

Office Snapshot Q3 2015

St. John's, NL



ST. JOHN'S OFFICE

Economic Indicators

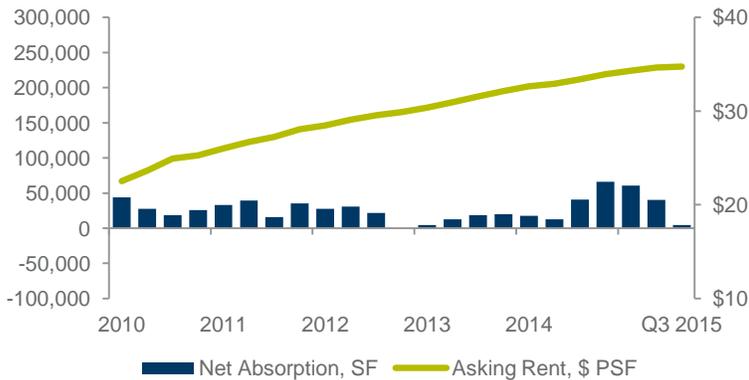
	Q3 14	Q3 15	12-Month Forecast
St. John's Employment	115k	116k	▼
St. John's Unemployment	6.6%	6.3%	▲
Canada Unemployment	6.9%	7.0%	■

Market Indicators

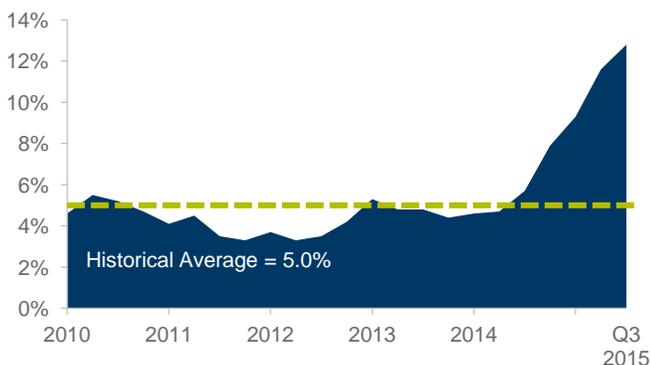
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	5.7%	12.8%	▲
Net Absorption	128k	(15)k	▼
Under Construction	240k	142k	■
Overall Average Asking Rent	\$34.42	\$34.79	▼

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Following the steep decline in oil prices, Newfoundland and Labrador (NL) was recently faced with some disappointing announcements. The drill rig GSF Grand Banks was demobilized after drilling in the offshore since 1986, resulting in both direct and indirect job losses. Not long after, Seadrill Limited announced it was cancelling its order for the West Mira – an ultra-deep water semi-submersible rig. That leaves just two rigs operational in NL's offshore. However, a resource assessment of the province's offshore conducted by an independent oil and gas consultant Beicip Franlab revealed that the upcoming 2015 license round area in offshore NL has "in place" oil and gas potential of 12 billion barrels of oil and 113 trillion cubic feet of gas. This is a significant assessment and will hopefully result in a resurgence for the local oil and gas industry, especially when the exploration rights for these areas are put up for bids in November 2015.

Market Overview

In a word, the St. John's office market can best be described this quarter as 'quiet'. Following the rapid rental rate increases and very low vacancy of the last few years, the surge of new construction which allowed for expansion has been completed and occupied. The amount of space available for sublease – in both new and older buildings – has increased, with some tenants now offering to absorb the operating costs for the potential subtenants.

Construction continues on Hebron Way in the north-east of the city. The Crosbie Group building was completed this quarter and the owners are occupying their portion, while attempting to lease space on the first floor. Cabox Properties has its 36,000-sf building underway, and the KMK Capital building is now also under construction.

Outlook

Vacancy has sharply risen-having more than doubled during the last four quarters. It appears that companies that were seeking larger and/or newer space were accommodated during the last two years, and therefore few tenants are shopping around. Tenants are either waiting to see whether rents will respond to the competitive pressures, while others are content to conduct their lease renewal discussion with landlords who need to be competitive as they attempt to avoid vacancies in these new market conditions.

MARKETBEAT

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St. John's, NL



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	AVERAGE ASKING RENT (ALL CLASSES)*	AVERAGE ASKING RENT (CLASS A)*
Downtown	14	1,625,244	68,139	142,143	12.9%	(20,340)	(77,224)	28,600	\$41.68	\$45.11
Central	11	352,628	0	58,416	16.6%	(5,520)	(16,439)	0	\$26.10	N/A
North	25	721,870	10,848	76,322	12.1%	(10,500)	824	45,000	\$29.25	N/A
East & West	24	902,672	14,884	89,278	11.5%	21,108	(2,056)	68,000	\$28.26	N/A
"ST. JOHN'S TOTALS"	74	3,602,414	93,871	366,159	12.8%	(15,252)	(94,895)	141,600	\$34.79	\$45.11

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION	YTD NET OVERALL ABSORPTION	UNDER CNSTR	YTD CNSTR COMPLETIONS	AVERAGE ASKING RENT OVERALL*
Class A	6	924,044	37,739	49,999	9.5%	(2,240)	(46,130)	28,600	0	\$45.11
Class B	36	1,570,070	31,312	127,794	10.1%	5,400	(6,689)	113,000	71,000	\$34.01
Class C	32	1,108,300	24,820	188,366	19.2%	(18,412)	(41,876)	0	14,000	\$25.65

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
15 Hebron Way	5,000	Great West Life	Lease	East/West

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
N/A				

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