

New Brunswick

Office Q2 2024

YoY Chg 12-Mo. Forecast

23.0%
Overall Vacancy Rate



48,598
Net Absorption, SF



\$25.84
Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC OVERVIEW

The Canadian economy has been impacted by previous interest rate hikes, resulting in a continuous decline in per-person output over six quarters. Despite a slight recovery in the first quarter of 2024, with real GDP growing by 1.7% annually driven by consumer spending, there are concerns about a cooling economy. Factors such as higher borrowing costs, immigration policy changes, and a softening labour market are expected to affect consumer spending. The job market in Canada faces potential net losses, leading to an increase in the unemployment rate. This situation is likely to result in a more balanced job market, slowing wage growth, and helping to stabilize inflation around the 2% target. The Bank of Canada is predicted to make two more rate cuts in response to inflation progress. While the economy is soft, there is no immediate crisis, allowing the Bank to cautiously adjust interest rates. Growth in the upcoming years is expected to be driven by business and housing investments, supported by lower borrowing costs and government spending initiatives. Household spending and investment have remained strong in New Brunswick, with low household debt-to-income ratios expected to continue into 2024. However, weakness in the business sector may overshadow real GDP growth in the future, leading to a slight moderation in economic growth from 1.1% in 2023 to 0.9% in 2024.

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

SUPPLY AND DEMAND

Overall absorption in New Brunswick turned positive in the second quarter of 2024, rising by 130k square feet (sf) from last quarter to reach close to 49k sf. Positive absorption totals occurred throughout all classes of the Fredericton and Saint John submarkets with overall totals of 43k sf and 16k sf respectively. For New Brunswick as a whole the only market to post negative absorption was Moncton Class C, where absorption was close to negative 16k sf.

The vacancy rate in New Brunswick had a slight decrease, down 20 basis points (bps) quarter-over-quarter (QOQ) to 23.0%. This was the result of vacancy decreasing in both the Fredericton and Saint John submarkets to 16.5% and 35.1% respectively, while the Moncton submarket experienced the only increase in vacancy to 18.2%. This was driven by Numeris vacating 10,129 sf at 1234 Main Street and at 720 Coverdale Road 12,960 sf, previously used as a training center for a previous tenant, is available for lease.

PRICING

The overall net asking rental rate in the New Brunswick office market remained stable at \$13.92 per square foot (psf). The largest increase was seen in the Fredericton submarket which rose \$0.03 psf QOQ to reach \$15.67 psf. The Moncton submarket had the only decrease of \$0.02 psf QOQ, falling to \$13.85 psf, and the overall net rent in the Saint John submarket remained stable this quarter at \$12.35 psf.

ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

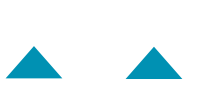
400.4K
New Brunswick Employment



7.7%
New Brunswick Unemployment Rate

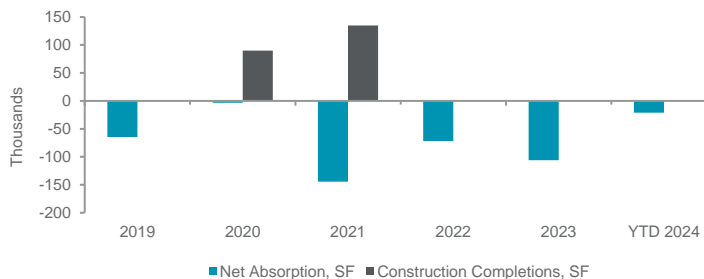


6.4%
Canada Unemployment Rate

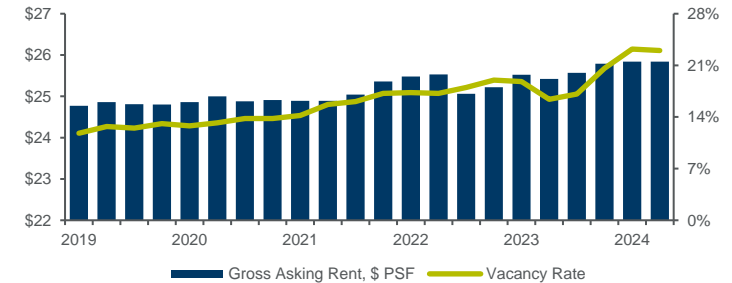


Source: Statistics Canada

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



New Brunswick

Office Q2 2024



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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)*
Moncton	3,063,033	14,000	542,711	18.2%	-10,909	-59,018	38,764	\$26.40	\$31.04
Fredericton	2,278,872	37,294	339,695	16.5%	43,463	25,513	0	\$26.88	\$30.16
Saint John	2,433,139	42,972	809,935	35.1%	16,044	12,577	0	\$23.35	\$30.45
New Brunswick Totals	7,775,044	94,266	1,692,341	23.0%	48,598	-20,928	38,764	\$25.84	\$30.64

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
51 Highfield St, Suite 200	Moncton	OsteoFlow Health Clinic Inc.	2,859	Direct
50 Driscoll Cr, Suite 100	Moncton	Fundypros Specialty Construction Inc.	2,900	Direct
150 Knowledge Park Dr, Suite 210	Fredericton	Thales Canada Inc.	9,200	Direct

KEY SALE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	Buyer	SF	Sale Price
413 Main Street	Moncton	Undisclosed	6,600	\$1,912,500.00
1642 Mountain Road	Moncton	Undisclosed	6,750	\$860,000.00

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