MARKETBEAT
St. John's, NL
Office Q3 2023

CUSHMAN &
WAKEFIELD
Atlantic

	YoY Chg	12-Mo. Forecast
19.3% Vacancy Rate	▲	▼
-51,880 Net Absorption, SF	▼	▼
$34.57 Gross Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2023

	YoY Chg	12-Mo. Forecast
116.9K St. John's Employment	▲	▲
6.6% St. John's Unemployment Rate	▲	▲
5.5% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

In 2023, Newfoundland and Labrador are hopeful for some relief after a challenging year. Strong commodity markets have led to increased capital spending intentions, which is positive for the local labour market. It is projected there will be economic growth of 1.6% for the province in 2023, a welcome improvement from the downwardly revised negative 0.4% in 2022. While Newfoundland and Labrador is the only province expected to buck the slowing trend, weak activity in the oil and mining sector caused the province's real GDP to contract last year, making it the only province to experience a decline. While it is not anticipated there will be another decline in output, oil and mining production will remain lackluster, leading to underperformance compared to the rest of the nation this year. The bounce back in the oil sector was dependent on the restart of the Terra Nova project, but Suncor's production plans for 2023 have put that on hold until next year. Overall, crude production is expected to contract significantly this year due to the deferral of Terra Nova's restart and scheduled maintenance to White Rose and Hebron. The mining sector has also experienced a pull-back in prices for iron ore, nickel, and copper, resulting in a decline in mineral shipments for 2023. However, mineral exploration expenditures reached a 10-year high in 2022, indicating a positive outlook for the mining sector in the medium term. Additionally, the province introduced a new Green Transition Fund to support projects that facilitate the transition to a green economy, aligning with their commitment to position Newfoundland and Labrador as a preferred location for green economic investment. Despite the Bank of Canada's aggressive rate hiking campaign, domestic-oriented industries in Newfoundland have performed relatively well. Strong employment and population gains have supported consumer spending, with NL households outpacing other provinces in terms of growth. While domestic spending and job gains may moderate in the coming months, it is anticipated that the unemployment rate will reach a record low on average this year.
(Sources: RBC Economics, Statistics Canada, TD Economics,)

SUPPLY AND DEMAND

The St. John's office market posted a 19.3% overall vacancy rate in the third quarter of 2023, an increase of 130 basis points (bps) compared to the previous quarter. This rise in vacancy was primarily due to approximately 50,000 square feet (sf) of new vacant space arriving on the market this quarter, primarily concentrated in the North submarket.

In terms of overall absorption, there was a negative absorption of 52,000 sf in the office market this quarter. This represents a softening compared to the negative 6,000 sf of absorption in the previous quarter. The negative absorption was mainly recorded in the Downtown Class A at 10 Factory Lane and in the North Class B submarkets, while the East & West submarkets experienced modest increases.

PRICING

The overall average asking gross rent in St. John's closed the quarter at $34.57 per square foot (psf). This represents a stable rental rate, with a slight decrease of $0.09 psf compared to the previous quarter. As the net asking rental rate remained relatively unchanged, the overall decline in the gross average rent was primarily influenced by a decrease in the additional rent charges.

SPACE DEMAND / DELIVERIES

Net Absorption, SF ■ Construction Completions, SF ■
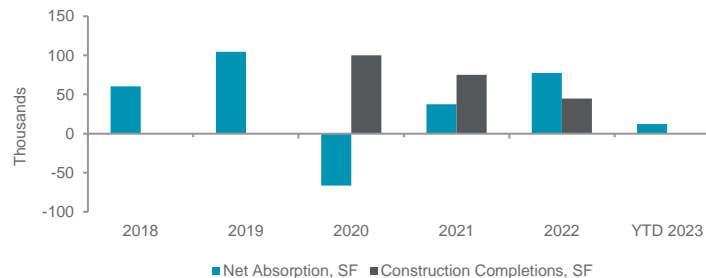
OVERALL VACANCY & ASKING RENT

Asking Gross Rent, $ PSF ■ Vacancy Rate —
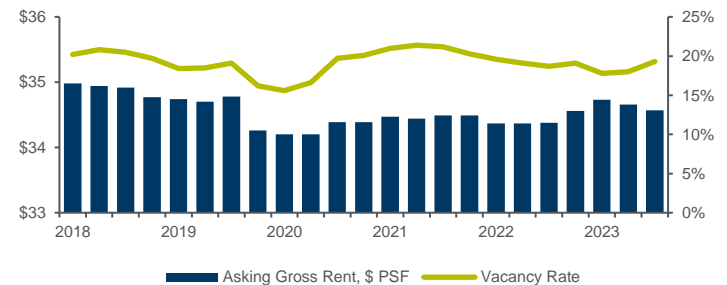
MARKET STATISTICS

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	1,696,676	0	467,296	27.5%	7,271	53,484	0	$40.21	$42.81
Central	343,569	0	36,520	10.6%	5,617	45,540	0	$26.35	-
North	797,276	30,000	133,445	20.5%	-75,212	-80,520	0	$28.61	-
East & West	1,065,224	3,306	83,210	8.1%	10,444	-6,357	0	$30.96	$37.40
St. John's Totals	3,902,745	33,306	720,471	19.3%	-51,880	12,147	0	$34.57	$40.68

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5 Springdale Street	Downtown	Undisclosed	12,902	Direct
24 Stavanger Drive	East & West	Provincial Aerospace Limited	41,021	Direct
35 Beclin Road	East & West	Undisclosed	17,230	Direct

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
N/A				

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