

NEW BRUNSWICK OFFICE

Economic Indicators

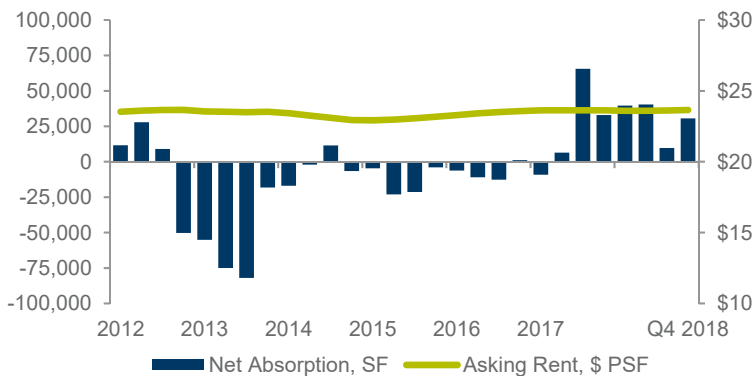
	Q4 17	Q4 18	12-Month Forecast
NB Employment	356K	351K	▲
NB Unemployment	7.8%	8.4%	▼
Canadian Unemployment	5.7%	5.6%	■

Market Indicators (Overall, All Classes)

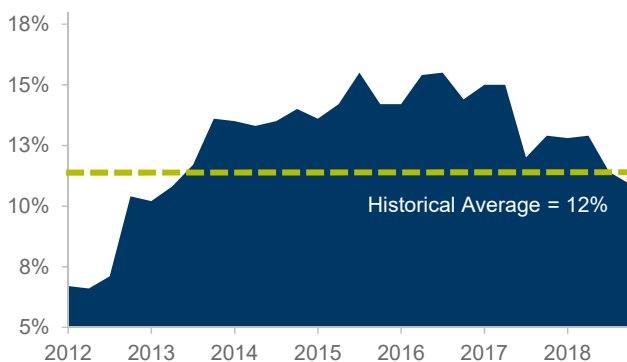
	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	12.9%	10.9%	▲
Net Absorption (sf)	-47,623	35,858	▼
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$23.60	\$23.72	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

With stronger than expected economic growth in 2018, New Brunswick's GDP expanded by approximately 1.0%. Expectations are for a slightly slower pace of growth in 2019, with GDP growth of approximately 0.9%. New Brunswick's labour force and population growth continues to rely heavily on immigration as well as retention programs that are aimed to mitigate the rapidly aging demographic trend and job openings driven by replacement demand. Job gains have been modest throughout 2018; however, a contributor to positive job growth in the private sector was Costco which created 100 jobs at its new 154,000-sf warehouse in Moncton. Home sales have remained strong and new home builds in the province have moderately slowed but have remained in positive territory. As the new provincial government begins to balance the budget, it is expected that infrastructure investments in 2019 will cater to maintenance improvement projects within the transportation, tourism, healthcare and education sectors. Through 2018, exports are estimated to have increased by 7%.
(Source: Statistics Canada, TD Economics, RBC Economics)

Market Overview

New Brunswick's office market saw a decrease in overall vacancy in the fourth quarter of 2018 with the vacancy rate at 10.9%, a decrease of 190 basis points since the first quarter of 2018. All three major markets saw lower vacancy rates in the current quarter compared to the first quarter of 2018.

Saint John experienced the greatest decrease in vacancy over the course of 2018, beginning the year at a 20.6% vacancy rate and ending the year at 17.7%. A driver behind the decrease in vacancy in Saint John during the fourth quarter of 2018 was positive absorption of 19,000 square feet (sf) of Class A space, the majority of which occurred at 14 King Street (Centerbeam Place).

Moncton's vacancy rate fell quarter-over-quarter from 9.8% in the third quarter of 2018 to 9.4%. Contributing to this decrease in vacancy was the federal government occupying 11,000 sf of Class B office space at 50 King Street. The Fredericton market continues to have the lowest vacancy in the province, declining to 5.1% in the fourth quarter of 2018 with modest positive absorption within both Class B and C buildings.

Outlook

Looking ahead to 2019, TD Economics predicts slightly slowing GDP growth for the province, but will remain stable and in positive territory. A promised balanced budget by 2020 by the provincial government will tighten new investment projects and the public sector will begin to feel the effects. Confidence in diversifying New Brunswick's exports in the near future is strong, as the USMCA becomes finalized and the CETA takes hold.

MARKETBEAT

New Brunswick

Office Q4 2018



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	277,648	9.4%	10,587	38,782	0	\$24.33	\$28.59
FREDERICTON	1,919,986	1,700	96,596	5.1%	7,610	28,176	0	\$23.74	\$26.55
SAINT JOHN	2,313,502	3,376	406,308	17.7%	17,661	54,985	0	\$22.93	\$30.00
NEW BRUNSWICK TOTALS	7,187,824	6,231	780,552	10.9%	35,858	121,943	0	\$23.72	\$28.45

*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	191,292	6.9%	15,674	50,470	0	0	\$28.45
Class B	3,051,404	3,376	310,747	10.3%	10,862	75,714	0	0	\$21.58
Class C	1,373,755	2,855	278,513	20.5%	9,322	-4,241	0	0	\$18.70

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
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N/A

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