

HALIFAX OFFICE

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Halifax Employment	225K	225K	▼
Halifax Unemployment	5.9%	6.9%	▲
Canada Unemployment	6.8%	5.7%	■

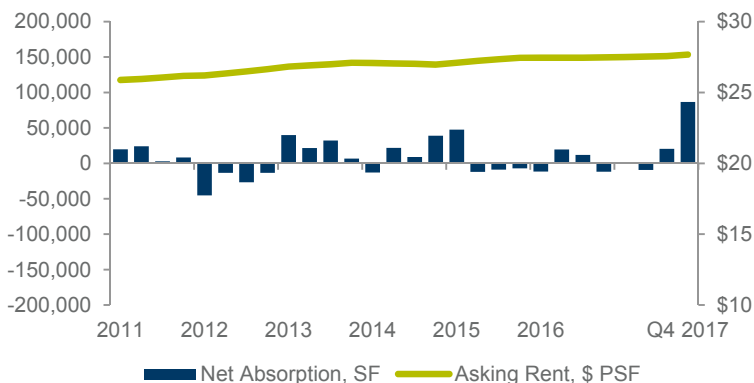
Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	15.9%	15.5%	▲
Net Absorption (sf)	-24,132	240,905	▲
Under Construction (sf)	370,000	105,000	▼
Average Asking Rent*	\$27.49	\$27.93	▼

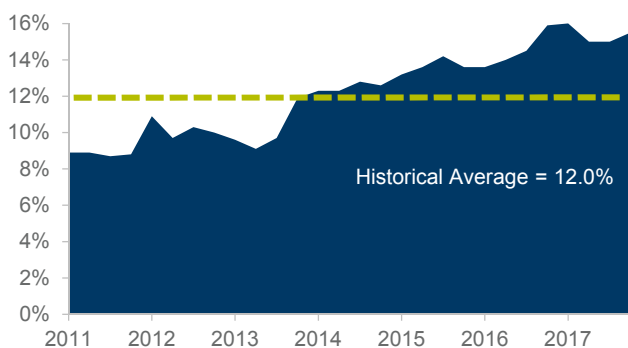
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Nova Scotia's economy had a commendable 2017; however, according to RBC Economics, there are potential dark clouds ahead. After GDP growth of approximately 0.8% in 2017, RBC is forecasting growth to slip to 0.6% in 2018 and decline again to 0.4% in 2019. The major reasons behind these projected growth declines are the winding down of major investment and construction projects, weak demographics, and an aging population. Of note, Halifax's outlook is just as grim as the overall provincial outlook.

Market Overview

Nova Scotia's office market saw a significant increase in inventory with the completion of the Nova Centre, triggering an increase in the overall vacancy rate quarter-over-quarter, from 15.0% to 15.5%. The Halifax Central Business District was the only submarket to see a significant vacancy increase this quarter, rising by over 200 basis points from last quarter to 17.6%. Of the 360,000 square feet (sf) of new office supply, approximately 105,000 sf has been leased and occupied by BMO, Grant Thornton, and Australian Lender - Pepper Group.

In the Halifax Suburban submarket there was a significant decrease in vacancy in the fourth quarter, falling to 7.7%. A major contributing factor to this was Irving occupying roughly 16,000 sf at 155 Chain Lake Drive. The vacancy rate for the Bedford submarket also saw a slight decrease, falling 100 basis points from last quarter to 22.2%. In the Dartmouth submarket there was little upward movement, with vacancy climbing just 10 basis points to 15.8%. A contributing factor to the small decrease in vacancy in the Bedford submarket was CRM Ground Limited occupying 4,400 sf at 1519 Bedford Highway, while activity contributing to the small increase in Dartmouth mostly took place in the City of Lakes office node.

The overall vacancy rates of Class A and C office space in Halifax increased with the completion of Nova Centre, while vacancy within the Class B market decreased. Overall, the total Suburban area of Halifax saw a total vacancy decrease of 1 percentage point.

Outlook

According to TD Economics, residential construction and consumer spending contributed to the strong momentum in Nova Scotia in 2017. Looking to 2018 they are predicting that household spending will decline as both job growth and new home construction start to slow down. Offshore natural gas is expected to wind down over the next two years, which will also likely act as a drag on growth. One area that should see growth is international exports, as Nova Scotia should benefit from continuing strong U.S. demand, rising Chinese demand, and a newly implemented trade deal with Europe.

MARKETBEAT

Halifax, Nova Scotia

Office Q4 2017



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	57	6,146,080	10,290	1,071,573	17.6%	171,630	127,592	105,000	\$29.70	\$35.09
Halifax-Suburban	31	2,515,542	0	192,448	7.7%	62,492	165,091	0	\$26.81	\$28.84
Dartmouth	44	2,796,112	4,225	436,939	15.8%	-2,685	23,570	0	\$25.24	\$27.62
Bedford	20	885,213	1,180	195,138	22.2%	9,468	30,395	0	\$25.76	\$26.29
Total Suburban Area	95	6,196,867	5,405	824,525	13.5%	69,275	219,056	0	\$26.14	\$27.88
HALIFAX TOTALS	152	12,342,947	15,695	1,896,098	15.5%	240,905	346,648	105,000	\$27.93	\$31.22

*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	5,400,976	14,515	909,443	17.1%	145,237	299,054	105,000	360,000	\$31.22
Class B	64	5,595,737	1,180	739,299	13.2%	117,464	70,363	0	0	\$25.79
Class C	29	1,346,234	0	247,356	18.4%	-21,796	-22,796	0	0	\$23.06

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1675 Grafton (Nova Centre)	36,000	Grant Thornton	Lease	Halifax CBD
5562 Sackville Drive	13,500	Rogers Communications	Lease	Halifax-Suburban

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Queen's Marque	105,000	Stewart McKelvey	2019	Halifax

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