

Halifax, Nova Scotia

Office Q4 2021



YoY Chg 12-Mo. Forecast

14.4%
Vacancy Rate



27,522
Net Absorption, SF



\$28.92
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

242K
Halifax Employment



6.2%
Halifax Unemployment Rate



5.9%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy is poised to finish 2021 with a full reversal of 2020's decline, as annual growth is projected to range from 3.5% to 4.0%, making it one of only five provinces to see a full rebound. The manufacturing industry was one of the strongest recovery leaders during 2021, as shipment levels increased by 14% compared to 2020. This, combined with significant interprovincial migration which brought in 10,000 net new residents to the province as of Q2 2021, helped the province see strong first half growth. Despite the rocket start to the year, output began to slow across nearly all industries in the second half. Commercial spending was also on a down trend in the last few months, coupled with a similar weakening trend in residential investments as well as the construction sector. This pattern is likely to spill over into 2022 and will set the stage for slower growth in comparison to 2021, as projections are placing growth to be at 2.5% in 2022. It should be noted that increases in the province's population, exports, and manufacturing could potentially cause a positive shift in the current projection as capital investments and spending is strong (QEII project), and the governments fiscal update is now headed towards an increase in spending compared to the budget projected in March 2021. The province and Nova Scotians should be aware of the rapidly rising consumer price inflation which is already causing energy and food prices to increase, though some relief on the energy side should be expected in 2022.

(Sources: Statistics Canada, RBC, TD Economics)

SUPPLY AND DEMAND

Overall vacancy in Nova Scotia's office market has trended downwards throughout 2021 with fourth quarter vacancy seeing a 20-basis point (bps) drop when compared to the previous quarter's vacancy rate of 14.6%. Much of the change this quarter was powered by a single lease transaction seen in the Central Business District (CBD). The submarket observed just under 25,000 square feet (sf) of absorption in the fourth quarter of 2021, primarily driven by the recent move of Cox & Palmer, who relocated from their nearly 45,000-sf space in Purdy's Tower I to the Nova Centre in an expanded footprint of 56,000 sf. This lease also contributed to the 80-bps decline in CBD Class A vacancy, declining from 24.9% last quarter to 24.1% in the fourth quarter of 2021. The submarket of Dartmouth also had a quarter of positive activity as overall vacancy saw a quarter-over-quarter decline of 60 bps to 14.3%. Leasing activity was spread throughout the submarket as multiple smaller leases were completed during the quarter. This vacancy decrease happened despite the nearly 12,000 sf of negative absorption observed in the Chorus Building at 3 Spectacle Lake Drive as Jazz Airlines vacated their space for a combined operations center / head office in Enfield. The remaining two submarkets of Suburban Halifax and Bedford both experienced vacancy increases during the fourth quarter of 2021. Suburban Halifax was up to 5.3% from 4.7% in the previous quarter for a quarter-over-quarter 60 bps increase, primarily due to the new ISANS (Immigration Services Association of Nova Scotia) sublease vacancy in the Bayers Road Centre at 7071 Bayers Road, which brought just over 13,000 sf back to the market. Bedford vacancy was up by just 10 bps quarter-over-quarter as vacancy reached 6.2% to end 2021.

PRICING

Overall average net rents in the Nova Scotia office market were up in the fourth quarter of 2021, climbing from \$15.37 per square foot (psf) in the previous quarter to \$15.43 psf to finish 2021. The CBD saw an overall net rent increase of \$0.07 psf quarter-over-quarter, and now sits at \$15.86 psf in the fourth quarter of 2021. This also includes the CBD's Class A net rent increase of \$0.16 psf when compared to the previous quarter, as Class A rent ended 2021 with a net average of \$19.47 psf. The submarket of Bedford had the most significant change during the fourth quarter of 2021, as net rents were up by \$0.44 psf quarter-over-quarter, and now sit at an overall average of \$14.09 psf. Dartmouth was the only submarket to see its overall net rents decrease in the fourth quarter of 2021, as average net rents dropped by \$0.04 psf quarter-over-quarter, for a year ending net rent of \$14.69 psf. The Suburban submarket remained unchanged from the previous quarter and currently sits at \$15.76 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Halifax, Nova Scotia

Office Q4 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 | 78,932 | 1,114,047 | 19.3% | 24,011 | 25,605 | 0 | \$30.62 | \$35.74 |
| Halifax - Suburban | 2,466,594 | 14,114 | 115,602 | 5.3% | -13,289 | 9,737 | 100,000 | \$28.19 | \$29.78 |
| Dartmouth | 3,191,069 | 25,666 | 431,965 | 14.3% | 17,459 | 78,104 | 0 | \$26.95 | \$29.27 |
| Bedford | 943,713 | 6,244 | 51,949 | 6.2% | -659 | 3,661 | 79,125 | \$26.18 | \$27.12 |
| SUBURBAN TOTALS | 6,601,376 | 46,024 | 599,516 | 9.8% | 3,511 | 91,502 | 179,125 | \$27.32 | \$29.13 |
| HALIFAX TOTALS | 12,788,109 | 124,956 | 1,713,563 | 14.4% | 27,522 | 117,107 | 179,125 | \$28.92 | \$32.00 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE* |
|---------------------|-------------------|--------------|--------|-------|
| 1650 Grafton Street | Halifax - Central | Cox & Palmer | 56,000 | Lease |

*Renewals not included in leasing statistics

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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