

## NEW BRUNSWICK OFFICE

### Economic Indicators

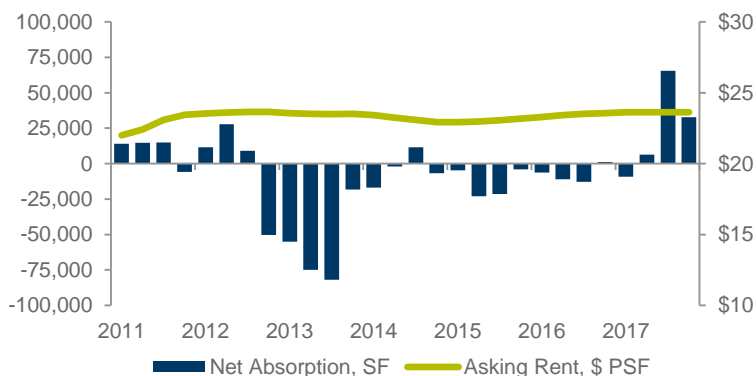
	Q4 16	Q4 17	12-Month Forecast
NB Employment	355K	356K	▼
NB Unemployment	9.4%	7.8%	▼
Canadian Unemployment	6.9%	5.7%	■

### Market Indicators (Overall, All Classes)

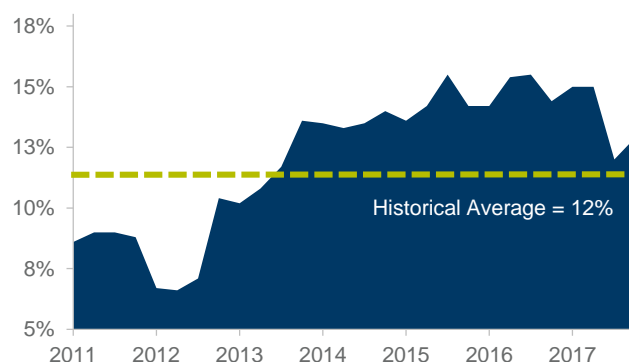
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	14.4%	12.9%	▲
Net Absorption (sf)	82,969	-47,623	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.59	\$23.60	▲

\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The New Brunswick economy surpassed expectations in 2017, with real GDP growing a robust 1.7%. The main contributors to this growth were increases in both residential investment and infrastructure, employment growth, and projected record-setting retail sales. Increased government investment showed positive results in the residential sector, with housing starts seeing a 14% increase since 2016.

Unfortunately this growth is expected to run out of steam, as economic growth is forecasted to slip to 0.7% in 2018, and then contract again to 0.4% in 2019. The reasons behind the projected growth contractions are unfavourable demographics and a decrease in the working-age population. However, a decrease in the working age population should favour employment and unemployment rates, which would be great news for workers.

(Source: RBC Economics)

## Market Overview

New Brunswick's office market concluded 2017 with an overall vacancy rate of 12.9%, a slight increase from the third quarter's 11.9%. The Moncton vacancy rate nudged upward in the fourth quarter to 10.8% from 9.6% in the third quarter, as all classes of space saw increases in vacancy. One of the more notable events in the Moncton market was Dexter Construction moving from roughly 8,000 square feet (sf) at 1180 St. George Boulevard to 1070 St. George Boulevard.

Availability in the Fredericton market continues to decline and also continues to have the lowest vacancy of the three centres, with vacancy falling twenty basis points from the third quarter to 7.4%. Factors behind the decline in vacancy were two undisclosed tenants leasing approximately 12,000 sf at 1133 Regent Street. However, two announced developments will reverse this declining vacancy trend in the coming quarters. The Saint John area continues to post the highest overall vacancy rate in New Brunswick, reaching 20.1% in the fourth quarter. One of the significant contributors to this vacancy is 400 Main Street (Place 400) where roughly 53,000 sf of Class B space sits vacant, which has pushed the vacancy rate in Saint John's class B segment to 27.3%

## Outlook

TD Economics has stated that provincial economic growth will decelerate, reaching 1% by 2019 as construction activity slows and tourism stabilizes. Exports may be impacted from uncertainty in trade policy and high U.S. trade exposure, but New Brunswick still anticipates the demand for its softwood lumber to remain strong. The U.S. housing sector will provide steady demand for forestry products due to the need for rebuilding in many American cities hit hard by natural disasters in 2017.

MARKETBEAT

# New Brunswick

Office Q4 2017



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	2,942,112	1,500	316,085	10.8%	-16,788	71,943	0	\$24.18	\$28.30
FREDERICTON	1,931,711	0	142,254	7.4%	3,740	43,709	0	\$23.64	\$26.75
SAINT JOHN	2,313,502	4,896	459,773	20.1%	-34,575	15,802	0	\$22.82	\$29.86
<b>NEW BRUNSWICK TOTALS</b>	<b>7,187,325</b>	<b>6,396</b>	<b>918,112</b>	<b>12.9%</b>	<b>-47,623</b>	<b>131,454</b>	<b>0</b>	<b>\$23.60</b>	<b>\$28.34</b>

\*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	1,896	239,866	8.8%	7,381	59,848	0	0	\$28.34
Class B	3,039,180	4,500	385,337	12.8%	-33,062	15,999	0	0	\$21.56
Class C	1,385,480	0	292,909	21.1%	-21,942	131,454	0	0	\$18.34

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
371 Queen Street	10,598	RBC Dominion Securities	Lease	Fredericton
633 Main Street	8,877	RBC Dominion Securities	Lease	Moncton

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