

Halifax, Nova Scotia

Office Q3 2022



	YoY Chg	12-Mo. Forecast
13.3% Vacancy Rate	▼	▼
112K Net Absorption, SF	▲	▲
\$29.30 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
250.7K Halifax Employment	▲	▲
5.0% Halifax Unemployment Rate	▼	▼
5.2% Canada Unemployment Rate	▼	▬

Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy has forecasted steady quarter-over-quarter growth projections of 1.9%-2.2% through to the end of 2022, despite expected downturns in consumption moving into 2023. This is being driven by record-breaking net interprovincial migration numbers and strong construction activity, although heightened inflation and a tightened labour market still hold a solid presence. Net interprovincial migration numbers have surpassed the historical high seen in the 1970's as Canadians have migrated to the Maritime provinces. This population increase has supported consumption and investment within the province, albeit at the cost of a rising rental market. However, interprovincial migration may begin to slow as interest rate hikes and remote work options potentially impact the housing market going into 2023. Furthermore, Nova Scotia's construction sector boasted some favorable numbers as building investment within the province increased 20% from the 2021 average. The elevated need for housing due to Nova Scotia's growing population stands to be a catalyst for this increase; however, industrial building and commercial investment in the province have also made a strong recovery from the pandemic. Nova Scotia's tourism industry has also continued to thrive over the summer as cruise ships bringing tourists to port have increased consumption levels within Halifax and its surrounding areas. Employment growth for Nova Scotia is up with a forecasted 3.3%-3.5% increase in 2022. This has been primarily driven by the projected job growth in professional, scientific, and technical services industries which has been strong in contrast to the service sectors. Exports to the European Union (EU) have slowed based on the dynamics currently at play in the EU, representing a significant hit to Halifax as the EU represents 10% of the provinces export trade. Lastly, the rising cost of living due to inflation now sitting 80 basis points (bps) above the national average will put pressure on household budgets. This should slow consumption in the latter half of 2022 and into early 2023 and as a result real wages will see a lag which signals a significant slowdown in consumption on overall growth next year. (Sources: Statistics Canada, RBC, TD Economics)

SUPPLY AND DEMAND

The overall vacancy rate for the Halifax office market declined by 30 bps in the third quarter of 2022, landing at 13.3%. Halifax's CBD and Suburban submarkets saw vacancy increases of 50 bps and 80-bps respectfully. However, this was offset by activity in the Dartmouth which recorded a decrease of 140-bps from the previous quarter due to activity in the downtown area. Additionally, Bedford saw decreases of 50-bps from the second quarter as the Armour group finished its new construction project in the Westway Business Park, increasing the inventory in the Bedford submarket by 100,000 square feet (sf) and introducing 9,700 sf of available space for lease.

PRICING

The overall average gross rental rate increased during the third quarter of 2022 by \$0.23 per square foot (psf) from \$29.07 psf to \$29.30 psf. Halifax's CBD saw the largest quarter-over-quarter increase as rates rose by \$0.29 psf, moving from \$30.56 psf to \$30.85 psf. Additionally, Dartmouth's submarket climbed from \$27.34 psf to \$27.40 psf, an increase of \$0.06 psf this quarter. Lastly, Halifax's suburban submarket saw an increase of \$0.27 psf in the third quarter of 2022 from \$28.40 psf to \$28.67 psf. Bedford did not have any material changes to their asking rents in the third quarter of 2022, However, this will likely not be the case next quarter as Scott McCrea's new MOD space in Bedford's Westway Business Park should push momentum up further as they fully incorporate their new premium co-working spaces.

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)*
Halifax – Central Business District	6,080,733	25,925	1,048,365	17.7%	-26,306	128,929	0	\$30.85	\$35.12
Halifax - Suburban	2,490,354	0	205,916	8.3%	-21,621	-76,200	0	\$28.67	\$29.95
Dartmouth	3,191,069	4,883	369,502	11.7%	61,587	83,246	0	\$27.40	\$29.54
Bedford	1,043,713	0	54,699	5.2%	98,881	103,494	0	\$26.53	\$27.00
Suburban Totals	6,725,136	4,883	635,000	9.4%	138,847	110,540	0	\$27.85	\$29.31
Halifax Totals	12,805,869	30,808	1,678,482	13.3%	112,541	239,469	0	\$29.30	\$31.78

*Rental rates reflect full service asking

KEY SALE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	SALE PRICE
20 Duke Street	Bedford	Atlantic Edge Properties	25,600	\$5,500,000

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	Type
1660 Argyle	Halifax	Cox & Palmer	42,655	Lease
101 Ilsley Ave	Dartmouth	Clinical Logistics Inc.	17,596	Lease
320 Wright Ave, Units 12-13	Dartmouth	Polymershapes Distribution Canada Inc.	13,460	Lease
120 Eileen Stubbs Avenue	Dartmouth	BF&M Insurance	14,583	Lease

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