

Our Ref: 2014445:PF/ABA

FOR IMMEDIATE RELEASE

CONTACT:

Alexandra Baird Allen
Economic Intelligence Unit
Turner Drake & Partners Ltd.
Tel: (902) 429-1811 Ext. 323
Fax: (902) 429-1891
Email: abairdallen@turnerdrake.com
Website: www.turnerdrake.com

TURNER DRAKE & PARTNERS LTD.

Real Estate Counsellors, Brokers & Valuers
6182 North Street
Halifax NS B3K 1P5

Press Release

ATLANTIC CANADIAN OFFICE & WAREHOUSE MARKETS: UPS AND DOWNS

Any impacts the pandemic will have on the rental office and warehouse markets have yet to manifest significantly, but there are some early indicators that recent downward trends in vacancy are starting to reverse. Office vacancy rates were up year-over-year in four of the six major cities in Atlantic Canada and warehouse vacancies were up in half of them. Most of the changes have been relatively minor thus far. Movement in average net rental rates for office space was divided, with three of the six office markets seeing a decline and three an increase; average warehouse rents were up almost across the board, and holding steady elsewhere.

These are the conclusions from the latest rental market surveys completed by Halifax real estate counsellors Turner Drake & Partners Ltd. The surveys are thought to be the most comprehensive ever conducted in Atlantic Canada: a team of trained researchers collected rental, operating expense and vacancy data for 838 office and industrial buildings, some as small as 5,000 ft.², with an aggregate rentable area of over 40 million ft.².

Traditionally, recessions produce a sea change in how office space is utilised, triggering the shift from individual offices to cubicles in the early 1990s, and more recently to bull-pen style office design where space is shared collaboratively. Both represent a move to fewer square feet of office space per employee. The current recession – and its health-related root cause – is different. The rapidly executed shift to home offices will have staying power where individual businesses find the rewards outweigh the downsides. On the other hand, those workers returning to offices will need space to work at a safe distance from their colleagues. The result: a push-pull scenario where fewer companies will opt for office space, but more space per employee is required for those who do.

In Atlantic Canada, the latest figures on office space have Fredericton out front, with a 5.55% vacancy rate, down from 8.04% a year ago. The New Brunswick capital has a Class A vacancy rate of 3.80%, down from 3.92% in 2019. Saint John, New Brunswick also enjoyed a decrease in vacancy, though it remains among the highest rates in the region, at 16.47%, compared to 18.26% a year ago. Its Class A vacancy rate is 15.55%. The other four surveyed cities saw vacancy tick up. Charlottetown's office market falls in second place, at 8.35% vacant compared to 7.27% the same time last year. Class A space sits at 7.73% vacant, versus 6.70% a year ago. Moncton's overall vacancy rate saw the largest jump, to 12.92% from 7.68% a year ago. The Hub city's Class A space remains relatively full, at 5.34% vacant, versus 3.98% in 2019. Halifax had the lowest increase in vacancy of the four increasing markets: overall, its vacancy rate climbed from 14.80% to 14.91%, while Class A went from 16.50% to 16.95%. St. John's, Newfoundland has the highest vacancy rate, 19.89%, up from 17.18% a year ago. Its Class A vacancy rate is a whopping 28.27%, up from 20.33% in 2019.

Vacancy and the net rental rate are inversely correlated: as vacancy falls, net rental rates are expected to climb, and vice versa. But sometimes there is a lag between cause and effect, with both moving in the same direction, possibly as landlords lower their rents to attract tenants, and sometimes because of changing market conditions during the period. The Atlantic Canadian office market was split between ups and downs in average rents over the period June 2019 to June 2020. St. John's NL has the highest average net rental rate, at \$18.19/ft², despite dropping 4.9% from \$19.13/ft² a year ago. Class A net rents on average fell from \$23.48/ft² to 22.08/ft² over the same period. Class A rents in Halifax ticked up from \$17.21/ft² to \$17.78/ft², pushing the overall average net rental rate up 2%, from \$14.02/ft² to \$14.30/ft². In New Brunswick, Fredericton's overall average net rental rate edged down to \$13.79/ft² from \$13.84/ft², while Class A settled at \$15.27/ft² versus \$15.31/ft² a year ago; Moncton's overall net rent moved from \$12.84/ft² to \$13.01/ft², and Class A from \$14.05/ft² to \$14.24/ft²; and Saint John fell 1.4% overall from \$12.94/ft² to \$12.76/ft², with Class A dropping from \$15.83/ft² to \$14.86/ft². In Charlottetown, overall average net rents moved up 1.4% to \$15.53/ft² in 2020 from \$15.32/ft² in 2019, with Class A rents ticking up to \$15.96/ft² from \$15.92/ft².

Our survey also covered industrial space. In this market segment, the impacts of the pandemic are expected to be more purely economic, and will be driven by the changing demand for goods, rather than a change in how work is conducted in the sector. The current vacancy rates for rental warehouse space by city are: Halifax 10.16%, up from 9.12% in 2019; St. John's 10.14%, down from 12.28% a year ago; Charlottetown 6.23%, up from 4.74%; Moncton 11.45%, down from 13.28%; Saint John 17.30%, up from 10.96%; and Fredericton, almost fully occupied at 3.36%, down from 6.02% last year. Average net rental rates per square foot were up almost across the board, with the exception of Fredericton holding steady year-over-year. The current rates are: Halifax \$8.02; St. John's \$11.50; Charlottetown \$9.78; Moncton \$6.89; Saint John \$8.17; and Fredericton \$6.93.

Turner Drake & Partners Ltd., a "home grown" Atlantic Canadian company, has provided real estate property advice for over forty years. From their offices in Halifax, St. John's, Charlottetown, Saint John and Toronto they service clients owning property across Canada.

----- 30 -----

If you would like more information about this topic, or wish to schedule an interview with Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email abairdallen@turnerdrake.com.