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**Press Release**

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## **OPPORTUNITY KNOCKS: HALIFAX OFFICE VACANCY IS SKY-HIGH**

Recent reports have noted Halifax's potential as the next boom town...and the city's mediocre ranking on the list of best places to live in Canada, at #137 out of 417 (according to MoneySense magazine). On the latter list, Halifax ranked highly in terms of lifestyle amenities, and there's no question that houses are affordable here, especially when contrasted with Toronto and Vancouver. But what of commercial opportunities? The timing could be excellent, with a current renter's market for office and industrial space in a city that houses six universities and a province that is home to a world class community college program, i.e. a highly educated work force. Vacancy sits at a six-year high for office space in Halifax. The industrial market shows some signs of improvement over last year, giving cause for optimism while still affording plenty of space to choose from. There has never been a better time for tenants to find a good deal. For out-of-province companies without a footprint here, this is the opportunity to locate their business in a beautiful, historic city by the sea ... with its low cost of living and east coast lifestyle. These are the conclusions from the latest of 23 rental surveys recently completed by Halifax real estate counsellors Turner Drake & Partners Ltd.

The surveys are thought to be the most comprehensive ever conducted in HRM: a team of trained researchers collected rental, operating expense and vacancy data for 316 office and industrial buildings, some as small as 5,000 ft.<sup>2</sup>, with an aggregate rentable area of over 19.7 million ft.<sup>2</sup>

The bellwether for Halifax's office market is the downtown Central Business District (CBD), where vacancy climbed to a record high 19.59% in June 2017, up 5.3 percentage points from a year ago (14.29% vacancy in June 2016). Newly constructed Class A office space being brought to market over the past few years has been under pressure from already high vacancy, leading to lower net rental rates. This has encouraged tenants to move up a class with only a marginal increase in the rents they are paying: the average net rent for Class A space downtown contracted between June 2016 and 2017, from \$20.59/ft.<sup>2</sup> to \$20.00/ft.<sup>2</sup>. This upward movement of tenants has sucked demand from Class B and C space. While vacancy for Class A space fell year over year, from 17.18% in 2016 to 16.75% in 2017, Class B and C space each saw huge increases in their vacancy rates. Class B almost doubled, from 11.88% to 20.16%, while Class C jumped from an already high 35.64% to a whopping 41.46%.

Meanwhile, the warehouse market has seen an inventory increase over the past decade of almost a million square feet, while demand has increased by roughly half that amount, leading to a 68% increase in the amount of vacant space on the market. In the past year, the vacancy rate fell from 13.96% to 13.76%, accompanied by a slight drop in the net rental rate, which fell to \$7.77/ft.<sup>2</sup> from \$7.80/ft.<sup>2</sup> in 2016.

In short, it's a great opportunity for tenants: plenty of space from which to choose and plenty of negotiating power on the rental rate. High vacancy rates provide landlords with the opportunity to reduce their property assessments: for net leases, tax savings will be passed on to the tenant ... and Halifax phased out the Business Occupancy Tax, so the potential savings just keep piling up. Right here, right now, the magic of leverage is on the tenants' side: spend less, retain more ... add crackle to a dynamic city.

Turner Drake & Partners Ltd., a "home grown" Nova Scotia company, 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 Alexandra Baird Allen, please call her at (902) 429-1811 ext. 323 or email [abairdallen@turnerdrake.com](mailto:abairdallen@turnerdrake.com).