



Office Q4 2019

16.2%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

110,878

Net Absorption, SF

\$34.26

Gross Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2019

116K

St. John's
Employment

6.7%

St. John's
Unemployment Rate

5.9%

Canada
Unemployment Rate

Source: Statistics Canada

ECONOMIC OVERVIEW

St. John's is forecasted to finish 2019 with an annual GDP increase of 7.1%, falling to a projected 1.1% growth rate in 2020. The province as a whole is expected to see a 2.0% increase in 2019. St. John's can attribute much of the economic growth in 2019 to an increase in overall employment, which has risen by 4.5% year-over-year, due in large part to employment growth in the resource sector. Despite the rise in employment, the province is experiencing a lull in consumer spending, with retail sales down 1.1% compared to the fourth quarter of 2018. St. John's continues to see a differing population trend compared to the overall province, with a 0.4% year-over-year increase to finish 2019 with a population of 186,500. On the other hand, Newfoundland and Labrador experienced a -0.6% decrease in population from last year, to 439,900 residents. While minor oil spills have plagued the province for the past 12 months, 2020 should see a ramp up in production which should help boost provincial growth.

(Sources: RBC Economics, Statistics Canada, TD Economics, City of St. John's)

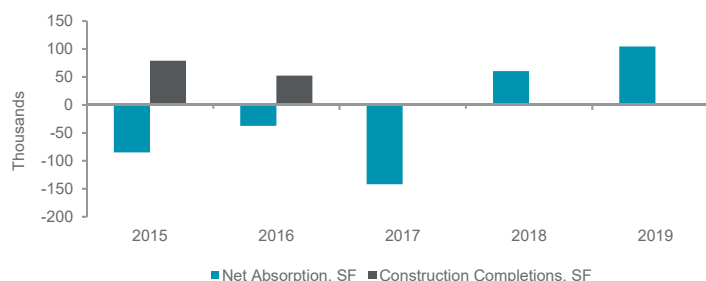
SUPPLY AND DEMAND

The St. John's office market saw overall vacancy decline by 290 basis points (bps) quarter-over-quarter to finish 2019 at 16.2%. This decline in vacancy was due in large part to a combined absorption of over 85,000 square feet (sf) in the Downtown and East/West markets as various tenants leased space; such as resource giant BHP Billiton that moved into 4,300 sf of space at 235 Water Street early in the fourth quarter of 2019. The Workplace Health, Safety and Compensation Review Division also leased just under 5,000 sf of space at 6 Mount Carson Avenue. The Central market; however, experienced negative absorption of 4,337 sf in the fourth quarter of 2019, which led to a 130 bps increase in vacancy from last quarter to reach 18.4%. A contributing factor was over 6,000 sf of space that was vacated by multiple tenants at the Kenmount Business Centre located on 66 Kenmount Road.

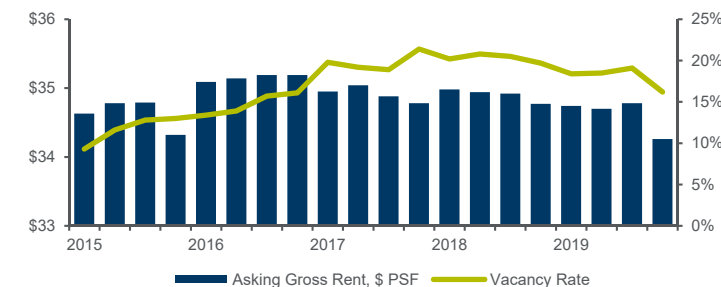
PRICING

Overall average net asking rents experienced a \$0.56 per square foot (psf) decrease from last quarter, closing out 2019 at \$20.80 psf. The most significant change compared to last quarter was in the Downtown market as average net asking rents declined to \$24.66 psf, a \$1.15 psf quarter-over-quarter change. While all other markets saw net asking rents decline, the North market trended in the opposite direction with a \$0.02 psf increase from \$18.24 last quarter to \$18.26 psf in the fourth quarter of 2019. The overall Class A segment had the largest average net rent change, declining from \$25.75 psf to \$24.13 quarter-over-quarter. The Class C segment reached \$15.76 psf this quarter, a \$0.02 psf jump from last quarter.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT





MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown	1,634,645	0	364,844	22.3%	45,968	23,351	0	\$40.39	\$43.07
Central	335,354	0	61,627	18.4%	-4,337	478	0	\$25.67	n/a
North	797,870	11,576	56,288	8.5%	25,564	42,724	35,000	\$28.80	n/a
East & West	1,006,489	0	115,952	11.5%	43,723	37,960	185,000	\$30.13	\$37.40
ST. JOHN'S TOTALS	3,774,358	11,576	598,711	16.2%	110,878	104,513	220,000	\$34.26	\$40.85

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6 Mount Carson Avenue	East/West	Workplace Health, Safety and Compensation Review Division	4,801	Renewal*
100 Hebron Way	East/West	Passport Canada / Service Canada Centre	9,400	Lease
235 Water Street	Downtown	BHP Billiton	4,300	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
989A Torbay Road	East/West	56438 Newfoundland and Labrador Ltd. / Wing'N It	21,260	\$995K / \$47

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