MARKETBEAT

Halifax, Nova Scotia

Office Q4 2016

CUSHMAN & WAKEFIELD Atlantic

HALIFAX OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Halifax Employment	224K	226K	▲
Halifax Unemployment	14.6%	5.9%	▼
Canada Unemployment	7.1%	6.8%	▼

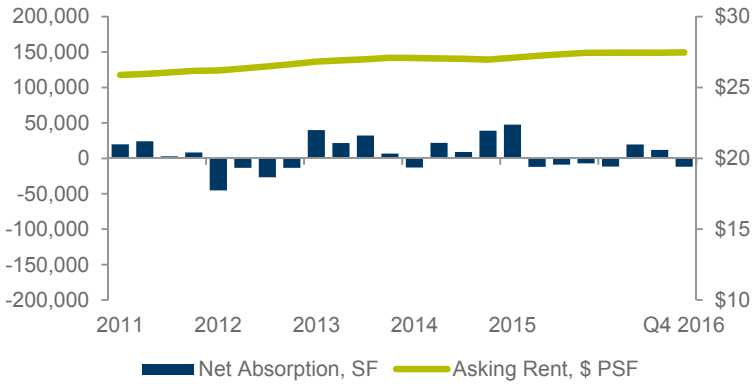
Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Overall Vacancy	13.6%	15.9%	▲
Net Absorption (sf)	(28,594)	(24,132)	▲
Under Construction (sf)	780,000	370,000	▼
Average Asking Rent*	$27.42	$27.49	▼

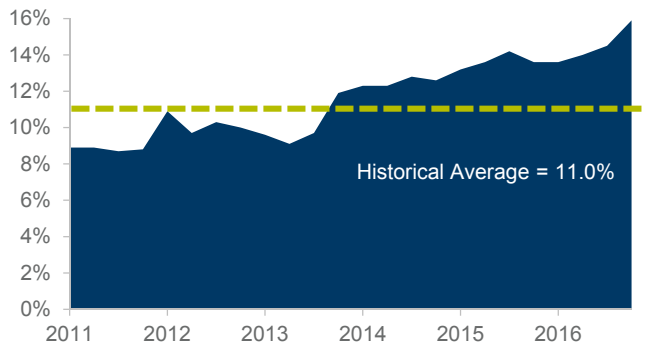
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to RBC Economics, Nova Scotia's economy growth is expected to expand by 1.1% in 2017 and 1.2% in 2018. The continuation of construction throughout Halifax is a contributing factor to this growth as two major development activities reached their completion dates this quarter. Other key factors related to this steady pace are manufacturing and non-energy exports (TD Economics). With the National Shipbuilding Procurement Strategy, manufacturing has become a major strength for Nova Scotia. However, with construction activities beginning to wind down, TD Economics expects this sector to contract next year. Looking to 2018, GDP growth is expected to steady further and will continue to remain at consistent levels in the province during the next two years.

Market Overview

Nova Scotia's office market saw a rise in the overall vacancy rate from Q3 to Q4, increasing from 14.5% to 15.9%. A major contributing factor behind this increase was the completion of two major projects, one located in Dartmouth and the other located in Bedford. The Burnside submarket gained a new 60,000-sf building in the Wright & Burnside Business Campus. Located at 137 Venture Run, the building arrived to market with 40% yet to be leased. The other newly constructed building is located in the Bedford Submarket and is a 120,000-sf building known as the EON Square (Phase II), with only 10,000 square feet (sf) currently occupied. However, there is strong interest in the building and the vacancy rate of this property will most likely decrease over the next year. There were other vacancy fluctuations within other Halifax submarkets that also contributed to the increase in the overall vacancy rate this quarter. Halifax's Central Business District saw a slight increase in its vacancy rate, reaching 14.7% this quarter, the result of new vacancy at the Bank of Montreal Tower, along with Wynward Insurance moving out of their location at the Maritime Centre. In the Halifax Suburban market, the vacancy rate saw a slight decrease from 14.6% in Q3 to 14.2% in Q4, as NS Power moved into the Bayers Road Centre on a temporary basis.

Outlook

According to TD Economics, Nova Scotia has been benefiting from a weaker Canadian dollar which has resulted in an increase of both domestic and international tourists visiting the province. More supply shock to the office market will occur in 2017 when Nova Centre comes online, followed by Queens Marque in 2019/20. Vacancy rates will likely rise to surpass 20%, then correct thereafter through a combination of absorption and supply corrections.

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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)*
Halifax-Central Business District	**56**	**5,780,405**	**100,160**	**749,295**	**14.7%**	**(5,681)**	**(110,271)**	**370,000**	**$28.92**	**$33.75**
Halifax-Suburban	31	2,515,542	102,957	254,582	14.2%	9,113	85,869	0	$26.98	$28.83
Dartmouth	44	2,796,112	9,376	455,358	16.6%	(34,140)	(55,202)	0	$25.13	$27.46
Bedford	20	885,213	1,180	225,533	25.6%	6,576	32,630	0	$25.57	$26.29
Total Suburban Area	**95**	**6,196,867**	**113,513**	**935,473**	**16.9%**	**(18,541)**	**63,297**	**0**	**$26.09**	**$27.79**
HALIFAX TOTALS	151	11,977,272	213,673	1,684,768	15.9%	(24,132)	(46,974)	370,000	$27.49	$30.36

*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	58	5,040,976	86,555	776,457	17.1%	50,561	108,674	370,000	327,000	$30.36
Class B	64	5,594,537	125,513	685,329	14.5%	(29,194)	(70,311)	0	0	$25.88
Class C	29	1,341,759	1,605	222,982	16.7%	(45,499)	(85,337)	0	0	$22.96

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
127 Chain Lake Drive	5,300	Habitat for Humanity	New Lease	Halifax - Suburban

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Nova Centre	350,000	BMO; TBD	Q1 2017	Halifax
The Maple	20,000	TBD	Q1 2017	Halifax

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About Cushman & Wakefield

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