

YoY
Chg 12-Mo.
Forecast

18.0%

Vacancy Rate



-6K

Net Absorption, SF



\$34.66

Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 2023YoY
Chg 12-Mo.
Forecast

117.8K

St. John's
Employment

5.0%

St. John's
Unemployment Rate

5.4%

Canada
Unemployment Rate

Source: Statistics Canada

ECONOMIC OVERVIEW

The economic landscape of Newfoundland and Labrador demonstrated notable resilience so far in 2023, despite persistent challenges in its key production sectors. Notwithstanding the sluggish start of the year, the province's commodity markets reveal signs of a robust recovery, driving optimistic capital spending intentions and boosting the local labour market. The projected 1.6% GDP growth for 2023 represents a positive shift from the contraction experienced in 2022, positioning Newfoundland as the only province to break the trend of economic deceleration. The pivotal role of the Terra Nova offshore oilfield in the province's economy remains evident. With its operation once again put on hold, the bounce back in the oil sector, which was contingent on a Terra Nova restart, faces renewed uncertainty. The predicted contraction in overall oil production, attributed to maintenance schedules at White Rose and Hebron, will have a palpable impact on the 2023 outlook. In contrast, the mining sector displays promising medium-term prospects. Mineral exploration expenditures reached a decade high in 2022 at \$243 million, propelled by accelerated gold exploration in central Newfoundland and heightened interest in Labrador's rare earth deposits. This sector, however, is not immune to lower prices for iron ore, nickel, and copper, which may exert pressure on mineral shipments this year. The performance of domestic-oriented industries, supported by solid consumer spending and robust population and job gains, has been holding up well. Even though we anticipate a moderate slowdown in domestic spending and job gains, partly due to rising interest rates, we still project a record low unemployment rate for 2023. Moreover, government investments in infrastructure projects amounting to \$1.1 billion in FY 2023/24 are expected to inject nearly \$500 million into the economy. Nonetheless, the long-term prospects of the oil and gas industry may face headwinds as the \$16 billion Bay du Nord oil project, led by energy giant Equinor, announced a delay of up to three years.

(Sources: RBC Economics, Statistics Canada, TD Economics,)

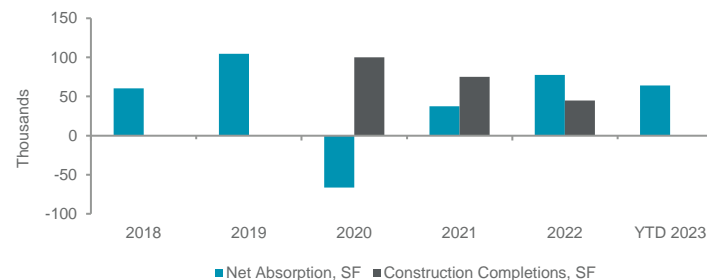
SUPPLY AND DEMAND

The St. John's office market showed mixed dynamics in the second quarter of 2023. Overall vacancy rates edged slightly higher by 20 basis points (bps) to 18.0% from 17.8% last quarter. There was a significant increase in downtown vacancy from 26.0% to 28.0%, largely due to Class A & B office stock dynamics. On the other hand, the Central submarket vacancy rate declined sharply from 23.7% to 12.3%. However, the North and East & West submarkets experienced modest increases, moving from 9.5% to 11.1% and remaining steady at 9.1%, respectively. The absorption mainly took place in Class B buildings like Atlantic Place as there is an increased demand factor in that area.

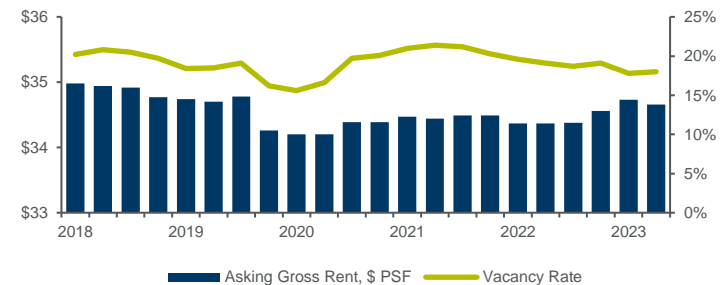
PRICING

The average gross rental rate experienced a slight decrease in the second quarter of 2023, landing at \$34.66 per square foot (psf), a decrease of \$0.07 psf. The Downtown office submarket witnessed a slight reduction in net rental rates from \$40.26 psf to \$40.21 psf. While rental rates in the East & West market remained stable at \$31.27 psf, the North submarket experienced a marginal increase from \$28.59 psf to \$28.63 psf. The Central market saw a slight rise, moving from \$26.20 psf to \$26.35 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



St. John's, NL

Office Q2 2023


**CUSHMAN &
WAKEFIELD**
Atlantic

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	474,567	28.0%	-33,331	46,213	0	\$40.21	\$42.81
Central	343,569	0	42,137	12.3%	39,146	39,923	0	\$26.35	-
North	797,276	0	88,233	11.1%	-12,360	-5,308	0	\$28.63	-
East & West	1,065,224	0	96,960	9.1%	0	-16,801	0	\$31.27	\$37.40
St. John's Totals	3,902,745	0	701,897	18.0%	-6,545	64,027	0	\$34.66	\$40.68

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2 Bruce Street	East & West	IDC World Insurance Network	4,000	Direct

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
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N/A

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