

MARKET TRENDS

Vacancy Rate



6 Month Change
1.73%

Total Vacancy Rate
21.26%

Avg. Net Rent



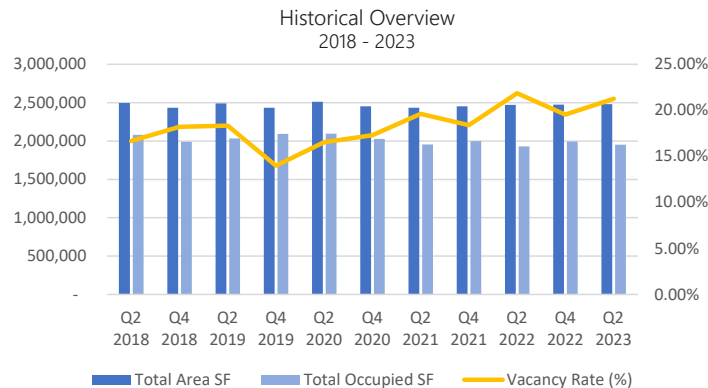
6 Month Change
(\$0.30)

Total Avg. Net Rent
\$12.75

Absorption

6 Month Net Absorption
(38,719) sf

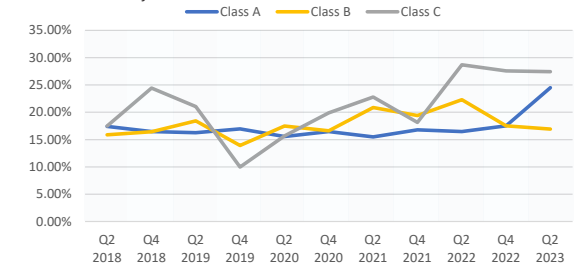
Total Inventory All Classes
2,479,770 sf



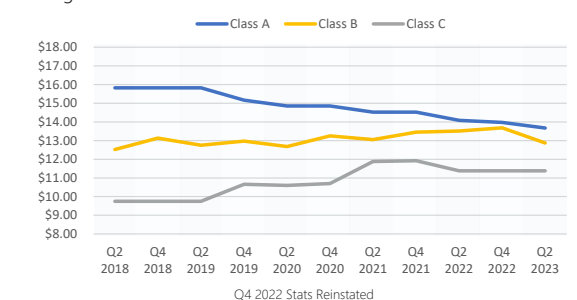
MARKET OVERVIEW

Saint John recorded a 173 basis point (bps) increase in overall vacancy during the past six months, currently sitting at 21.26% for the period. The average net rental rate is \$12.75 per square foot (psf) and average taxes & operating costs were \$8.63 psf bringing the average gross rental rate to \$21.53 psf. Considerable vacancy occurred at Brunswick Square and 555 McAllister Drive this period however, no disclosure in terms of tenancy was available at time of release for Brunswick Square while the Canada Revenue Agency vacated 555 McAllister Drive and the property is now listed for sale or lease. Market rents dropped by an average of \$0.30 this period bringing the average rental rate below \$13.00 psf for the first time since Q2 2020.

Overall Vacancy Rate



Average Net Rent



MARKET OUTLOOK

"As the Office Market continues to evolve, we're witnessing a continued shift towards downsizing within the Class A Uptown submarket and a corresponding uptick in leasing activity within Class B submarkets. In particular, leaseholds ranging from 1,500 - 3,000 square feet are becoming increasingly popular as businesses look to optimize their space and find more cost-effective solutions." Says Brunswick Brokers President, Paul Moore. It is anticipated that the office leasing market in Saint John will continue to witness a trend of rightsizing within Class A properties. As businesses adapt to the evolving landscape, there is a growing emphasis on optimizing space and finding cost-effective solutions. With that in mind, we expect to see landlords and investors explore creative solutions

to attract and secure tenants in the post-pandemic office market. The hybrid work model, which combines both remote and in-person work, has started to solidify as more companies adapt to this new work concept. To strike a balance between employees' needs and the company's requirements, some firms enable their staff to work from home part of the time while requiring mandatory in-person attendance for a designated period. As a result, the hybrid work model is expected to have a substantial impact on the real estate market and promote additional rightsizing. With tenants recognizing their optimal space requirements for the medium term, it is expected that leasing trends will continue to adjust to reflect this new reality.

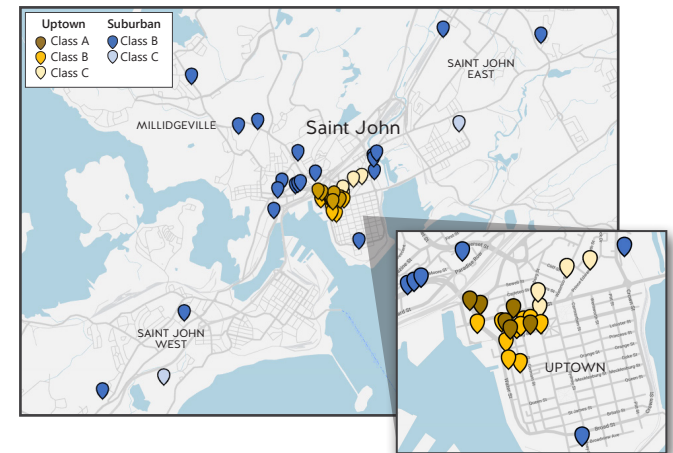
MARKET STATISTICS

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	735,948 sf	180,471 sf	24.52%	(51,442) sf	\$13.67	\$14.13	\$27.80
Uptown Class B	493,722 sf	100,652 sf	20.39%	2,795 sf	\$12.31	\$7.91	\$20.48
Uptown Class C	65,185 sf	7,204 sf	11.05%	800 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	757,528 sf	110,994 sf	14.65%	9,128 sf	\$13.17	\$8.83	\$21.66
Suburban Class C	427,387 sf	127,893 sf	29.92%	0 sf	\$13.00	\$4.15	\$19.09
TOTAL	2,479,770 sf	527,214 sf	21.26%	(38,719) sf	\$12.75	\$8.63	\$21.53

The current market composition of non-owner occupied office assets in Greater Saint John shows that the majority of the properties fall into the Class B category, accounting for 50% of the market. Class A properties make up 30% of the market, representing a significant share of the inventory. Lastly, Class C properties comprise 20% of the market, offering a range of options for businesses seeking affordable office spaces or those with specific requirements.

This period, the market witnessed several key moves that brought significant changes to the leasing landscape. Greenery secured a lease for a significant 8,000 square feet of space at CenterBeam Place located at 14 King Street. The Fundy Service Commission has recently leased 3,437 square feet of space at 85 Charlotte Street. The Department of Transportation has secured approximately 5,000 square feet of space at Place 400, situated at 400 Main Street. Beacon Ortho took 2,100 square feet at 555 Somerset Street. Brunswick House, located at 44 Chipman Hill, saw Canada Life vacating their space, resulting in a 5,274 square foot suite becoming available. Consumer Intelligence Platform, Introhive, recently gave up two suites at 75 Prince William Street, resulting in 6,000 square feet of vacant space within the property. The Canada Revenue Agency vacated approximately 29,179 square feet of space at 555 McAllister Drive, leaving the property 100% vacant. As a result, the property is now listed for sale for \$4,950,000 or for lease. Finally, vacancies totaling 45,233 square feet occurred at the Brunswick Square Office Tower during the period accounting for the significant negative absorption in Uptown Class A, affecting the overall market absorption drastically.

During this period, the Uptown Class A submarket experienced the most noticeable shift in vacancy, with an increase of 6.99% period-over-period, bringing the vacancy rate to 24.52%. This marks the highest recorded vacancy for this submarket in recent history.



Turner Drake Surveyed Properties Q2 2023

SIGNIFICANT TRANSACTIONS

PROPERTY	SUBMARKET	TENANT/OWNER	SF	Price/Rate	TYPE
CentreBeam Place (14 King Street)	Uptown Class A	Greenery	+/- 8,000 sf	N/A	Lease
Place 400 (400 Main Street)	Suburban Class B	Department of Transportation	+/- 5,000 sf	N/A	Lease
85 Charlotte Street	Uptown Class B	Fundy Service Commission	3,437 sf	N/A	Lease

ECONOMIC OVERVIEW

Population Growth

2021
132,761



2022
135,622

Unemployment Rate

Dec-22
6.4%



Jun-23
6.0%

NB GDP Growth

2022 Rate
1.9%



2023 Forecast
0.5%

Source: Statistics Canada, CBC, TD Economics, Bank of Canada, All New Brunswick, Saltwire

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 increased 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.

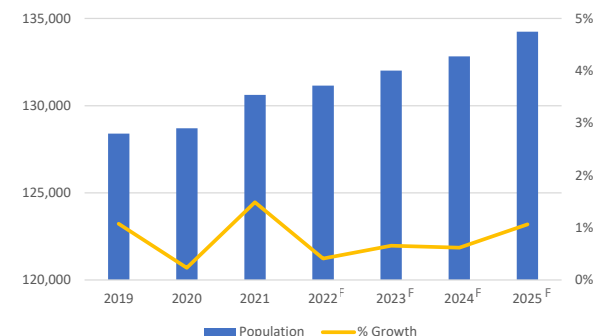
Port of Saint John's Infrastructure Modernization Project

The Port of Saint John has achieved a significant milestone with the successful installation and operation of two additional Super-Post-Panamax Quay Cranes. These cranes, which arrived in January from South Carolina via barge, have transformed the city skyline and doubled the number of quay cranes in Saint John. The total now stands at four, the highest the city has ever had. This development is part of a \$205 million infrastructure modernization project aiming to enhance the port's efficiency and increase its capacity. Port of Saint John has recently been honored as one of the finalists for the prestigious international Seatrade Cruise Awards. Competing in the port of the year category, Port of Saint John is up against Port of Haugesund in Norway and Port of Thessaloniki in Greece. The winners will be announced and presented with the trophies during an esteemed ceremony at Seatrade Europe in Hamburg, Germany, on September 6.

The Fundy Quay Development and Early Patio Openings

The city of Saint John is making rapid progress on the development of the outdoor community space adjacent to Market Square. City officials have confirmed that the project remains on schedule and is expected to be completed by the end of this year. Once finished, the community will benefit from this vibrant and accessible space, encouraging interaction, recreation, and leisure activities. Originally expected in 2022, the first apartment building by the Fundy Harbour Group is still pending.

Population Growth (2019 - 2025)



Brunswick Brokers Limited

12 Smythe Street
Suite 104
Saint John, NB E2L 5G5

Paul Moore
President
pmoore@bbrokers.ca
(506) 645-8488

Troy Nesbitt
Vice President
tnesbitt@bbrokers.ca
(506) 349-5670

Jessica O'Neill
Senior Advisor
joneill@bbrokers.ca
(506) 650-9848

Stephanie Turner
Senior Advisor
sturner@bbrokers.ca
(506) 333-3442

Connor Carson
Marketing & Research Associate
ccarson@bbrokers.ca
(506) 647-5093

Brock Turner
Commercial Real Estate Advisor
bturner@bbrokers.ca
(506) 271-2770

Information contained within this report, including projections and forecasts, have been obtained from multiple sources believed to be reliable. Brunswick Brokers Limited has not verified the information and makes no guarantee of its accuracy. It is the responsibility of the user to conduct their own due diligence and verification of the accuracy and completeness of the information.

BRUNSWICK
BROKERS