

Halifax, Nova Scotia

Office Q2 2023

	YoY Chg	12-Mo. Forecast
13.4% Vacancy Rate	▼	▼
43K Net Absorption, SF	▼	▲
\$30.10 Gross Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
261.6K Halifax Employment	▲	▲
5.7% Halifax Unemployment Rate	▲	▲
5.4% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy has shown resilience amidst the substantial interest rate hikes sweeping across Canada. While the rate-induced slowdown is likely to affect all provinces, Nova Scotia is expected to maintain some growth, with the Bank of Canada projecting the province's GDP growth to stay at 1.0% in 2023, a deceleration from 1.6% seen in 2022. Record-breaking population growth continues to drive solid momentum in household spending, thus creating a more optimistic forecast for 2023. This growth has not only helped fuel consumer spending but has also supported workforce requirements, leading to impressive job growth in the province. In response to this robust population increase, the provincial government is ramping up capital investments, building on the significant 35% gain recorded in 2022. Key projects, such as the redevelopment of healthcare facilities in Cape Breton Municipality and Halifax Regional Municipality, as well as roadwork improvements, are underway. The 2023 budget has significantly enhanced FY 2022/23 spending growth, though public sector employment has seen a slight decline this year. Future government spending is expected to slow down considerably this fiscal year and next, a move that may put a drag on overall economic growth. Nonetheless, this measured restraint will help manage the province's deficit over the forecast horizon. As for Nova Scotia's exports, despite solid economic growth in other parts of Canada and increased U.S. domestic demand, the first quarter witnessed modest export growth. This trend is expected to continue in light of the economic slowdown south of the border and the weaker expansion in China, Nova Scotia's second largest export market. The province's real estate market is still robust, with home prices up over 60% compared to pre-pandemic levels, despite a modest correction in the past year. These persistent tight market conditions suggest further price growth ahead, albeit possibly tempered by growing affordability concerns.

(Sources: Statistics Canada, RBC, TD Economics)

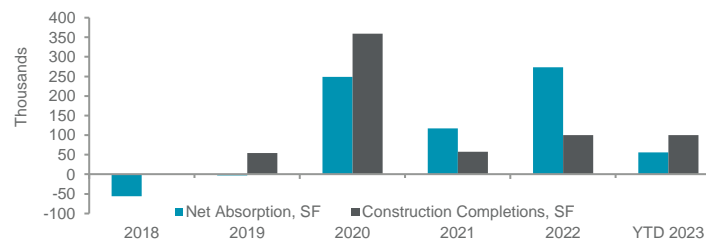
SUPPLY AND DEMAND

The Halifax office market witnessed a slight contraction in the overall vacancy rate this quarter, with a decrease of 40 basis points (bps) to reach 13.4%, down from 13.8% last quarter. Within the submarkets, the Halifax Central Business District had a pronounced improvement, with its vacancy rate falling 90 basis points from 18.5% to 17.6%. Similarly, the Bedford submarket recorded a notable drop of 90 bps in its vacancy rate, declining from 7.7% to 6.8%. The Suburban Halifax market had a marginal change in vacancy of 20 bps, climbing to 8.1%. Vacancy in Dartmouth remained unchanged 11.7%. Most of this quarter's absorption took place in class B space in the Halifax Central Business District largely in part of the increased occupancy of office space in buildings like Scotia Square.

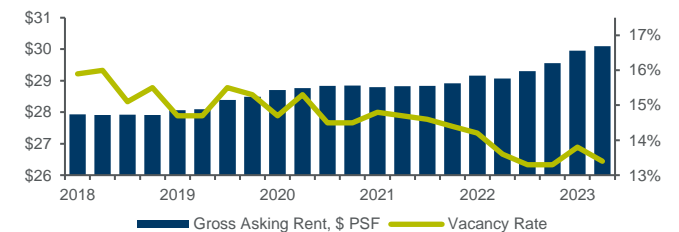
PRICING

In terms of rental rates, the overall gross average asking rent for the Halifax market experienced a small increase from \$29.95 per square foot to \$30.10 psf this quarter. This slight increase was seen throughout all submarkets except for Bedford where gross rents declined slightly. With that in mind, Nova Scotia's economy, supported by strong population growth and government capital investments, is expected to maintain relatively stable momentum despite broader economic challenges. Continued resilience will be key as the province navigates through the interest rate hikes and other external pressures.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Halifax, Nova Scotia

Office Q2 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	6,170,055	31,859	1,053,027	17.6%	41,400	19,347	0	\$31.75	\$35.71
Halifax - Suburban	2,592,301	0	210,754	8.1%	-6,804	54,642	0	\$28.93	\$30.47
Dartmouth	3,192,573	70,059	303,689	11.7%	-1,277	-13,321	0	\$27.94	\$29.77
Bedford	1,043,713	1,618	69,370	6.8%	9,758	-5,154	0	\$28.81	\$31.27
Suburban Totals	6,828,587	71,677	583,813	9.6%	1,677	36,167	0	\$28.54	\$30.23
Halifax Totals	12,998,642	103,536	1,,636,840	13.4%	43,077	55,514	0	\$30.10	\$32.53

*Rental rates reflect full service asking

KEY SALE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	SALE PRICE
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N/A

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	Type
120 Eileen Stubbs	Dartmouth	BF & M Canada Ltd.	14,583	Direct
990 Western Parkway	Bedford	Sun Life Assurance Company of Canada	5,978	Direct

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