

CB RICHARD ELLIS

2009

Market Outlook

Perspectives Du Marché

HALIFAX



CBRE
CB RICHARD ELLIS

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- :: Put the client first – always.
- :: Tailor our services to the client's needs.
- :: Think innovatively, but act practically.
- :: Help the client make the most informed business decisions.
- :: Deliver results.



HALIFAX

Overview

The energy sector in Atlantic Canada continues to grow and further production is expected, with several major projects in various stages of development. Canada's Atlantic Gateway initiative continues to move forward, aiming at capitalizing on foreign imports and the shifting global transportation system.

Office

New suburban development has been the dominant headline in 2008. Research In Motion opened a new 150,000 SF facility in West Bedford and a 68,000 SF office tower at Bayers Lake was added to the office inventory. Two major projects consisting of 250,500 SF remain under construction in the suburban market and will be completed in early 2009, pushing vacancy rates above 10%. Developers seeking approval on projects in the downtown core are being postponed by the existing process while the anticipated HRM by Design strategy awaits approval. The vacancy rate in the Central Business District (CBD) has fallen to historic lows and rental rates have been increasing with no new supply expected in the next 24-36 months.

Industrial

The new 100,000 SF Armour Transport Systems facility within the Burnside Business Park is the latest development in the Halifax industrial market. With limited new supply entering the market, the vacancy rate will remain low and rental rates will rise. As a result of increasing operating and occupancy costs, and calls for corporate responsibility, developers will try to attain LEED certification for some new projects in 2009. Demand for new product is strong and, although limited land availability has stalled various projects in 2008, several of them are expected to go ahead in 2009.

Retail

Halifax's retail market remains healthy, with old stock being replaced with new concept and large format facilities. Demand has been strong and many new retail developments are progressing to keep pace with residential growth in Halifax. Larger users have begun to migrate to Dartmouth Crossing and Bedford Commons and their space is being backfilled or redeveloped. Wal-Mart has been the dominant player, and Costco is scheduled to open its second location in 2009.

Investment

Investment activity in Atlantic Canada has slowed as a result of frozen credit markets and the strict underwriting criteria being applied by financial institutions. The volume of large transactions is down and we expect to see less institutional interest and more transactions from smaller, private investors and owner occupiers in 2009. Uncertainty has vendors, in many cases, holding onto their assets until the market stabilizes.

| Market Overview | | |
|--|---------|---------|
| | 2008* | 2009** |
| Office | | |
| Inventory (SF in millions) | 10.1 | 10.2 |
| Overall Vacancy Rate (%) | 9.3% | 10.1% |
| Overall % of Vacant Space for Sublet | 19.0% | 17.5% |
| Central Vacancy Rate (%) | 4.2% | 3.9% |
| Suburban Vacancy Rate (%) | 13.4% | 14.9% |
| Central Average Asking Net Rental Rate (psf) | \$14.20 | \$14.50 |
| Suburban Average Net Rental Rate (psf) | \$13.98 | \$14.12 |
| Total Average Asking Net Rental Rate (psf) | \$14.01 | \$14.17 |
| Total Absorption (SF in millions) | 0.18 | 0.04 |
| Total New Supply (SF in millions) | 0.38 | 0.12 |
| Industrial | | |
| Inventory (SF in millions) | 10.0 | 10.2 |
| Availability Rate (%) | 4.1% | 5.4% |
| Average Asking Net Rental Rate (psf) | \$6.95 | \$6.97 |
| Average Asking Sale Price (psf) | \$60.00 | \$60.00 |
| Total Absorption (SF in millions) | 0.46 | 0.07 |
| Total New Supply (SF in millions) | 0.24 | 0.20 |

*projected
**forecasted



Halifax Harbour, Halifax, Nova Scotia

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GLOSSARY OF TERMS:

net absorption:

the change in occupied square feet from one period to the next.

net effective rent:

net rent minus the value of applicable tenant inducements.

net rent:

the quoted rental rate, not including taxes and operating costs.

net rentable area (nra):

the gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

occupied square feet:

net rentable area not considered vacant.

under construction:

buildings that have begun construction as evidenced by site excavation or foundation work.

vacancy rate:

vacant square feet divided by the net rentable area.

vacant square feet:

available net rentable area that is either physically vacant or immediately available.

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