MARKETBEAT

Office Snapshot Q1 2016

HALIFAX, NS

CUSHMAN & WAKEFIELD Atlantic

HALIFAX OFFICE

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Halifax Employment	224.8K	223.3K	▲
Halifax Unemployment	6.5%	7.2%	▼
Canada Unemployment	6.8%	7.3%	▲

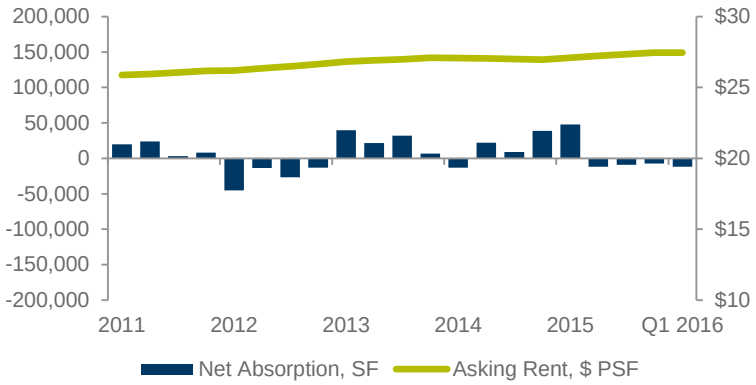
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Vacancy	13.2%	13.6%	▲
Net Absorption (sf)	(18,886)	(37,020)	▲
Under Construction (sf)	416,948	697,000	▬
Average Asking Rent*	$27.49	$26.44	▼

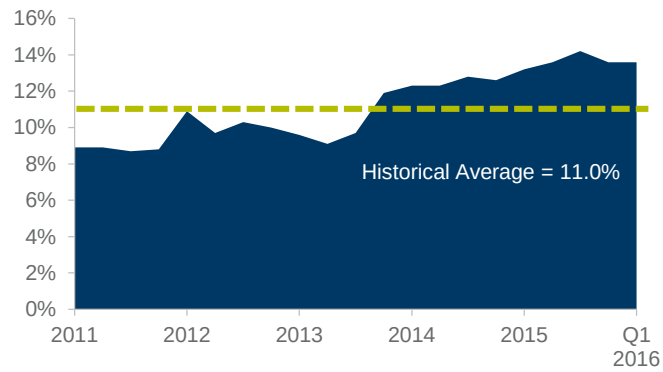
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Nova Scotia's economic growth for 2016 is expected to be moderate throughout a number of different industry sectors. RBC Economics is forecasting GDP growth to accelerate to 1.3% in 2016, a slight decrease from the Q4 2015 projection of 1.8%. Strong construction activity resulting from the continuation of Halifax's major projects, coupled with continued growth in U.S. demand, are expected to contribute to this wide-ranging growth. In 2015, non-energy exports mitigated the decline in natural gas exports, experiencing gains of 13% for 2015. The decline in natural gas production in 2015 is expected to have a smaller impact on GDP growth this year. Significant declines in natural gas exports in recent years has resulted in energy exports representing only a small portion of overall exports. A weak Canadian dollar, coupled with favourable conditions in the U.S. will continue to bolster other export categories in the province.

Market Overview

Overall, Nova Scotia's office vacancy rate remained relatively steady at 13.6% in the first quarter of 2016. Despite this stability, there was significant shifts within each submarket. Halifax's Central Business District (CBD) vacancy rate increased to 14.3% from 12.8% last quarter. Significant moves included a small number of tenants vacating 5670 Spring Garden Road & the Centennial building. Suburban market vacancy decreased from 14.4% to 12.9% with the completion of Rank Inc's Baywest Centre, a 115,000 square foot (sf) expansion to an existing property that arrived almost fully leased. The Suburban submarket of Bedford remained relatively stagnant at 17.8% vacancy in Q1, with Bedford House & Sunnyside Place welcoming new tenants this quarter.

Outlook

According to TD Economics, an increase in demand for international exports, combined with increased demand from the U.S. are expected to "underpin the province's robust economic performance" this year. Despite a decrease in natural gas prices, BP and Shell continue their offshore exploration for natural gas as part of their $2 billion commitment, which according to RBC Economics creates "upside potential for the industry in the longer term" (past their forecast horizon). RBC Economics is also expecting manufacturers in particular to benefit from recent investments in tire and aerospace plants throughout the province. The office market is still expected to experience a significant increase in vacancy, due to an unprecedented inventory surge of approximately 550,000 sf that remains under construction, with limited preleasing.

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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**	**131,349**	**692,461**	**14.3%**	**(84,626)**	**(84,626)**	**370,000**	**$28.92**	**$33.75**
Halifax-Suburban	29	2,268,542	48,587	192,121	10.2%	55,700	55,700	147,000	$27.79	$30.21
Dartmouth	41	2,588,112	2,708	357,685	13.9%	(10,861)	(10,861)	60,000	$25.03	$27.51
Bedford	19	765,213	1,806	134,770	17.8%	2,767	2,767	120,000	$24.23	$23.65
Total Suburban Area	**89**	**5,721,867**	**53,101**	**684,576**	**12.9%**	**47,606**	**47,606**	**327,000**	**$26.06**	**$28.02**
HALIFAX TOTALS	145	11,502,272	184,450	1,377,037	13.6%	(37,020)	(37,020)	697,000	$26.44	$30.44

*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	54	4,713,976	22,029	604,043	13.3%	18,614	18,614	697,000	0	$30.62
Class B	64	5,594,537	158,461	638,817	14.3%	(56,747)	(56,747)	0	0	$25.87
Class C	27	1,193,759	3,960	134,177	11.6%	1,113	1,113	0	0	$22.75

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
50 Troop Avenue	13,000	AMEC	Lease	Burnside

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Nova Centre	350,000	BMO; TBD	Q4 2016	Halifax
EON Square	120,000	TBD	Q2 2016	Bedford
The Maple	20,000	TBD	Q4 2016	Halifax
3138 Isleville St.	9,000	TBD	Q2 2016	Suburban Halifax
145 Hobson Lake Drive	138,000	Canada Revenue Agency	Q2 2016	Suburban Halifax
Wright & Burnside	60,000	RSA	Q4 2016	Dartmouth

Cushman & Wakefield Atlantic
Suite 601
5475 Spring Garden Road
Halifax, Nova Scotia
cwatlantic.com

For more information, contact:
Stefanie MacDonald, BMgmt
Regional Manager,
Marketing & Research
Tel: +1 902 332 1560
smacdonald@cwatlantic.com

About Cushman & Wakefield

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CUSHMAN & WAKEFIELD Atlantic

Q1 2016	Central	Suburban	Dartmouth	Bedford	TOTAL MARKET
Area (Square Feet)	5,780,405	2,368,542	2,588,112	765,213	11,502,272
Direct Vacant Space (Square Feet)	692,461	192,121	357,685	134,770	1,377,037
Sublet Space (Square Feet)	131,349	48,587	2,708	1,806	184,450
Total Vacancy	823,810	240,708	360,393	136,576	1,561,487
Total Vacancy Rate	**14.3%**	**10.2%**	**13.9%**	**17.8%**	**13.6%**
Direct Vacancy Rate	12.0%	8.1%	13.8%	17.6%	12.0%
Occupied Space (including sublet)	5,087,944	2,176,421	2,230,427	630,443	10,125,235
Occupied Space (excluding sublet)	4,956,595	2,127,834	2,227,719	628,637	9,940,785
New Supply (Current Quarter)	0	0	0	0	0
New Supply YTD	0	0	0	0	0
Weighted Average Rent	$14.60	$15.25	$14.12	$12.47	$14.11
Weighted Average CAM/Taxes	$14.31	$12.35	$10.91	$11.76	$12.33
Gross Rent	$28.92	$27.60	$25.03	$24.23	$26.44
3 Month Absorption (Direct)	-60,731	53,062	-12,673	4,573	-15,769
YTD Absorption (Direct)	-60,731	53,062	-12,673	4,573	-15,769
3 month Absorption (Overall)	**-84,626**	**55,700**	**-10,861**	**2,767**	**-37,020**
YTD Absorption (Overall)	**-84,626**	**55,700**	**-10,861**	**2,767**	**-37,020**

Q4 2015	Central	Suburban	Dartmouth	Bedford	TOTAL MARKET
Area (Square Feet)	5,780,405	2,233,167	2,609,612	765,213	11,388,397
Direct Vacant Space (Square Feet)	631,730	245,183	366,512	139,343	1,382,768
Sublet Space (Square Feet)	107,454	51,225	4,520	0	163,199
Total Vacancy	739,184	296,408	371,032	139,343	1,545,967
Total Vacancy Rate	**12.8%**	**13.3%**	**14.2%**	**18.2%**	13.6%
Direct Vacancy Rate	10.9%	11.0%	14.0%	18.2%	12.1%
Occupied Space (including sublet)	5,148,675	1,987,984	2,243,100	625,870	10,005,629
Occupied Space (excluding sublet)	5,041,221	1,936,759	2,238,580	625,870	9,842,430
New Supply (Current Quarter)	0	0	0	0	0
New Supply YTD	30,000	60,000	0	21,948	111,948
Weighted Average Rent	$14.57	$15.63	$14.13	$12.49	$14.21
Weighted Average CAM/Taxes	$14.28	$11.64	$10.92	$11.83	$12.17
Gross Rent	$28.86	$27.28	$25.06	$24.32	$26.38
3 Month Absorption (Direct)	45,574	-36,482	29,352	16,356	54,800
YTD Absorption (Direct)	-8,272	-35,153	49,498	50,717	56,790
3 month Absorption (Overall)	**56,019**	**-35,602**	**33,512**	**16,356**	**70,285**
YTD Absorption (Overall)	**-49,704**	**-79,878**	**48,465**	**52,523**	**-28,594**

Q3 2015	Central	Suburban	Dartmouth	Bedford	TOTAL MARKET
Area (Square Feet)	5,780,405	2,233,167	2,609,612	765,213	11,388,397
Direct Vacant Space (Square Feet)	677,304	208,701	395,864	155,699	1,437,568
Sublet Space (Square Feet)	117,899	52,105	8,680	0	178,684
Total Vacancy	795,203	260,806	404,544	155,699	1,616,252
Total Vacancy Rate	**13.8%**	**11.7%**	**15.5%**	**20.3%**	14.2%

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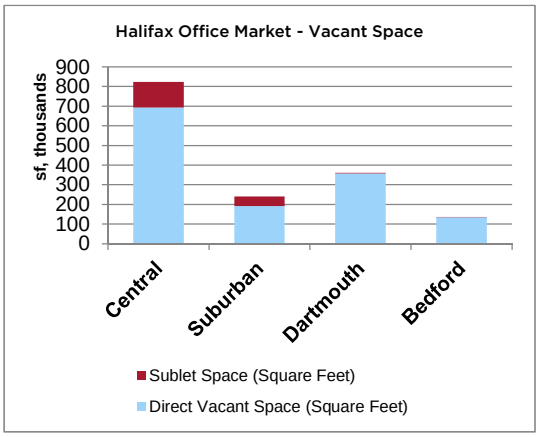
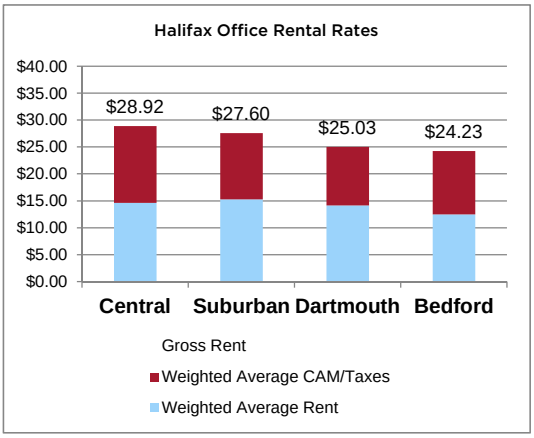
Direct Vacancy Rate	11.7%	9.3%	15.2%	20.3%	12.6%
Occupied Space (including sublet)	5,103,101	2,024,466	2,213,748	609,514	9,950,829
Occupied Space (excluding sublet)	4,985,202	1,972,361	2,205,068	609,514	9,772,145
New Supply (Current Quarter)	30,000	0	0	21,948	51,948
New Supply YTD	30,000	60,000	0	21,948	111,948
Weighted Average Rent	$14.57	$15.63	$14.13	$12.49	$14.21
Weighted Average CAM/Taxes	$14.28	$11.64	$10.92	$11.83	$12.17
Gross Rent	$28.86	$27.28	$25.06	$24.32	$26.38
3 Month Absorption (Direct)	-48,689	2,169	-2,499	11,115	-37,904
YTD Absorption (Direct)	-53,846	1,329	20,146	34,361	1,990
3 month Absorption (Overall)	**-18,459**	**-22,395**	**-2,499**	**11,115**	**-32,238**
YTD Absorption (Overall)	**-105,723**	**-44,276**	**14,953**	**36,167**	**-98,879**

Q2 2015	Central	Suburban	Dartmouth	Bedford	TOTAL MARKET
Area (Square Feet)	5,770,405	2,301,167	2,609,612	583,265	11,264,449
Direct Vacant Space (Square Feet)	599,415	210,870	393,365	144,866	1,348,516
Sublet Space (Square Feet)	148,129	27,541	8,680	0	184,350
Total Vacancy	747,544	238,411	402,045	144,866	1,532,866
Total Vacancy Rate	0	0	0	0	0
Direct Vacancy Rate	**10.4%**	**9.2%**	**15.1%**	**24.8%**	12.0%
Occupied Space (including sublet)	5,170,990	2,090,297	2,216,247	438,399	9,915,933
Occupied Space (excluding sublet)	5,022,861	2,062,756	2,207,567	438,399	9,731,583
New Supply (Current Quarter)	0	0	0	0	0
New Supply YTD	0	60,000	0	0	60,000
Weighted Average Rent	15	16	14	14	14
Weighted Average CAM/Taxes	$14.22	$11.76	$10.87	$11.64	$12.12
Gross Rent	$28.74	$27.39	$24.98	$25.15	$26.57
3 Month Absorption (Direct)	$25,999.00	$5,517.00	-$10,487.00	$14,433.00	$35,462.00
YTD Absorption (Direct)	-5,157	-840	22,645	23,246	39,894
3 month Absorption (Overall)	-56,351	8,017	-15,680	16,239	-47,775
YTD Absorption (Overall)	**-87,264**	**-21,881**	**17,452**	**25,052**	**-66,641**

*Note: Downtown Suburban was moved in Q1 2015 to Central, reflecting a truer picture of Central Halifax vs. Suburban office space





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