

YoY Chg 12-Mo. Forecast

13.2%
Vacancy Rate ▲ ▲

-26,891
Net Absorption, SF ▼ ▲

\$25.00
Asking Rent, PSF ▲ ▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

328K
New Brunswick Employment ▼ ▲

12.8%
New Brunswick Unemployment Rate ▲ ▬

13.7%
Canada Unemployment Rate ▲ ▼

Source: Statistics Canada

ECONOMIC OVERVIEW

In 2019, New Brunswick's economy was originally projected to grow by 1.0% in 2020; however, current forecasts now have the province seeing a 3.7% decline in growth, though it should be noted that the province is expected to have the third smallest decline in GDP out of all the provinces. New Brunswick may take longer to rebound from the economic hit as the province's economy is influenced by oil and other commodities, coupled with the fact that exports are down as well as manufacturing. A decline in non-residential construction will also be a potential contributing factor to a slower rebound. Government plans will help the province as it is now on track to have a \$300 million budget deficit, a significant change from the \$92 million surplus in early 2020. 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: RBC Economics, Statistics Canada, TD Economics,)

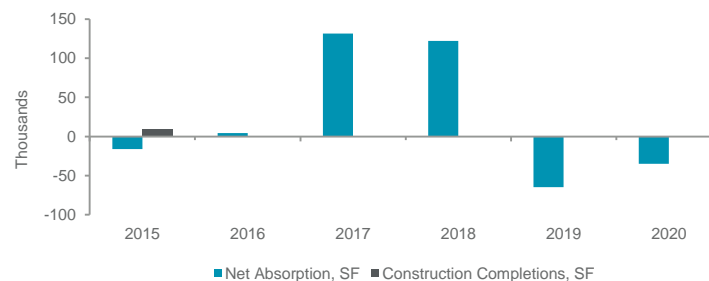
SUPPLY AND DEMAND

New Brunswick's overall vacancy rate rose by 40 basis points (bps) from 12.8% last quarter to reach 13.2% in the second quarter of 2020. Saint John was the only submarket to see a decrease in vacancy, as it fell to 24.1% this quarter, a 30-bps quarter-over-quarter change. The Moncton and Fredericton submarkets saw moderate increases to vacancy as Moncton had a 60-bps rise to reach 8.6% this quarter, while Fredericton experienced an 80-bps jump to finish the second quarter with vacancy of 7.2%. Overall Class A vacancy saw a 160-bps increase quarter-over-quarter to reach 10.9%. The overall vacancy rate for Class B saw a decline this quarter as the rate dropped by 60-bps to 11.8%. Class C vacancy observed virtually no change from the previous quarter, only increasing by 10-bps to 21.0% in the second quarter of 2020. The Fredericton Class A market had the largest vacancy rate increase across all Class A space, rising by 330-bps from last quarter to reach 6.9% in the second quarter of 2020. This increase was largely the result of over 25,000 square feet of space being vacated by various tenants at Baker House located at 570 Queen Street. Although it was only minor, Saint John was once again the only submarket to see a vacancy rate decrease in Class A space, dropping by 20-bps to 22.2% this quarter

PRICING

Overall average asking rents in the New Brunswick market saw a \$0.08 per square foot (psf) increase to \$13.90 psf quarter-over-quarter. The Moncton, Fredericton and Saint John Submarkets all experienced slight increases to net rents, with Moncton rising by \$0.05 psf to \$13.44 psf this quarter, Fredericton bumped up to \$14.60 psf in the second quarter, a \$0.03 psf quarter-over-quarter increase, and finally Saint John saw a \$0.08 psf rise to \$12.15 psf this quarter. Overall Class A office space asking rents were up to \$15.55 psf this quarter, a \$0.14 psf increase from the first quarter of 2020. Moncton Class A space had the highest overall net rent increase across all other submarkets, finishing the second quarter of 2020 at \$15.90 psf, up from \$15.68 psf last quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



New Brunswick

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)* |
|-----------------------------|------------------|--------------------|--------------------|----------------------|---|---------------------------------|------------------|--|------------------------------------|
| Moncton | 2,954,336 | 18,970 | 235,748 | 8.6% | -17,674 | -23,438 | 0 | \$25.19 | \$30.09 |
| Fredericton | 1,966,624 | 0 | 141,825 | 7.2% | -15,331 | -3,541 | 90,000 | \$24.62 | \$28.07 |
| Saint John | 2,313,502 | 0 | 557,669 | 24.1% | 6,114 | -7,772 | 0 | \$22.66 | \$29.67 |
| New Brunswick Totals | 7,234,462 | 18,970 | 935,242 | 13.2% | -26,891 | -34,751 | 90,000 | \$25.00 | \$29.44 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---------------------------|-----------|---|-------|-------|
| 860 Main Street | Moncton | Canadian Council on Rehabilitation & Work | 2,769 | Lease |
| 232-236 St. George Street | Moncton | Association Francophone Parent | 2,082 | Lease |

*Renewals not included in leasing statistics

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