MARKETBEAT

New Brunswick

Office Q2 2021

CUSHMAN & WAKEFIELD Atlantic

	YoY Chg	12-Mo. Forecast
15.7% Vacancy Rate	▲	▼
-119,748 Net Absorption, SF	▼	▼
$24.89 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
358.6K New Brunswick Employment	▲	▲
9.3% New Brunswick Unemployment Rate	▼	▼
7.8% Canada Unemployment Rate	▼	▼

Source: Statistics Canada

ECONOMIC OVERVIEW

Similar to the rest of Canada, New Brunswick was faced with a third wave during the late winter and early spring months of 2021 but was able to keep cases low which allowed their service sector to continue operating. As a result, the province is still on track to meet the projected 5.0% to 5.5% GDP increase this year. Employment was another area that has been extremely resilient during the pandemic, and as a result employment in retail is above pre-pandemic levels while hospitality is moving closer to pre-pandemic levels. The introduction of the province's re-opening plan will be looking to boost employment as the province begins its “path to green” which should ramp up summer hiring. New Brunswick's goods sector is on the rise in 2021, especially the red-hot lumber market which is seeing demand outpace supply and all-time prices being reached. Combine that with rising demand for petroleum as borders open and travel increases, and the province is well-positioned for growth. Capital expenditures are poised to increase by 10% this year, increasing the prospects for non-residential and engineering construction The overall low exposure to the economic impacts of the virus has left New Brunswick in a comparatively better position than much of Canada, and as a result, New Brunswick is one of the few provinces expecting a decline in its debt burden for the year, solidifying the province's emphasis on economic discipline.

Sources: RBC Economics, Statistics Canada, TD Economics,)

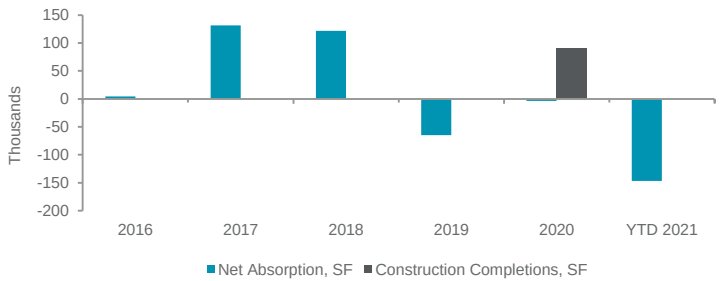
SUPPLY AND DEMAND

The overall vacancy rate in the New Brunswick office market was up by 150 basis points (bps) compared to the last quarter, reaching 15.7% in the second quarter of 2021. Every submarket experienced an increase in vacancy this quarter. The Moncton submarket saw overall vacancy rise by 130 bps quarter-over-quarter for a second quarter rate of 10.5%. This increase is due largely in part to the 13,183 square feet (sf) of space being vacated at 100 Cameron Street as McKenzie College finished vacating their space, leaving the property fully vacant. Though not nearly as large as Moncton’s increase, the submarket of Fredericton observed a 60-bps vacancy rise from last quarter as the vacancy in the second quarter of 2021 is now at 11.7%. This quarter’s rise can be explained by the 10,000 sf of negative absorption at 495 Prospect Street, as Wood Canada reduced their footprint within the building. The Saint John submarket experienced the highest increase in vacancy this quarter as the overall vacancy rate jumped from 23.4% last quarter to 25.8% in the second quarter of 2021 for a 240-bps quarter-over-quarter change. This sharp rise can be traced back to two properties in the submarket. 400 Main Street (Place 400) saw the exit of IBM, and with it the introduction of 26,000 sf back to the market, while Sitel vacated their 47,000-sf call centre at 120 McDonald Street (Loch Lomond Mall).

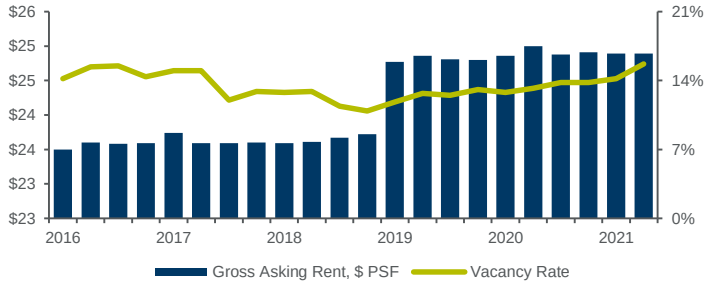
PRICING

New Brunswick’s overall average net rent was down by $0.07 per square foot (psf) compared to last quarter, leaving the current net rent at $13.70 psf in the second quarter of 2021. The major mover was the Moncton submarket, as the rate was down by $0.12 psf quarter-over-quarter to $13.24 psf. The Saint John submarket was the only other submarket to observe any net rent change as the rates there were down by only $0.01 psf from the last quarter, and ended the second quarter of 2021 at $11.98 psf. The Fredericton submarket was unchanged from the previous quarter, remaining at $14.64 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)*
Moncton	2,954,336	17,024	294,385	10.5%	-40,084	-26,593	0	$25.06	$30.11
Fredericton	2,056,554	0	241,052	11.7%	-13,629	-65,772	0	$25.02	$28.67
Saint John	2,317,846	0	597,106	25.8%	-66,035	-54,367	0	$22.46	$28.85
New Brunswick Totals	7,328,736	17,024	1,132,543	15.7%	-119,748	-146,732	0	$24.89	$29.37

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
440 King Street	Fredericton	Government of New Brunswick	100,000	Renewal
495 Prospect Street	Fredericton	Wood Canada	17,757	Renewal
100 King Street	Saint John	Royal Bank of Canada	15,095	Renewal
555 Somerset Street	Saint John	Sun Life Assurance Company of Canada	3,916	Renewal

**Renewals not included in leasing statistics*

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