

# MARKET SURVEY ST. JOHN'S NL OFFICES JUNE 2019

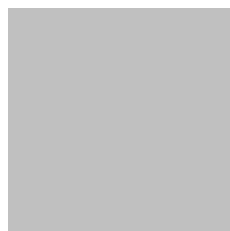
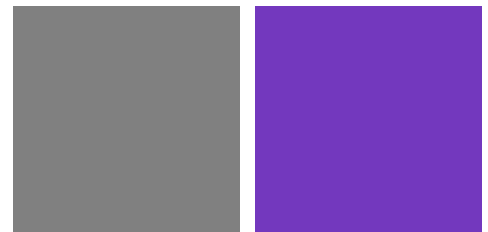


## Survey Scope:

88 office buildings

4,034,745 ft<sup>2</sup> of rental office space

expert researchers



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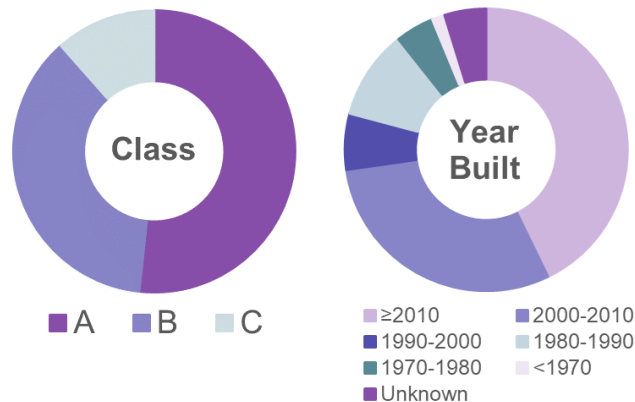
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# JUNE 2019 MARKET SURVEY OFFICE SPACE

## Year at a Glance

	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	3,954,875	4,034,745	↑ 79,870
Net Absorption (ft. <sup>2</sup> )	30,829	156,188	↑ 125,359
Vacancy Rate	19.93%	17.64%	↓ -2.29 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 19.03	\$ 19.05	↑ 0.11%
Avg. RTCAM/ft. <sup>2</sup>	\$ 10.90	\$ 10.59	↓ -2.84%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 29.60	\$ 29.64	↑ 0.14%

## Overall Office Inventory



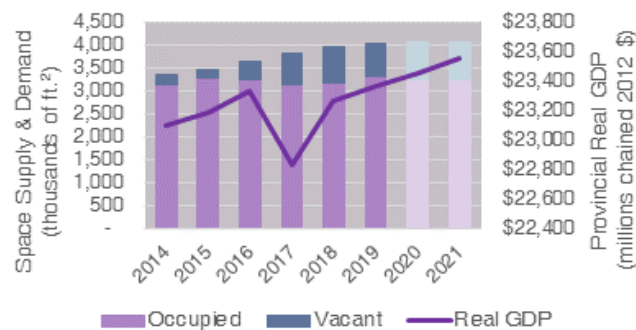
## Supply & Demand Overview

The total amount of rentable office space in St. John's increased 2.0% over last year, due to new space coming to market. A stronger-than-expected increase in demand meant that the overall vacancy rate decreased from 19.93% in 2018 to 17.64% in 2019. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Projected GDP growth is minimal for the year ahead, with increases in demand for office space anticipated to be commensurately minor. When combined with the expected move of a major office tenant downtown to an owner occupied space in the suburbs, the vacancy rate is expected to climb to 20% in the year ahead.

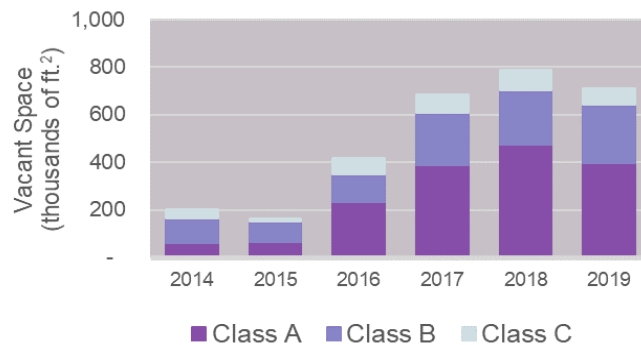
Our survey measured vacancy and rental rates by class of building. Class A buildings command the highest rents in their community and have distinctive design and lobbies. Class B buildings offer “no frills” modern, air conditioned space. Class C buildings make up the remainder of the office rental market. The current vacancy rates by class are: Class A 18.98%; Class B 16.60%; Class C 14.99%; and Overall 17.64%.

The vacancy rate and net rental rate are inversely correlated: empirical data indicates that generally a falling vacancy rate portends a rising net rental rate, while a rising vacancy rate indicates that net rental rate increases will moderate or even fall. Current average net absolute rental rates per square foot are: Class A \$22.93; Class B \$18.25; Class C \$15.40; and Overall \$19.05.

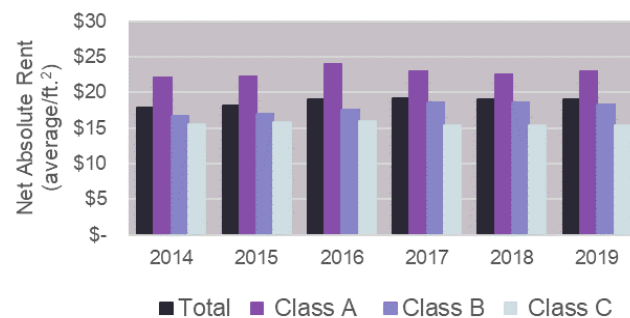
## Supply, Demand & GDP



## Vacant Space



## Net Absolute Rent/ft.<sup>2</sup>

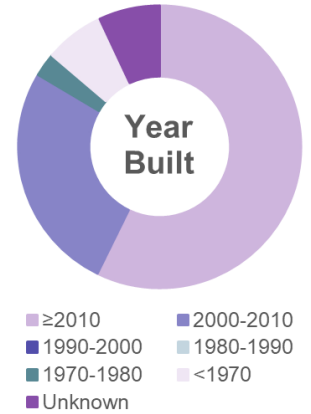
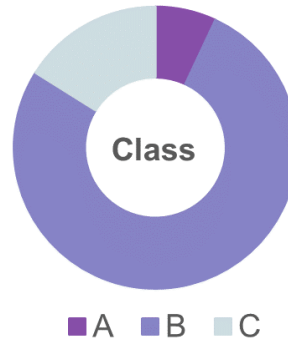


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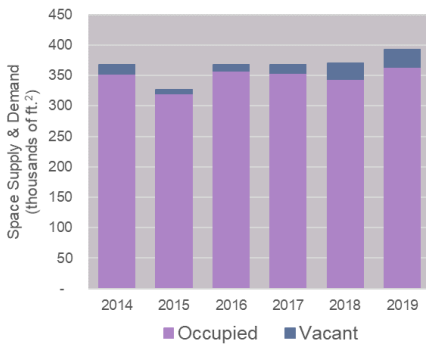
# ST. JOHN'S CENTRAL

## Year at a Glance

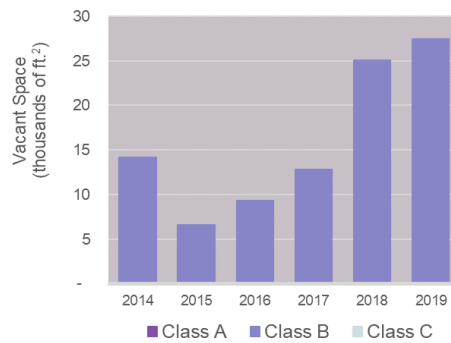
	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	369,438	391,687	↑ 22,249
Net Absorption (ft. <sup>2</sup> )	(9,580)	19,861	↑ 29,441
Vacancy Rate	6.78%	7.01%	↑ 0.23 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 16.50	\$ 16.33	↓ -1.03%
Avg. RTCAM/ft. <sup>2</sup>	\$ 11.07	\$ 11.40	↑ 2.98%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 27.57	\$ 27.74	↑ 0.62%



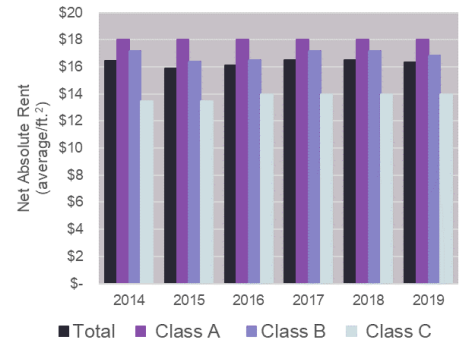
Supply & Demand



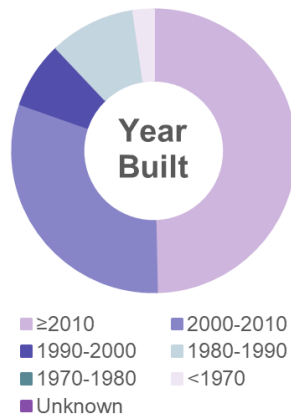
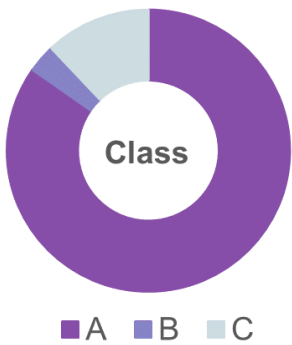
Vacant Space



Net Absolute Rent/ft.<sup>2</sup>



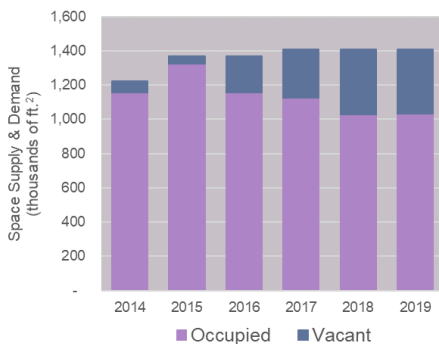
# ST. JOHN'S DOWNTOWN



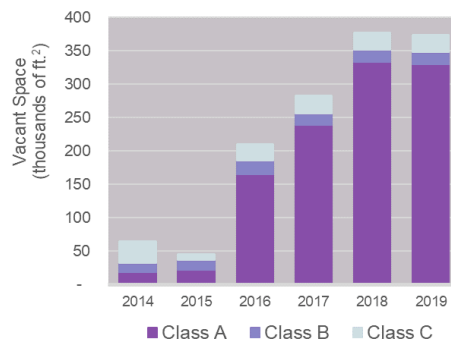
## Year at a Glance

	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	1,405,915	1,407,107	↑ 1,192
Net Absorption (ft. <sup>2</sup> )	(95,147)	4,585	↑ 99,732
Vacancy Rate	26.87%	26.60%	↓ -0.27 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 21.37	\$ 21.50	↑ 0.61%
Avg. RTCAM/ft. <sup>2</sup>	\$ 12.26	\$ 12.27	↑ 0.08%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 33.41	\$ 33.55	↑ 0.42%

Supply & Demand



Vacant Space



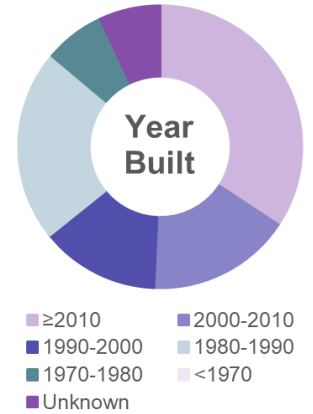
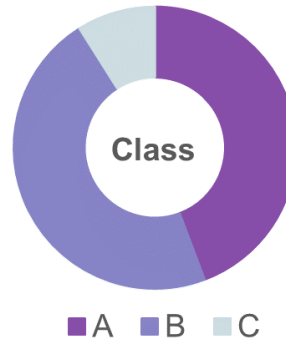
Net Absolute Rent/ft.<sup>2</sup>



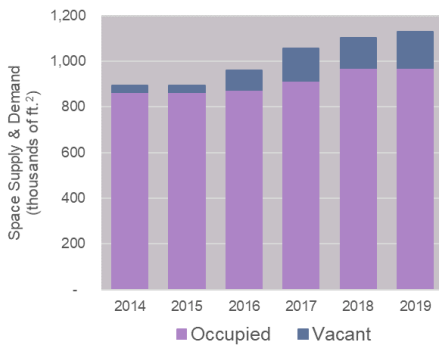
# ST. JOHN'S EAST & WEST

## Year at a Glance

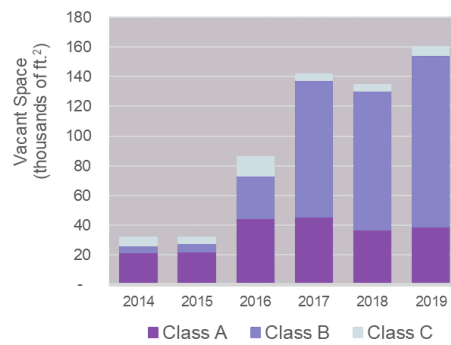
	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	1,103,834	1,128,508	↑ 24,674
Net Absorption (ft. <sup>2</sup> )	56,665	(703)	↓ (57,368)
Vacancy Rate	12.18%	14.17%	↑ 1.99 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 19.00	\$ 19.08	↑ 0.42%
Avg. RTCAM/ft. <sup>2</sup>	\$ 10.92	\$ 10.49	↓ -3.94%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 29.33	\$ 29.43	↑ 0.34%



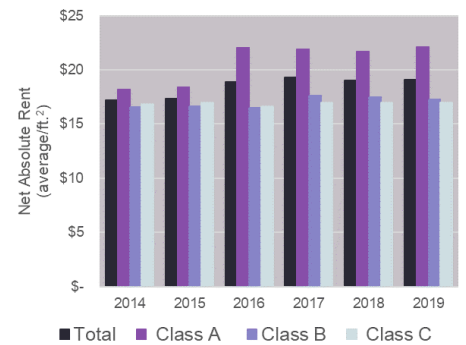
Supply & Demand



Vacant Space



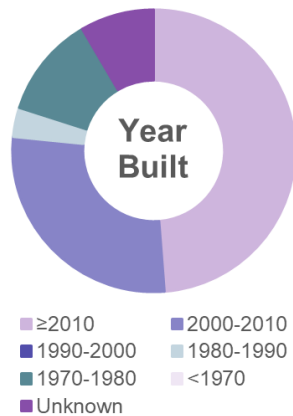
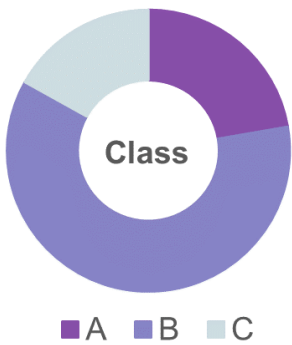
Net Absolute Rent/ft.<sup>2</sup>



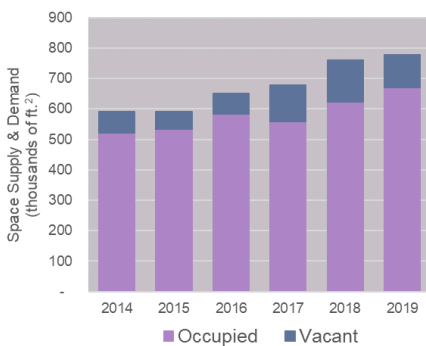
# ST. JOHN'S NORTH

## Year at a Glance

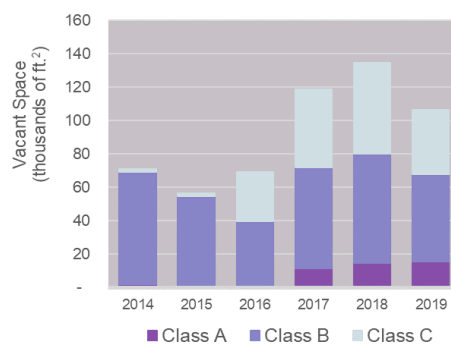
	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	758,975	777,127	↑ 18,152
Net Absorption (ft. <sup>2</sup> )	65,921	46,538	↓ (19,383)
Vacancy Rate	17.75%	13.69%	↓ -4.06 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 18.72	\$ 18.87	↑ 0.80%
Avg. RTCAM/ft. <sup>2</sup>	\$ 10.78	\$ 10.24	↓ -5.01%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 29.24	\$ 29.32	↑ 0.27%



Supply & Demand



Vacant Space



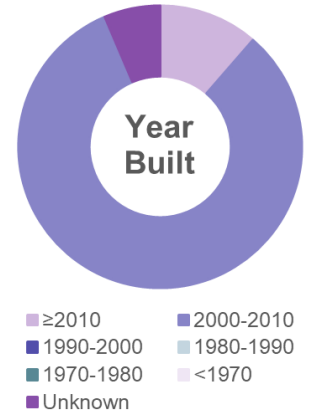
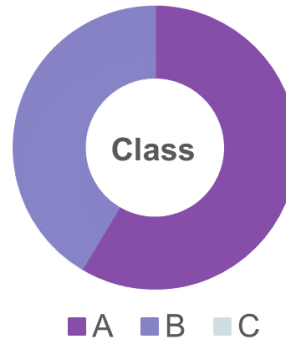
Net Absolute Rent/ft.<sup>2</sup>



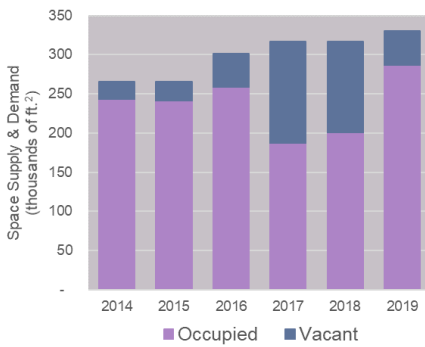
# MOUNT PEARL / PARADISE

## Year at a Glance

	2018	2019	Change
Office Inventory (ft. <sup>2</sup> )	316,713	330,316	↑ 13,603
Net Absorption (ft. <sup>2</sup> )	12,970	85,907	↑ 72,937
Vacancy Rate	36.69%	13.29%	↓ -23.40 pp
Avg. Net Rent/ft. <sup>2</sup>	\$ 17.60	\$ 17.40	↓ -1.14%
Avg. RTCAM/ft. <sup>2</sup>	\$ 7.00	\$ 6.50	↓ -7.14%
Avg. Gross Rent/ft. <sup>2</sup>	\$ 23.68	\$ 23.18	↓ -2.11%



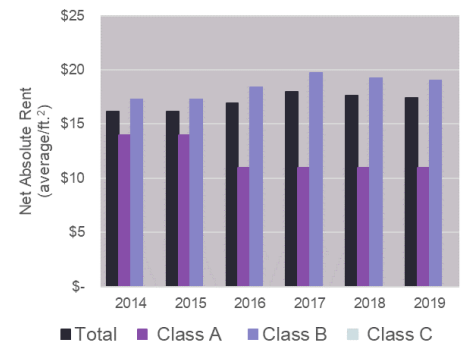
Supply & Demand



Vacant Space



Net Absolute Rent/ft.<sup>2</sup>



# JUNE 2019 MARKET SURVEY

## ST. JOHN'S OFFICES

### Survey Overview

This survey included every office building with a total rentable area of 5,000 ft.<sup>2</sup> or greater, available for rent in the Greater St. John's area. A team of trained researchers collected rental, operating expense, and vacancy data on 88 office buildings with an aggregate rentable area of 4,034,745 ft.<sup>2</sup>. The survey successfully collected information on 77% of the rental stock polled. The results flow from what we believe is the most comprehensive survey of office and warehouse space ever undertaken in Greater St. John's.

### Glossary

**Inventory/Supply:** The total rentable area of office space in the rental market, occupied or vacant.

#### Building Class:

**Office Class** - This is the industry definition common to this particular marketplace.

**Class A** - These office buildings command the highest rents, have "presence" by virtue of their distinctive design and lobbies, are air-conditioned and sprinklered. They are regarded as "prestige" buildings in their marketplace and are usually the most modern buildings. They typically include the leading firms of lawyers and accountants, together with regional or head offices for banks, financial institutions and other major companies, as their tenants.

**Class B** - These are "second tier" office buildings in terms of rents. They are usually older than Class A buildings and lack "presence". They are air conditioned and are usually sprinklered. They are regarded as offering modern, but not "prestige" office accommodation in their marketplace. Typically they were built over 20 years ago. Tenants usually include second tier firms of lawyers and accountants, together with a wide selection of private sector companies, provincial and local government agencies.

**Class C** - These include all office buildings not classed as "A" or "B".

### Income & Expense Data:

**Net Absolute Rent** - This is often referred to as "AAA" or "Base" rent and does not include Realty or Business Occupancy Taxes, Common Area Maintenance (CAM), or any other services such as Electricity, Cleaning or Heating.

**Current Realty Taxes** - These are the Realty Taxes (not the Business Occupancy Taxes) currently paid by the Landlord and which are recovered from the Tenant usually as part of the Service Rent.

**Current CAM** - This is the additional amount recovered by the Landlord from the Tenant to cover the operating and maintenance costs of the building including the tenant suites. Common Area Maintenance (CAM) typically includes fire insurance, repairs and maintenance, cleaning (common areas plus often the tenant suites), electricity (common areas plus often the tenant suites), heating and air conditioning (common areas plus often the tenant suites), water, garbage removal, snow clearing, elevator maintenance, management, security, etc. It, together with the Realty Taxes, is recovered by the Landlord from the Tenant as "Service Rent", if the Tenant has a "net absolute" lease.

**Total Realty Taxes + CAM (RTCAM)** - This is the total of the Realty Taxes and CAM, and is often recovered from the tenant as "Service Rent".

**Total Gross Rent** - This is the total rent recovered from the Tenant by the Landlord and is the total of the Base (Net Absolute Rent) plus the Service Rent (Realty Taxes + CAM).

**Vacancy Rate** - The vacancy rate excludes any space available for sub-lease: it is the total amount of space which is vacant and not currently leased.

**Absorption** - This is the amount of additional space absorbed by the market during that period. It is the incremental market demand.

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