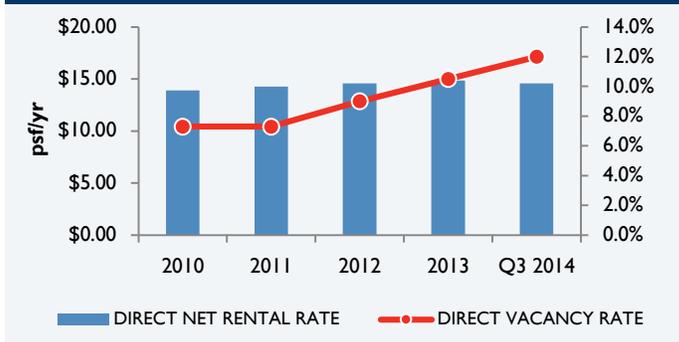
### OUTLOOK

Projects related to manufacturing continue to lead investment in the province, including construction activity at the Halifax Shipyard, Nova Centre, the Maritime Link project, Kings Wharf, and many other multi-family projects in Halifax. Potential future investment includes a further \$2 billion by Shell & BP on exploration, the \$8.3-billion Pieridae LNG export facility, and the H-Energy LNG export project (APEC). Fiscal restraint remains a major issue on both the federal and provincial levels with the Province continuing to battle a near \$300-million deficit (BMO).

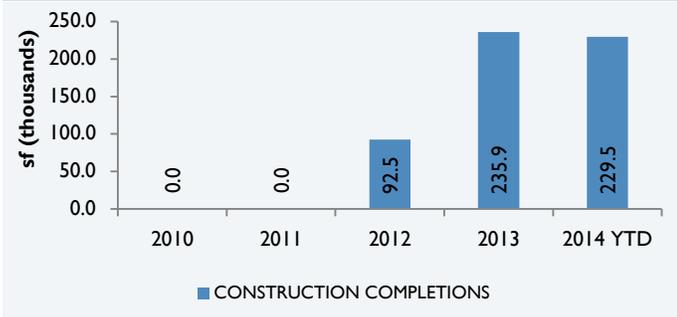
### STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.7%	12.8%	3.1 pp	▲
Direct Asking Rents (psf/yr)	\$14.58	\$14.58	0%	◄►
YTD Absorption (sf)	84,117	92,790	8,673 sf	▲

### DIRECT RENTAL VS. VACANCY RATES



## CONSTRUCTION COMPLETIONS



## 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	1,727,977	15.0%	14.7%	375,000	197,527	22,846	108,941	\$18.49	\$34.22
Class B	2,714,308	9.3%	7.3%	0	0	(63,519)	(59,409)	\$12.99	\$26.18
Class C	275,814	10.0%	8.6%	0	0	442	11,672	\$14.92	\$24.66
<b>CENTRAL HALIFAX</b>	<b>4,718,099</b>	<b>11.4%</b>	<b>10.1%</b>	<b>375,000</b>	<b>197,527</b>	<b>(40,231)</b>	<b>61,204</b>	<b>\$15.05</b>	<b>\$28.93</b>
Class A	1,240,130	8.7%	8.7%	60,000	34,000	(1,149)	24,982	\$15.96	\$28.24
Class B	1,504,487	7.8%	7.7%	0	0	155	17,182	\$14.16	\$25.99
Class C	548,856	12.2%	11.1%	0	0	(5,646)	(11,908)	\$12.39	\$23.77
<b>SUBURBAN HALIFAX</b>	<b>3,293,473</b>	<b>8.8%</b>	<b>8.7%</b>	<b>60,000</b>	<b>34,000</b>	<b>(6,640)</b>	<b>30,256</b>	<b>\$14.54</b>	<b>\$26.47</b>
Class A	1,322,934	12.4%	11.9%	25,000	32,000	3,729	49,656	\$15.90	\$27.29
Class B	998,628	17.1%	16.2%	0	0	(2,166)	(46,100)	\$12.32	\$22.61
Class C	227,489	37.9%	37.9%	0	0	(2,874)	(5,994)	\$10.53	\$18.17
<b>DARTMOUTH</b>	<b>2,549,051</b>	<b>16.5%</b>	<b>15.9%</b>	<b>25,000</b>	<b>32,000</b>	<b>(1,311)</b>	<b>(2,438)</b>	<b>\$14.02</b>	<b>\$24.64</b>
Class A	106,580	38.9%	38.9%	21,948	0	0	(10,886)	\$14.98	\$27.50
Class B	359,614	27.8%	27.3%	0	0	2,040	14,254	\$13.89	\$25.05
Class C	117,071	23.6%	23.6%	0	0	1,900	400	\$11.00	\$18.57
<b>BEDFORD</b>	<b>583,265</b>	<b>29.0%</b>	<b>28.7%</b>	<b>21,948</b>	<b>0</b>	<b>3,940</b>	<b>3,768</b>	<b>\$13.51</b>	<b>\$24.20</b>
<b>TOTALS</b>	<b>11,143,888</b>	<b>12.8%</b>	<b>12.0%</b>	<b>481,948</b>	<b>263,527</b>	<b>(44,242)</b>	<b>92,790</b>	<b>\$14.58</b>	<b>\$26.96</b>

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
99 Wyse Road	Dartmouth	J Ray McDermott Canada Ltd.	A	10,521
3473 Joseph Howe Drive (St. Lawrence Place)	Suburban Halifax	Citadel Oral & Maxillofacial Surgery	A	7,062
219 Waverley Road (Mic Mac Place)	Dartmouth	Harbourside Engineering Consultants	A	6,760
219 Waverley Road (Mic Mac Place)	Dartmouth	Casey Rodgers Chisholm Penny	A	3,540
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1669 Barrington Street (Buckley's Building)	Halifax Downtown	Contact The Gerard Team for Details	Confidential	3,500
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Nova Centre	Halifax	Trade Centre	2016	350,000
Granite View at Bayers Lake, 90 Lovett Lake Court	Suburban Halifax	TBA	Q4 2014	60,000
68 Highfield Park Drive	Dartmouth	TBA	Q4 2014	25,000
Barrington E-Space	Halifax	TBA	Q4 2014	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q4 2014	21,948
Station 12 (Windmill & Victoria)	Dartmouth	TBA	Q4 2014	20,000
Bank of Canada Building	Halifax	TBA	2016	20,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS