

HALIFAX OFFICE

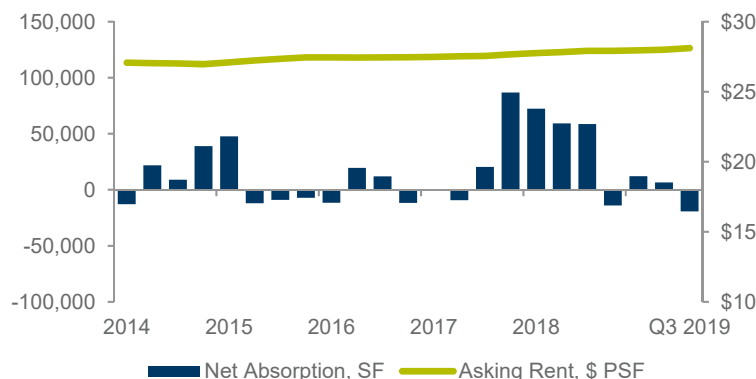
Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Halifax Employment	234K	244K	▲
Halifax Unemployment	6.8%	5.6%	▲
Canada Unemployment	6.0%	5.7%	▲

Market Indicators (Overall, All Classes)

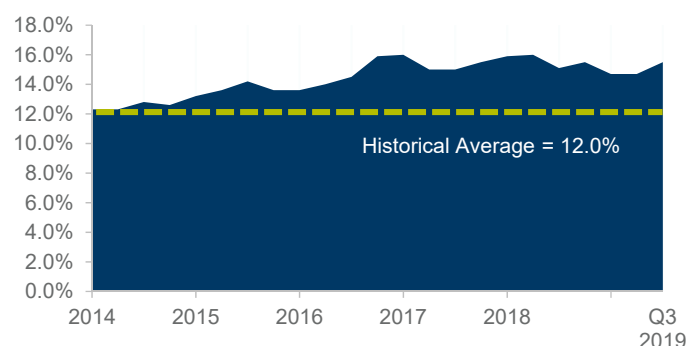
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	15.1%	15.5%	▲
Net Absorption (sf)	63,861	-49,462	▲
Under Construction (sf)	105,000	105,000	▲
Average Asking Rent*	\$27.92	\$28.39	▲

*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

Nova Scotia's economic momentum continues to improve in 2019. The GDP growth rate in Halifax is expected to outpace national and provincial figures and is estimated to grow 2.1% over the next 4 years. Job growth in the province is up 2.4% since 2018. Annual population growth in Halifax hovers around 2.0%, bringing the population to over 430,000. Business confidence has eased slightly and growth in manufacturing and wholesale sales sectors is following a more relaxed pace. International exports have eased, partially due to China's slower economic momentum and the increase of banned Canadian food products in China. Home sales remain strong and demand for rental units continues to encourage construction for multi-residential units.

(Sources: Statistics Canada, TD, Laurentian Bank Securities, Halifax Partnership)

Market Overview

Nova Scotia's office vacancy rate increased to 15.5% in the third quarter of 2019 from 14.7% last quarter. While the Halifax suburban market vacancy rate remained unchanged, all other submarkets experienced an increase in vacancy compared to the previous quarter. The Bedford submarket saw the largest jump in vacancy, climbing by 210 basis points (bps) from 12.7% in the second quarter of 2019 to 14.8% this quarter. A contributing factor to this increase was the completion of Armour Group's newest Class A office building, Westway III, at 175 Western Parkway. In Dartmouth, the vacancy rate bumped upwards from 12.8% last quarter to 14.2% in the third quarter of 2019. Vacancy rates increased 60 bps in the CBD to 19.8% this quarter, as various tenants and Government agencies vacated a total of 37,831 square feet (sf) at 1969 Upper Water street. Lateral movement within Class B office space in the CBD was completed by CBCL Limited, which vacated 50,000 sf at 1489 Hollis Street and moved to 1505 Barrington Street.

Overall, market average net rents increased by \$0.21 per square foot (psf) to \$15.03 psf this quarter. Class B net rents reached \$13.38 psf, up \$0.41 from \$12.97 last quarter. Class C net rents decreased to \$12.42 psf in the third quarter of 2019 from \$12.58 psf last quarter. The largest increase in overall submarket net rents was observed in the CBD, with rents now averaging \$15.47 psf, compared to \$15.13 psf last quarter. Class A net rents in Bedford experienced an increase of \$0.68 psf from \$14.06 last quarter to \$14.74 in the third quarter of 2019. The second highest increase in net rents was observed in Class B office space within the CBD, climbing by \$0.59 psf to \$12.95 psf. Bedford Class C net rents experienced the steepest quarter-over-quarter decline from \$13.60 psf to \$12.91 psf.

Outlook

An increasing population will continue to lead the demand for new housing developments as well as support strong home resale transactions. Fiscal spending will be focused on various highway improvement projects, health care investment, and shipbuilding. A decision whether to proceed with the Goldboro LNG project has been delayed until 2020.

MARKETBEAT

Halifax, Nova Scotia

Office Q3 2019


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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	56	6,136,836	18,734	1,194,005	19.8%	-36,232	8,564	105,000	\$30.01	\$35.12
Halifax-Suburban	31	2,515,542	31,424	137,357	6.7%	-1,402	-27,489	0	\$27.45	\$29.42
Dartmouth	42	2,799,126	25,414	371,742	14.2%	-38,159	-42,325	0	\$25.96	\$28.24
Bedford	21	887,713	0	140,033	14.8%	26,331	83,772	0	\$26.33	\$27.21
Total Suburban Area	94	6,258,381	56,838	649,132	11.3%	-13,230	13,958	0	\$26.76	\$28.49
HALIFAX TOTALS	150	12,395,217	75,572	1,843,137	15.5%	-49,462	22,522	105,000	\$28.39	\$31.55

*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	60	5,459,990	55,083	893,105	17.4%	-42,546	-55,924	105,000	0	\$31.55
Class B	62	5,588,993	20,489	783,209	14.4%	-23,264	53,619	0	0	\$26.26
Class C	28	1,346,234	0	166,823	12.4%	16,348	24,827	0	0	\$23.93

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1505 Barrington Street	51,600	CBCL Limited	Lease	CBD
263 Susie Lake Crescent	42,000	Canada Border Services Agency	Lease	Bayers Lake
7 Mellor Avenue	4,621	Elections Canada	Lease	Burnside

Key Projects Under Construction

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

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