

MARKETBEAT OFFICE SNAPSHOT

NEW BRUNSWICK

A Cushman & Wakefield Research Publication



Q3 2014



ECONOMIC OVERVIEW

According to Scotiabank's Provincial Trends report, New Brunswick's real GDP is still expected to reach 1.0% for 2014, a slight downward revision from the 1.3% quoted earlier this year. Earlier indications of renewed vitality in the NB economy eased in the third quarter because of the need for sustainable budgets by all levels of government and flat consumer expenditures, thereby suggesting that overall momentum remains weak in the province at this stage. Positive impacts are being felt in the province's manufacturing sector, with manufacturing sales up 3.3% and retail trade up 5.9% year-to-date due to the weaker Canadian dollar. The labour market has increased as well, reversing a four-year decline of 2.3% from 2009-2013 according to the 2014-2015 New Brunswick Economic outlook.

OFFICE OVERVIEW

Though the office market in NB experienced negative absorption in the third quarter, it remains positive year-to-date. The majority of this quarter's negative absorption occurred in Moncton, where the overall vacancy rate is 11.5%. Within Moncton, 7,048 square feet (sf) was leased at 21 Ocean Limited Way by welcomed Cupcake Digital, and 860 Main Street also welcomed a new tenant with CPA NB taking 5,600 sf.

Saint John continues to post the highest vacancy rate in the province, reporting an overall rate of 18.5%, due in large part to class C space which has fallen out of favour with the market and currently has a vacancy rate of 29%.

Fredericton, the smallest of the three markets, was stable over the third quarter, with an overall vacancy rate of 10.6%, unchanged from last quarter. Fredericton demands the highest net asking rental rates, at \$13.32 per square foot (psf), speaking to the current stability of the office market conditions there.

OUTLOOK

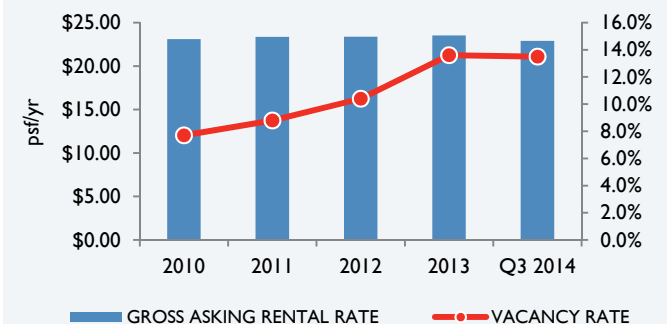
Private-sector services including finance, insurance, real estate & wholesale trade will continue to be the foundation of growth for the province this year according to Scotiabank. This is evident through projects such as the proposed Bell Aliant Inc. \$25-million data center in Saint John. Other parts of the province are also starting to show improvements in the office/commercial sector. Construction in Dieppe is already underway to extend Dieppe Boulevard, to enable further retail, office and commercial developments.

As capital projects advance such as the Energy East Pipeline, JD Irving Ltd. Saint John Pulp Mill, and the Oxford Frozen Food Facility, the Province expects further accelerated growth and positive impacts on domestic indicators, with GDP expected to increase in 2015 to a healthier 1.6%.

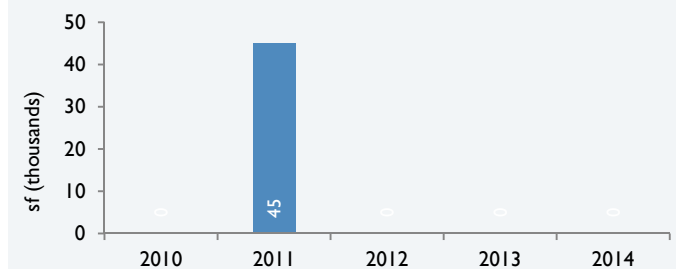
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.7%	13.5%	1.8 pp	▼
Direct Net Asking Rents (psf/yr)	\$13.26	\$12.63		▲
YTD Absorption (sf)	-103,472	15,452	118,924	▲

RENTAL VS. VACANCY RATES



NEW SUPPLY



NEW BRUNSWICK

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER OVERALL ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG NET ASKING RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Class A	1,261,210	9.2%	8.9%	0	0	(1,663)	(8,684)	\$15.68	\$27.95
Class B	1,652,213	10.7%	10.7%	0	0	(7,706)	40,703	\$11.07	\$20.81
Class C	356,482	23.7%	21.3%	0	0	(8,568)	(20,676)	\$9.89	\$18.86
MONCTON	3,269,905	11.5%	11.2%	0	0	(17,937)	11,343	\$12.87	\$23.58
Class A	765,994	14.1%	12.0%	0	0	7,908	(22,068)	\$14.01	\$25.58
Class B	833,330	7.0%	5.8%	0	0	2,000	4,762	\$13.07	\$21.72
Class C	377,387	11.2%	11.2%	0	0	400	(190)	\$12.50	\$20.58
FREDERICTON	1,976,711	10.6%	9.2%	0	0	10,308	(17,469)	\$13.32	\$23.00
Class A	780,461	7.2%	6.8%	0	0	(1,785)	(4,187)	\$14.76	\$29.19
Class B	893,521	19.7%	17.8%	0	0	600	41,640	\$10.95	\$20.30
Class C	730,416	29.0%	29.0%	0	0	1,650	(15,848)	\$9.60	\$16.30
SAINT JOHN	2,404,398	18.5%	17.7%	0	0	465	21,605	\$11.77	\$21.97
TOTALS	7,651,014	13.5%	12.7%	0	0	(7,164)	15,452	\$12.63	\$22.90

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	BUILDING CLASS	SQUARE FEET
75 Urquhart Avenue	Moncton	Excellent Detailing	B	7,000
133 Prince William Street	Saint John	Canadian Cancer Society	B	5,980
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
232-236 St. George Street	Moncton	ECB Investments Ltd.	\$2,050,000.00	N/A
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				