

NEW BRUNSWICK OFFICE

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
NB Employment	350k	352k	▲
NB Unemployment	10.1%	9.4%	▼
Canadian Unemployment	7.0%	7.0%	▼

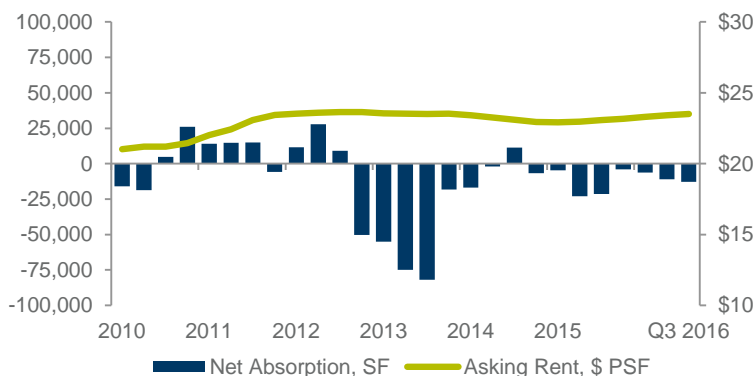
Market Indicators (Overall, All Classes)

	Q3 15	Q3 16	12-Month Forecast
Overall Vacancy	14.5%	15.5%	▲
Net Absorption (sf)	(799)	(78,630)	▼
Under Construction (sf)	9,375	0	▼
Average Asking Rent*	\$23.35	\$23.58	▲

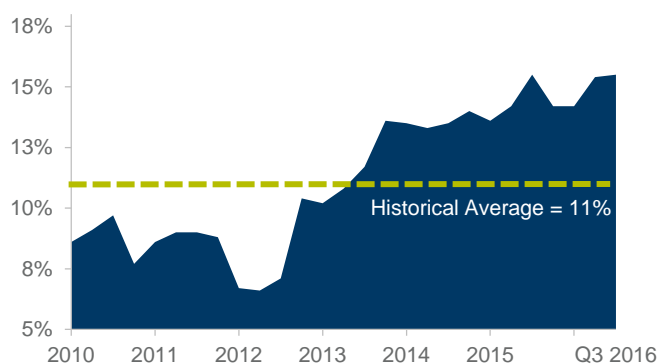
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Economic growth remains subdued in New Brunswick, with real GDP expected to expand 0.7% in 2016, the weakest pace among non-oil-producing provinces. While exports should get a boost from the lagged impact of a weaker Canadian dollar, the fiscal environment remains challenging and some private-sector capital spending projects are winding down (BMO Capital Markets). Construction on a new development in the city of Moncton, which has been named The Junction, began in August with the extension of Ivan Rand Drive and a new fitness club. There are also plans for a high-end apartment building with retail and office space on the ground level, as well as a new hotel; all of which will have a positive impact on the city's economy.

Market Overview

New Brunswick's office market concluded Q3 with an increase of just one-tenth of percentage point in the overall vacancy rate from last quarter, reaching 15.5%. Moncton posted an overall vacancy rate of 12.5%, a slight decrease of 0.3 percentage points from Q2 2016. Notable changes in Moncton this quarter include an expansion of 3,685 square feet (sf) of an existing tenant at 77 Vaughn Harvey Boulevard and over 4,000 sf has been taken up at 774 Main Street. Although Fredericton continues to have the lowest vacancy rate in the province at 12.6%, it is a slight increase of 0.5 percentage points from the previous quarter. Fredericton had two significant changes in vacancy. One was located at 527 Queen Street as approximately 3,300 sf became available and the second was at 416 York Street where approximately 5,400 sf became vacant. The Saint John area continues to post the highest overall vacancy rate in New Brunswick at 22%; a 0.4 percentage point increase from the Q2 vacancy rate of 21.6%. Vacancy in Saint John is over 6 full percentage points higher than the provincial vacancy average of 15.5%. The vacancy rate in Saint John's class C segment is 28.6% which is driving the overall elevated vacancy rates.

Outlook

RBC Economics cites that the overall employment in New Brunswick has declined by 0.6% during the first eight months of 2016; reflecting losses of both part-time and full-time jobs. These losses were concentrated in the public sector, which has seen steep declines in education and public administration jobs amid fiscal restraint by the government as it grapples with a significant budgetary shortfall (-1.0% of GDP in 2016-17). The private sector, by contrast, has added jobs so far this year. Strong growth in employee compensation is helping to support service-sector employment and retail sales, and construction employment is up following a rise in housing activity last year.

MARKETBEAT

New Brunswick

Office Q3 2016



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	3,121,485	0	389,075	12.5%	9,742	972	0	\$24.58	\$29.29
FREDERICTON	1,931,711	29,346	214,150	12.6%	(8,955)	(64,103)	0	\$23.61	\$27.53
SAINT JOHN	2,304,498	0	506,360	22.0%	(8,609)	(15,499)	0	\$22.29	\$28.88
NEW BRUNSWICK TOTALS	7,357,694	29,346	1,109,585	15.5%	(7,822)	(78,630)	0	\$23.58	\$28.71

*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	29,346	298,666	11.9%	2,905	(26,683)	0	0	\$28.71
Class B	3,209,549	0	441,553	13.8%	(5,581)	(35,312)	0	0	\$21.18
Class C	1,385,480	0	369,366	26.7%	(5,146)	(16,635)	0	0	\$18.27

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
121 Church Street	2,977	Sun Life Assurance	Lease	Edmunston
73-75 King Street	5,170	Club Rewind	Lease	Saint John
50 Driscoll Crescent	2,900	Gardner Electric Ltd	Lease	Moncton

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1385 Hickey Road	5,470 sf/0.5 acre lot	Undisclosed	Undisclosed	Saint John

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