

# Halifax, Nova Scotia

Office Q1 2021



	YoY Chg	12-Mo. Forecast
<b>14.8%</b> Vacancy Rate	▲	▼
<b>14,580</b> Net Absorption, SF	▼	▲
<b>\$28.80</b> Asking Rent, PSF	▲	—

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
<b>242.5K</b> Halifax Employment	▲	▲
<b>8.2%</b> Halifax Unemployment Rate	▲	▼
<b>7.5%</b> Canada Unemployment Rate	▼	▼

Source: Statistics Canada

## ECONOMIC OVERVIEW

Coming off a 3.9% GDP contraction in 2020, Nova Scotia is projected to have an even stronger 2021 than previously forecasted, as GDP is anticipated to grow by 5.5% in 2021. The province was able to deal with the second wave of the pandemic and experienced only slight dips in employment during December 2020 when restrictions were once again reinstated. February 2021 saw these restrictions lifted once again and Nova Scotia was able to continue to operate in a relatively open environment. Easement of restrictions has resulted in business's being able to operate at 75% capacity, and the tentative reestablishment of the Atlantic Bubble on April 19<sup>th</sup> should set the stage for strong growth this year. Forecasted growth in the United States bodes well for the province as manufacturing shipments were up by 12% compared to pre-pandemic levels, while increased demand from China will see gains in Nova Scotia's exports. Public sector funds saw an increase over the course of 2020, which provided the province with support during the pandemic, and brought a 40% increase in capital spending, through the QEII Health Sciences redevelopment and the Highway 104 twinning project. Though 2021 will see a slight easement to public investment, program spending is expected to surge over \$700 million more than what was originally projected in this year's fiscal budget. Vaccine delivery in Nova Scotia was behind compared to most of Canada as decisions to hold back the second dose was the source for the delays. This policy has since changed, and the province is now anticipating that by the end of June first doses will be available to all.

(Sources: Statistics Canada, RBC, TD Economics)

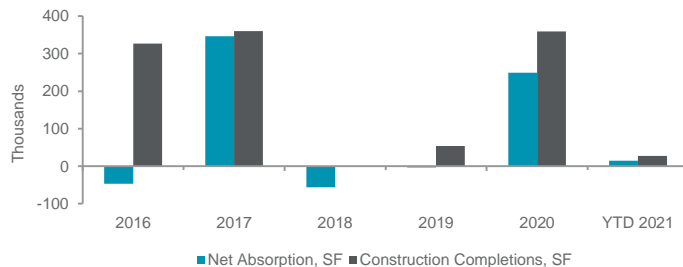
## SUPPLY AND DEMAND

Nova Scotia's overall vacancy rate saw slight upward movement this quarter, rising by 30 basis points from last quarter to 14.8% in the first quarter of 2021. Despite the increase of availability, overall absorption was up in the first quarter of 2021, with 14,580 square feet (sf) of net space taken off the market. The unusual relationship between absorption and vacancy this quarter can be explained due to the recent addition of the Parkton Wellness Centre at 842 Portland Street in Dartmouth which finished construction and brought 27,500 sf of space to the market, with 25,946 sf then being leased to the Nova Scotia Health Authority. In addition, there was the reclassification of Park Place Landing at 236 Brownlow Avenue, with the building now providing 35,000 sf of office space to the Dartmouth submarket. The Central Business District (CBD) had a mostly quiet start to 2021, as vacancy only increased by 10 bps from 19.4% last quarter to 19.5% in the first quarter of 2021. Class A space in the CBD experienced the only decrease in vacancy this quarter as availability dropped by 30 bps to 24.2%. The majority of this leasing activity was observed at the TD Centre on 1781 Barrington Street as federal and municipal tenants took the third and 12<sup>th</sup> floors, respectively, contributing to the buildings over 15,000 sf of net absorption this quarter. Suburban Halifax was a different story this quarter as activity was up, resulting in a first quarter vacancy rate of 5.1%, down 60 basis points from the previous quarter. Leasing of Class A space was a large contributor to the submarket's vacancy drop this quarter as Workspace Atlantic recently leased the second floor of 84 Chain Lake Drive, contributing over 16,000 sf to the market's absorption, and helping drive down Class A vacancy to 5.7% in the first quarter of 2021, for a 0.9% quarter-over-quarter drop. Vacancy rates rose to 15.6% in the Dartmouth submarket during the first quarter of 2021, for a 130-bps quarter-over-quarter increase. The addition of the previously mentioned Park Place Landing contributed to the increase as the full 35,000 sf of space is currently available, along with smaller Class B and C spaces being vacated throughout the submarket resulting in a 17.2% to 18.3% increase and 1.2% to 2.1% increase, respectively. Vacancy in the submarket of Bedford was up 90 bps quarter-over-quarter and finished the first quarter of 2021 with a vacancy rate of 7.5%; primarily due to an increase of available Class A space from the over 9,000 sf of leasable area vacated by an undisclosed tenant at 827 Bedford Highway.

## PRICING

Average net rents in Nova Scotia were almost unchanged from the previous quarter as only a \$0.01 per square foot (psf) quarter-over-quarter increase occurred, for a first quarter of 2021 ending rate of \$15.33 psf. Though overall rents were stable, every submarket either experienced an increase or decrease in net rents this quarter. The Bedford submarket saw overall net rents climb to \$13.50 psf for a \$0.08 psf increase compared to the previous quarter. Followed by the CBD which had rents increase from \$15.68 psf to \$15.72 psf. Class A space in the CBD also saw rates rise by \$0.04 psf from last quarter to end the first quarter of 2021 at \$19.25 psf. Not far behind was the Dartmouth submarket, with a minor \$0.02 psf bump in overall net rents to \$14.76 psf in the first quarter of 2021. The Suburban Halifax submarket was the only submarket to experience an overall net rent decrease as rates dropped to \$15.79 psf for a \$0.06 psf quarter-over-quarter decline. Class A net rents accounted for the overall drop as rates were down by \$0.15 psf quarter-over-quarter and now sit at \$16.72 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)*
Halifax – Central Business District	6,186,733	78,052	1,128,896	19.5%	-4,636	-4,636	0	\$30.43	\$35.38
Halifax - Suburban	2,466,594	0	124,903	5.1%	14,550	14,550	0	\$28.20	\$29.75
Dartmouth	3,164,926	8,165	483,994	15.6%	13,311	13,311	30,265	\$26.92	\$29.16
Bedford	943,713	3,562	66,937	7.5%	-8,645	-8,645	79,125	\$25.70	\$27.00
<b>SUBURBAN TOTALS</b>	<b>6,575,233</b>	<b>11,727</b>	<b>675,834</b>	<b>10.5%</b>	<b>19,216</b>	<b>19,216</b>	<b>109,390</b>	<b>\$27.24</b>	<b>\$29.04</b>
<b>HALIFAX TOTALS</b>	<b>12,761,966</b>	<b>89,779</b>	<b>1,804,730</b>	<b>14.8%</b>	<b>14,580</b>	<b>14,580</b>	<b>109,390</b>	<b>\$28.80</b>	<b>\$31.80</b>

\*Rental rates reflect direct full service asking

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
842 Portland Street	Dartmouth	Nova Scotia Health Authority	25,946	Lease
84 Chain Lake Drive	Suburban	Workspace Atlantic	16,829	Lease
5251 Duke Street	CBD	Halifax Regional Municipality	11,487	Lease
5151 George Street	CBD	Clinton Wilkins Mortgage Team	2,875	Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
32 Akerley Boulevard	Dartmouth	Slate Asset Management / 3311769 NS Ltd.	14,446	\$2.6M / \$180

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
842 Portland Street	Dartmouth	Nova Scotia Health Authority	27,500	Parkton Wellness Ltd.

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