

Halifax, Nova Scotia

Office Q3 2023



	YoY Chg	12-Mo. Forecast
13.2% Vacancy Rate	▼	▲
99,598 YTD Net Absorption, SF	▼	▼
\$30.45 Gross Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
260.3K Halifax Employment	▲	▲
7.1% Halifax Unemployment Rate	▲	▲
5.5% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy has been resilient to significant interest rate hikes, but it will still be affected by the overall slowdown in Canadian economic growth. Both domestic activity and export-oriented sectors are expected to soften, leading to a material deceleration in growth. However, growth is projected to remain positive at 1.0% this year, down from 1.6% in 2022. The province's population growth is driven by immigration, non-permanent residents, and newcomers from other parts of Canada. This influx of people benefits companies by providing a pool of suitable workers, leading to employment gains and looser job markets compared to other regions in Canada. The growing population also fuels construction spending and maintains high housing demand, with home prices significantly above pre-pandemic levels. Household spending has remained strong, supported by the arrival of around 40,000 new consumers in the past year. However, consumption is expected to moderate in the second half of this year and in 2024 due to interest rate hikes by the Bank of Canada. Despite this, households in Nova Scotia have relatively low debt levels, providing some protection. Weaker trade conditions, especially with the expected easing of U.S. growth, will further slow down Nova Scotia's economic growth. However, the Chinese ban on Japanese seafood presents an opportunity for Nova Scotia to meet some of China's demand and support its prospects. The province has also faced extreme weather events, such as hurricanes, storms, wildfires, and flooding, which have had a significant human toll. From an economic perspective, the rebuilding efforts following these events contribute to GDP growth, estimated to add at least 0.1 percentage points this year, considering the temporary closure of the main rail line to the Port of Halifax due to flooding.

(Sources: Statistics Canada, RBC, TD Economics)

SUPPLY AND DEMAND

The overall vacancy rate for the Halifax office market decreased by 20 basis points (bps) quarter-over-quarter (QoQ), from 13.4% to 13.2%. This decline was primarily due to a decrease in vacant space in the Central Class B market, with the vacancy rate dropping from 15.5% in the previous quarter to 12.7% in the third quarter. Additionally, there was a significant increase in overall absorption, particularly in the Central area of Halifax, which saw an increase from 41k square feet (sf) to 90k sf QoQ. This increase in absorption was mainly driven by higher demand for Class B assets, as multiple buildings recorded absorption of over 20,000 sf - including 1888 Brunswick Street.

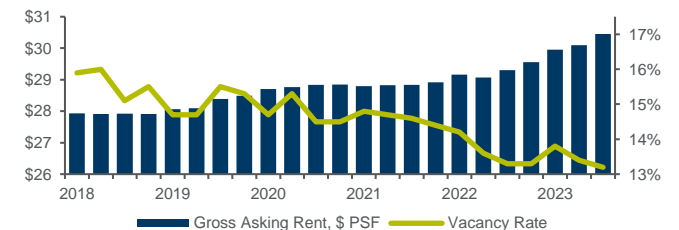
PRICING

The overall average net asking rent climbed this quarter, with an increase of \$0.28 per square foot (psf) from the previous quarter to \$16.22 psf, as all classes of properties in Halifax had higher rents in comparison to last quarter. Specifically, Central Halifax recorded a net rental rate of \$16.64 psf, while Class A buildings in Central Halifax reached \$19.26 psf, Suburban Halifax posted an overall average net rental rate of \$15.84 psf, and Class A Suburban properties averaged \$17.02 psf.

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	6,020,230	31,859	962,821	16.5%	90,206	109,553	0	\$32.25	\$35.80
Halifax - Suburban	2,592,301	0	197,118	7.6%	13,636	68,278	0	\$29.23	\$30.47
Dartmouth	3,192,573	65,121	339,810	12.7%	-31,183	-44,504	0	\$27.94	\$29.77
Bedford	1,043,713	1,618	97,945	9.5%	-28,575	-33,729	0	\$28.21	\$32.01
Suburban Totals	6,828,587	66,739	634,873	10.3%	-46,122	-9,955	0	\$28.79	\$30.41
Halifax Totals	12,848,817	98,598	1,597,694	13.2%	44,084	99,598	0	\$30.45	\$32.68

*Rental rates reflect full service asking

KEY SALE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	SALE PRICE
Wellington Connector Lands	Suburban	Undisclosed	23,805,540	Confidential

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	Type
15 Western Parkway	Bedford	ResMed Halifax ULC	36,000	Direct
1949 Upper Water Street	Halifax	Halifax Regional Municipality	4,651	Direct

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