MARKETBEAT

ST. JOHN'S, NL

Office Q2 2018

ST. JOHN'S OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
St. John's Employment	114K	110K	▼
St. John's Unemployment	8.5%	10.4%	▲
Canada Unemployment	6.6%	5.8%	▬

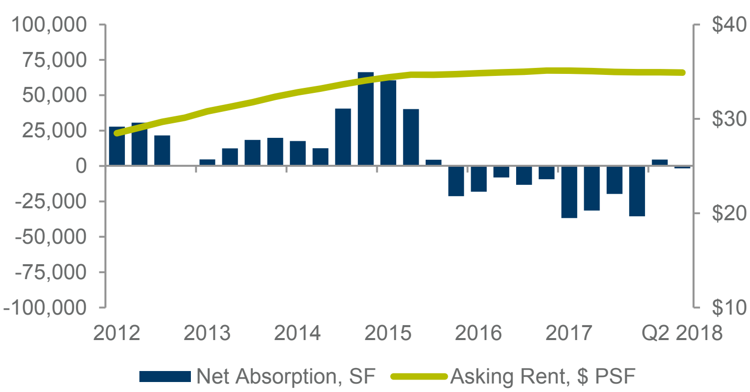
Market Indicators

	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	19.2%	20.8%	▬
Net Absorption (sf)	3,240	-21,168	▼
Under Construction (sf)	90,000	120,000	▲
Average Asking Rent*	$35.04	$34.94	▼

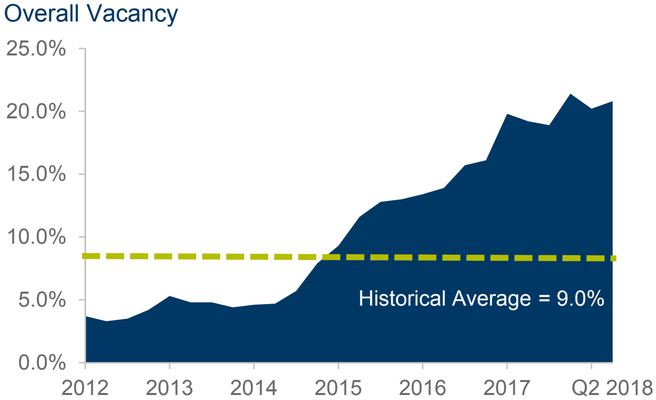
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

A recent Conference Board of Canada report indicates that real GDP growth in St. John's will be the third highest among census metropolitan areas in Canada at 2.5% in 2018. The primary resources sector and the utilities sector, the latter of which is anticipating growth by an annual average of 11% over the next two years, are the driving factors behind the anticipated expansion in GDP. This growth will help offset slowing in other sectors such as construction and several service industries.

(Source: Conference Board of Canada)

Major project investment for St. John's is forecasted at close to $700 million for this year, representing a 15% increase from the previous year.

(Source: Atlantic Provinces Economic Council)

Market Overview

The restored 275 Duckworth Street which had initially been offered for lease as office space ,and then for sale as office condominiums, has a slightly different focus now with the Craft Council of Newfoundland & Labrador (CCNL) taking 5,000 square feet (sf) for its shop, gallery and administration offices. The CCNL has also taken an additional 3,000 sf space for its clay studio.

Genoa Design is rumoured to be consolidating its operations, with plans to move from 4 Olympic Drive and 115 Glencoe Drive to take approx. 21,000 sf (the entire building) at 15 Dundee Avenue in Mount Pearl.

The downsizing of the provincial government continues, with Metro Place at 261 Kenmount Road offering 16,000 sf for lease as long term tenants from the Department of Advanced Education and Skills are vacating.

In other market news, The Business Suites Inc. sold its second location at 40 Commonwealth Avenue to GLMA Investments for $ 1,250,000.

Outlook

Some tenants who are out in the market shopping for space are finding a wide variety of options to choose from. Landlords are aggressively courting them, while tenant retention also remains a top priority.

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CUSHMAN & WAKEFIELD
Atlantic

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	399,757	26.6%	1,657	36,824	0	$41.45	$45.54
Central	10	335,354	0	69,598	20.8%	-435	-2,177	0	$25.70	n/a
North	25	797,870	20,123	102,944	15.4%	-6,636	-10,455	20,000	$29.52	n/a
East & West	26	1,006,489	9,822	145,026	15.4%	-15,754	-5,588	100,000	$30.05	$37.40
ST. JOHN'S TOTALS	75	3,804,632	72,817	717,202	20.8%	-21,168	18,604	120,000	$ 34.94	$ 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	204,378	24.0%	1,657	18,193	100,000	0	$43.20
Class B	38	1,711,570	33,158	300,890	19.5%	-7,590	13,552	20,000	0	$33.60
Class C	30	1,077,026	0	211,934	19.7%	-15,235	-13,141	0	0	$26.09

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
40 Commonwealth Avenue	6,000	The Business Suites Inc. / GLMA Investments In.	$ 1,250,000 / $208	Mount Pearl/Paradise

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