



Non-Owner Occupied Market Report Six-Months Ending H2 2023

Saint John | Office

MARKET TRENDS

Vacancy Rate



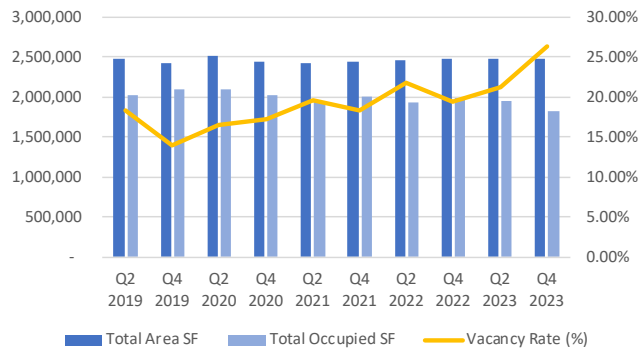
Avg. Net Rent



Absorption



Historical Overview
2019 - 2023



MARKET OVERVIEW

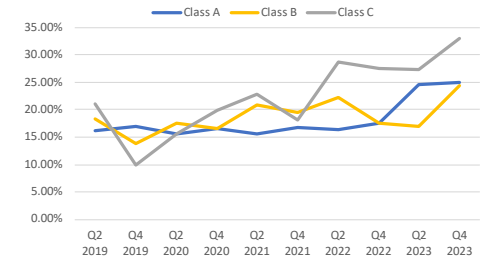
The overall market vacancy rate increased by 5.11% this period to 26.37% while rents increased by \$0.56 per square foot (psf) as the average net rental rate is now \$13.31 psf. The Class A vacancy rate remained stable with a slight increase of 0.51%, bringing the rate to 25.03% this period. The net rental rate remained unchanged at \$13.67 psf. Class B observed a sharp increase in vacancy, with the rate rising by 7.56% from the previous period to 24.47%. Specifically, Uptown Class B saw a rise in vacant space, totaling nearly 30,000 square feet (sf) across four properties. Despite this, the net rental rate for Class B grew by \$0.85, now sitting at \$13.72, which is the highest on record for Class B. Class C experienced a 5.56% increase in vacancy this period, with the rate now at 32.99%. The net rental rate increased by a modest \$0.08, bringing the rate to \$11.46 psf.

MARKET OUTLOOK

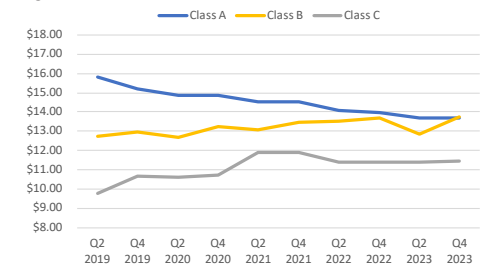
The Saint John office leasing market continues to undergo significant changes due to the hybrid work trend and this has resulted in upward pressure on vacancy rates. For the second consecutive quarter, the vacancy rate in Saint John has remained above 20% and has now surpassed 25% for the first time on record. In comparison, Moncton and Halifax are reporting vacancy rates of approximately 15%.

Given the stark increase in vacancy, the rental rate growth seen this period is expected to slow down or potentially regress in upcoming reports. This is a trend that stakeholders in the market should closely monitor as net rents may have the

Overall Vacancy Rate



Average Net Rent



potential to catch up to vacancy. Although the relative performance of the entire office market as a whole continues to struggle, the bright spot in the Saint John market was suburban Class B as the locale currently sits at 18%, the lowest in Saint John. This trend might be caused by occupiers attempting to attract the workforce back to the office by offering amenities such as ample parking, lower commute times, and proximity to home and suburban centres. This trend suggests a potential shift in preference towards suburban office spaces in Saint John.

Source: Turner Drake & Partners Ltd. supplemented by Brunswick Brokers Research. H2 represents the June 2023 - December 2023 reporting period.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANT SPACE (SF)	VACANCY RATE	6-MONTH NET ABSORPTION (SF)	WEIGHTED AVG. NET RENT	WEIGHTED AVG. ADD. RENT	WEIGHTED AVG. GROSS RENT
Uptown Class A	912,972 sf	228,525 sf	25.03%	(1,637) sf *	\$13.67	\$14.12	\$28.96
Uptown Class B	316,340 sf	126,450 sf	39.97%	(33,503) sf *	\$13.27	\$7.57	\$21.09
Uptown Class C	65,185 sf	5,304 sf	8.14%	1,898 sf	\$10.56	\$4.61	\$15.17
Suburban Class A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Suburban Class B	758,046 sf	136,415 sf	18.00%	(24,903) sf	\$13.94	\$8.91	\$21.92
Suburban Class C	427,387 sf	157,209 sf	36.78%	29,316 sf	\$13.25	\$4.15	\$19.34
TOTAL	2,479,930 sf	653,903 sf	26.37%	(28,829) sf	\$13.31	\$8.54	\$22.20

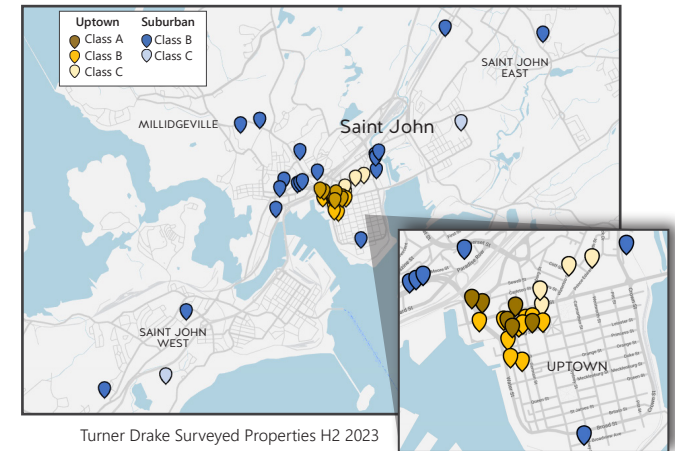
*Absorption has been adjusted to account for the reclassification of City Hall (15 Market Square)

During this period, a significant shift was observed in the survey data as City Hall (15 Market Square) transitioned from Uptown Class B to Uptown Class A. This transition resulted in an increase of 177,024 sf of inventory and an addition of 46,417 sf of vacant space to the submarket. The absorption rate has been adjusted to account for this reclassification.

The Northrup Group is taking an aggressive approach to attract tenants, completing a modern renovation of their Hilyard Place located at 560 Main Street. The newly refurbished property offers new amenities and space designed to attract tenants who are aiming to bring their employees back to the workplace.

Xerox renewed in place at their 50,732 sf space at 55 Technology Drive (Saint John Knowledge Centre) for 5 years. North Atlantic secured a lease for 2,528 sf of space in CentreBeam Place while Mariner Partners sub-leased a substantial 6,137 sf in Brunswick House. Notable sale transactions during the period included the sale of 1-3 Gondola Point Road in Rothesay with a sale price of \$327,500.

Negative absorption in the Saint John office leasing market can largely be attested to the availability of 28,919 sf of space at Place 400 (400 Main Street). Xerox gave up a portion of their space at the property and additional tenant information is undisclosed. Additionally, 10,658 sf of space became available at Market Square (1 Market Square) as an undisclosed tenant vacated space this period.



SIGNIFICANT TRANSACTIONS

PROPERTY	SUBMARKET	TENANT/OWNER	SF	Price/Rate	TYPE
55 Technology Drive	Suburban Class B	Xerox	50,732 sf	N/A	Renewal
CenterBeam (14 King Street)	Uptown Class A	North Atlantic	2,528 sf	N/A	Lease
Brunswick House (44 Chipman Hill)	Uptown Class A	Mariner Partners	6,137 sf	N/A	Sub-lease
1-3 Gondola Point Road	Rothesay	Undisclosed	3,437 sf	\$327,500	Sale

Source: Turner Drake & Partners Ltd. supplemented by Brunswick Brokers Research.
H2 represents the June 2023 - December 2023 reporting period.
*June 11, 2024 - Updates to absorption figures for Uptown Class A and B and overall market

ECONOMIC OVERVIEW

NB GDP Growth

2023 Rate
1.2%



2024 Forecast
0.9%

Unemployment Rate

Jun-23
6.1%



Dec-23
4.7%

Population Growth

2022
135,565

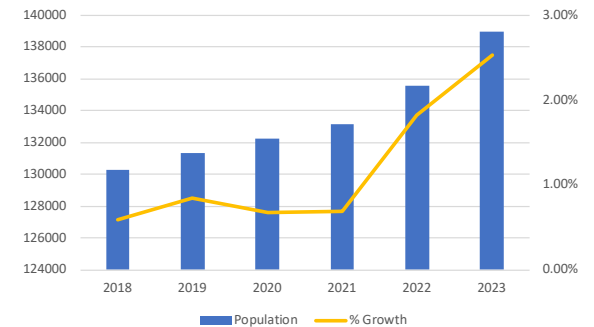


2023
138,985

Economic Slowdown in Canada & New Brunswick

In June 2024, the Bank of Canada delivered much-anticipated rate relief by lowering its key interest rate to 4.75%, down from the previous level of 5% maintained since July 2023. According to TD Economics, the economic slowdown witnessed across Canada is no exception in New Brunswick. In 2023, the province experienced a percentage change in real GDP growth of 1.2%, down 70 basis points from the 2022 rate. Looking ahead, TD Economics forecasts a growth rate of 0.9% in 2024 and another modest increase of 1.3% in 2025. However, the report highlights that despite these headwinds, New Brunswick has demonstrated resilience in comparison to other provinces. In 2023, New Brunswick experienced record setting population growth, which positively influenced spending and employment figures, outperforming other provinces. Supporting evidence from RBC Economics indicates that New Brunswick excelled in consumer spending. In 2023, the province achieved positive consumer spending, with an annual increase of 1.55%. This exceptional growth rate surpassed that of Quebec, the only other province to remain positive, which closely followed with a 0.99% increase.

Population Growth (2019 - 2025)



The Impact of the GST Rebate and the Housing Crisis in Saint John and Across the Country

The City of Saint John, like many other communities across the country, is grappling with a housing crisis. The demand for affordable housing has surged, while supply struggles to keep pace. According to Statistics Canada, Saint John's population grew by 2.52%, adding 3,420 in 2023 and bringing the city's total population to 138,985. This increase represents the fastest growth the city has seen in decades. However, the surge in population exacerbates the existing housing shortage and the apartment vacancy rate is a critical indicator. In Saint John, the average vacancy rate for apartment rentals was 2.3% in 2023. The Canada Mortgage and Housing Corporation (CMHC) estimates that there were 542 housing unit starts in 2023, which falls drastically short of the population growth in 2022. To incentivize development, the federal government has introduced an enhanced GST Rental Rebate on new purpose-built rental housing. This rebate increases from 36% to 100%, removing phase-out thresholds. It applies to projects starting construction between September 14, 2023, and December 31, 2030, aiming to create much needed rental homes for Canadians. The Province of New Brunswick has repeatedly stated that they will not eliminate HST in the Multifamily market.

Source: Statistics Canada, TD Economics, Bank of Canada, All New Brunswick, Government of Canada, Canada Mortgage and Housing Corporation, RBC Economics, and Envision SJ

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