

YoY Chg 12-Mo. Forecast

16.6%
Vacancy Rate

-36,326
Net Absorption

\$34.20
Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

105K
St. John's Employment

10.5%
St. John's Unemployment Rate

13.7%
Canada Unemployment Rate

Source: Statistics Canada

ECONOMIC OVERVIEW

The St. John's economy is potentially facing a significant contraction in GDP growth in 2020, with a projected decline of 8.9%. Due to the heavy reliance on the oil industry and the steep drop in oil prices earlier this year, as well as the delay on a final investment decision for the Bay du Nord project, the province will likely be looking at a long road to recovery. Despite these difficulties the province has done well at implementing protocols to allow the restart of many industries, and these protocols may aid in the long-term growth of the province as consumer confidence increases. 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)

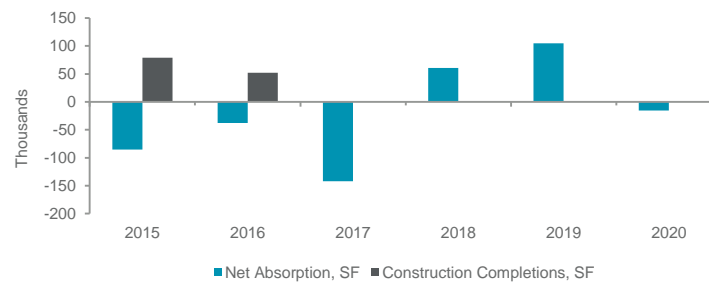
SUPPLY AND DEMAND

The St. John's overall office vacancy rate rose to 16.6% in the second quarter of 2020, a 10-basis point (bps) increase from the previous quarter. The Central submarket led the way with a 310 bps increase this quarter, rising to 21.7% from 18.6% quarter-over-quarter. The Downtown market was close behind with a jump in vacancy to reach 23.3% this quarter, a 190-bps increase from the first quarter of 2020. Both the North and East/West submarkets saw overall vacancy decline from last quarter, the North submarket had a small decline of 50 bps from last quarter to 7.6% this quarter, due in part to 7,200 square feet that was leased in Bristol Court I, located at 145 Kelsey Drive, while the East/West submarket had a slight 10 bps quarter-over-quarter decrease, ending the quarter with a vacancy rate of 11.1%. Class B office space had the highest overall vacancy rate increase this quarter, climbing from 15.8% last quarter to 17.7% in the second quarter of 2020. The overall vacancy rate for Class C space saw a modest 40 bps increase from last quarter and is now sitting at 11.8%. Class A office space remained unchanged from the first quarter of 2020.

PRICING

Overall average net asking rents remained virtually unchanged from last quarter, only seeing a \$0.01 per square foot (psf) increase to \$28.82 psf this quarter. The Downtown and Central submarkets saw no change in rents compared to last quarter, while the North Submarket experienced a \$0.11 psf jump from \$17.99 psf to reach \$18.10 psf this quarter. The East/West submarket was the only market to see a decrease in net asking rents, dropping from \$18.89 psf last quarter to \$18.85 psf in the second quarter of 2020. Only Class C net rents saw a change this quarter, with overall net rents rising from \$15.93 psf in the previous quarter to \$15.97 psf this quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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)*
Downtown	1,634,645	0	380,388	23.3%	-30,604	-15,544	0	\$39.61	\$42.14
Central	335,354	0	72,664	21.7%	-10,272	-11,037	0	\$25.67	\$29.04
North	797,870	6,453	54,184	7.6%	3,817	7,227	45,000	\$28.65	\$31.50
East & West	1,006,489	0	112,219	11.1%	733	-3,733	172,580	\$30.88	\$37.40
ST. JOHN'S TOTALS	3,774,358	6,453	619,455	16.6%	-36,326	-15,621	217,580	\$34.20	\$39.97

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
15 Hallett Crescent	North	Waypoints	1,500	Lease
15 Hallett Crescent	North	NL Sexual Assault Crisis and Prevention Centre	1,504	Lease

*Renewals not included in leasing statistics

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