

	YoY Chg	12-Mo. Forecast
21.4% Vacancy Rate	▲	▼
-31,730 Net Absorption	▼	▲
\$34.44 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
101.2K St. John's Employment	▼	▲
8.8% St. John's Unemployment Rate	▼	▼
7.8% Canada Unemployment Rate	▼	▼

Source: Statistics Canada

ECONOMIC OVERVIEW

Newfoundland & Labrador is on track to improve upon what was a forgettable 2020, as projections still show 4.0% GDP growth in 2021, which should hopefully reverse a sizable amount of 2020's contraction. Like much of Atlantic Canada, Newfoundland & Labrador recently introduced their reopening plan, and should be poised for an increase in summer hiring along with increased tourism prospects as the province looks to welcome fully vaccinated Canadians by early July. Commodity prices have been up and will continue to be a bright spot. Iron ore was one of many commodities that experienced record sale prices along with Brent, which will bode well for the governments bottom line. Recovery is still a point of concern for the province as oil production is expected to be down this year despite the increase in price, as activity was halted at the Come by Chance refinery, which in part will hinder the recovery efforts from manufacturing sales. Another weak spot is the provinces capital expenditures. The Muskrat Falls project is beginning to slow down, and the halting of the West White Rose expansion project last year has dampened the prospects of government spending. The retraction will continue to be tough for Newfoundland & Labrador as the province has seen low immigration numbers compared to their Atlantic Canada peers. Though the planned budget shows promise as the debt burden is projected to backdown, coming off the tail of spending restraint, however areas of concern are still apparent with an aging population and dependence on unpredictable resources.

SUPPLY AND DEMAND

The St. John's overall vacancy rate in the second quarter of 2021 was up to 21.4%, for a 40-basis point (bps) quarter-over-quarter change. This increase is evident throughout most of the city as three of the four submarkets experienced vacancy increases in the second quarter of 2021 when compared to the previous quarter. The Central submarket observed the smallest increase during the current quarter, as vacancy rose by 90 bps to 21.8% in the second quarter of 2021. Due to the small inventory of this submarket any space changes will be amplified through the vacancy rate, as there was just under 4,000 square feet (sf) of negative absorption that occurred from undisclosed tenants vacating smaller spaces in the second quarter of 2021. Following the Central area, the East/West submarket experienced a 120-bps vacancy increase as rates climbed from 8.1% last quarter to 9.3% in the second quarter of 2021. Much of this increase was due to the recent vacancy of 12,402 sf at 570 Newfoundland Drive where Verafin was leasing space as they awaited their new office building to finish construction at 25 Sea Rose Avenue. Finally, the North submarket experienced the largest vacancy increase, as vacancy soared from 14.2% last quarter to 16.7% in the second quarter of 2021 for a 250-bps quarter-over-quarter change. This significant change was mainly due to 15,000 sf of TechnipFMC sublease space becoming available at 131 Kelsey Drive, Downtown was the only St. John's submarket that saw a vacancy decline, as vacancy dropped by 120 bps quarter-over-quarter to 31.6% in the second quarter of 2021. Part of this decrease can be explained by the nearly 6,000 sf of absorption at 235 Water Street, as an undisclosed tenant leased half of the 9th floor.

PRICING

Overall average net rents in the St. John's office market was virtually unchanged from the previous quarter as net rents were only down by \$0.01 per square foot (psf). This slight downward movement now leaves the overall market at \$20.90 psf in the second quarter of 2021. The North Submarket was this quarter's largest gainer as net rents on average were up by \$0.06 psf compared to the previous quarter, for a second quarter of 2021 average of \$18.10 psf. The East/West submarket was on the opposite end and saw the largest decrease in comparison to the last quarter, as a \$0.05 psf quarter-over-quarter decrease dropped the submarkets net rent to \$18.92 psf in the second quarter of 2021. Following not too far behind was the Central submarket, which experienced a slight drop of \$0.02 psf quarter-over-quarter, and now sits at \$15.46. As for the Downtown submarket, it remained unchanged from the previous quarter, remaining at \$24.25 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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)*
Downtown	1,634,645	0	516,479	31.6%	5,826	-20,667		\$39.94	\$42.77
Central	339,454	0	74,128	21.8%	-3,966	-2,981		\$25.76	-
North	797,870	26,453	107,114	16.7%	-20,482	-38,524		\$28.72	-
East & West	1,079,214	0	100,723	9.3%	-13,108	-4,040	75,000	\$30.97	\$37.40
ST. JOHN'S TOTALS	3,851,183	26,453	798,444	21.4%	-31,730	-66,212	75,000	\$34.44	\$40.57

*Rental rates reflect full service asking

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