MARKETBEAT

St. John's, NL

Office Q3 2022

CUSHMAN & WAKEFIELD Atlantic

	YoY Chg	12-Mo. Forecast
18.7% Vacancy Rate	▼	▼
13,343K Net Absorption	▲	▼
$34.38 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
116.5K St. John's Employment	▲	▲
5.1% St. John's Unemployment Rate	▼	▼
5.2% Canada Unemployment Rate	▼	▬

Source: Statistics Canada

ECONOMIC OVERVIEW

Newfoundland and Labrador have seen its 2022 GDP growth projections shrink yet again this year shifting from 2.5% to 1.2% and finally to 0.4% in the third quarter or 2022. This is primarily due to the sharp drop in oil production from 2021 to 2022 and an underlying affect of the depleting reserves at Newfoundland's disposal. Some light is on Newfoundland's economic horizon however, as the federal government recently confirmed the Bay du Nord offshore oil megaproject and a return to oil production is planned for the Terra Nova and White Rose production facilities later this year. This will certainly boost government revenues for the province and is a primary reason why Newfoundland is projecting increases to its GDP into 2023 and 2024. This projection is reliant on the level at which oil prices remain, and the elephant in the room, depleting reserves of oil. To combat these factors, the province is attempting to diversify their exports into gold mining as gold prices are projected to remain relatively high as the commodity retains its value in the highly inflationary period to come. The Valentine Lake gold mine is going to provide a great step forward in terms of export diversification this year and will provide a strong increase in the province's employment numbers. Population growth is also seeing some positivity as interprovincial migration levels have increased during 2022, with the province gaining most of its population from Ontario and Alberta. Lastly, the province is experiencing lower inflation than the national average, sitting at 6.4% compared to the national average of 7.0%.

(Sources: RBC Economics, Statistics Canada, TD Economics)

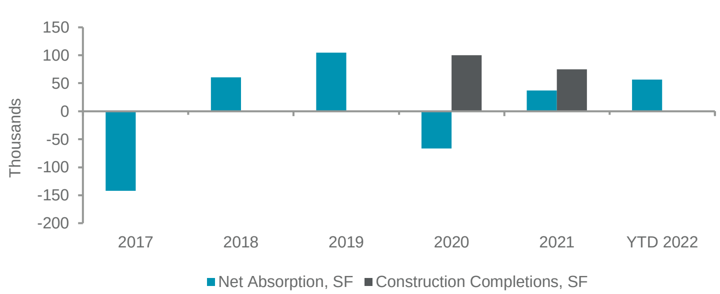
SUPPLY AND DEMAND

The overall vacancy rate for the St. John's office market was down by 40 basis points (bps) during the third quarter of 2022, reaching 18.7% compared to 19.1% last quarter. The downward push came from activity in the East and West submarket, where vacancy declined from 4.9% to 2.4%. Specifically, this change was due to a shuffle of mergers and office moves in the area. Other submarkets such as the Downtown, Central and North submarkets did however push back in a symphony of large, small and negligible increases. The North submarket saw the largest increase as vacancy increased by 160 bps quarter-over-quarter to 14.1%. This was quickly followed by a minor drop in the Central submarket where vacancy increased by 90 bps this quarter to 22.9%. Finally, the Downtown market showed its strength by displaying shifts within the market as overall vacant space declined quarter-over-quarter from 521,096 square feet (sf) to 520,700 sf.

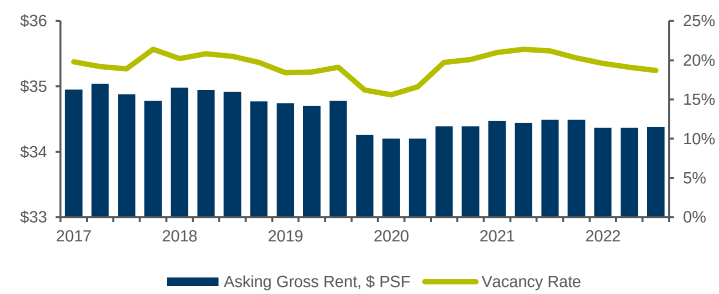
PRICING

The overall average net rent was unchanged in the third quarter of 2022 remaining at $20.94 per square foot (psf). Despite changes seen throughout the submarkets, the overall rate remained unchanged due to the factor of weighted averages. However, the weighted average of common area maintenance and taxes rates increased by $0.03 cents in the North submarket landing at $10.70 psf. This shifted the overall gross rental rate to $34.38 psf in the third quarter of 2022.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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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)*
Downtown	1,651,676	0	520,700	31.5%	396	3,747	0	$39.62	$41.70
Central	343,569	0	78,631	22.9%	-2,877	3,685	0	$26.04	-
North	797,276	15,000	97,488	14.1%	-12,900	4,894	0	$28.73	-
East & West	1,154,874	0	28,057	2.4%	28,724	44,176	0	$31.21	$37.40
St. John's Totals	**3,947,395**	**15,000**	**724,876**	**18.7%**	**13,343**	**56,502**	**0**	**$34.38**	**$39.58**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
1043-1047 Topsail Rd	Mount Pearl	Seventh Day Adventisist Church of NL	7,000	$1,560,000

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