

Halifax, Nova Scotia

Office Q3 2021



ECONOMIC OVERVIEW

Nova Scotia's economy is maintaining course and is still on track for projected GDP growth between 4.2% and 4.5% this year, down just slightly from last quarters projections of 4.7%. Despite this adjustment the province will more than reverse the 3.0% decline experienced in 2020. Employment within Nova Scotia is sitting just above 5% and is only 0.4% below pre-pandemic levels, making it one of the best performers in Canada. These numbers may still yet see a boost as the province is slated to begin Phase 5 of their reopening plan, which will see several restrictions lifted. This could lead to a rise in COVID-19 cases, but the requirement to show proof of vaccination starting October 4th to be eligible to participate in non-essential services will hopefully help keep case loads in check during the fall and winter months. The FIRE industries (Finance, Insurance, and Real Estate) along with the construction industry have been providing the largest contributions to the province's economy for not only the third quarter but for the majority of 2021. Housing starts are almost at a near record level that hasn't been seen since the late 1970's and has been the major support behind the construction industries increased activity, along with the governments plan to spend \$1.2 billion on capital projects. Program spending is continuing at a steady pace for the fiscal year and bodes well for the public sector as it provides nearly one third of the provinces GDP. Manufacturing has been climbing and is currently at a 15% increase year-to-date as plastic and rubber product shipments have helped lift the industry, which also suggests that Nova Scotia's ever important tire manufacturing sector has not been affected by weakened automotive production. As 2021 is set to mark a year of growth and reversal from 2020, projections for 2022 will bring the province back to earth with slower, but still relatively strong, growth is expected in future forecasts. Manufacturing activity will continue to be a huge support for growth as re-openings and pent-up demand will help increase activity in the long run, but the province should expect housing starts to back off from a red hot market, in addition the governments budget has program spending down for the next fiscal year which could constrain growth in 2023.

(Sources: Statistics Canada, RBC, TD Economics)

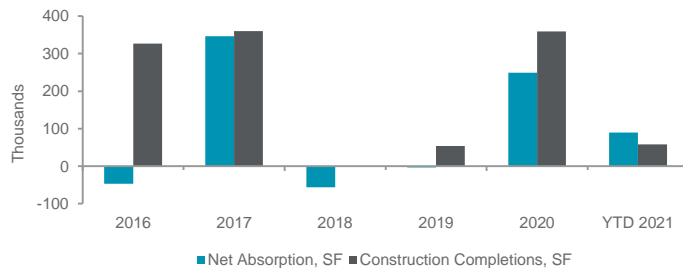
SUPPLY AND DEMAND

Overall vacancy in Nova Scotia's office market was down for the second consecutive quarter, as vacancy dropped 10 basis points (bps) quarter-over-quarter to 14.6% in the third quarter of 2021. All but one submarket observed a vacancy decrease this quarter, as the Central Business District (CBD) was the sole increase. The submarket experienced a 30 bps rise when compared to last quarter and currently sits at 19.7%. This change is a result of Deloitte's nearly 20,000 square feet (sf) space in Purdy's Wharf Tower II (1969 Upper Water Street) finally returning to the market, as they had moved to their new premises at the Queen's Marquee (1741 Lower Water Street) earlier in the year. This change also heavily factored into the 80-basis point increase that Class A space observed within the CBD, as vacancy jumped from 24.1% in the previous quarter to 24.9% in the third quarter of 2021. The Suburban Halifax submarket saw the smallest decrease in vacancy in the third quarter of 2021 as rates only dropped by 10 bps from 4.8% to 4.7% quarter-over-quarter. A small change like this is mainly due to low activity combined with small vacancies being taken off the market from a few buildings within he submarket. Following Suburban Halifax, the Dartmouth submarket was not far behind with a third quarter of 2021 vacancy rate of 14.9%, for a 40-bps decrease quarter-over-quarter. This decrease occurred mainly due to the new 20,000-sf occupancy by an Irving subsidiary at the Irving owned Bluenose Building (35 Micmac Boulevard). The submarket of Bedford experienced the largest vacancy decrease as total vacancy dropped to 6.1% in the third quarter of 2021, a 110-bps change compared to the previous quarter. This change can be partly seen through the 5,000 sf of space being taken off the market at Bedford House (1595 Bedford Highway) as the space became occupied by an undisclosed tenant.

PRICING

Overall average net rents remained unchanged within the Nova Scotia office market, as the current average still sits at \$15.37 per square foot (psf). This comes despite the changes seen in the Dartmouth and Bedford submarkets, with Dartmouth seeing a \$0.04 psf drop from \$14.77 psf in the previous quarter to \$14.73 psf in the third quarter of 2021, and Bedford observing an increase to \$13.62 psf in the third quarter of 2021 for a \$0.15 psf increase quarter-over-quarter. The increases seen in Bedford also fueled the overall Class A increase as this market segment had a \$0.02 psf increase quarter-over-quarter and finished the third quarter of 2021 at \$17.58 psf The CBD and Suburban Halifax submarkets were unchanged from the previous quarter and sit at \$15.79 psf and \$15.76 psf, respectively. The lack of overall change even with rent changes at the submarket level is due to the nature of net rent calculations, which are created using a weighted average system.

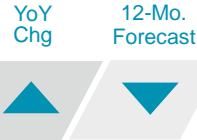
SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



14.6%
Vacancy Rate



9,215
Net Absorption, SF



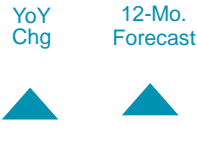
\$28.84
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

238.7K
Halifax Employment



7.0%
Halifax Unemployment Rate



6.9%
Canada Unemployment Rate



Source: Statistics Canada

Halifax, Nova Scotia

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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	62,121	1,154,869	19.7%	-18,124	1,594	0	\$30.49	\$35.44
Halifax - Suburban	2,466,594	0	116,427	4.7%	2,957	23,026	100,000	\$28.19	\$29.75
Dartmouth	3,191,069	21,441	453,649	14.9%	13,872	60,645	0	\$26.99	\$29.27
Bedford	943,713	3,562	53,972	6.1%	10,510	4,320	79,125	\$25.80	\$27.18
SUBURBAN TOTALS	6,601,376	25,003	624,048	9.8%	27,339	87,991	179,125	\$27.28	\$29.12
HALIFAX TOTALS	12,788,109	87,124	1,778,917	14.6%	9,215	89,585	179,125	\$28.84	\$31.87

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1505 Barrington Street	CBD	R.J. MacIsaac Construction Ltd.	1,769	Lease
99 Wyse Road	Dartmouth	Boyne Clarke	47,088	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1660 Hollis Street	CBD	Centennial Building Investments / 1660 Hollis Development Inc	157,625	\$16.65M / \$106
560 Windmill Road	Dartmouth	Station 12 Holdings Ltd. / LCA Holdings Ltd.	20,115	\$4.5M / \$224

BILL MACAVOY

Managing Director

+1 902 425 1872 / bmacavoy@cwatlantic.com

DYLAN CURRIE

Research Coordinator

+1 902 334 2169 / dcurrie@cwatlantic.com

cwatlantic.com

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