

Halifax, Nova Scotia

Office Q2 2020



YoY Chg 12-Mo. Forecast

15.3%
Vacancy Rate ▲ ▲

14,218
Net Absorption, SF ▲ ▲

\$28.77
Asking Rent, PSF ▲ ▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

216K
Halifax Employment ▼ ▲

10.5%
Halifax Unemployment Rate ▲ ▬

13.7%
Canada Unemployment Rate ▲ ▼

Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economic growth is expected to grind to a halt in 2020 as forecasts have Halifax's GDP contracting by 3.4%, a huge contrast to the pre-COVID-19 forecast showing 2.2% growth for 2020. Population growth in Halifax was strong at the tail end of 2019 but could slow in 2020; resulting in hits to consumer spending, construction, and housing demand. Despite the potential population growth decrease and the contraction in GDP growth, Halifax is expected to follow the Canadian trend of improvement in 2021 and experience a 5.9% growth rate. With the province and a large portion of industries re-opening, activity should pick up in June, resulting in much needed economic stimulation. The governments infrastructure program will help support the economy, as expenditures are expected to be doubled this year, with \$230 million already pledged. The COVID-19 pandemic struck Canada in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the Canadian economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

(Sources: Statistics Canada, RBC, Halifax Partnership)

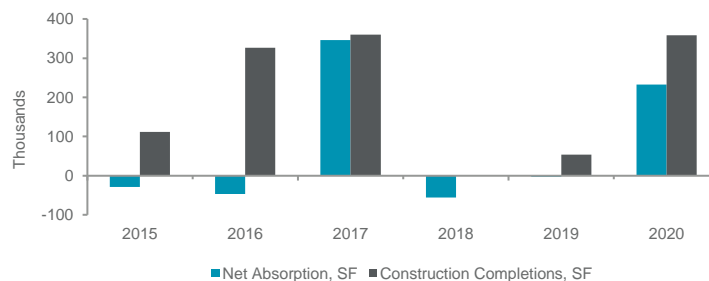
SUPPLY AND DEMAND

Nova Scotia's office vacancy rate in the second quarter of 2020 rose to 15.3% from the 14.7% seen in the first quarter of 2020. Despite this increase, positive absorption of 14,218 square feet (sf) was observed this quarter. Typically an inverse relationship, vacancy and absorption can increase when construction developments are completed with vacant space, which was the case with the completion of the 130,000-sf Queen's Marquee. The CBD saw Class A vacancy jump by 260 basis points (bps) from 21.0% to 23.6% quarter-over-quarter as lateral movement by tenants were observed. Stewart McKelvey moved from Purdy's Wharf Tower I at 1959 Upper Water Street and now occupy 85,000 sf in the Queens Marquee. Other submarkets followed the increased vacancy trend as Suburban Halifax observed the highest overall vacancy increase from last quarter, rising from 5.9% last quarter to end the second quarter at 7.1%, a 120-bps increase. This increase can be contributed to the 16,276 sf of space in the Greystone Court located at 155 Chain Lake Drive being vacated by Irving. The CBD saw a moderate 0.7% quarter-over-quarter increase to reach a 19.5% overall vacancy rate in the second quarter of 2020. Dartmouth finished the quarter with an overall vacancy rate of 15.9%, a 40-bps increase from last quarter. Bedford closed out the quarter as the only submarket to see an overall vacancy drop, declining by 80 bps to 7.7% this quarter, due in part to Westway Park I and 2 at 120 & 175 Western Parkway respectively having the last of their vacant space leased.

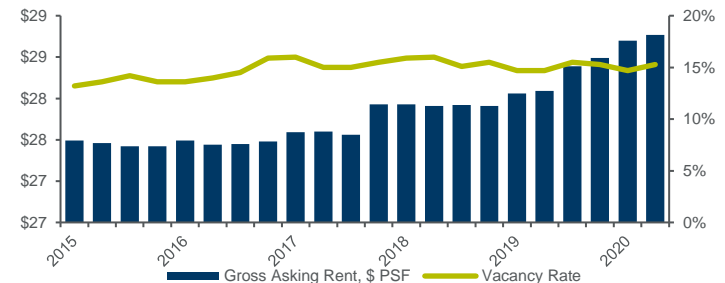
PRICING

Overall average net rents saw a slight \$0.02 per square foot (psf) increase in the second quarter of 2020 compared to the rates in the previous quarter. Class B net rents in the Suburban Halifax submarket saw a \$0.28 psf increase to \$15.57 psf this quarter, the highest increase of any other submarket this quarter. The CBD experienced decreases in both Class A and B net rents this quarter, with Class A dropping by \$0.11 psf to \$18.95 psf this quarter, and Class B dropping by \$0.06 psf to \$13.23 psf this quarter, Class C space remained unchanged from the first quarter of 2020. Class B office net rents in Dartmouth jumped by \$0.13 psf to \$12.89 psf this quarter, while Class A and C net rents were stagnant in the second quarter. Bedford Class A net rents finished the quarter at \$14.56 psf, a \$0.18 psf quarter-over-quarter increase. Class C net rents observed a \$0.13 psf decline from last quarter to now sit at \$11.21 psf. Class B saw no change from the first quarter of 2020.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Halifax, Nova Scotia

Office Q2 2020

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Halifax – Central Business District	6,186,733	11,285	1,192,709	19.5%	47,293	139,674	0	\$30.34	\$35.12
Halifax - Suburban	2,466,594	3,970	171,938	7.1%	-30,615	-37,244	0	\$28.24	\$30.04
Dartmouth	3,102,426	18,371	474,353	15.9%	-10,316	108,861	0	\$26.99	\$29.29
Bedford	943,713	0	72,767	7.7%	7,856	21,383	0	\$25.62	\$27.00
SUBURBAN TOTALS	6,512,733	22,341	719,058	11.4%	-33,075	93,000	0	\$27.27	\$29.21
HALIFAX TOTALS	12,699,466	33,626	1,911,767	15.3%	14,218	232,674	0	\$28.77	\$31.78

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
36 Solutions Drive	Halifax - Suburban	SHM Canada Consulting Inc.	2,242	Lease
238A Brownlow Avenue	Dartmouth	Advantage Solutions Inc.	2,900	Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1741 Lower Water Street	Halifax - Central	Stewart McKelvey	130,000	Armour Group

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