MARKETBEAT

ST. JOHN'S, NL

Office Q4 2018

CUSHMAN & WAKEFIELD Atlantic

ST. JOHN'S OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
St. John's Employment	110K	111K	▼
St. John's Unemployment	8.2%	9.1%	▲
Canada Unemployment	5.7%	5.6%	▬

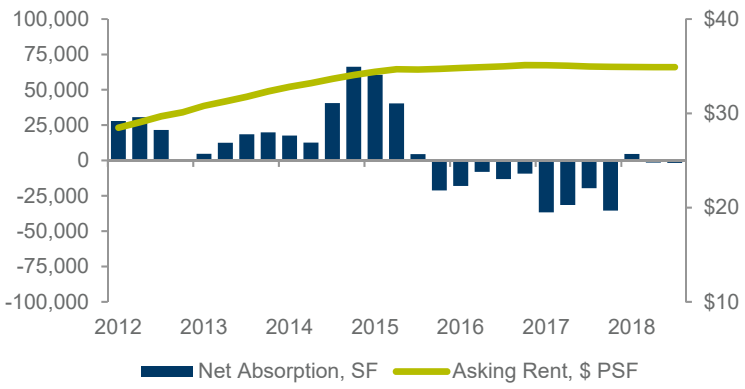
Market Indicators

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	21.4%	19.7%	▬
Net Absorption (sf)	-36,455	31,074	▼
Under Construction (sf)	20,000	120,000	▲
Average Asking Rent*	$34.78	$34.77	▼

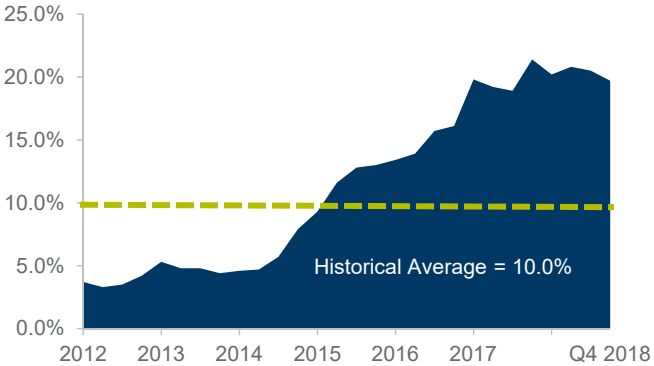
*Rental rates reflect gross asking $psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to the latest report from the Atlantic Province Economic Council, Newfoundland and Labrador will have the fastest economic growth in the Atlantic provinces in 2019 as it rebounds from 2018's decline, which resulted from decreased major project investment. Increased oil production from Hebron and increased mining output will help to drive a gain of an estimated 2.9% in output.
(Source: APEC)

In the provincial economic update released in November 2018, the projected provincial deficit was revised to $547 million, an improvement of $136 million from the budgeted estimate. This improvement was in large part the result of higher revenues than forecast. The price of oil has been higher than the estimated figure used to formulate the original budget, and the U.S. exchange rate was also more favourable.
(Source: Government of NL)

Market Overview

The City of St. John's released its 2019 budget in December 2018, which included $4.1 million in new commercial tax revenues – up 5.8% from 2017. The commercial mil rate is set at 26.1 – up 1.4 mils from last year. Additionally, commercial assessments have also risen. The office buildings that are surveyed for the statistics have initial assessments increasing between 5% to almost 20%. Newer Class A office towers in the downtown were significantly impacted, with increases ranging from 7% to almost 30% , while new Suburban buildings have increases averaging 6%.

In other market news, the Co-operators building at 19 Crosbie Place sold to Atlantic Property Management, a Crosbie company.

Outlook

Appeals of these increased assessments is anticipated . With this higher tax component and expected increased electrical costs, any downward pressure in rental rates will be offset by increased operating costs – thereby negatively affecting both landlords and tenants.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown	14	1,664,919	44,645	376,891	25.3%	33,495	57,917	0	$ 41.40	$45.35
Central	10	335,354	0	62,105	18.5%	2,200	5,316	0	$25.44	n/a
North	25	797,870	20,123	90,465	13.9%	1,443	1,901	20,000	$28.85	n/a
East & West	27	1,006,489	11,222	142,690	15.3%	-6,064	-4,652	100,000	$30.05	$37.40
ST. JOHN'S TOTALS	76	3,804,632	75,990	672,151	19.7%	31,074	60,482	120,000	$ 34.77	$43.02

*Rental rates reflect gross asking $psf/year

SUMMARY BY CLASS	TOTAL BLDGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	AVERAGE ASKING RENT OVERALL*
Class A	7	1,016,036	39,659	201,478	23.7%	3,855	21,093	100,000	0	$43.02
Class B	39	1,711,570	36,331	274,311	18.1%	31,060	36,598	20,000	0	$33.51
Class C	30	1,077,026	0	196,362	18.2%	-3,841	2,431	0	0	$26.01

*Rental rates reflect gross asking $psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
n/a				

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
19 Crosbie Road	10,000	Skyline Real Estate /Atlantic Property Mgmt	$ 1,640,000	Suburban - North

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