

New Brunswick

Office Q3 2020



	YoY Chg	12-Mo. Forecast
13.8% Vacancy Rate	▲	▲
33,964 Net Absorption, SF	▼	▲
\$24.88 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
350K New Brunswick Employment	▼	▲
10.4% New Brunswick Unemployment Rate	▲	▬
9.0% Canada Unemployment Rate	▲	▼

Source: Statistics Canada

ECONOMIC OVERVIEW

New Brunswick's economy is predicted to see a 4.5% contraction in 2020, which is a slight increase from what was originally forecasted earlier this year. However the province has fared much better economically due to government restrictions and mandates, and because of this it is forecasted that the economy will bounce back in 2021 with GDP growth of about 4.5%. The increase in contraction compared to last quarters prediction can partly be attributed to weak demand and prices in the export sector as oil and seafood exports have seen a 27% and 13% year-over-year decline respectively. However with the province opening sooner than most of the other Canadian provinces, job losses were lower in comparison and close to three-quarters of those who lost their jobs in the province have now found employment. Recovery may be slow due to struggling exports, but a continued strengthening of New Brunswick's retail sector, housing market and housing starts will help keep the province on the road to recovery. Upon the arrival of COVID-19 in Canada., the economy entered a recession in March 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#)

(Sources: RBC Economics, Statistics Canada, TD Economics,)

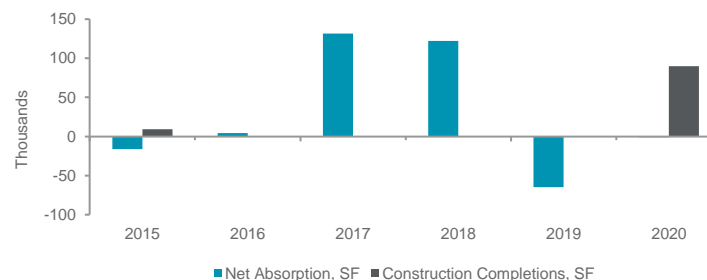
SUPPLY AND DEMAND

New Brunswick's overall vacancy rate observed a 60-basis point (bps) increase from the previous quarter to reach 13.8% in the third quarter of 2020. For a second quarter in a row the Saint John submarket saw its overall vacancy decrease in all classes, dropping from 24.1% to 22.8% in the third quarter of 2020. While both Moncton and Fredericton experienced overall vacancy increases, Moncton saw rates climb by 150 bps quarter-over-quarter to 10.1% and Fredericton had a slightly larger increase in vacancy of 170 bps quarter-over-quarter to 8.9%. The overall Class A vacancy rate increased by 90 bps from last quarter to 11.8% this quarter. The Class B overall vacancy rate had a slightly lower increase with a 60-bps jump and the Class C overall vacancy rate remained relatively unchanged, rising by only 10 bps quarter-over-quarter to end the third quarter of 2020 at 21.1%. The Moncton Class A vacancy rate was down to 5.9% this quarter, a 40-bps quarter-over-quarter drop. Fredericton's Class A vacancy saw a significant increase this quarter, climbing from 6.9% in the previous quarter to 11.0% in the third quarter of 2020. This was in large part due to the 89,930-square foot (sf) completion at 140 Carleton Street. Saint John's Class B vacancy rate dipped by 330 bps from last quarter to end the third quarter of 2020 at 22.7%. This decline is in large part the result of 12,564 sf of space at One Market Square being taken off the market due to space reclassification and multiple new tenant occupancies.

PRICING

Overall average net asking rents in New Brunswick dropped by \$0.10 from the previous quarter to \$13.80 per square foot (psf) in the third quarter of 2020. All three submarkets (Moncton, Fredericton, Saint John) observed overall net asking rent decreases this quarter, with Moncton seeing a modest decline of \$0.01 psf to \$13.43 psf quarter-over-quarter, Fredericton experiencing a slight decrease of \$0.05 psf from last quarter to \$14.55 psf this quarter, and finally Saint John with the largest quarter-over-quarter drop of \$0.19 psf to end the third quarter of 2020 at \$11.96 psf. The overall Class A net rent saw a \$0.20 psf decline to \$15.35 psf this quarter. Saint John Class A space experienced the largest change this quarter as net rents dropped by \$0.64 psf to end the third quarter of 2020 at \$13.85 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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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	26,690	271,227	10.1%	-43,199	-66,637	0	\$25.19	\$30.09
Fredericton	2,056,554	0	183,771	8.9%	47,984	44,443	0	\$24.58	\$28.07
Saint John	2,313,502	0	528,490	22.8%	29,179	21,407	0	\$22.40	\$28.85
New Brunswick Totals	7,324,392	26,690	983,488	13.8%	33,964	-787	0	\$24.88	\$29.20

*Rental rates reflect full service asking

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
140 Carleton Street	Fredericton	Vestcor	89,930	Ross Ventures Ltd.

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