

Halifax, Nova Scotia

Office Q1 2023

	YoY Chg	12-Mo. Forecast
13.8% Vacancy Rate	▼	▼
12K Net Absorption, SF	▼	▲
\$29.95 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
263.2K Halifax Employment	▲	▲
4.5% Halifax Unemployment Rate	▼	▲
5.0% Canada Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

The Bank of Canada is forecasting GDP growth for Nova Scotia's economy to be around 1.0% in 2023; a downgrade from the 2022 GDP figures of 2.2% -2.4%. This is being driven by the interest rate hikes from the Bank of Canada, focused on reducing inflationary pressures through rate induced slowdowns across Canada. Nova Scotia is not immune to this nation-wide slowdown; however, the province is expected to fare better than most provinces, due to the low levels of household debt, strong population growth, tight labour market and wage growth. Overall, the rate induced slowdown brought out by the Bank of Canada should ease the inflationary pressure put on household budgets. Population increases seen in the Maritime provinces supported consumption and investment in 2022, albeit at the cost of a rising rental market. These migration trends are forecasted to ease from the robust pace seen in 2022, easing the demand for residential sales which have already seen price decreases around 6.0% - 10.0% since the peak. Employment growth for Nova Scotia in 2023 is still positive with a forecasted 1.4%-2.4% increase, driven by Nova Scotia's population growth and demographic trends. Specific industries that have done well include the professional and services industries. Wages also continued to grow in the first quarter of 2023, as month-over-month wage growth in average hourly earnings jumped to 5.4% from 4.5% in January. Nova Scotia's global backdrop in terms of exports will likely weaken in 2023 as the European Union and United States encounter slowdowns. However, China's upgraded outlook should help offset this, as they are the second largest export destination for the province. The largest hit to Nova Scotia's export figures will be derived from the Maritime provinces which account for approximately 50% of Nova Scotia's exports and are forecasted to have slowed economic growth. With that, the provincial government announced a record setting capital plan for 2023/24 (\$1.6B) that is based around investing in Nova Scotia's infrastructure with a focus on healthcare, schools and highways. This will support continued population growth and retention in the province. .

(Sources: Statistics Canada, RBC, TD Economics)

SUPPLY AND DEMAND

The overall vacancy rate for the Halifax office market rose in the first quarter of 2023, landing at 13.8% overall, driven by changes throughout the submarkets. The Bedford and Suburban Halifax submarkets saw the largest vacancy increases out of all the submarkets climbing by 140 basis points (bps) and 80-bps respectively. However, Halifax's CBD and the Dartmouth submarkets were not far behind with vacancy increases of 40 bps each. Some notable shifts this quarter include vacancy in the new development at 168 Hobsons Lake Drive and the Fenwick Medical Centre in Suburban Halifax. Additionally, Tesla Motors has begun renovations at Park Place Landing in Burnside, turning the former Lawtons corporate headquarters building into office space for Tesla employees and a service centre for Tesla clients.

PRICING

The overall average gross rental rate increased during the first quarter of 2023 by \$0.39 per square foot (psf) from \$29.56 psf to \$29.95 psf; driven primarily from movement in the suburban markets as gross rental rates increased from \$27.88 psf to \$28.43 psf. Bedford led the way due to some adjustments made to Class A and B stock, while Dartmouth and Halifax's suburban market grew at a smaller pace. Lastly, Halifax's CBD saw positive movement in gross rents from \$31.36 psf to \$31.59 psf in the first quarter of 2023, an upwards change of \$0.23.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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Office Q1 2023


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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	25,007	1,101,279	18.5%	-22,053	-22,053	0	\$31.59	\$35.50
Halifax - Suburban	2,590,354	0	203,950	7.9%	61,446	61,446	0	\$29.02	\$30.18
Dartmouth	3,191,069	69,967	302,504	11.7%	-12,044	-12,044	0	\$27.79	\$29.70
Bedford	1,043,713	0	80,746	7.7%	-14,912	-14,912	0	\$28.92	\$30.88
Suburban Totals	6,825,136	69,967	587,200	8.6%	34,490	34,490	0	\$28.43	\$30.02
Halifax Totals	12,905,869	94,974	1,783,453	13.8%	12,437	12,437	0	\$29.95	\$32.34

*Rental rates reflect full service asking

KEY SALE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	SALE PRICE
1801 Hollis	Halifax CBD	Group Mach	217,800	\$38,768,400
99 Wyse Road	Dartmouth	Group Mach	206,000	Confidential

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	Type
236 Brownlow Ave	Dartmouth	Tesla	35,000	Direct
94 Garland Ave	Dartmouth	First Canadian Title Company Ltd.	2,458	Direct

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