

YoY Chg 12-Mo. Forecast

19.7%
Vacancy Rate ▲ ▲

-36,373
Net Absorption ▼ ▲

\$34.39
Asking Rent, PSF ▼ —

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

110K
St. John's Employment ▼ —

9.8%
St. John's Unemployment Rate ▲ —

9.0%
Canada Unemployment Rate ▲ ▼

Source: Statistics Canada

ECONOMIC OVERVIEW

The St. John's economy is still on track to see its largest GDP contraction in years, with a forecasted decline of around 11%. Indicators are pointing towards a subpar rebound in 2021 when compared to the rest of the Canadian provinces, with projections showing GDP growth of between 2.5% – 3.5%. With oil being a major economic contributor to the province, much of this loss can be attributed to the plummeting oil prices in recent months, resulting in a 30% drop in the provinces oil exports. Major capital projects such as Muskrat Falls and the Soldiers Pond have been delayed, leaving a sizeable debt payment to be paid in December 2020 for the province. Due to the many delays and financial hits to the construction and oil sectors, the job market will struggle with a prolonged recovery. Some respite can be taken though, as the province managed to retain better than average mobility in the past few months and had only a -2.0% year-over-year change in retail sales, a figure that is comparatively better than most other provinces. 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)

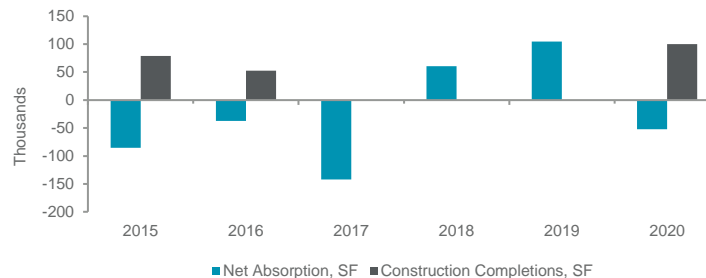
SUPPLY AND DEMAND

The St. John's overall vacancy rate saw a 310-basis point (bps) increase in the third quarter of 2020, rising from 16.6% last quarter to 19.7%. The Downtown submarket observed the largest vacancy rate change this quarter, as rates climbed from 23.3% to 31.2% quarter-over-quarter; much of this due to ExxonMobil vacating their former location at Cabot Place 1 on 100 New Grover Street and moving into their newly constructed owned office premises at 20 Hebron Way, resulting in over 95,000 square feet (sf) of lateral absorption. The North and Central submarkets also experienced overall vacancy increases this quarter, with the North submarket seeing rates rise from 7.6% to 8.9% quarter-over-quarter, while the Central submarket was not too far behind with rates rising by 60 bps points from last quarter to 22.3% in the third quarter of 2020. The East/West submarket was the only area to see overall vacancy rates decrease this quarter, as vacancy declined by 160 bps points from last quarter to reach 9.5%. The decline can largely be attributed to the previously mentioned move by ExxonMobil to their new premises in the East/West submarket. Class A and B overall vacancy rates were on the rise as a quarter-over-quarter increase of 900 bps was observed in Class A space and a 150 bps increase in Class B space, bringing the third quarter 2020 rates to 28.6% and 19.2% respectively. Class C space saw an overall vacancy decline this quarter as rates dropped from 11.8% in the previous quarter to 10.7% this quarter.

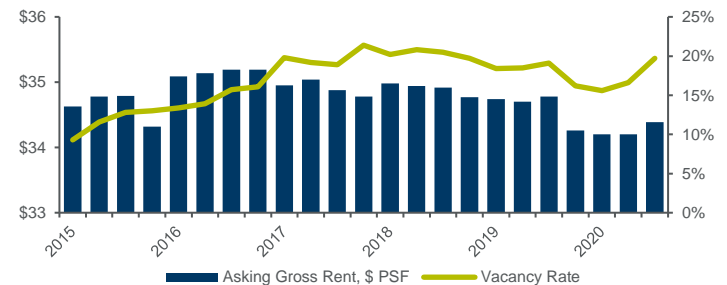
PRICING

Overall average net asking rents were up by \$0.10 per square foot (psf) from the previous quarter to \$20.92 psf in the third quarter of 2020. The Downtown and East/West submarkets both had increases in net rents, with Downtown rising by \$0.11 psf quarter-over-quarter to \$24.29 psf, and East/West climbing by \$0.15 from the last quarter to \$19.00 psf this quarter. Net rents in the North Submarket were relatively stable this quarter with just a \$0.03 psf quarter-over-quarter decrease to \$18.07 psf was seen in the third quarter of 2020. The Central submarket net rents remained unchanged compared to last quarter. Class A and C overall net rents were on the rise this quarter, as Class A net rents increased by \$0.18 from the previous quarter to \$23.80 psf this quarter, while Class C net rents rose by \$0.03 psf quarter-over-quarter to \$16.00 psf in the third quarter of 2020. Class B rents were unchanged from the previous 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	509,498	31.2%	-129,110	-144,654	0	\$39.84	\$42.52
Central	335,354	0	74,840	22.3%	-2,176	-13,213	0	\$25.67	\$29.04
North	797,870	6,453	64,8058	8.9%	-10,621	-3,394	45,000	\$28.65	\$31.55
East & West	1,079,214	0	102,843	9.5%	105,534	109,267	72,580	\$31.07	\$37.40
ST. JOHN'S TOTALS	3,847,083	6,453	751,986	19.7%	-36,373	-51,994	117,580	\$34.39	\$40.33

*Rental rates reflect full service asking

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
20 Hebron Way	East/West	55732 Newfoundland & Labrador Inc. / ExxonMobil	100,000	\$33.4M / \$334

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
20 Hebron Way	East/West	ExxonMobil	100,000	ExxonMobil / KMK Capital

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