

HALIFAX OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Halifax Employment	224K	234K	▲
Halifax Unemployment	7.1%	6.8%	▼
Canada Unemployment	6.2%	6.0%	■

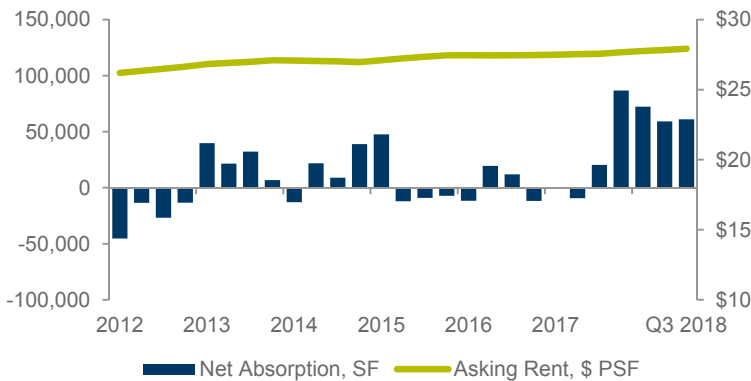
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	15.0%	15.1%	▲
Net Absorption (sf)	56,518	63,861	▼
Under Construction (sf)	465,000	105,000	▼
Average Asking Rent*	\$27.56	\$27.92	▼

*Rental rates reflect gross asking \$psf/year

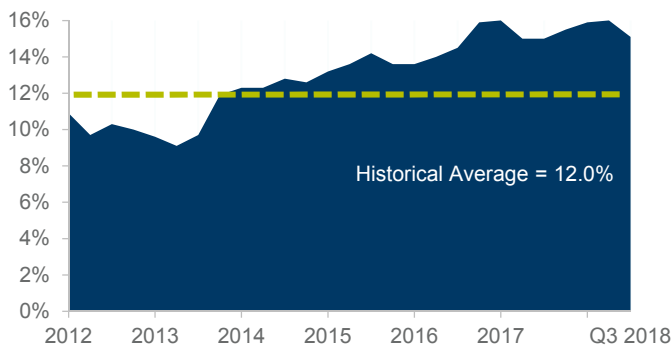
Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



*Rental rates reflect gross asking \$psf/year

Overall Vacancy



Economy

According to TD Economics, Nova Scotia's economic climate has remained moderately strong in 2018 and is anticipated to maintain a balanced growth rate of 1.1% for the remainder of the year, carrying a similar level of growth into 2019 before slowing to 0.9% in 2020. Employment levels have increased since the second quarter of 2018, full-time job growth has been steady, activity in the manufacturing sector has expanded and tourism remains strong. With the cruise ship industry settling into its high season, Halifax is expected to see a record high of over 300,000 passengers in 2018 and over 27 more ships compared to 2017. The continued surge in immigration and the uptick in the employment participation rate in the labour entry population (15 to 24 years old) has boosted the labour force and continues to contribute to employment growth. Nova Scotia has experienced a slight increase in unemployment due to the rate of growth of the labour force surpassing the rate of demand. However in the future Nova Scotians should expect unemployment rates to decrease.

(Sources: Statistics Canada, TD Economics)

Market Overview

Nova Scotia's office market vacancy rate fell to 15.1% in the third quarter of 2018, a 90 basis point decrease from last quarter. All submarkets experienced a decline in vacancy except for Dartmouth, where the vacancy rate rose 110 basis points to reach 15.0%, up from 13.9% in the second quarter of 2018. Within the Halifax Central Business District (CBD), overall demand for office space has strengthened and pushed vacancy downwards to 18.5% from 19.6% last quarter. The Class B CBD vacancy rate saw the largest change quarter-over-quarter, declining from 17.2% to 15.6% in the third quarter of 2018. This was primarily the result of a government tenant moving into 13,000 square feet (sf) at 5161 George Street and 24,000 sf being leased to PricewaterhouseCoopers at Cogswell Tower.

Suburban Halifax vacancy declined by 200 basis points from 7.7% in the second quarter of 2018 to 5.7% this quarter, in part the result of Workspace Atlantic leasing 11,000 sf at 145 Hobsons Lake Drive. In the Bedford submarket, a significant number of transactions occurred within the Class B segment, and as a result vacancy declined from 23.2% to 21.5% in the third quarter of 2018. The overall Dartmouth market experienced a 110 basis point increase in vacancy quarter-over-quarter to reach 15.0% as new availability outpaced demand. Class A space in the Dartmouth market continues to have the lowest vacancy of all classes, while the Class C segment has the highest. In the City of Lakes submarket there was a 160 basis point increase in vacancy in the third quarter of 2018, reaching 15.0%. Despite the increase in vacancy, 202 Brownlow Avenue gained new tenants with a total of 12,700 sf leased since last quarter.

Outlook

Although Nova Scotia's economy is expected to improve this year, major government projects are set to wind down and the economic pace will slow in 2019. Population growth continues at a fast pace and housing demand will remain high. Nova Scotians should expect the price growth of home sales to slow amid an increase in the cost of borrowing in the coming year.

MARKETBEAT

Halifax, Nova Scotia

Office Q3 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Halifax-Central Business District	57	6,146,080	24,427	1,110,808	18.5%	71,687	-53,372	105,000	\$29.56	\$34.91
Halifax-Suburban	31	2,515,542	23,124	120,998	5.7%	8,272	7,478	0	\$27.24	\$29.16
Dartmouth	42	2,796,112	6,760	411,750	15.0%	-28,563	22,654	0	\$25.24	\$27.62
Bedford	20	887,713	1,180	168,625	19.1%	12,465	26,513	0	\$25.58	\$26.29
Total Suburban Area	93	6,199,367	31,064	687,373	11.8%	-7,826	56,645	0	\$26.26	\$27.99
HALIFAX TOTALS	150	12,345,447	55,491	1,812,181	15.1%	63,861	3,273	105,000	\$27.92	\$31.20

*Rental rates reflect gross asking \$psf/year

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS	OVERALL AVERAGE ASKING RENT *
Class A	59	5,400,976	52,328	826,073	16.3%	3,108	22,948	105,000	0	\$31.20
Class B	64	5,598,237	3,163	790,816	14.2%	68,734	-71,739	0	0	\$25.70
Class C	29	1,346,234	0	195,292	14.5%	-7,981	52,064	0	0	\$23.54

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7 Mellor Ave	13,179	Gift Market Discount Centre Ltd.	Lease	Burnside
612 Windmill Road	11,000	Upstreet BBQ Brewhouse	Lease	Burnside
1888 Brunswick Street	10,005	Martec Limited	Renewal	Halifax CBD

Key Projects Under Construction

PROPERTY	SF	TENANT	COMPLETION DATE	SUBMARKET
Queen's Marque	105,000	Stewart McKelvey	2020	Halifax

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