

New Brunswick

Office Q2 2023



	YoY Chg	12-Mo. Forecast
16.4% Vacancy Rate	▼	▼
168K Net Absorption, SF	▲	▲
\$25.42 Gross Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
383.3K New Brunswick Employment	▲	▲
6.4% New Brunswick Unemployment Rate	▲	▼
5.4% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

New Brunswick's economy seems to be resilient despite the broader Canadian recession concerns. The province anticipates 1.0% GDP growth in 2023, significantly slower than the 2.0% expansion seen in 2022. Nevertheless, NB's strength is attributable to high levels of immigration, a robust labour market, residential investment, and household spending. That said, headwinds such as sharp interest rate hikes and contractionary export market conditions are expected to cool the provincial economy, reducing the GDP growth rate by half. The province's real GDP advanced by a modest 1.6% in 2022, trailing the national gain by nearly two percentage points. However, New Brunswick expects to see less downside in 2023 and 2024 compared to most other provinces. Halfway through 2023, domestic spending remains a pillar of stability against the backdrop of a softer external environment. The province's international exports have grown by a meagre 1.5% in Q1 2023 year-over-year. Over 90% of these exports target the U.S., where the economy is set to decelerate this year and in 2024. Yet, a substantially weaker Canadian dollar is expected to support New Brunswick's international exports. Interprovincial shipments, accounting for over half of the total exports, are also predicted to weaken as Canada's domestic activity slows down. The demographic dynamics of the province are also improving, with population growth surpassing national levels since 2021. The 2.7% increase in 2022 and expected continued growth are fueled primarily by net international migration. The province's favourable population and labour market trends will likely face headwinds in the future, with an anticipated moderation in job creation and an expected increase in the unemployment rate to 7.9% by late 2024. New Brunswick households have the lowest average debt-to-GDP ratio among the provinces, and a relatively affordable housing market. These factors, along with internal TD spending data, suggest solid consumer spending strength into Q2 2023. Financially, New Brunswick's government continues to demonstrate fiscal health, having run surpluses for several years. The net-debt-to-GDP trajectory is expected to drop to 23.4% by FY 2025/26, positioning NB as the jurisdiction with the lowest debt burden in the Atlantic region, and among the lowest in all provinces.

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

SUPPLY AND DEMAND

New Brunswick's office market saw an overall decrease in vacancy of 240 basis points in this quarter compared to last quarter, now sitting at 16.4%. This was largely driven by Fredericton, where vacancy rates declined from 18.5% to 15.3%. This was offset by a minor rise in the Moncton submarket where the vacancy rate rose slightly from 11.6% to 11.7%. Meanwhile, the Saint John submarket noted a significant decline, with the vacancy rate declining from 25.9% to 23.2%.

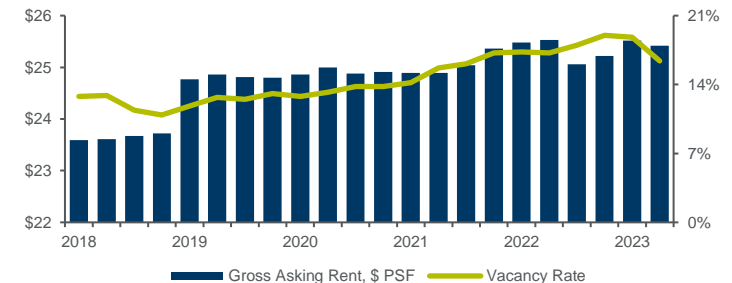
PRICING

The overall average gross rent in New Brunswick dipped slightly in Q2 2023 to \$25.42 per square foot (psf). Moncton's average rent fell by \$0.01 to \$26.11 psf, influenced by all office classes. Fredericton saw a drop of \$0.05, bringing the average rent to \$26.94 psf, primarily driven by Class A & B stock. Meanwhile, Saint John experienced an increase of \$0.27 to \$23.05 psf, primarily from increases in Class A & B stock.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



New Brunswick

Office Q2 2023


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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)*
Moncton	2,973,704	16,252	330,614	11.7%	12,027	47,059	0	\$26.11	\$30.84
Fredericton	2,278,872	0	349,615	15.3%	58,452	26,925	0	\$26.94	\$30.54
Saint John	2,385,051	38,208	514,988	23.2%	97,374	111,678	0	\$23.05	\$29.66
New Brunswick Totals	7,637,627	54,460	1,195,217	16.4%	167,853	185,662	0	\$25.42	\$30.48

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
85 Charlotte Street	Saint John	Fundy Regional Service Commission	3,091	Direct
236 St. George Street	Moncton	Bayan Tree Marketing Inc.	1,691	Direct

KEY SALE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	Buyer	SF	Sale Price
767 Coverdale Road	Moncton	D.R.M. Realty Ltd.	-	\$650,000

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