

## NEW BRUNSWICK OFFICE

### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
NB Employment	352K	368K	▲
NB Unemployment	8.4%	6.5%	▼
Canadian Unemployment	6.6%	5.8%	■

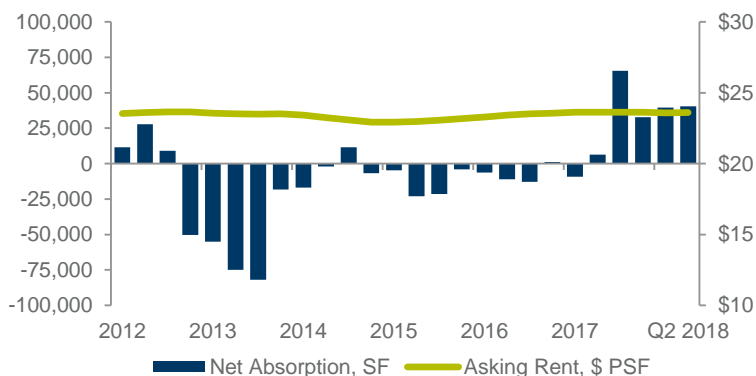
### Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	15.0%	12.9%	▲
Net Absorption (sf)	-12,309	-8,764	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.59	\$23.61	▲

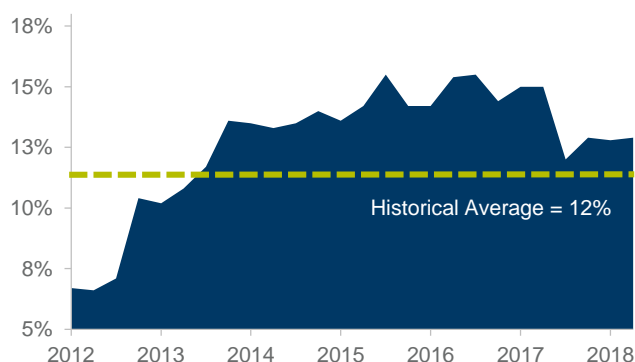
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Following higher than anticipated economic growth in 2017, New Brunswick's economic outlook remains positive for 2018. For a second year in a row, employment levels have been rising and unemployment continues to decline, a trend that has not been seen in the province for at least a decade. The forecasted decline in the employment base in some sectors is balanced by an increase in agriculture production, and investments in fisheries and public sector infrastructure.

Despite U.S. imposed tariffs on softwood lumber in 2017, wood product exports remain modestly strong in 2018. While pressure still exists on the sector, the combination of strong U.S. demand, high wood prices, and a low Canadian dollar, are favourable for New Brunswick's producers.

Although immigration remains strong in 2018, the working age population continues to decrease, with 20% of New Brunswick's population over the age of 65. The limited workforce population is a contributing factor for the expected slow GDP growth of only 0.6% in 2018.

(Source: RBC Economics, NB 2018-2019 Economic Outlook)

## Market Overview

New Brunswick's office market saw a slight increase in the overall vacancy rate in the second quarter of 2018 to 12.9%, a very slight increase of 10 basis points from the first quarter of 2018. Moncton's vacancy rate fell quarter-over-quarter from 10.4% to 9.0%. Contributing to the lower vacancy in Moncton was activity within the Class A and Class C markets. Vacancy fell by 10,000 square feet (sf) at 12 Millennium Boulevard, and 795 Main Street had its vacancy decline with a tenant occupying 13,800 sf. Class B vacancy was balanced by tenants moving into, and vacating out of, various premises on St. George Blvd. The Fredericton market continues to have the lowest vacancy rate in the province, declining again in the second quarter of 2018 to 6.0%. The Saint John market continues to bear the burden of the highest overall vacancy rate in New Brunswick, rising to 23.6% in the second quarter of 2018.

## Outlook

RBC Economics has predicted slow GDP growth, consistent employment, wage gains, and slowed retail sales for New Brunswick through the remainder of 2018. Although uncertainty remains concerning the future of NAFTA, trade with Europe is expected to become stronger and New Brunswick's primary sectors should see a boost in overseas exports.

MARKETBEAT

# New Brunswick

Office Q2 2018



SUBMARKET	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)*
MONCTON	2,954,336	0	267,243	9.0%	39,305	50,342	0	\$24.14	\$28.23
FREDERICTON	1,919,986	0	115,848	6.0%	12,521	10,624	0	\$23.73	\$26.55
SAINT JOHN	2,313,502	1,896	543,134	23.6%	-60,590	-80,361	0	\$22.82	\$30.01
<b>NEW BRUNSWICK TOTALS</b>	<b>7,187,824</b>	<b>1,896</b>	<b>926,225</b>	<b>12.9%</b>	<b>-8,764</b>	<b>-19,395</b>	<b>0</b>	<b>\$23.61</b>	<b>\$28.29</b>

\*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	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 (SF)	OVERALL AVERAGE ASKING RENT*
Class A	2,762,665	1,896	286,952	10.5%	-36,491	-47,086	0	0	\$28.29
Class B	3,051,404	0	370,315	12.1%	11,196	19,522	0	0	\$21.50
Class C	1,373,755	0	268,958	19.6%	16,531	8,169	0	0	\$18.60

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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N/A

Cushman & Wakefield  
32 Alma Street  
Moncton, NB E1C 4Y1  
[www.cushmanwakefield.com](http://www.cushmanwakefield.com)

For more information, contact:  
Angela Murphy  
Research & Sales Coordinator  
Tel: +1 902 334 2169  
[amurphy@cwatlantic.com](mailto:amurphy@cwatlantic.com)

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