MARKETBEAT

# New Brunswick

## Office Q4 2021

CUSHMAN & WAKEFIELD Atlantic

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **17.2%** Vacancy Rate | ▲ | ▼ |
| **32,655** Net Absorption, SF | ▲ | ▲ |
| **$25.36** Asking Rent, PSF | ▲ | ▲ |

*(Overall, All Property Classes)*

### ECONOMIC INDICATORS Q4 2021

| | YoY Chg | 12-Mo. Forecast |
|---|---|---|
| **363.8K** New Brunswick Employment | ▲ | ▲ |
| **7.9%** New Brunswick Unemployment Rate | ▼ | ▼ |
| **5.9%** Canada Unemployment Rate | ▼ | ▼ |

*Source: Statistics Canada*

## ECONOMIC OVERVIEW

The economic outlook for New Brunswick continues to keep track with previous projections, as the province - like Nova Scotia - is set to completely reverse the decline seen in 2020, with forecasted GDP growth of around 4.0% in 2021 and then slowing to 2.6% in 2022. The slower growth is typically associated with economic expansion, a phase which New Brunswick is believed to be entering. Recovery for the province was largely built on a strong goods sector, as growth in manufacturing sales and exports were on average the second highest in the country from January to October 2021. Continued demand for oil and gas products will bode well for 2022, as travel levels begin to creep back towards pre pandemic levels. Lumber prices have stayed above pre-pandemic levels throughout 2021 and should continue so in 2022 as housing starts in Canada and the United States have been consistently strong. Though an eye should be kept on the industry as recent U.S. tariffs on Canadian softwood could potentially pose a risk, but high demands should hopefully offset any negative impacts. Much like other Maritime provinces, population growth has been a positive trend, particularly from interprovincial migration, which should continue to boost the labour force along with consumer, retail, and restaurant spending. Government finances are also showing record surpluses, as the 2020-21 fiscal year had a $409 million surplus. Higher revenues will also cause additional surpluses, with the mid-year fiscal update for the province showing the original $245 million deficit estimate now being projected to be a $39 million surplus for the current year.

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

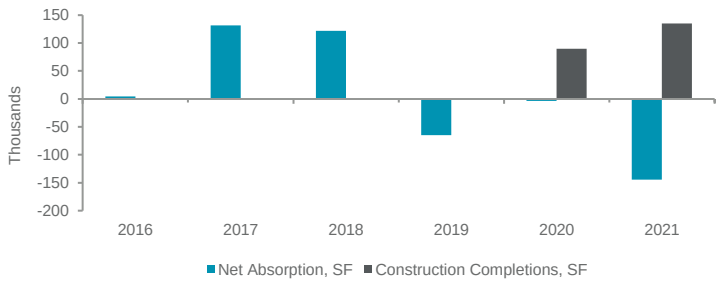
## SUPPLY AND DEMAND

The overall vacancy rate for New Brunswick climbed during the fourth quarter of 2021, as vacancy rose to 17.2% from 16.1% in the previous quarter - a 110-basis point (bps) quarter-over-quarter increase. Although overall vacancy was up net absorption was still positive, largely due to the Fredericton submarket's newest 135,000 square foot (sf) addition in the Knowledge Centre Campus. The Cyber Centre at 150 Knowledge Park Drive was brought online this quarter with over 65,000 sf of leased space to tenants including CyberNB, Bulletproof Security and Siemens. The introduction of this new property also led to the overall vacancy increase within the submarket as vacancy jumped from 11.5% in the previous quarter to 13.5% in the fourth quarter of 2021, for a quarter-over-quarter change of 200 bps. The submarket of Saint John saw an 80-bps increase to vacancy in the fourth quarter of 2021, as rates rose from 26.6% in the last quarter to 27.4% to end 2021. The 8,000-sf vacancy left in Brunswick House at 44 Chipman Hill by RBC Dominion Securities brought the submarket back into balance as RBC took 8,000 sf at 55 Union Street during the previous quarter. The Moncton submarket observed the smallest vacancy change during the fourth quarter of 2021, as the current rate is now up to 11.8%, a 70-bps rise quarter-over-quarter. A recent 10,000-sf vacancy by the departure of Dovico in the Commerce House at 236 St. George Street is the major factor behind Moncton's increase in vacancy this quarter,

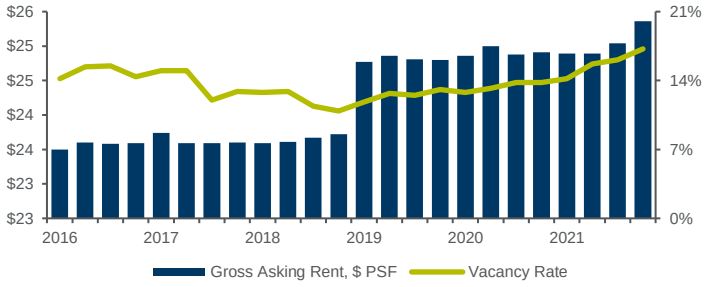
## PRICING

New Brunswick's overall average net rents were up by $0.23 per square feet (psf) quarter-over-quarter, for a fourth quarter of 2021 rate of $13.97 psf. Fredericton observed the largest increase in rents of all submarkets this quarter as rates steeply increased from $14.75 psf in the previous quarter to $15.37 psf in the fourth quarter of 2021. This change was powered by a staggering $1.19 psf increase in net rents for Fredericton Class A inventory, as rates climbed from $16.05 psf last quarter to $17.24 psf to end 2021. The submarket of Saint John saw a much smaller increase as net rents overall in the area were up by just $0.04 psf quarter-over-quarter and are now sitting at $12.02 psf in the fourth quarter of 2021. Moncton was the only submarket that had an overall decrease in rents in the fourth quarter of 2021, declining by $0.04 psf when compared to the previous quarter, resulting in a quarter ending rate of $13.23 psf.

### SPACE DEMAND / DELIVERIES




### OVERALL VACANCY & ASKING RENT



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## Office Q4 2021

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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 | 2,961,532 | 16,525 | 331,841 | 11.8% | -19,977 | -63,550 | 38,764 | $25.12 | $30.23 |
| Fredericton | 2,171,554 | 0 | 293,357 | 13.5% | 77,348 | 16,923 | 0 | $26.16 | $30.22 |
| Saint John | 2,341,148 | 20,000 | 620,530 | 27.4% | -24,716 | -97,791 | 0 | $22.59 | $29.07 |
| **New Brunswick Totals** | 7,474,234 | 36,525 | 1,245,728 | 17.2% | 32,655 | -144,418 | 38,764 | $25.36 | $29.92 |

**Rental rates reflect full service asking*

### KEY LEASE TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE* |
|---|---|---|---|---|
| 413 Main Street | Moncton | Brainworks Marketing Inc | 6,000 | Lease |
| 55 Henri Dunant | Moncton | CUPE Local 1418-1 | 5,000 | Lease |
| 1070 St. George Boulevard | Moncton | Eastern College | 14,260 | Renewal |

**Renewals not included in leasing statistics*

### KEY CONSTRUCTION COMPLETIONS Q4 2021

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER / DEVELOPER |
|---|---|---|---|---|
| 150 Knowledge Park Drive (Cyber Centre) | Fredericton | CyberNB | 135,000 | University of New Brunswick |


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