

MARKETBEAT OFFICE SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Atlantic Research Publication



Q4 2014



ECONOMIC OVERVIEW

Nova Scotia is expected to be the only Maritime province amongst the top performing economies in Canada, over the next two years (BMO). Economic growth in the province in 2014 was primarily driven by an increase in production and prices for natural gas, coupled by an increase in U.S. demand for non-energy exports (RBC). RBC Economics' GDP forecast remains at 2.2% for 2014. The recent fall in oil prices, seen over recent weeks, presents a downside risk to the inflation rate in 2015, but an upside to real disposable incomes. However, because of the net savings deficit in Nova Scotia, a break in energy costs may not lead to bolstered consumer spending. The capacity for the province to respond to major capital expenditures will depend on the demographic drain, but influenced by the extent of work performed by local firms and the capacity of the current labour force to absorb the required skilled workers (NS Department of Finance). Recently labour market conditions have improved as the pace of out-migration has eased, this may continue into 2015 as lower oil prices dampens the demand for labour in Alberta (BMO).

BELL ALIANT IS MOVING TO BEDFORD

The office market vacancy rate posted a slight decrease from 12.8% to 12.6% over the fourth quarter of 2014, a 0.7-percentage point increase year-over-year. Central Halifax posted a vacancy rate of 11.9%, a 0.5-percentage point increase over last quarter. This upward trend is expected to continue as Bell Aliant prepares to relocate to the Armour Group's EON Business Campus in Bedford, while another 700,000 square feet (sf) of office space is currently under construction in the Halifax Regional Municipality (HRM). Notable moves downtown included the Provincial Government leasing 14,000 sf at the Royal Centre on George Street, the Department of Finance relocating from the CIBC Building to 1723 Hollis Street, and the Department of Labour leaving Duke Tower for Terminal Road. The Halifax Suburban market once again posted the lowest vacancy rate across the city, at 7.7%, a notable drop from the Q3 rate of 8.8%. Dartmouth's vacancy remained relatively unchanged, even after three additions to the survey; these are Dora Construction's 60 Dorey Ave, Cominar's 32 Akerley Blvd, and Compass Realty's newly completed Station 12 at the corner of Windmill and Victoria Road. Bedford's vacancy remained stagnant at 29.1%.

UNPRECEDENTED PROJECTS UNDER CONSTRUCTION

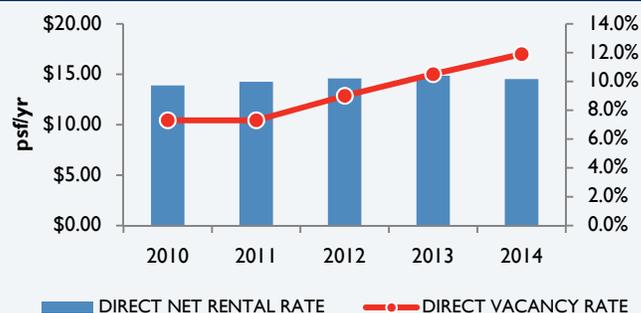
Nova Scotia's economic outlook will likely be determined by stronger U.S. demand, and the timelines and scope associated with major projects commencing this year. Some of the more significant include the Irving Shipbuilding Contract, Maritime Link project, several wind

energy developments, the completion of the MacDonald Bridge re-decking, the \$500-million Nova Centre and \$2 billion of investment in offshore oil exploration. There are also an unprecedented number of multi-use developments currently underway in HRM, including Armour Group's EON Business Campus, The Keep, Monaghan Square, the new YMCA, The Roy Building, Southwest's Maple & Pavilion projects, Killam's Southport, and Francis Fares' Kings Wharf. At APEC's recent Business Outlook Conference held in Q4 2014, industry panellists concluded that Atlantic Canada can best face its economic challenges by pursuing global opportunities (through investment in technology, marketing and production capacity) and obtaining skilled workers by developing attractive places to live and work.

STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.9%	12.6%	0.7 pp	▲
Direct Asking Rents (psf/yr)	\$14.86	\$14.52	-2.3%	▼
YTD Absorption (sf)	27,093	155,613	128,520 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	15.1%	14.7%	395,000	197,527	(865)	108,076	\$18.49	\$34.34
Class B	2,714,308	10.1%	8.1%	0	0	(21,429)	(80,838)	\$12.72	\$26.18
Class C	275,814	10.7%	9.3%	0	0	(1,820)	9,852	\$14.92	\$24.66
CENTRAL HALIFAX	4,718,099	11.9%	10.5%	395,000	197,527	(24,114)	37,090	\$14.88	\$28.97
Class A	1,240,130	8.0%	7.7%	159,000	34,000	8,814	33,796	\$15.96	\$28.24
Class B	1,504,487	7.0%	7.0%	0	0	11,941	29,123	\$14.16	\$26.18
Class C	548,856	9.0%	8.5%	0	0	17,465	5,557	\$12.54	\$23.92
SUBURBAN HALIFAX	3,293,473	7.7%	7.5%	159,000	34,000	38,220	68,476	\$14.57	\$26.58
Class A	1,383,495	13.8%	13.7%	25,000	52,115	21,717	71,373	\$15.95	\$27.34
Class B	998,628	15.2%	15.0%	0	0	18,533	(27,567)	\$12.29	\$22.72
Class C	227,489	33.8%	33.8%	0	0	9,281	3,287	\$10.53	\$18.17
DARTMOUTH	2,609,612	16.1%	15.9%	25,000	52,115	49,531	47,093	\$14.03	\$24.71
Class A	106,580	38.9%	38.9%	141,948	0	0	(10,886)	\$14.98	\$27.50
Class B	359,614	28.6%	28.1%	0	0	(2,614)	11,640	\$13.89	\$25.05
Class C	117,071	22.0%	22.0%	0	0	1,800	2,200	\$11.00	\$18.57
BEDFORD	583,265	29.1%	28.8%	141,948	0	(814)	2,954	\$13.51	\$24.20
TOTALS	11,204,449	12.6%	11.9%	720,948	283,642	62,823	155,613	\$14.52	\$27.02

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Dartmouth Professional Centre, 277 Pleasant Street	Dartmouth	IWK	B	12,402
Royal Centre, 5161 George Street	Halifax, CBD	Province of Nova Scotia	B	14,182
Willowtree Tower, 6009 Quinpool Road	Halifax, Suburban	Undisclosed by Partners Global	C	11,725
St. Lawrence Place, 3473 Joseph Howe Drive	Halifax, Suburban	Magiclamp Software & Pinto Engineering	A	3,717 & 1,976
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Station 12 (Windmill & Victoria)	Dartmouth	TBA	Q4 2014	20,000
SIGNIFICANT OFFICE PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Nova Centre	Halifax	Trade Centre	2016	300-350,000
Granite View at Bayers Lake, 90 Lovett Lake Court	Suburban Halifax	TBA	Q1 2015	60,000
68 Highfield Park Drive	Dartmouth	TBA	Q1 2015	25,000
Barrington E-Space	Halifax	TBA	Q1 2015	25,000
The Avella (827 Bedford Highway)	Bedford	TBA	Q1 2015	21,948
Bank of Canada Building	Halifax	TBA	Q4 2016	20,000
3138 Isleville Street	Suburban Halifax	TBA	2015	9,000
EON Square	Bedford	Bell Aliant	Q2 2016	120,000
The Bay Expansion	Suburban Halifax	CBC, TC Media	Q1 2016	90,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS