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Press Release

PAST PEAK VACANCY, NEW BRUNSWICK OFFICE RENTS STILL LOWEST IN ATLANTIC CANADA

Saint John and Moncton boasted gains in demand for office space year over year, pushing the overall office vacancy rate for New Brunswick's three main cities down 196 basis points to 14.18%. Despite a slight uptick in its vacancy rate, New Brunswick's capital city, Fredericton, boasts the lowest office vacancy rate of any of the major Atlantic Canadian cities. Are tenants drawn to these cities for their bargain rents? The average net rental rates in the three New Brunswick cities are the lowest in Atlantic Canada. These are the conclusions from the latest of 24 rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The vacancy rate is correlated with the net rental rate: when vacancy is high, tenants hold the negotiating power on new leases. The flip side of this coin is the attraction of a low rental rate in securing new tenants, driving demand up and vacancy down. As vacancy decreases, the balance swings in favour of the landlord and net rental rates move upward. Vacancy peaked in New Brunswick in 2016 at 16.14% overall for the three major cities. By the end of 2017, it had dropped to 14.18%. Moncton's rental office market, the largest in the province, saw vacancy drop from the 2016 peak of 16.23% to 13.21% in 2017. The Hub City's net rental rate inched up a percent from \$12.93/ft.² to \$13.06/ft.². Saint John, with the second largest rental office market, saw vacancy drop below the 20% mark for the first time in six years, to 19.05% in 2017 from 21.97% a year prior. The net rental rate fell 0.4% from \$12.36/ft.² to \$12.31/ft.². Fredericton's net rental rate decreased year over year, from \$13.46/ft.² to \$13.25/ft.² as the capital's vacancy rate crept back up to double digits, from 9.54% in 2016 to 10.00% in 2017. These average rental rates make New Brunswick a bargain in the Atlantic region: they are the lowest of any of the six major cities, where Charlottetown sits at an average of \$14.63/ft.², Halifax averages \$14.17/ft.², and St. John's NL tops them all at \$18.81/ft.². With the exception of Saint John, the average vacancy rates are not out of line with the other major cities: Charlottetown has a 13.05% vacancy rate, Halifax's is at 14.97%, and St. John's NL sits at 15.57% vacant. With stable property taxes at least for the next year due the provincial assessment freeze, New Brunswick may prove an attractive spot to set up shop in the near term.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian, has provided real estate advice for over forty years. From their offices in Halifax, St. John's, Charlottetown, Saint John and Toronto they provide landlords and tenants with property tax, valuation, counselling, planning, economic intelligence, Lasercad® space measurement and commercial brokerage advice.

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If you would like more information about this topic, or wish to schedule an interview with André Pouliot, please call him at (902) 429-1811 ext. 321 or email apouliot@turnerdrake.com.