MARKETBEAT

Halifax, Nova Scotia

Office Q3 2016

CUSHMAN & WAKEFIELD Atlantic

HALIFAX OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Halifax Employment	227K	227K	▬
Halifax Unemployment	5.9%	5.6%	▼
Canada Unemployment	7.0%	7.0%	▼

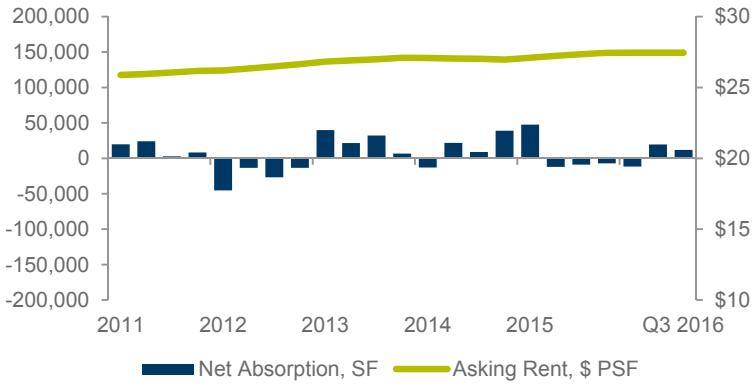
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Overall Vacancy	14.2%	14.5%	▲
Net Absorption (sf)	(32,238)	(62,661)	▲
Under Construction (sf)	787,000	550,000	▼
Average Asking Rent*	$27.42	$26.43	▼

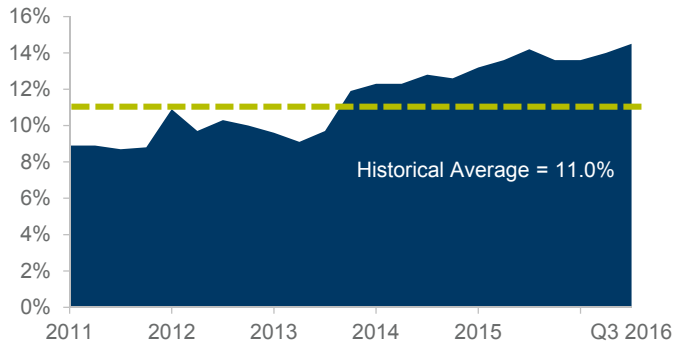
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Nova Scotia's economic growth 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 to this growth as construction activities begin to ramp up due to fast approaching completion dates. Other key factors are non-energy exports, manufacturing, and increasing consumer spending (RBC Economics). Looking to 2017, GDP growth is expected to ease and fall to 1.1%,in large part due to slowing construction activity as both major residential and non-residential projects are completed.

Market Overview

Nova Scotia's overall office market vacancy rate concluded Q3 with an increase of 0.5 percentage points from last quarter, reaching 14.5%. However, there were some vacancy fluctuations within the submarkets. Over the last quarter Halifax's Central Business District (CBD) vacancy rate remained unchanged at 14.6%, along with the Dartmouth market vacancy rate, which remained stable from Q2 to Q3 from 14.4% to 14.3%. As for Halifax's Suburban market, the vacancy rate increased to 14.6% from 11.3% last quarter as TD Meloche Monnex moved out of their 21,500-sf office space at 7051 Bayers Road. The largest leasing transaction this quarter was Sovereign General Insurance who leased an entire floor at the TD Centre.

Outlook

With major projects in Halifax close to being completed, including the Nova Centre and the re-decking of the Macdonald Bridge, non-residential investment spending is beginning to decline (RBC Economics). According to TD Economics, Nova Scotia's unemployment rate is expected to stabilize over the next year.

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 retail plaza space. The Dartmouth submarket is expected to experience a significant increase in vacancy due to the Wright & Business Campus that is slated for completion in Q4 2016. The Maple, a 300 unit purpose-built apartment building located in the Halifax submarket, is already over a quarter pre-leased with seven months remaining until it officially opens.

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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**	**123,944**	**719,830**	**14.6%**	**(1,243)**	**(104,590)**	**370,000**	**$28.93**	**$33.75**
Halifax-Suburban	31	2,515,542	102,757	263,895	14.6%	(81,618)	76,756	0	$26.99	$28.85
Dartmouth	41	2,588,112	4,450	366,144	14.3%	2,245	(21,062)	60,000	$25.14	$27.47
Bedford	19	765,213	0	113,289	14.8%	17,955	26,054	120,000	$24.64	$24.12
Total Suburban Area	**91**	**5,868,867**	**107,207**	**743,328**	**14.5%**	**(61,418)**	**81,748**	**180,000**	**$25.99**	**$27.65**
HALIFAX TOTALS	147	11,649,272	231,151	1,463,158	14.5%	(62,661)	(22,842)	550,000	$27.26	$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	81,629	651,944	15.1%	(63,110)	58,113	550,000	147,000	$30.34
Class B	64	5,594,537	147,917	633,731	14.0%	7,077	(41,117)	0	0	$25.89
Class C	27	1,193,759	1,605	177,483	15.0%	(6,628)	(39,838)	0	0	$22.96

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1888 Brunswick Street	10,005	Martec Limited	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	Q4 2016	Bedford
The Maple	20,000	TBD	Q4 2016	Halifax
Wright & Burnside	60,000	RSA	Q4 2016	Dartmouth

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