

NEW BRUNSWICK OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
NB Employment	353K	369K	▲
NB Unemployment	8.3%	8.6%	▲
Canadian Unemployment	6.0%	5.7%	▲

Market Indicators (Overall, All Classes)

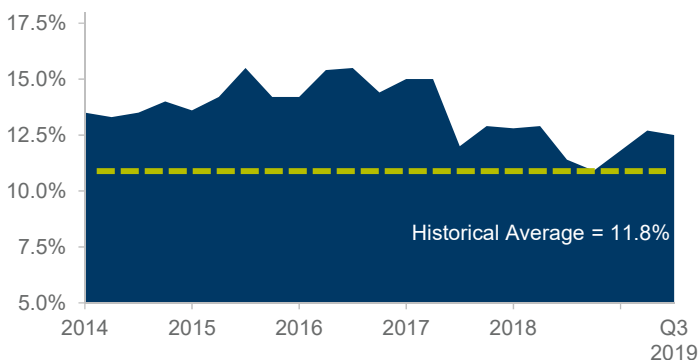
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	11.4%	12.5%	▲
Net Absorption (sf)	105,480	17,227	▼
Under Construction (sf)	0	90,000	▼
Average Asking Rent*	\$23.67	\$24.81	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

New Brunswick is expected to see slowing economic momentum in 2020, with GDP growth anticipated to only reach 0.9%. Manufacturing sales and exports are struggling with the aftermath of the Irving Oil Refinery explosion and slowed U.S demand for forestry products. However, new international trade deals with the European Union and various other countries will bolster agriculture and forestry exports and as a result, help reduce the province's dependence on the North American market. International migration, part of the government's newly-revealed population growth strategy, has bolstered labour force gains in the province with job growth increasing by 0.8% year-over-year. Confidence in both consumer spending and housing activity is high, with strong residential home sales. As a result, the average price of a single-family home in the Moncton area has now surpassed \$200,000 – a record high.

(Source: TD Economics, Laurentian Bank Securities, CREA)

Market Overview

New Brunswick's office vacancy rate fell to 12.5% in the third quarter of 2019, down 20 basis points (bps) from last quarter. Class A vacancy declined in the third quarter of 2019 to reach 9.0%, 40 bps lower than last quarter. The Class C market followed suit and fell 120 bps to 23.4%. Class B vacancy increased quarter-over-quarter from 10.5% to 10.8%. Overall vacancy in Moncton declined by 60 bps from last quarter, to 8.6%, with demand for Class A and Class C office space in the Moncton area generating positive absorption of 12,462 square feet (sf) and 10,911 sf respectively. During the third quarter, a lease renewal for 7,241 sf was completed at 1273 Main Street by the Greater Moncton Chamber of Commerce, 3 Plus Corp. and Opportunities NB Inc. Activity at 795 Main Street was a contributing factor to Class C absorption with 9,304 sf leased to various tenants. Leasing activity in the Class B office market slowed, resulting in a higher vacancy rate of 9.2% in the third quarter, 20 bps higher than one year ago.

Fredericton's office vacancy rate continued to increase in the third quarter of 2019, climbing from 7.1% in the second quarter of 2019 to 7.5%. A variety of tenants vacated units at 595 Priestman Street, contributing to Fredericton's Class B negative absorption of 9,380 sf. Overall asking net rents fell by \$0.05 per square foot (psf), from \$24.55 psf in the second quarter of 2019 to \$24.50 psf this quarter.

In Saint John, Irving Oil vacated the last of its 70,000 sf of Class A office space at 39 King Street, generating most of the negative absorption within Class A in the third quarter of 2019. A notable Class A transaction involved Investors Group, which renewed its lease of 10,443 sf at 55 Union Street.

Outlook

Tight fiscal spending to keep the province's debt-reduction plan on track is expected to slow GDP growth to 0.8% by 2021. A silver lining to the economic dampening is the possible commencement of a wind energy project in the Saint John area which could begin as soon as 2020.

MARKETBEAT

New Brunswick

Office Q3 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	253,238	8.6%	17,350	46,525	0	\$24.83	\$29.45
FREDERICTON	1,966,624	1,700	146,593	7.5%	-8,393	-49,997	90,000	\$24.50	\$28.07
SAINT JOHN	2,313,502	25,743	477,596	21.8%	8,270	-19,635	0	\$22.69	\$29.78
NEW BRUNSWICK TOTALS	7,234,462	27,443	877,427	12.5%	17,227	-23,107	90,000	\$24.81	\$29.17

*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	253,644	9.0%	10,720	11,668	90,000	0	\$29.17
Class B	3,051,404	0	329,628	10.8%	-10,620	5,455	0	0	\$22.57
Class C	1,375,393	27,443	294,155	21.4%	17,127	-40,230	0	0	\$18.58

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
55 Union Street	10,443	Investors Group	Renewal	Saint John
1273 Main Street	7,241	GMCC, 3+ and ONB	Renewal	Moncton
350 Elmwood Drive	4,508	Atlantic Farm Services	Lease	Moncton

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