

NEW BRUNSWICK OFFICE

Economic Indicators

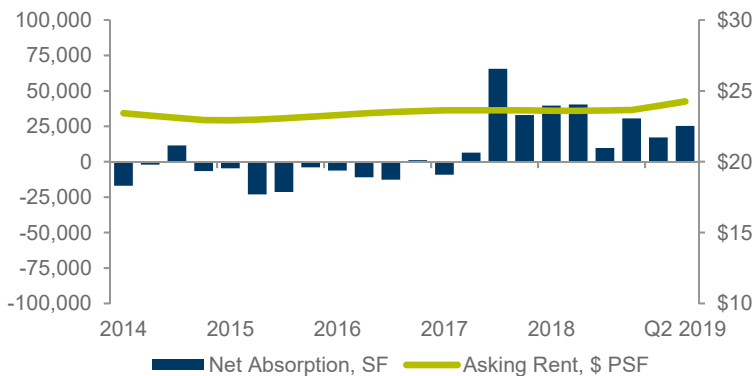
| | Q2 18 | Q2 19 | 12-Month Forecast |
|-----------------------|-------|-------|-------------------|
| NB Employment | 368K | 357K | ▲ |
| NB Unemployment | 7.3% | 8.2% | ▲ |
| Canadian Unemployment | 5.9% | 5.4% | ▲ |

Market Indicators (Overall, All Classes)

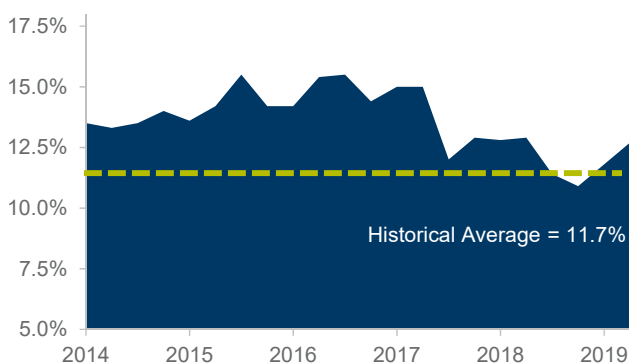
| | Q2 18 | Q2 19 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Overall Vacancy | 12.9% | 12.7% | ▲ |
| Net Absorption (sf) | -8,764 | 23,671 | ▲ |
| Under Construction (sf) | 0 | 90,000 | ▲ |
| Average Asking Rent* | \$23.61 | \$24.86 | ▲ |

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The standstill in the New Brunswick economy in 2018 transitioned to a sluggish start in 2019. Manufacturing sales and exports experienced a slowdown after the Irving Oil Refinery explosion and are now beginning to recover. Lumber exports to the United States fell by 18% since 2018. Despite these hurdles, job growth increased by 0.7% since the beginning of 2019 with the service sector leading the expansion. Housing starts are on the rise with a surge of apartment building construction in the province. Demand for single-family housing weakened with 20.1% fewer housing starts recorded this quarter compared to Q2 2018. Home sales are trending upwards and resale values have increased by 8.8% year-over-year.

(Source: Statistics Canada, TD Economics, CMHC, CREA)

Market Overview

New Brunswick's office vacancy rate rose to 12.7% in the second quarter of 2019, up 90 basis points (bps) from last quarter. Class A vacancy climbed even more substantially in the second quarter of 2019 to reach 9.4%, 150 bps higher than last quarter. Both the Class B and C markets followed suit. Class B vacancy increased quarter-over-quarter from 10.2% to 10.5%, while the province's Class C vacancy remains the highest and has seen a year-over-year increase from 19.6% to 24.6%.

Overall vacancy in Moncton declined by 20 bps from last quarter to 9.2%. Demand for Class C space has increased, resulting in the vacancy rate declining to 31.5% from 34.2% one year ago. Moncton's leasing activity in the Class A and B markets slowed, resulting in higher vacancy to 4.9% and 8.8% respectively, up from 4.4% and 8.5% one year ago.

Fredericton's office vacancy has been generally increasing, although there was a decline this quarter to 7.1% from 8.2% in the first quarter of 2019. Class C leasing activity was strong this quarter, as several tenants leased space at 364 Argyle Street, totaling 15,368 square feet (sf).

The Saint John market is seeing rising office vacancy rates, climbing by 160 bps from last quarter to reach 22.1%. Lateral movement in the Class A market was seen as London Life vacated 9,287 sf at 55 Union Street and moved into 44 Chipman Hill. Additionally, 14 King Street saw positive absorption of 9,038 sf.

Outlook

Demographic trends and long-term tightened government spending will result in slowed GDP growth in the future. As repairs to the Irving Oil Refinery progress, production of refined oil products will be restrained through 2019. Lumber exports are predicted to remain low and New Brunswick's lumber mills are expected to feel the economic impact.

MARKETBEAT

New Brunswick

Office Q2 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 | 0 | 270,588 | 9.2% | 28,472 | 29,175 | 0 | \$24.83 | \$29.45 |
| FREDERICTON | 1,966,624 | 1,700 | 138,200 | 7.1% | 17,391 | -41,604 | 90,000 | \$24.55 | \$27.77 |
| SAINT JOHN | 2,313,502 | 25,743 | 485,866 | 22.1% | -22,192 | -27,905 | 0 | \$22.78 | \$30.00 |
| NEW BRUNSWICK TOTALS | 7,234,462 | 27,443 | 894,654 | 12.7% | 23,671 | -40,334 | 90,000 | \$24.86 | \$29.14 |

*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 | 2,807,665 | 0 | 264,364 | 9.4% | 61 | 948 | 90,000 | 0 | \$29.14 |
| Class B | 3,051,404 | 0 | 319,008 | 10.5% | 13,097 | 16,075 | 0 | 0 | \$22.63 |
| Class C | 1,375,393 | 27,443 | 311,282 | 24.6% | 10,513 | -57,357 | 0 | 0 | \$18.77 |

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2019

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|-----------------|--------|--------|------------------|------------|
| 100 King Street | 15,095 | RBC | Renewal | Saint John |

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