

MARKET TRENDS

Vacancy Rate



6 Month Change
0.18%

Total Vacancy Rate
16.77%

Avg. Net Rent



6 Month Change
\$0.25

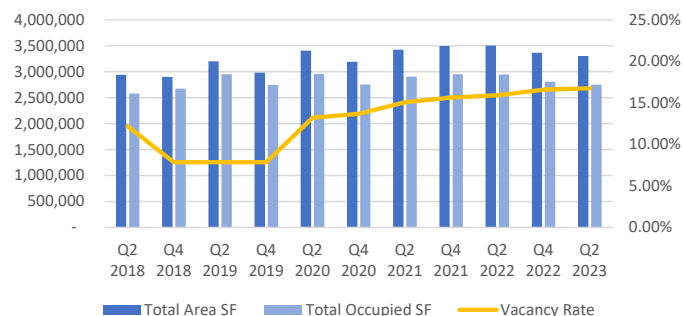
Total Avg. Net Rent
\$13.75

Absorption

6 Month Net Absorption
(57,535) sf

Total Inventory All Classes
3,302,337 sf

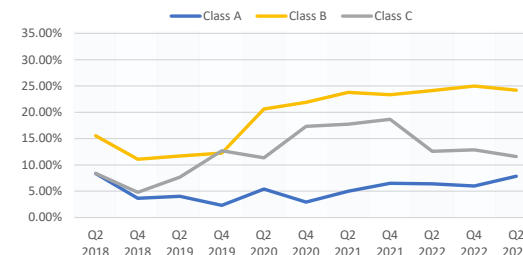
Historical Overview
2018-2022



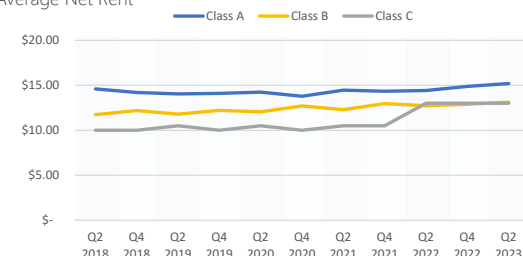
MARKET OVERVIEW

The Moncton office market experienced a marginal uptick in vacancy this period as the overall rate currently sits at 16.77%, an increase of 18 basis points (bps) from the previous period. The overall net rental rate increased by \$0.25 to \$13.75 per square foot (psf). Taxes and operating costs increased by \$0.12 this period averaging \$9.45 psf. All asset classes remained relatively stable this period however Class A stood out as vacancy increased by 184 bps from Q4 2022 as the rate currently sits at 7.84%. Suburban Class B saw a 515 bps decline in vacancy at 27.36% as major leaseholds at the McEwen Centre and 5085 Principale-Est Ave took place, tenant information was not available at time of release.

Overall Vacancy Rate



Average Net Rent



MARKET OUTLOOK

The market in Moncton has demonstrated resilience and adaptability despite the challenges posed by the economic landscape. Both the overall vacancy rate and rental rates have remained relatively stable, which can be attributed to various factors including the city's impressive population growth, a supportive business environment, and the advantageous location of the region. During this period, there has been an increase in Class A vacancy by 184 bps. However, it is noteworthy that both Class A and Class B rents have reached record highs, with Class A rents at \$15.20 per square foot and Class B rents at \$13.12 per square foot. While various market factors may have influenced this change, analysis suggests that they

are likely to taper off as the market adjusts and finds a balance, particularly in the fourth quarter of 2023. As office environments continue to evolve across New Brunswick and the wider country, landlords and investors in Moncton are anticipated to explore creative solutions to attract and retain tenants. The solidification of the hybrid working model has influenced businesses to seek flexible and innovative office spaces that cater to the evolving needs of their workforce.

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
Downtown Class A	904,685 sf	65,964 sf	7.29%	490 sf	\$15.35	\$15.45	\$30.81
Downtown Class B	1,056,355 sf	232,903 sf	22.05%	(28,092) sf	\$13.50	\$7.80	\$22.30
Downtown Class C	54,485 sf	9,045 sf	16.60%	0 sf	\$10.00	\$5.02	\$19.47
Suburban Class A	518,511 sf	45,588 sf	8.79%	(26,467) sf	\$15.02	\$12.41	\$27.76
Suburban Class B	722,935 sf	197,776 sf	27.36%	(4,715) sf	\$12.84	\$9.53	\$22.74
Suburban Class C	45,356 sf	2,538 sf	5.60%	1,249 sf	\$14.50	\$5.17	\$19.67
TOTAL	3,302,337 sf	553,814 sf	16.77%	(57,535) sf	\$13.75	\$9.81	\$24.46

Despite the relatively small increase in vacancy of 0.18% this period, there was a significant negative absorption of nearly 60,000 sf. This can be attributed to the sale of 250 Universite Avenue to an owner-occupier, which led to the property's removal from the survey and resulted in the reduction of the total market inventory by 60,800 sf, thus affecting reported absorption.

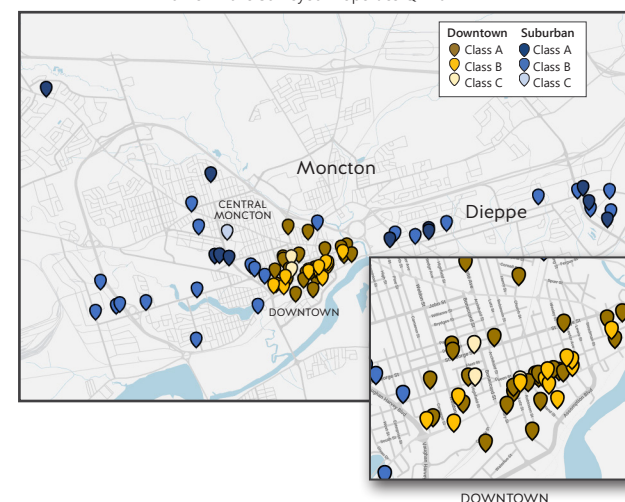
The Moncton Office Market has recently witnessed two significant market transactions. The property at 250 Universite Avenue was sold to Partenaire Dumont Inc. for \$8,658,591, resulting in the property being removed from the survey this period. Additionally, Heritage Commercial Inc. purchased a three-story property at 269-272 St. George Street for \$853,600. On the leasing side, Heritage Court saw a major shift in vacancy as 52,902 sf is now available. Additionally, in Moncton's Suburban Class B market, the McEwen Centre (123 Halifax Street) saw a 10,256 sf vacancy arise, while the Flex Building (5085 Principale-Est Ave) in Dieppe saw a similar, 10,125 sf vacancy.

The recent statistics in the Moncton Office Leasing Market indicate a trend of net rental increases in Class A and B assets. The average rental rate of Class A assets increased by \$0.33 to \$15.20 psf, while the average rental rate of Class B assets increased by \$0.23 to \$13.12 psf. This marks a significant milestone for the market as the Class A and B average rental rates both surpassed \$15.00 psf and \$13.00 psf respectively for the first time on recent record indicating robust growth and stability in these markets.

SIGNIFICANT TRANSACTIONS

PROPERTY	SUBMARKET	TENANT/OWNER	Square Feet (SF)	SF/Price	TYPE
250 Universite Avenue	Suburban Class B	Partenaire Dumont Inc.	SF	\$8,658,591	Sale
269-272 St. George Street	Downtown Class B	Heritage Commercial Inc.	SF	\$853,600	Sale

Turner Drake Surveyed Properties Q2 2022



ECONOMIC OVERVIEW

Population Growth

2021
162,824  2022
171,608

Unemployment Rate

Dec-22
5.2%  Jun-23
5.4%

GDP Growth

2022
\$8.3B  2023
\$8.5B

Source: Statistics Canada, Bank of Canada, All New Brunswick, Canada Mortgage & Housing Corp (CMHC), Walmart Canada, Moncton Impact

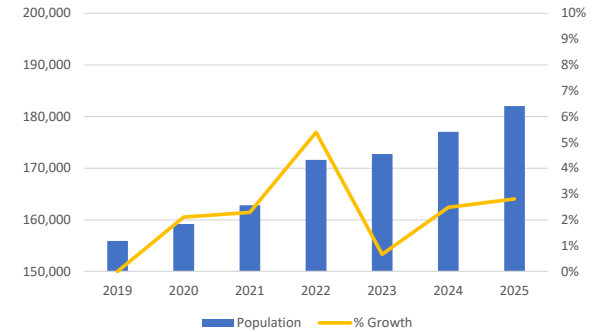
Canada's Inflation and the Expected Interest Rate Hikes

The policy interest rate increases have been decreasing inflation which fell to 2.8% in June however the market witnessed an increase to 3.3% in July. While interest rate increases seemed to be taming inflation, there is now uncertainty whether further increases will be needed to control this most recent rise. The objective is to strike a balance between stabilizing the economy and maintaining the goal of price stability.

Developers Keeping up with Demanding Residential Market

During the period, Moncton's residential and multi-residential construction sectors experienced record-setting building permit figures totaling \$3,660,000. As at, June 2023, the Canada Mortgage and Housing Corporation has reported that a staggering number of units are currently under construction, including 140 single-family homes, 96 semi-detached homes, 216 row houses, and an impressive 2,206 apartment units. This surge in construction activity not only reflects Moncton's thriving real estate market, but also points to the growing demand for residential and multi-residential real estate in the area to keep up with country leading population growth.

Population Growth (2019 - 2025)



Walmart Canada Opens First Distribution Centre in Atlantic Canada

In a significant milestone for the retail giant, Walmart Canada has successfully opened its first distribution center in Atlantic Canada, after selecting Moncton as the best location. This project represents a remarkable investment of over \$50,000,000 and is expected to generate hundreds of new job opportunities in the region. The state-of-the-art facility, spanning an impressive 223,000 square feet, is purpose-built to efficiently distribute fresh and frozen groceries to over 40 Walmart stores in the surrounding area. This strategic move aims to enhance and streamline the supply chain operations in Atlantic Canada and marks a vital development in Walmart Canada's broader investment plan for growth and supply chain efficiency.

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