

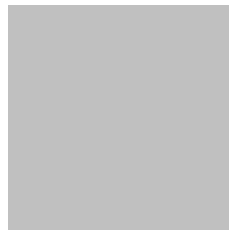
MARKET SURVEY

ST. JOHN'S NL OFFICES

JUNE 2017



Survey Scope:
 84 buildings
 3,893,287 ft.² of rental office space
 expert researchers



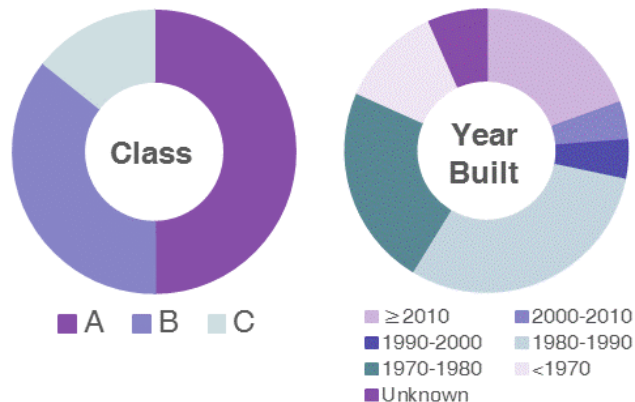
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JUNE 2017 MARKET SURVEY ST. JOHN'S NL OFFICES

Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	3,719,913	3,893,287	↑ 173,374
Net Absorption (ft. ²)	(87,104)	(94,367)	↓ (7,263)
Vacancy Rate	11.41%	17.77%	↑ 6.37 pp
Avg. Net Rent/ft. ²	\$ 18.85	\$ 18.97	↑ 0.64%
Avg. RTCAM/ft. ²	\$ 11.23	\$ 11.31	↑ 0.71%
Avg. Gross Rent/ft. ²	\$ 29.57	\$ 29.38	↓ -0.64%

Overall Office Inventory

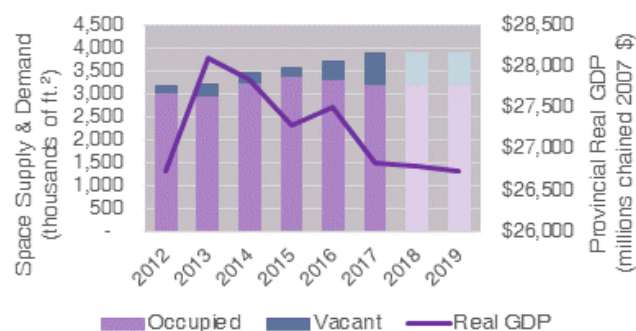


Supply & Demand Overview

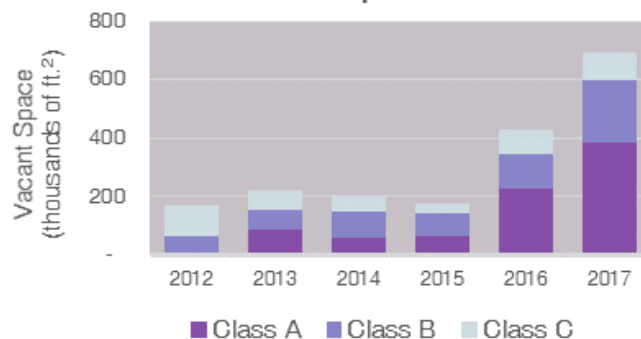
The total amount of rentable office space in St. John's increased 4.66% over last year, due to new space coming to market, including a brand new class A office building on 300 Kenmount Road. The overall vacancy rate increased from 11.41% in 2016 to 17.77% in 2017. The key driver of space demand is the growth in the provincial real (deflated) Gross Domestic Product. Our analysis of GDP projections indicates that 2018 will see GDP decrease 0.2%, leading to a minor drop in demand for office space of 0.1%. The vacancy rate is expected to climb to 17.85%.

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 19.85%; Class B 15.57%; Class C 16.05%; Overall 17.77%. 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 \$23.26; Class B \$18.42; Class C \$15.58; Overall \$18.97.

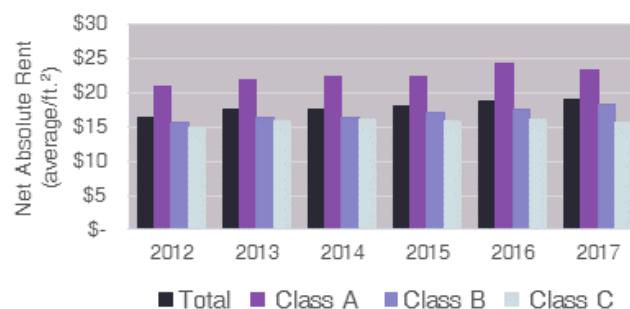
Supply, Demand & GDP



Vacant Space



Net Absolute Rent/ft.²

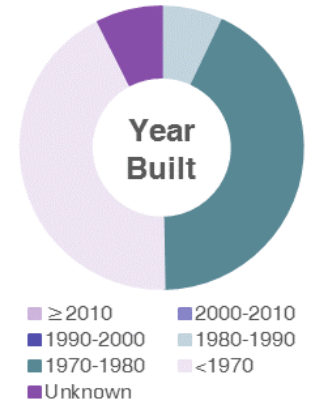
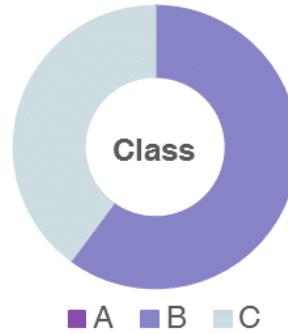


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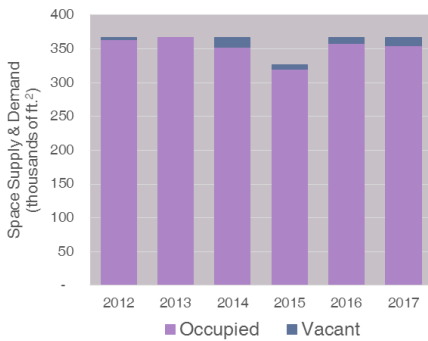
CENTRAL ST. JOHN'S NL

Year at a Glance

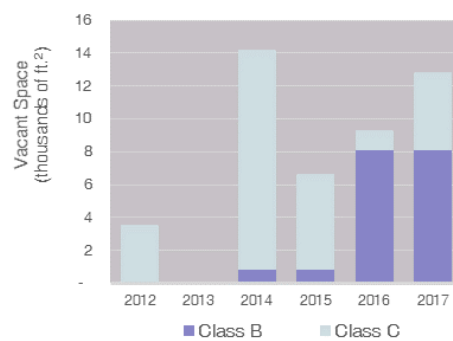
	2016	2017	Change
Office Inventory (ft. ²)	366,804	366,804	↔ ---
Net Absorption (ft. ²)	37,880	(3,528)	↓ (41,408)
Vacancy Rate	2.54%	3.50%	↑ 0.96 pp
Avg. Net Rent/ft. ²	\$ 16.11	\$ 16.00	↓ -0.68%
Avg. RTCAM/ft. ²	\$ 10.45	\$ 10.88	↑ 4.11%
Avg. Gross Rent/ft. ²	\$ 25.56	\$ 26.88	↑ 5.16%



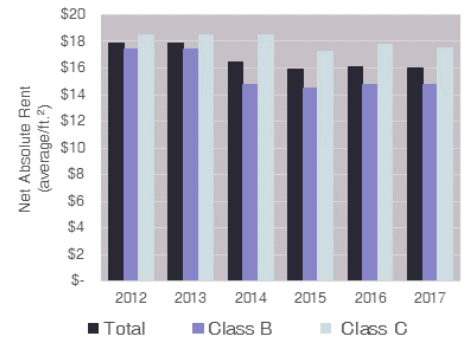
Supply & Demand



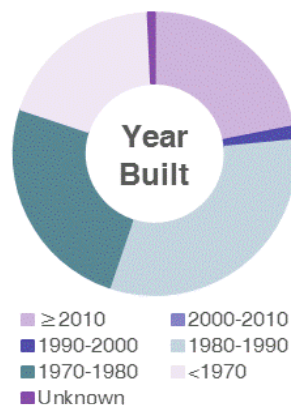
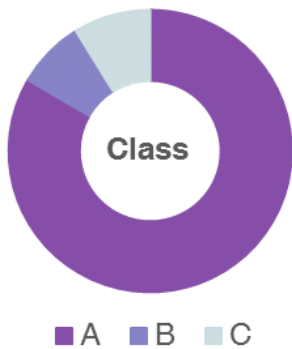
Vacant Space



Net Absolute Rent/ft.²



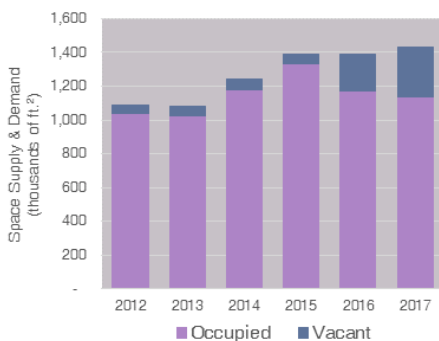
DOWNTOWN ST. JOHN'S NL



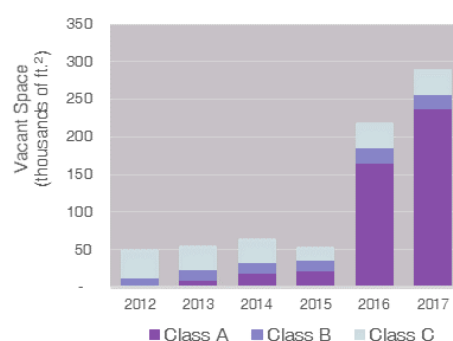
Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	1,389,604	1,428,164	↑ 38,560
Net Absorption (ft. ²)	(164,786)	(33,467)	↑ 131,319
Vacancy Rate	15.69%	20.31%	↑ 4.62 pp
Avg. Net Rent/ft. ²	\$ 22.30	\$ 21.46	↓ -3.77%
Avg. RTCAM/ft. ²	\$ 13.17	\$ 12.58	↓ -4.48%
Avg. Gross Rent/ft. ²	\$ 34.49	\$ 32.67	↓ -5.28%

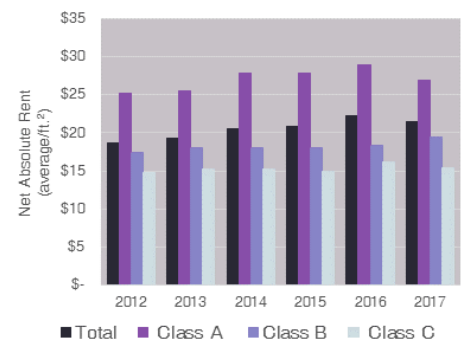
Supply & Demand



Vacant Space



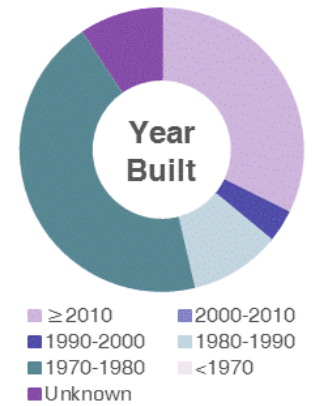
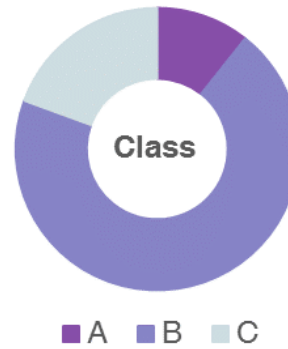
Net Absolute Rent/ft.²



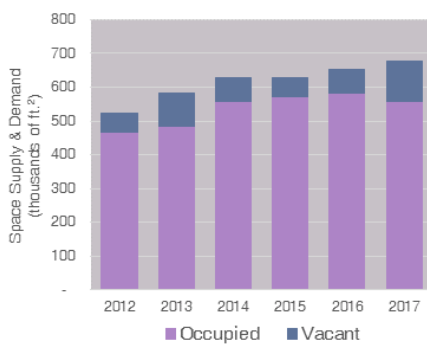
NORTH ST. JOHN'S NL

Year at a Glance

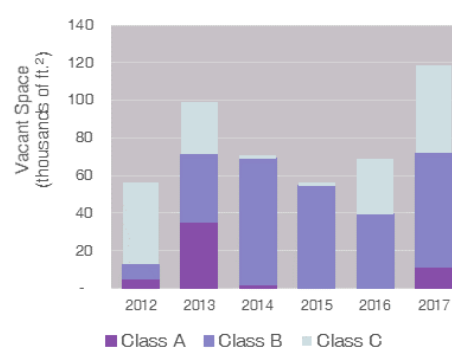
	2016	2017	Change
Office Inventory (ft. ²)	651,397	676,894	↑ 25,497
Net Absorption (ft. ²)	10,594	(23,928)	↓ (34,522)
Vacancy Rate	10.62%	17.52%	↑ 6.90 pp
Avg. Net Rent/ft. ²	\$ 18.16	\$ 18.62	↑ 2.53%
Avg. RTCAM/ft. ²	\$ 10.97	\$ 11.16	↑ 1.73%
Avg. Gross Rent/ft. ²	\$ 29.14	\$ 29.17	↑ 0.10%



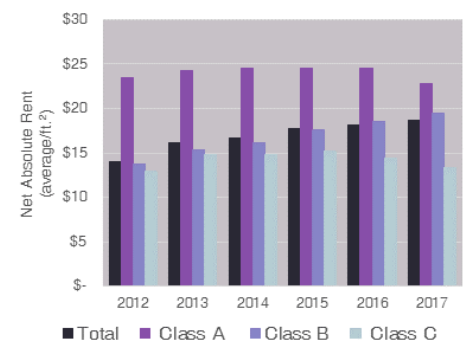
Supply & Demand



Vacant Space



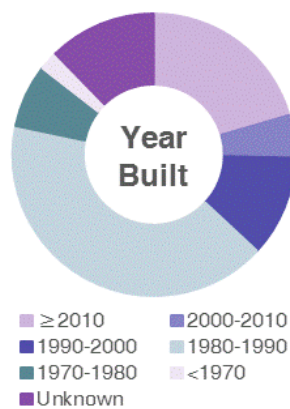
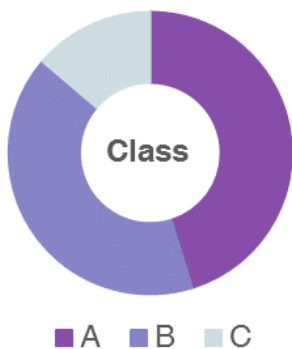
Net Absolute Rent/ft.²



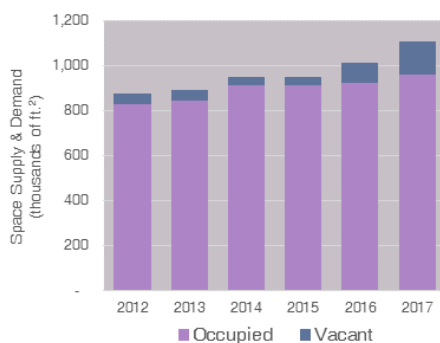
EAST & WEST ST. JOHN'S NL

Year at a Glance

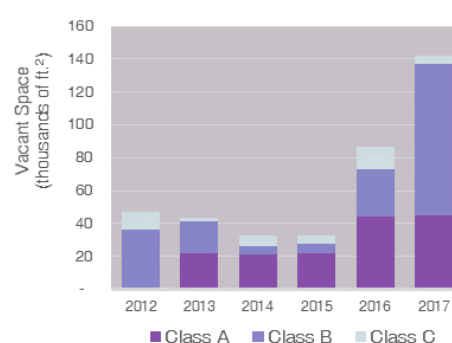
	2016	2017	Change
Office Inventory (ft. ²)	1,011,319	1,105,136	↑ 93,817
Net Absorption (ft. ²)	11,892	38,040	↑ 26,148
Vacancy Rate	8.50%	12.83%	↑ 4.33 pp
Avg. Net Rent/ft. ²	\$ 18.61	\$ 18.98	↑ 1.99%
Avg. RTCAM/ft. ²	\$ 11.09	\$ 11.45	↑ 3.25%
Avg. Gross Rent/ft. ²	\$ 28.96	\$ 29.44	↑ 1.66%



Supply & Demand



Vacant Space



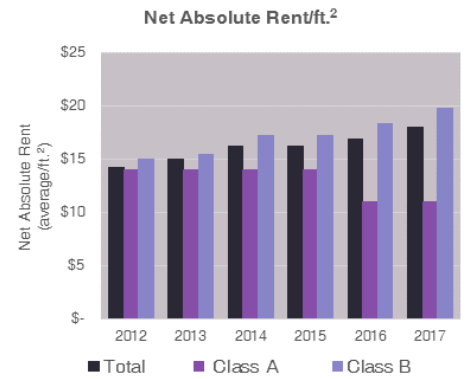
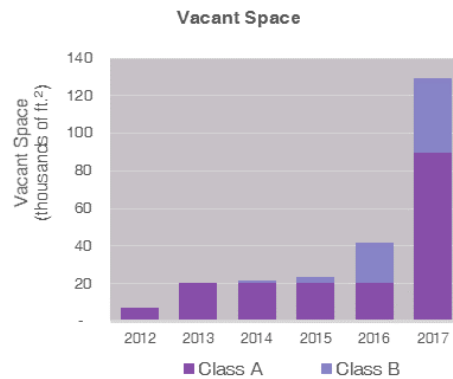
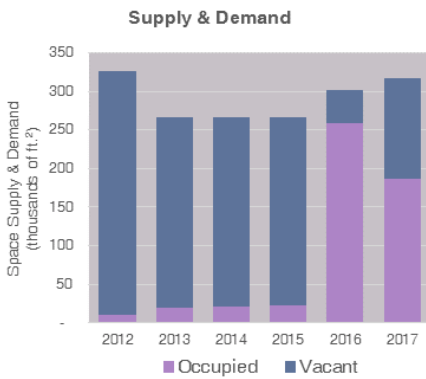
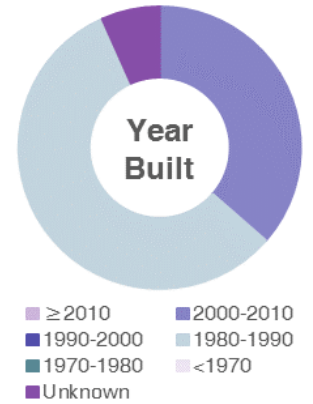
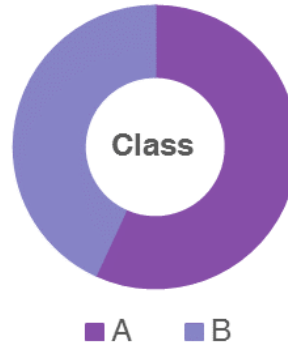
Net Absolute Rent/ft.²



MOUNT PEARL/PARADISE

Year at a Glance

	2016	2017	Change
Office Inventory (ft. ²)	300,789	316,289	↑ 15,500
Net Absorption (ft. ²)	235,634	(71,484)	↓ (307,118)
Vacancy Rate	13.88%	40.70%	↑ 26.82 pp
Avg. Net Rent/ft. ²	\$ 16.90	\$ 18.00	↑ 6.51%
Avg. RTCAM/ft. ²	\$ 7.91	\$ 7.85	↓ -0.76%
Avg. Gross Rent/ft. ²	\$ 23.03	\$ 24.08	↑ 4.56%



JUNE 2017 MARKET SURVEY ST. JOHN'S NL OFFICES

Survey Overview

This survey included every office building with a total rentable area of 5,000 ft.² 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 84 buildings with an aggregate rentable area of 3,893,287 ft.². The survey successfully collected information on 80% of the rental stock polled. The results flow from what we believe is the most comprehensive survey of office 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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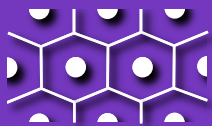


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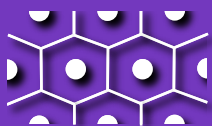
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