

## ST. JOHN'S OFFICE

### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
St. John's Employment	118K	113K	▼
St. John's Unemployment	8.5%	7.4%	▲
Canada Unemployment	5.8%	5.8%	■

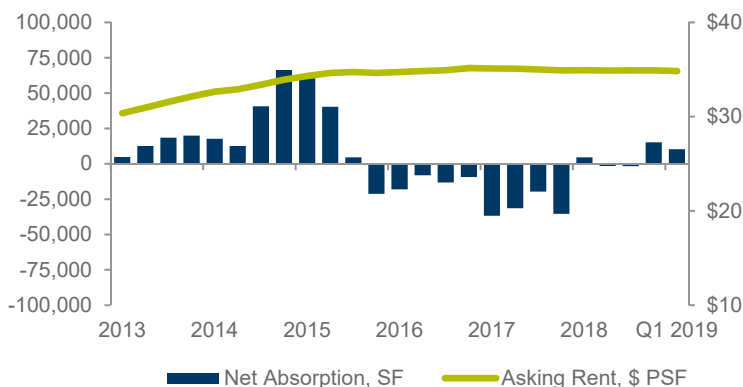
### Market Indicators

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	20.2%	18.4%	▼
Net Absorption (sf)	39,722	20,543	▲
Under Construction (sf)	34,000	210,000	■
Average Asking Rent*	\$34.98	\$34.74	▼

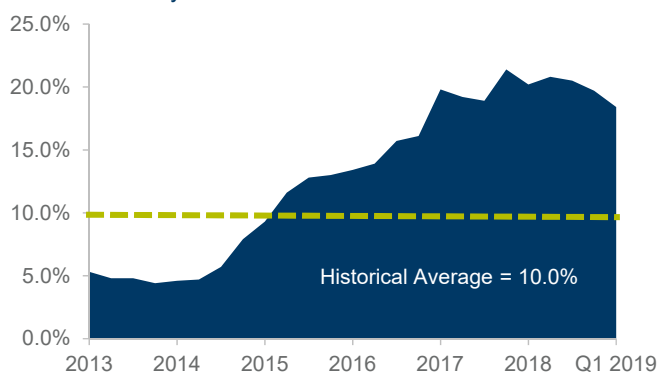
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The newly updated Atlantic Accord – which is the agreement between the federal and provincial government that ensures that Newfoundland and Labrador is the “principal beneficiary” of the offshore oil industry – will result in the province receiving \$3.3 billion between 2019 – 2056. This dollar figure represents the share of revenue that the federal government receives from the Hibernia project. The province will have to make eight annual payments of \$100 million starting in 2045 to cover operational costs incurred by the federal government resulting from its continued involvement in Hibernia. Over the course of the agreement with these new terms, the province will net \$2.5 million, with the payments being front loaded so that \$1.9 billion is received by 2030.

(Source: The Telegram)

## Market Overview

The downtown market remains the focus of activity, with the former Fortis Building undergoing a significant retrofit which has necessitated relocation of its existing tenants. There has been some removal of sublease space from the market; which includes Deloitte’s space at Fortis Place.

The statistical survey has been adjusted for 430–434 Water Street which has been purchased for the expansion of the JAG Hotel and theatre, therefore only the current office occupancy is being included. 152 Water Street has been removed from the statistical inventory as it is being re-positioned as a retail and entertainment centre.

The Kenmount Business Centre continues to move towards re-development. Dillon Engineering will vacate to move into new space at 38 Duffy Place – which recently sold for \$1.7 million to Solo Investments.

## Outlook

Despite the obvious change in the vacancy rate in the market in the first quarter of 2019, which declined to 18.4% from 19.7% last quarter, office properties continue to represent an attractive investment, particularly for local owners.

## MARKETBEAT

## ST. JOHN'S, NL

Office Q1 2019



SUBMARKET	TOTAL BLDGS	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)*
Downtown	13	1,631,578	31,720	343,909	23.0%	12,566	12,566	0	\$ 41.49	\$45.14
Central	10	335,354	0	62,105	18.5%	0	0	0	\$25.44	n/a
North	25	797,870	20,123	82,309	12.8%	8,156	8,156	35,000	\$28.85	n/a
East & West	26	1,006,489	11,222	142,869	15.3%	-179	-179	175,000	\$30.00	\$37.40
<b>ST. JOHN'S TOTALS</b>	<b>74</b>	<b>3,771,291</b>	<b>63,065</b>	<b>631,192</b>	<b>18.4%</b>	<b>20,543</b>	<b>20,543</b>	<b>210,000</b>	<b>\$ 34.74</b>	<b>\$42.82</b>

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

SUMMARY BY CLASS	TOTAL BLDGS	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)	AVERAGE ASKING RENT OVERALL*
Class A	7	1,016,036	26,734	198,739	22.2%	15,664	15,664	175,000	0	\$42.82
Class B	39	1,711,570	36,331	274,770	18.2%	-459	-459	35,000	0	\$33.50
Class C	30	1,043,685	0	157,683	15.1%	5,338	5,338	0	0	\$25.84

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

## Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
235 Water Street	2,739	Lloyd's Register	Lease	Downtown
38 Duffy Place	5,929	Dillon Engineering	Lease	Suburban North

## Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
38 Duffy Place	15,374	GWH Holdings / Solo Investments	\$ 1,700,000 / \$111	Suburban North

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