

HALIFAX OFFICE

Economic Indicators

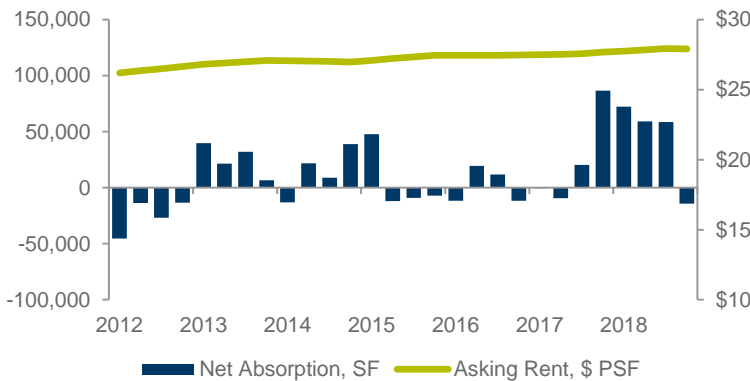
	Q4 17	Q4 18	12-Month Forecast
Halifax Employment	225K	236K	▲
Halifax Unemployment	6.9%	6.2%	▼
Canada Unemployment	5.7%	5.8%	■

Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	15.5%	15.5%	▲
Net Absorption (sf)	240,905	-49,559	▼
Under Construction (sf)	105,000	105,000	▼
Average Asking Rent*	\$27.93	\$27.91	▼

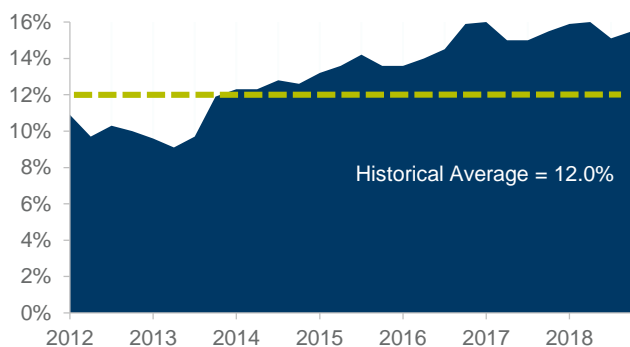
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



*Rental rates reflect gross asking \$psf/year

Overall Vacancy



Economy

Nova Scotia's GDP growth of 1.2% was on track for 2018. The economic winds of change are positioned to create a slight loss of momentum in 2019, slowing GDP growth to approximately 1.0%. Population growth was positive and employment gains were solid, particularly for full-time positions. Home buyer confidence remained strong throughout 2018, resulting in a healthy number for both resale transactions and new home construction. Looming interest rate hikes, limited resale inventory, higher home prices and policies dedicated to home ownership will provide challenges for the residential sector in 2019. International forestry and seafood exports grew throughout 2018 and a surge of exports is anticipated once the \$36 million cargo handling facility is constructed at the Halifax Stanfield International Airport. Aside from this multi-tiered investment project, modest government funding will be a contributing factor to the slowed economic activity.

(Sources: Statistics Canada, TD Economics, RBC Economics)

Market Overview

The Greater Halifax office vacancy rate sat at 15.5% in the fourth quarter of 2018, slightly lower than the vacancy rate in the first quarter of 2018. All submarkets outside of the Halifax CBD experienced a decline in vacancy in the fourth quarter of 2018. Dartmouth and Bedford tied with a 310 basis point decrease in vacancy compared to one year ago, with current quarter vacancy rates of 12.7% and 19.1% respectively. Office vacancy rates within the CBD rose to 20.3% this quarter, a 180 basis point increase quarter-over-quarter. While the downtown struggles with high vacancy rates overall, Class A office space in the downtown core experienced moderate activity among smaller square footage leases, finishing 2018 with a vacancy rate of 22.5%. Conference space and upper floor office space came on the market at Armoyan Centre, which helped push Class B office vacancy rates to 18.8% in the fourth quarter of 2018, up 320 basis points from 15.6% the previous quarter.

Declining vacancy rates in Suburban Halifax continued through the fourth quarter of 2018. The vacancy rate fell 210 basis points to 5.6% from 7.7% one year ago. Contributing to the decline this quarter was an Information & Technology company leasing 13,000 square feet (sf) at 7071 Bayers Road. Within the Dartmouth submarket, all classes within the City of Lakes district experienced a variety of activity. Contributing to the Class A vacancy decrease to 10.3% from 15.4% last quarter was Aviva Canada leasing 14,500 sf at 237 Brownlow Ave. Class B vacancy rates declined quarter-over-quarter from 17.4% to 15.7%. Although Bedford office activity was flat this quarter, the vacancy rate decreased from 22.2% in the first quarter of 2018 to 19.1% in the last quarter.

Outlook

Economic conditions in Nova Scotia are expected to be moderate but positive and steady. Large scale ship-building, exports and strong tourism spending are expected to lift the economy in 2019. The lingering possibility of a \$5 billion government investment toward the Goldboro LNG project offers a glimpse of an additional potential economic boost in 2019. The workforce should remain steady but with weaker annual job growth.

MARKETBEAT

Halifax, Nova Scotia

Office Q4 2018



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	6,155,436	21,791	1,229,512	20.3%	-116,068	-169,440	105,000	\$29.55	\$34.89
Halifax-Suburban	31	2,515,542	29,182	112,110	5.6%	2,830	10,308	0	\$27.58	\$29.16
Dartmouth	42	2,796,112	4,925	349,906	12.7%	63,679	86,333	0	\$25.16	\$27.62
Bedford	20	887,713	1,180	168,625	19.1%	0	26,513	0	\$25.72	\$26.53
Total Suburban Area	93	6,199,367	35,287	630,641	10.7%	66,509	123,154	0	\$26.25	\$28.02
HALIFAX TOTALS	150	12,354,803	57,078	1,860,153	15.5%	-49,559	-46,286	105,000	\$27.91	\$31.21

*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	51,363	786,901	15.5%	40,137	63,085	105,000	0	\$31.21
Class B	64	5,607,593	5,715	881,602	15.8%	-93,338	-165,077	0	0	\$25.69
Class C	29	1,346,234	0	191,650	14.2%	3,642	55,706	0	0	\$23.46

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
237 Brownlow Ave	14,500	Aviva Canada Inc.	Lease	Burnside – City of Lakes

Key Projects Under Construction

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

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