

Halifax, Nova Scotia

Office Q2 2022



| | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| 13.6% Vacancy Rate | ▼ | ▼ |
| 103K Net Absorption, SF | ▲ | ▲ |
| \$28.21 Asking Rent, PSF | ▼ | ▲ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 252.7K Halifax Employment | ▲ | ▲ |
| 4.6% Halifax Unemployment Rate | ▼ | ▼ |
| 4.9% Canada Unemployment Rate | ▼ | — |

Source: Statistics Canada

ECONOMIC OVERVIEW

Nova Scotia's economy began to see diminishing growth during the second quarter of 2022, as the provincial forecasts were tightened from 2.0%-2.5% GDP growth to 1.9%-2.1%. Despite the resumption of activity within the province's tourism industry, this forecast reflects how well the province recovered from the pandemic and ultimately leaving less headway to make up during 2022. Employment growth for Nova Scotia is up with a forecasted 3.3%-3.5% increase in 2022. Population growth within the province is also up in the second quarter of 2022 and forecasted to increase throughout the year as immigration rises. This population increase should bode well for the construction industry, which is already being bolstered by the QEII expansion project and the Cogswell residential development. Although, interprovincial migration may begin to slow as interest rate hikes and remote work options should soften activity in the housing market through the remainder of the year. Additionally, exports have once again been a catalyst for the province, as the Halifax harbor should benefit from U.S. economic growth. Specifically, Nova Scotia's tire manufacturing industry will be boosted by the increasing activity in the automotive sector. Lastly, rising energy costs for residents, soaring fuel prices for commuters and inflation sitting above the national average at 6.1% will begin to put pressure on household budgets. This should slow consumption in the latter half of 2022 but will help the combat the inflation curve going forward.

(Sources: Statistics Canada, RBC, TD Economics)

SUPPLY AND DEMAND

The overall vacancy rate for the Halifax office market declined by 60 basis points (bps) in the second quarter of 2022, landing at 13.6% overall. This was primarily due to an inventory correction within Halifax's Central Business District (CBD). Halifax's CBD saw vacancy drop by 200 bps compared to last quarter, as office inventory corrections were made within the city's core. However, this was offset by some softening in the Dartmouth submarket which saw a 140-bps vacancy increase from last quarter. Suburban Halifax also played a role in balancing vacancy in the second quarter. The submarket recorded its first downward shift in vacancy since the beginning of 2021, declining by 30 bps. Lastly, the Bedford submarket did not experience any material changes in its overall availability.

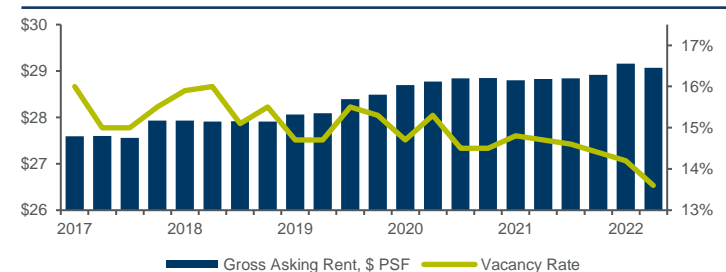
PRICING

The overall average gross rental rate declined slightly during the second quarter of 2022, albeit it was minimal at just a \$0.09 per square foot (psf) decrease from the previous quarter. This brought the overall gross average rate to \$29.07 psf from \$29.16 psf in the previous quarter. Dartmouth's submarket observed an increase in net rents this quarter, the largest of which was Dartmouth, moving upwards by \$0.05 a quarter-over-quarter from \$14.86 psf to \$14.91 psf. However, this was followed by Halifax's central business district seeing a quarter-over-quarter decrease of \$0.17 psf, lowering from \$16.02 psf to \$15.85 psf. Halifax's suburban market did not see any material changes in net rent, holding at \$15.41 psf. Lastly, Bedford's submarket saw a decrease in net rental rates in the second quarter of 2022 after increasing by \$0.20 cents in the first quarter of 2022. The current net rental rates have now corrected backwards from \$14.29 psf to \$14.27 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Halifax, Nova Scotia

Office Q2 2022


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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)* |
|-------------------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|------------------|--|------------------------------------|
| Halifax – Central Business District | 6,080,733 | 19,603 | 1,028,381 | 17.2% | 137,905 | 155,235 | 0 | \$30.56 | \$35.33 |
| Halifax - Suburban | 2,490,354 | 0 | 184,295 | 7.4% | 8,202 | -54,579 | 0 | \$28.40 | \$29.93 |
| Dartmouth | 3,191,069 | 9,192 | 426,780 | 13.7% | -43,516 | 21,659 | 0 | \$27.34 | \$29.54 |
| Bedford | 943,713 | 0 | 53,580 | 5.7% | 312 | 4,613 | 0 | \$26.53 | \$27.00 |
| Suburban Totals | 6,625,136 | 9,192 | 673,847 | 8.94% | -35,335 | -28,640 | 0 | \$27.68 | \$29.31 |
| Halifax Totals | 12,705,760 | 28,795 | 1,693,036 | 13.6% | 102,903 | 126,928 | 0 | \$29.07 | \$31.87 |

*Rental rates reflect full service asking

KEY SALE TRANSACTIONS Q2 2022

| PROPERTY | SUBMARKET | TENANT | SF | SALE PRICE |
|----------------------------|-----------|--------------|--|---------------|
| 111 Ilsley Avenue | Dartmouth | Confidential | 27,705 | \$4,390,000 |
| PRO REIT & Crestpoint Deal | Dartmouth | Confidential | 3,100,000 (41 Office & Industrial Properties) | \$227,000,000 |

KEY LEASE TRANSACTIONS Q2 2022

| PROPERTY | SUBMARKET | TENANT | SF | Type |
|-------------------|-----------|--------------|-------|-------|
| 111 Ilsley Avenue | Dartmouth | Confidential | 9,523 | Lease |

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