MARKETBEAT

Office Snapshot Q2 2016

HALIFAX, NS

CUSHMAN & WAKEFIELD Atlantic

HALIFAX OFFICE

Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Halifax Employment	224K	227K	▲
Halifax Unemployment	7.0%	6.4%	▼
Canada Unemployment	6.8%	6.9%	▲

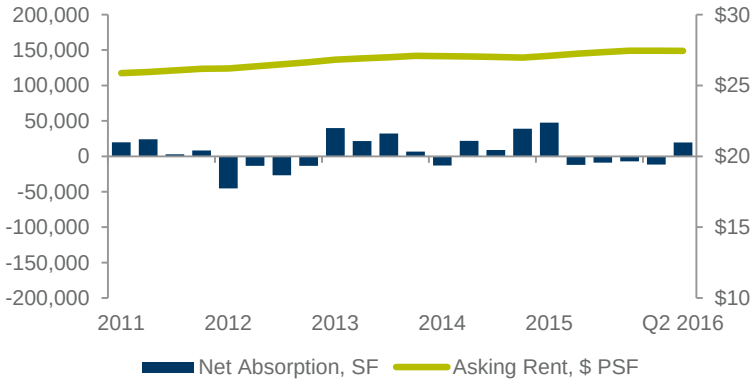
Market Indicators (Overall, All Classes)

	Q2 15	Q2 16	12-Month Forecast
Vacancy	13.6%	14.0%	▼
Net Absorption (sf)	(47,775)	76,839	▲
Under Construction (sf)	416,945	550,000	▬
Average Asking Rent*	$27.46	$27.44	▼

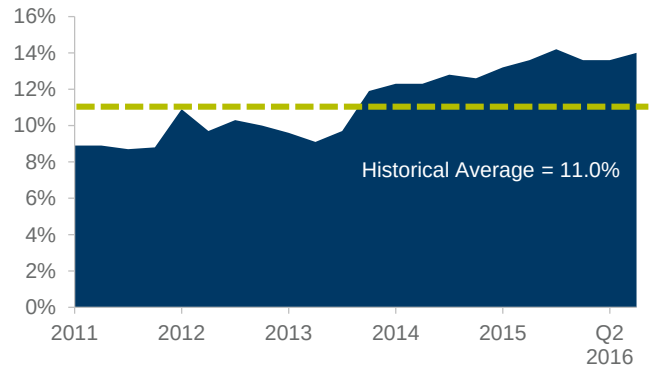
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Growth in the Nova Scotia economy is expected to accelerate this year, with RBC Economics forecasting real GDP growth of 1.3% in 2016. The continuation of construction throughout Halifax is a contributing factor for this growth as construction activities begin to ramp up due to fast approaching completion dates. Another factor in the growth forecast are exports, which are still benefiting from a weaker Canadian dollar. Natural gas production however, only represents a small portion of exports. If its production continues to decline, it will no longer have a significant impact on the overall export growth in Nova Scotia. Looking to 2017, construction activity will most likely begin to slow as both major residential and non-residential projects are completed, contributing to GDP forecasted growth falling to 1.1% in 2017.

Market Overview

Overall, Nova Scotia's office vacancy rate remained relatively steady at 14.0% in the second quarter of 2016. However, there were some vacancy fluctuations within each submarket. Halifax's Central Business District (CBD) vacancy rate rose to 14.6% from 14.3% last quarter as all three classes saw negative absorption. The largest transaction this quarter involved Université Sainte-Anne which leased close to 16,000 square feet (sf) at 1190 Barrington Street. The Suburban market vacancy rate increased to 13.4% from 12.9% last quarter as the completion of 145 Hobson Lake Drive and 3138 Isleville Street brought new vacancy to the market.

Outlook

With Great Britain voting to leave the European Union, there is a lot of uncertainty concerning the ramifications. John Forrester, EMEA Chief Executive of Cushman & Wakefield weighed in stating "we are entering a period of unprecedented change as markets and sectors begin to adapt". However, Brian Kriter, Executive Managing Director for Valuation & Advisory Canada believes there is a potentially positive outcome for the Canadian market, stating; "There is a phenomenal amount of capital that's looking to be placed in commercial real estate, and it's very fluid. Foreign investors view Canada as an island of certainty."

Closer to home in early May the Armour Group Ltd. and the Waterfront Development announced the Queen's Marque district development. This $200 million project will include a hotel, a variety of office spaces, and a residential building; combined with open public space with a courtyard and roughly 23,000 square meters of plazas.

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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**	**128,167**	**714,364**	**14.6%**	**(18,721)**	**(103,347)**	**370,000**	**$28.92**	**$33.75**
Halifax-Suburban	31	2,515,542	72,271	212,763	11.3%	102,674	158,374	0	$26.98	$28.84
Dartmouth	41	2,588,112	4,450	368,389	14.4%	(12,446)	(23,307)	60,000	$25.15	$27.48
Bedford	19	765,213	1,180	130,064	17.2%	5,332	8,099	120,000	$24.64	$24.12
Total Suburban Area	**91**	**5,868,867**	**77,901**	**711,216**	**13.4%**	**95,560**	**143,166**	**180,000**	**$25.99**	**$27.65**
HALIFAX TOTALS	147	11,649,272	206,068	1,425,580	14.0%	76,839	39,819	550,000	$27.44	$30.34

*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	56	4,860,976	47,463	623,000	13.8%	102,609	121,223	550,000	0	$30.34
Class B	64	5,594,537	157,000	631,725	14.1%	8,553	(48,194)	0	0	$25.89
Class C	27	1,193,759	1,605	170,855	14.4%	(34,323)	(33,210)	0	0	$22.87

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6080 Young Street	10,703	Rogers	New Lease	Halifax - Suburban

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
Wright & Burnside	60,000	RSA	Q4 2016	Dartmouth

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of $5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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