

NEW BRUNSWICK OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
NB Employment	352K	353K	▲
NB Unemployment	7.8%	8.3%	▼
Canadian Unemployment	6.2%	6.0%	■

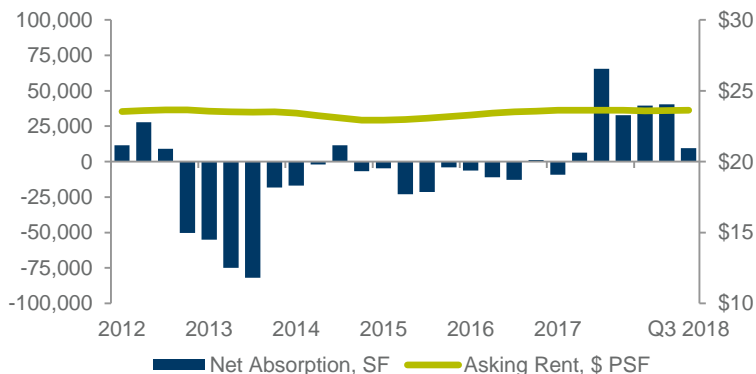
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	11.9%	11.4%	▲
Net Absorption (sf)	228,621	105,480	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.59	\$23.67	▲

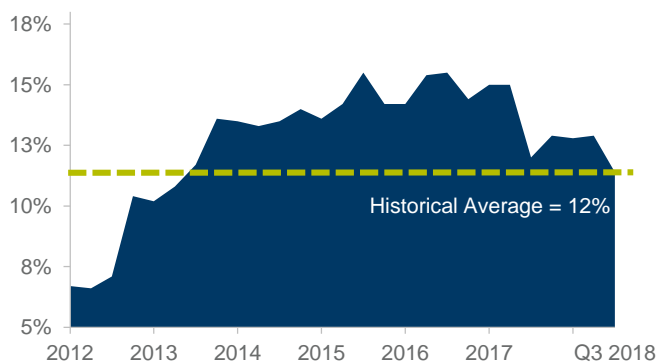
*Rental rates reflect gross asking \$psf/year

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 but moderate for the remainder of 2018. Private sector investments in the service and financial sectors will support the economy in the short term. Rogers has announced an expansion to its call centre in Moncton, increasing its total number of employees to 1,200 in the province. WestJet and Toronto Dominion Bank are looking to New Brunswick to expand their business centres. New Brunswick Power has announced an investment in energy efficiency, contributing to GDP growth and employment demand. Although migration has bolstered the housing sector and is a contributing factor to the province's population growth rate, the aging working population will eventually stunt growth. New Brunswick's product export producers have been experiencing robust demand and worldwide prices remain stable.

(Source: Statistics Canada, TD Economics, Conference Board of Canada)

Market Overview

New Brunswick's office market saw a decrease in overall vacancy in the third quarter of 2018 with the vacancy rate now sitting at 11.4%, a decrease of 150 basis points from the second quarter of 2018. Moncton's vacancy rate rose quarter-over-quarter from 9.0% to 9.8%. A driver behind the increased vacancy in Moncton was the climb in vacancy in the Class C market; driven by Goodlife Fitness which vacated 14,000 square feet (sf) at 795 Main Street. Class B vacancy was balanced by tenants moving into, and vacating out of, various premises within Moncton. The Fredericton market continues to have the lowest vacancy in the province, reaching 5.5% in the third quarter of 2018 with modest positive absorption throughout all market classes. Although the Saint John market continues to have the highest overall vacancy rate in New Brunswick, the vacancy rate declined to 18.5% this quarter, a remarkable 510 basis point decrease from the second quarter of 2018. This decline in vacancy was driven by strong positive absorption of close to 118,000 sf.

Outlook

TD Economics has predicted slow GDP growth for the province of 1.0% for the remainder of 2018. Although employment demand will remain stable for the next few years, unsustainable long term population growth measures will eventually lead to no significant employment gains. In addition uncertainty surrounding NAFTA's (now USMCA) renegotiated terms loom over New Brunswick's trade future.

MARKETBEAT

New Brunswick

Office Q3 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	289,390	9.8%	-22,147	28,195	0	\$24.29	\$28.57
FREDERICTON	1,919,986	0	105,906	5.5%	9,942	20,566	0	\$23.73	\$26.55
SAINT JOHN	2,313,502	5,272	422,073	18.5%	117,685	37,324	0	\$22.82	\$30.00
NEW BRUNSWICK TOTALS	7,187,824	5,272	817,369	11.4%	105,480	86,085	0	\$23.67	\$28.44

*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	205,070	7.5%	81,882	34,796	0	0	\$28.44
Class B	3,051,404	3,376	321,609	10.7%	45,330	64,852	0	0	\$21.50
Class C	1,373,755	0	290,690	21.2%	-21,732	-13,563	0	0	\$18.62

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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N/A

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