

NEW BRUNSWICK OFFICE

Economic Indicators

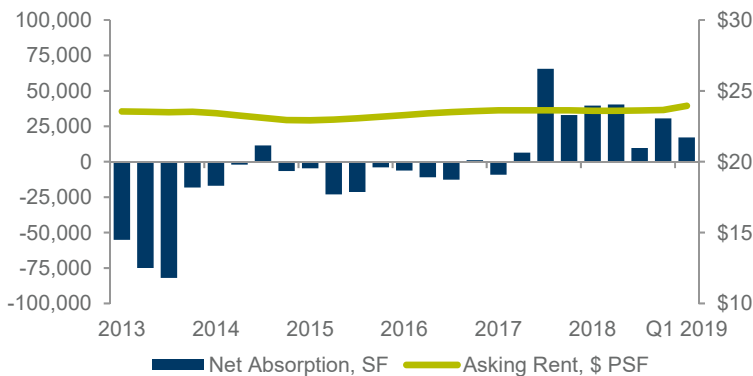
	Q1 18	Q1 19	12-Month Forecast
NB Employment	356K	357K	▲
NB Unemployment	8.2%	8.2%	▼
Canadian Unemployment	5.8%	5.8%	■

Market Indicators (Overall, All Classes)

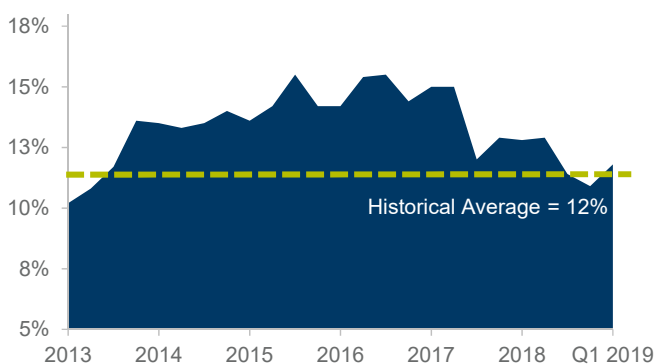
	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	12.8%	11.8%	▲
Net Absorption (sf)	-10,631	-64,005	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.59	\$24.77	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

Changing demographics, a tightened budget, and uncertainty surrounding trade will continue to challenge New Brunswick's revenue growth potential and its economy, with a modest 0.7% GDP growth forecasted for 2019. Employment in the first quarter of 2019 grew by 1.3%, although part-time positions comprised 82.6% of this growth. Demand for new housing weakened with 25.9% fewer housing starts recorded this quarter compared to one year ago. Despite this decline, the construction industry is holding steady with growth in home renovation work; comprising of 37% of the entire industry.

(Source: Statistics Canada, RBC Economics, BuildForce Canada)

Market Overview

New Brunswick's office vacancy rate rose to 11.8% in the first quarter of 2019, up 90 basis points from last quarter; resulting from an increase in vacant space this quarter of 64,000 square feet (sf). Although Moncton's overall absorption was slightly positive this quarter, at 703 sf, absorption has been trending lower over the last year.. Class A vacancy climbed slightly to 4.7% this quarter, up by 40 basis points from last quarter. Class B office vacancy decreased quarter-over-quarter by 30 basis points from 8.1% to 7.8%. In other market news, Stantec recently doubled its downtown office size to 12,000 sf in a newly revitalized office located at 1199 Main Street. Outside of the downtown core, Nordia moved into 60,000 sf of office space at 1199 St. George Boulevard.

Office vacancy in Fredericton jumped to 8.2% in the first quarter, up 310 basis points from last quarter. Contributing factors to this increase was the provincial government vacating 30,000 sf of office space at 364 Argyle Street and Service New Brunswick vacating 20,000 sf at 82 Westmorland Street.

The Saint John market also saw a vacancy rates increase in the first quarter, climbing 30 basis points from last quarter to reach 18.0%. Class B office vacancy rose by 40 basis points quarter-over-quarter to 21.1%. A number of tenants vacating smaller units at 22 King Street and higher vacancy at 75 Prince Street contributed to this rise in overall vacancy. Conversely, One Market Square saw a jump in leasing activity with a total of 7,775 sf of positive absorption this quarter.

Outlook

Long-term tightened government spending will result in slowed GDP growth in 2019, increasing the pressure on the private sector to be the driving force behind any economic growth. Ongoing issues arising from the province's aging demographic linger and are expected to impact both labour force growth and overall economic growth potential over the next few years.

MARKETBEAT

New Brunswick

Office Q1 2019



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	1,155	276,945	9.4%	703	703	0	\$24.62	\$29.45
FREDERICTON	1,921,624	1,700	155,591	8.2%	-58,995	-58,995	90,000	\$24.47	\$27.75
SAINT JOHN	2,313,502	0	415,397	18.0%	-5,713	-5,713	0	\$22.79	\$30.00
NEW BRUNSWICK TOTALS	7,189,462	2,855	847,933	11.8%	-64,005	-64,005	90,000	\$24.77	\$29.16

*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	0	190,405	6.9%	887	887	90,000	0	\$29.16
Class B	3,051,404	0	311,145	10.2%	2,978	2,978	0	0	\$22.53
Class C	1,375,393	2,855	346,383	25.4%	-67,870	-67,870	0	0	\$18.60

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1199 St. George Boulevard	60,000	Nordia	Lease	Moncton

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