

Halifax, Nova Scotia

Office Q2 2021



YoY Chg 12-Mo. Forecast

14.7%
Vacancy Rate



65,790
Net Absorption, SF



\$28.83
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

232.9K
Halifax Employment



8.8%
Halifax Unemployment Rate



7.8%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy was tested once again as the province was forced to deal with a third wave that resulted in swift restrictions being put in place across the region. Despite this setback, Nova Scotia was able to keep the duration of the third wave short, and projections are still showing annual GDP growth of 4.7% to 4.9% (down from 5.5%), even as employment saw a 4.8% drop from April to May. June welcomed the province's phased reopening plan which should provide a significant boost to output, particularly the goods-producing sector which should see the woods industry growing as North America continues to experience increased homebuilding activity. It should also be noted that shipbuilding activity has ramped up as the Irving shipyard is scheduled to complete the third of six Arctic offshore patrol ships later this year, along with maintaining the Navy's warships. Immigration into Nova Scotia has been disrupted since the beginning of the pandemic, which traditionally has been the main source for population growth. The province has now been relying on interprovincial migration as a source for growth but will be looking for increases in immigration once Canada's borders reopen. The provincial government will be aiming to significantly increase infrastructure spending in 2021 which is evident in the capital spending plan. These increases will see highway improvements, as well as healthcare and education investments, which will hopefully boost long-term productivity. Though, spending increases will drive the province's debt burden as the debt-to-GDP ratio is projected to rise to 40.1% by 2024/2025.

(Sources: Statistics Canada, RBC, TD Economics)

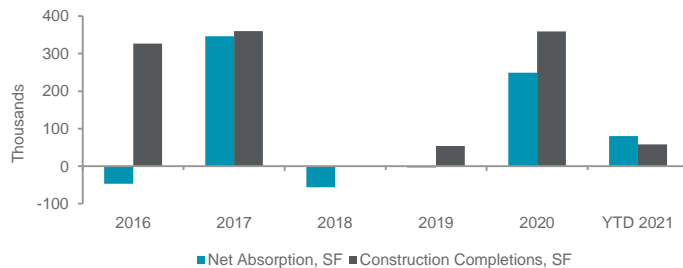
SUPPLY AND DEMAND

Overall vacancy in Nova Scotia's office market was down to 14.7% to end the second quarter of 2021, a 10 basis-point (bps) decrease quarter-over-quarter. Declines in vacancy were observed in all submarkets this quarter, especially Suburban, Dartmouth and Bedford, all of which saw overall vacancy drop by 30 bps compared to the previous quarter. The Suburban submarket vacancy fell from 5.1% last quarter to 4.8% in the second quarter of 2021, largely driven by the 13,000 + square feet (sf) lease at 84 Chain Lake Drive by LED Roadway Lighting. Dartmouth vacancy was down to 15.3% in the second quarter of 2021, compared to last quarter's rate of 15.6%. This was partially due to the completion of 2 Ralston Avenue, owned by Cabco / Office Interiors, which brought 30,265 sf of inventory to the market, of which 15,000 sf is being occupied by said company. The submarket of Bedford is the last of the three to see a similar vacancy drop, seeing a decline of 7.5% to 7.2% in the second quarter of 2021. Due to the smaller inventory of this submarket, changes in absorption will have a more significant impact on vacancy, apparent this quarter as 2,419 sf of absorption was posted due to smaller undisclosed leases in Class B office space. As mentioned above the CBD did see an overall vacancy decline, but not as sizeable as the three other submarkets. The CBD dropped from 19.5% last quarter to 19.4% in the second quarter of 2021 and had around 24,000 sf of absorption. This total was primarily driven by leasing at 1969 Upper Water Street (Purdy's Wharf Tower II), where the NS Pension Services Corporation and Affiliates took a whole floor within the tower. KPMG also increased their footprint by 4,000 sf in the adjacent Tower I at 1959 Upper Water Street and now occupy a full floor. Class A office space was one of the big movers in the second quarter of 2021 as it provided 63,759 sf of absorption, the most of any class this quarter. This positive activity led to a 40-bps vacancy decline to 16.9% in the second quarter of 2021. The CBD Class A market was slightly less active as there was only a 10 bps drop in vacancy from last quarter, allowing for a second quarter of 2021 rate of 24.1%, due to the previously mentioned leases within the submarket.

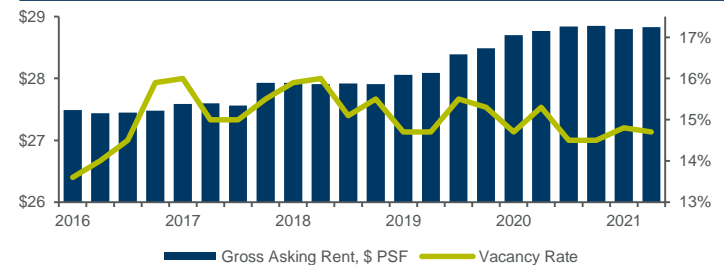
PRICING

Average overall net rents in the Nova Scotia office market were slightly up compared to the previous quarter as the rate for the second quarter of 2021 was \$15.37 per square foot (psf) for a \$0.04 psf quarter-over-quarter increase. The CBD led the way with the largest increase in the second quarter of 2021 as the average net rent rose by \$0.07 psf quarter-over-quarter to \$15.79 psf. The CBD Class A net rent increased by \$0.06 psf compared to the previous quarter and now currently sits at \$19.31 psf. Following the CBD, Dartmouth was the only other submarket to experience a net rent increase, as rates inched up by only \$0.01 psf quarter-over-quarter for a second quarter of 2021 rate of \$14.77 psf. The Suburban Halifax submarket observed a small net rent decrease since last quarter as rates were down to \$15.76 psf. The Bedford submarket rental rates remained unchanged from the previous quarter at \$13.50 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Halifax, Nova Scotia

Office Q2 2021

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	71,588	1,127,278	19.4%	24,354	19,718	0	\$30.46	\$35.43
Halifax - Suburban	2,466,594	0	119,384	4.8%	5,519	20,069	100,000	\$28.23	\$29.75
Dartmouth	3,191,069	21,441	467,521	15.3%	33,462	46,733	0	\$27.02	\$29.27
Bedford	943,713	3,526	64,518	7.2%	2,455	-6,190	79,125	\$25.70	\$27.00
SUBURBAN TOTALS	6,601,376	24,967	651,423	10.2%	41,436	60,652	179,125	\$27.29	\$29.10
HALIFAX TOTALS	12,788,109	96,555	1,778,701	14.7%	65,790	80,370	179,125	\$28.83	\$31.85

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1969 Upper Water Street	CBD	NS Pension Services Corporation & Affiliates	19,242	Lease
2 Ralston Avenue	Dartmouth	Cabco / Office Interiors	15,265	Lease
84 Chain Lake Drive	Suburban	LED Roadway Lighting	13,728	Lease
6080 Young Street	Suburban	Rogers Communications	10,703	Renewal
5475 Spring Garden Road	CBD	Mariner Partners	2,526	Renewal
15 Dartmouth Road	Bedford	Scandinavian Building Services Ltd.	1,629	Lease

*Renewals not included in leasing statistics

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2 Ralston Avenue	Dartmouth	Cabco / Office Interiors	30,265	3334527 NS Ltd.

BILL MACAVOY

Managing Director

+1 902 425 1872 / bmacavoy@cwatlantic.com

DYLAN CURRIE

Research Coordinator

+1 902 334 2169 / dcurrie@cwatlantic.comcwatlantic.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.