

## HALIFAX OFFICE

### Economic Indicators

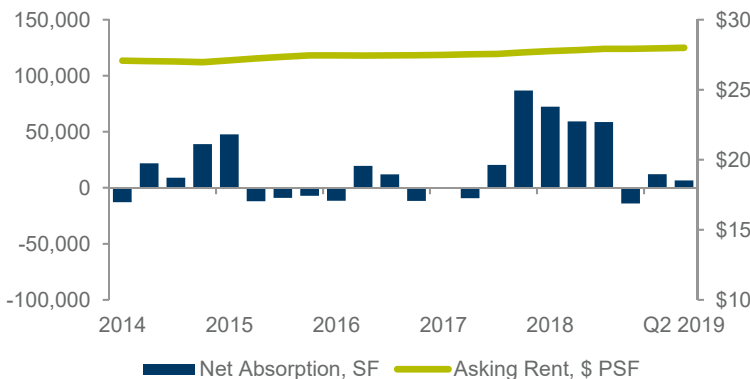
	Q2 18	Q2 19	12-Month Forecast
Halifax Employment	234K	239K	▼
Halifax Unemployment	5.7%	5.2%	▲
Canada Unemployment	5.9%	5.4%	■

### Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	16.0%	14.7%	▲
Net Absorption (sf)	-10,727	-33,291	▼
Under Construction (sf)	105,000	105,000	▼
Average Asking Rent*	\$27.91	\$28.09	▼

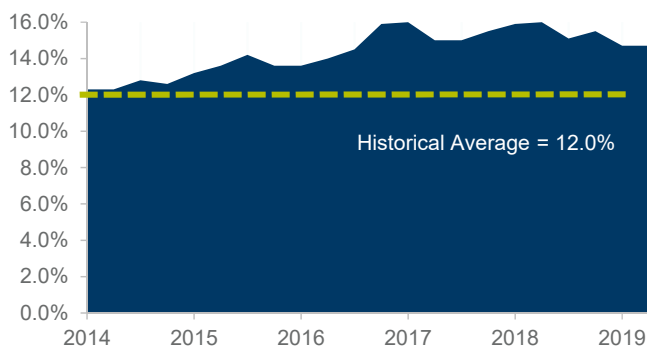
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



\*Rental rates reflect gross asking \$psf/year

### Overall Vacancy



## Economy

Nova Scotia's moderate economic momentum is expected to continue through 2019. The labour market increased by 10,000 jobs in 2019, with expansion in 10 out of 16 sectors. In addition, average weekly earnings increased by 3.4% in 2019. Population growth remains robust and has been trending higher each year since 2016. This has helped boost 2019 retail sales by 3.25%. Apartment building construction to date in 2019 has surged to 73.8% of all home starts, up from 60.3% during the same time period in 2018. This increase is expected to alleviate housing supply constraints and relax the rental vacancy rate of 1.8%.

(Sources: Statistics Canada, RBC, CMHC)

## Market Overview

Nova Scotia's office vacancy rate remained unchanged at 14.7% in the second quarter of 2019, as all submarkets except for Bedford saw an increase in vacancy rates compared to last quarter. The Dartmouth submarket saw the largest jump in vacancy, increasing 60 basis points (bps) from 12.2% in the first quarter of 2019 to 12.8% this quarter. Lateral movement of tenants in Class A properties was observed in Dartmouth. Aviva Canada moved from 99 Wyse Road into 14,500 square feet (sf) of office space at 237 Brownlow Avenue.

Suburban Halifax saw negative absorption of 8,111 sf this quarter, pushing the vacancy rate to 6.7% in the second quarter of 2019 from 6.3% last quarter. The Bedford submarket experienced a vacancy drop of 260 bps quarter-over-quarter from 15.3% to 12.7%. Overall market Class A net rents increased by \$0.02 per square foot (psf) to \$17.23 psf this quarter. Class B net rents remain unchanged and Class C rents decreased to \$12.58 psf in the second quarter of 2019 from \$12.95 psf last quarter. The largest drop in overall submarket net rents was observed in Suburban Halifax, now averaging \$14.70 psf from \$15.07 psf last quarter. Bedford Class B net rents declined quarter-over-quarter from \$13.55 psf to \$13.44 psf, while Dartmouth net rents fell slightly to \$14.09 psf from \$14.10 psf.

Vacancy rates in the CBD increased by 10 bps to 19.2% this quarter, and showed negative absorption of 29,647 sf. A contributing factor was activity at Purdy's Wharf, where Canada Border Services Agency vacated 18,152 sf of Class A office space at 1969 Upper Water Street and consolidated its three offices at 263 Susie Lake Crescent. This contributed to the Class A market seeing a 100 bps increase in vacancy, reaching 22.3% in the second quarter of 2019 from 21.3% last quarter. Vacancy in both the Class B and Class C CBD market declined quarter-over-quarter, reaching 16.9% and 17.5% from 17.5% and 18.3% respectively. Net rents in Class A office space in the CBD increased by \$0.08 psf to \$18.93 psf this quarter. No change in Class B and Class C net rents was observed in the second quarter of 2019.

## Outlook

Strong population growth in Nova Scotia will continue to lead to new housing developments and infrastructure investment. Various residential projects will focus on both densification and subdivision development. Fiscal spending will be focused on various highway improvement projects and health care investment, including the expansion of the Halifax Infirmary and the twinning of Highway 101 and Highway 104.

MARKETBEAT

# Halifax, Nova Scotia

Office Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
<b>Halifax-Central Business District</b>	<b>56</b>	<b>6,136,836</b>	<b>23,434</b>	<b>1,153,073</b>	<b>19.2%</b>	<b>-29,647</b>	<b>44,796</b>	<b>105,000</b>	<b>\$29.62</b>	<b>\$34.87</b>
Halifax-Suburban	31	2,515,542	29,182	138,197	6.7%	-8,111	-26,087	0	\$27.32	\$29.10
Dartmouth	42	2,799,126	10,272	348,725	12.8%	-18,755	-4,166	0	\$25.79	\$28.04
Bedford	20	887,713	0	112,364	12.7%	23,222	57,441	0	\$25.76	\$26.72
<b>Total Suburban Area</b>	<b>93</b>	<b>6,202,381</b>	<b>39,454</b>	<b>599,286</b>	<b>9.7%</b>	<b>-3,644</b>	<b>27,188</b>	<b>0</b>	<b>\$26.53</b>	<b>\$28.24</b>
<b>HALIFAX TOTALS</b>	<b>149</b>	<b>12,339,217</b>	<b>62,888</b>	<b>1,752,359</b>	<b>14.7%</b>	<b>-33,291</b>	<b>71,984</b>	<b>105,000</b>	<b>\$28.09</b>	<b>\$31.32</b>

\*Rental rates reflect gross asking \$psf/year

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	59	5,403,990	55,686	795,956	15.8%	-45,884	-13,378	105,000	0	\$31.32
Class B	63	5,588,993	7,202	773,232	14.0%	13,819	76,883	0	0	\$25.90
Class C	29	1,346,234	0	183,171	13.6%	-1,226	8,479	0	0	\$23.72

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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N/A

## Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Queen's Marque	105,000	Stewart McKelvey	2020	Halifax CBD

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