

YoY Chg 12-Mo. Forecast

**21.0%**  
Vacancy Rate



**-34,482**  
Net Absorption



**\$34.47**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

**102.7K**  
St. John's Employment



**9.5%**  
St. John's Unemployment Rate



**7.5%**  
Canada Unemployment Rate



Source: Statistics Canada

## ECONOMIC OVERVIEW

Newfoundland & Labrador will look to put 2020 behind them as current GDP growth forecasts have the economy growing between 3.4% and 3.9% in 2021. Like the rest of Atlantic Canada, Newfoundland & Labrador navigated through the pandemic with a milder infection curve that allowed their services sectors to remain relatively unscathed and allowed retail trade to trend positively. Though the road ahead for the province is tough as the second wave took its toll and dropped employment during February by 6.8%, resulting in lower pre-pandemic employment levels, this setback is expected to delay recovery at least for the first quarter. Unlike Alberta and Saskatchewan, Newfoundland & Labrador had a surprising bounce back in their oil and gas sector as production was significantly higher than originally expected. As the province begins the recovery it will have to deal with a weakened capital spending as spending intentions for 2021 will be down by 0.4%. The decline in Capital investments is largely due to the massive hit that oil took in 2020 as drilling in the Hibernia oil field was halted as well as the looming decision to resume the West White Rose project and begin construction, despite government support. Also, deferral on the Bay-Du-Nord project investment decision has stalled all progress.

Sources: RBC Economics, Statistics Canada, TD Economics

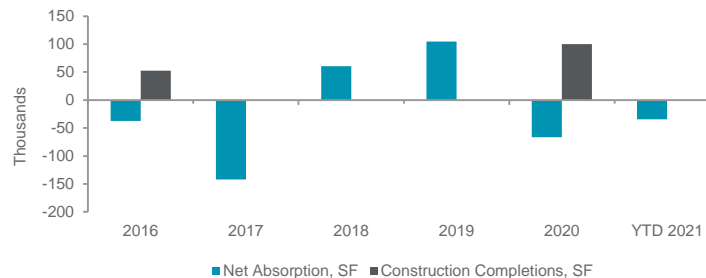
## SUPPLY AND DEMAND

Vacancy in the St. John's office market climbed to 21.0% in the first quarter of 2021, a 90-basis point (bps) quarter-over-quarter increase. A good portion of this quarter's increase can be seen in the North and Downtown submarkets, as both experienced availability increases. North observed a 230-bps surge in vacancy from the last quarter to 14.2% in the first quarter of 2021, due in part to multiple new smaller vacancies at the Bristol Court office campus at 121-145 Kelsey Drive. The Downtown submarket experienced a 160-bps uptick in vacancy rates quarter-over-quarter to 32.8% in the first quarter of 2021. This increase can be partially attributed to the over 20,000 square feet (sf) of new availability at 5 Springdale Street (Fortis Place) as multiple tenants vacated their space. While vacancy in the North and Downtown submarkets were trending upwards, vacancy in the Central and East/West submarkets headed in the opposite direction. The Central submarket had a slight decrease in vacancy from the previous quarter, with overall availability at 20.9% in the first quarter of 2021, a 30-bps quarter-over-quarter drop. In comparison the East/West submarket had a slightly larger decline in vacancy as availability fell to 8.1%, a 90-bps change compared to the previous quarter.

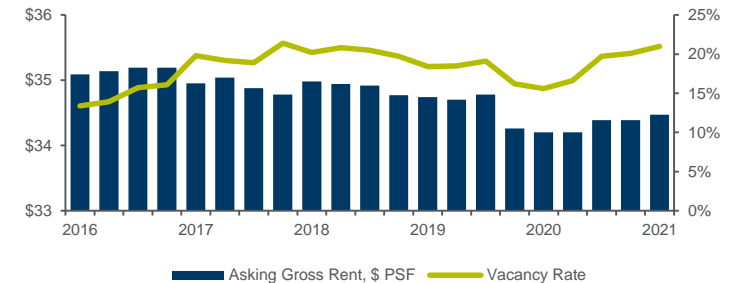
## PRICING

Overall average net rents in St. John's were virtually unchanged from the previous quarters as rents were only down by \$0.01 per square foot (psf) to \$20.91 psf in the first quarter of 2021. Minor downward movement was observed in the East/West and North submarkets as both saw net rents decrease by \$0.03 psf, quarter-over-quarter to \$18.97 psf and \$18.04 psf respectively. The submarket of Downtown also experienced a slight decrease in net rents, declining from \$24.29 psf last quarter to \$24.25 psf in the first quarter of 2021. A net rent increase was only seen in the Central submarket as net rents jumped to \$15.48 psf in the first quarter of 2021, for a \$0.21 psf quarter-over-quarter change.

## 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                  | 536,309            | 32.8%                | -26,493                                | -26,493                         | 0                | \$39.94                                | \$42.77                            |
| Central                  | 335,354          | 0                  | 70,162             | 20.9%                | 985                                    | 985                             | 0                | \$25.89                                | \$29.04                            |
| North                    | 797,870          | 12,439             | 100,646            | 12.6%                | -18,042                                | -18,042                         | 45,000           | \$28.70                                | \$31.55                            |
| East & West              | 1,079,214        | 0                  | 87,615             | 8.1%                 | 9,068                                  | 9,068                           | 72,580           | \$31.07                                | \$37.40                            |
| <b>ST. JOHN'S TOTALS</b> | <b>3,847,083</b> | <b>12,439</b>      | <b>794,732</b>     | <b>21.0%</b>         | <b>-34,482</b>                         | <b>-34,482</b>                  | <b>117,580</b>   | <b>\$34.47</b>                         | <b>\$40.57</b>                     |

\*Rental rates reflect direct full service asking

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