

ST. JOHN'S OFFICE

Economic Indicators

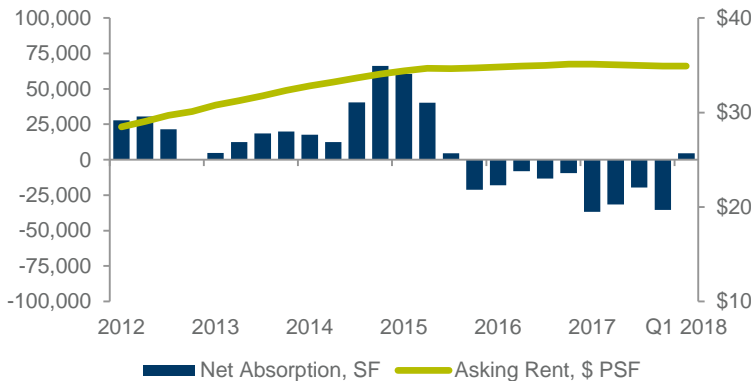
	Q1 17	Q1 18	12-Month Forecast
St. John's Employment	114K	118K	▼
St. John's Unemployment	11.4%	8.5%	▲
Canada Unemployment	6.7%	5.8%	▼

Market Indicators

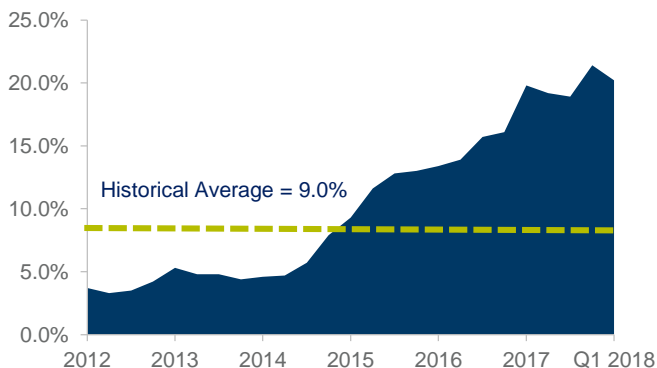
	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	19.8%	20.2%	■
Net Absorption (sf)	-120,320	39,722	▼
Under Construction (sf)	90,000	34,000	▲
Average Asking Rent*	\$34.95	\$34.98	▼

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

In March 2018 the provincial government outlined the budget for 2018/2019 and the expectations are modest. Household income will rise by a mere 0.7%, with a corresponding increase in retail sales to a total of \$9.3 billion. Employment levels in the province are forecast to average 221,900, which is a decrease of 1.0% from 2017. Capital investment will reach \$9.7 billion, representing a 9.3% decline from last year, as major projects transition from the development and construction phase to the production phase.

The province borrows \$1.8 million dollars per day to service its debt. Initial reactions from bond rating agencies seem to indicate that debt servicing expenses might hold steady – although it will be next quarter before the detailed reports of their analyses are published.

(Source: Government of Newfoundland & Labrador)

Market Overview

The provincial government reduced its leased space footprint by 92,000 square feet (sf) over the last several quarters, with much of that space located within the St. John's area. In doing so, the provincial government achieved a cost reduction of \$2.7 million.

The downtown towers are seeing welcome interest and activity such as Fortis Inc. leasing another full floor in Fortis Place. Existing tenants such as Aker and Kvaerner have undergone expansion in Atlantic Place. A new entrant to St. John's is Pearson VUE, which has opened an office at 235 Water (formerly called Scotia Centre). Some current occupiers of downtown office space with upcoming renewals are exploring options solely within the Central Business District (CBD).

Tenants requiring 1,000 sf or less continue to compete for spaces that are few and far between.

Outlook

The overall vacancy rate for the total market fell slightly to 20.2% in the first quarter of 2018. This was driven by absorption in the CBD – although the total vacancy rate within the CBD remains at 26.7%. Activity within the office market is increasing – consistent with the uptick in activity that is usually seen as spring and summer approach.

MARKETBEAT

ST. JOHN'S, NL

Office Q1 2018



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	14	1,664,919	42,872	401,414	26.7%	35,167	35,167	0	\$41.45	\$45.54
Central	10	335,354	0	69,163	20.6%	-1,742	-1,742	0	\$25.70	n/a
North	25	797,870	24,487	91,821	14.6%	-3,819	-3,819	20,000	\$29.52	n/a
East & West	26	1,006,489	9,822	129,272	13.8%	10,166	10,166	14,000	\$30.05	\$37.40
ST. JOHN'S TOTALS	75	3,804,781	77,181	691,670	20.2%	39,772	39,772	34,000	\$ 34.98	\$ 43.20

*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	39,659	206,035	24.2%	16,536	16,536	0	0	\$43.20
Class B	39	1,711,570	37,522	288,936	19.1%	21,142	21,142	34,000	0	\$33.65
Class C	30	1,077,026	0	196,699	18.3%	2,094	2,094	0	0	\$26.13

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Fortis Place – 5 Springdale Street	10,934	Fortis Inc.	Lease	Downtown

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
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Cushman & Wakefield
 49 Elizabeth Avenue, Suite 302
 P.O. Box 1135
 St. John's, NL A1C 5M5
www.cushmanwakefield.com

For more information, contact:
 Joanne Earle, Research/Comm. Sales & Leasing
 Tel: +1 709 576 3777
jearle@cwatlantic.com

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