

### MARKET TRENDS

#### Vacancy Rate



6 Month Change  
**0.27%**

Total Vacancy Rate  
**15.91%**

#### Avg. Net Rent



6 Month Change  
**\$(0.04)**

Total Avg. Net Rent  
**\$13.31**

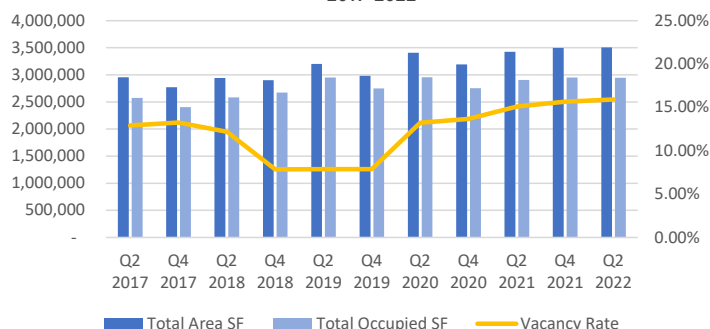
#### Absorption



6 Month Net Absorption  
**(1,998) sf**

Total Inventory All Classes  
**3,504,540 sf**

Historical Overview  
2017-2022



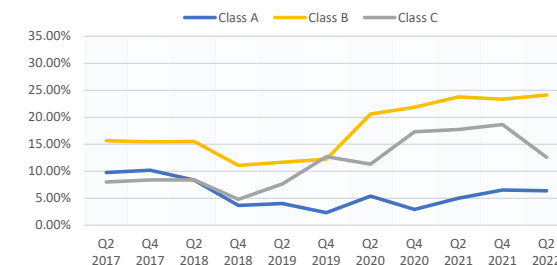
### MARKET OVERVIEW

The Moncton office market experienced a marginal uptick in vacancy this period as the overall rate currently sits at 15.91%, an increase of 27 basis points (bps) from the previous period. Vacancy in Class A and B assets remained relatively stable during this period while decreasing considerably in Class C. Moncton's downtown submarket holds the most inventory at 2,213,324 sf, while the suburban submarket recorded 1,291,216 sf of space. Downtown Class B is the largest submarket class, comprised of 1,117,155 sf accounting for 32% of the market. The overall net rental rate remained relatively flat, only dropping by \$0.04 overall to \$13.31 per square foot (psf). Taxes and operating costs increased this period averaging \$9.33 psf. Suburban Class A and C were the only locales to see increased net rental rates with jumps of \$0.25 psf and \$3.50 psf, respectively.

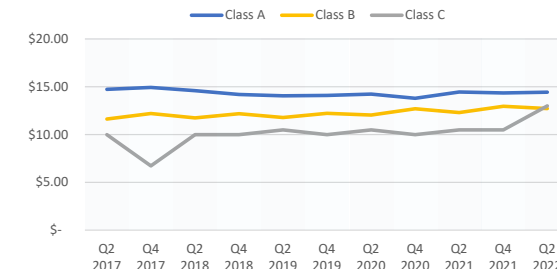
### MARKET OUTLOOK

At the start of the period, pandemic restrictions fueled by surging cases of the Omicron variant forced companies to continue to question their office footprint. Although physical office space will continue to be a part of operations, the office asset class remains among the hardest hit throughout the COVID-19 pandemic. Vacancy has been rising since the onset of 2020, and the most recently recorded rate of 15.91% supports the idea that hybrid work models are influencing the Moncton market. Occupiers are continuing to downsize as the prevalence of remote work and flex space are required by

Vacancy Rate



Average Net Rent



employers looking to retain and attract top talent. Pandemic restrictions began to ease as 2022 progressed however, remote work remains a reality for many. Generally persistent vacancy in the mid-teens will likely lead to a point where there is downward pressure on face rents, or landlords will consider more incentives. As occupiers contemplate cost-saving strategies, hybrid work solutions, and trying to keep options open, landlords and investors are forced to observe the market diligently as the office market continues along its pandemic recovery.

## 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	1,039,695 sf	77,009 sf	7.41%	327 sf	\$14.33	\$13.53	\$27.86
Downtown Class B	1,117,155 sf	243,662 sf	21.81%	17,878 sf	\$12.48	\$7.37	\$21.65
Downtown Class C	56,474 sf	9,045 sf	16.02%	6,263 sf	\$10.00	\$5.02	\$19.47
Suburban Class A	518,285 sf	22,504 sf	4.34%	(12,541) sf	\$14.56	\$12.39	\$27.27
Suburban Class B	727,575 sf	201,620 sf	27.71%	(21,456) sf	\$12.90	\$9.28	\$22.48
Suburban Class C	45,356 sf	3,787 sf	8.35%	7,531 sf	\$14.50	\$4.62	\$19.12
TOTAL	3,504,540 sf	557,627 sf	15.91%	(1,998) sf	\$13.31	\$9.33	\$23.66

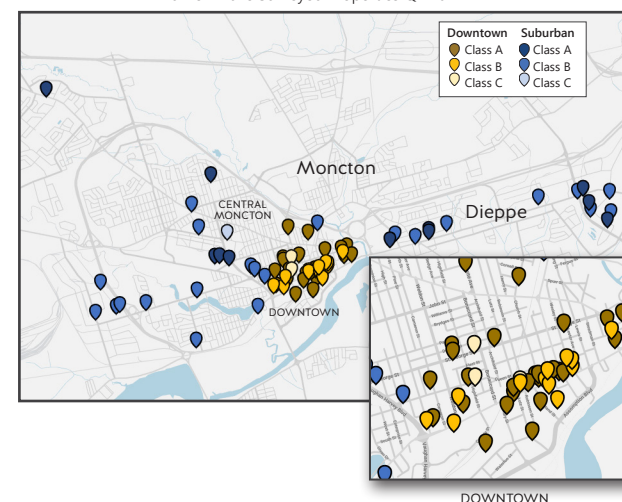
As with most Atlantic office markets, leasing remains slower than most typical periods brought on by market uncertainty. Many large office occupiers opted to extend leases or holdover until there is more certainty in their long term requirement.

Landlords and investors are beginning to react to the shakeups in the office sector as a number of office assets transacted this period. 15 Englehart Street in Dieppe sold for \$3,650,000 at the end of Q1, coming in at \$270 per square foot. Other notable sales include 231 Champlain Street and 500 St George Street selling for \$1,962,500 and \$1,350,000 respectively.

207 Church Street (The former Moncton High School) was moved from the Downtown Class B category and placed in Suburban Class B this period to more accurately reflect the location. The property is 100% vacant thus increasing the Suburban Class B rate considerably.

We expect to see increased movement in office leasing in Q3 and Q4 as many tenants continue to evaluate their office space requirements and pandemic restrictions ease.

Turner Drake Surveyed Properties Q2 2022



## MARKET ACTIVITY

PROPERTY	SUBMARKET	TENANT/OWNER	SF/Price	TYPE
15 Englehart Street	Dieppe	730024 N.B. Inc.	\$3,650,000	Sale
231 Champlain Street	Dieppe	GCRE Fund GP Inc.	\$1,962,500	Sale
500 St George Street	Moncton	McWilliam Properties Inc.	\$1,350,000	Sale

## ECONOMIC OVERVIEW

### Population Growth

2016  
**144,810**

2021  
**157,717**



### Unemployment Rate

Dec-21  
**6.5%**

Jun-22  
**4.2%**



### GDP Growth

2021 Rate  
**7.2%**

2022 Forecast  
**3.2%**



Source: Statistics Canada, RBC Economics, Conference Board of Canada, Bank of Canada, TD Economics, Canada Mortgage and Housing Corporation

Moncton's resilient and diverse economy allowed it to grow by 7.2% in 2021, 190 bps more than The Conference Board of Canada originally predicted.

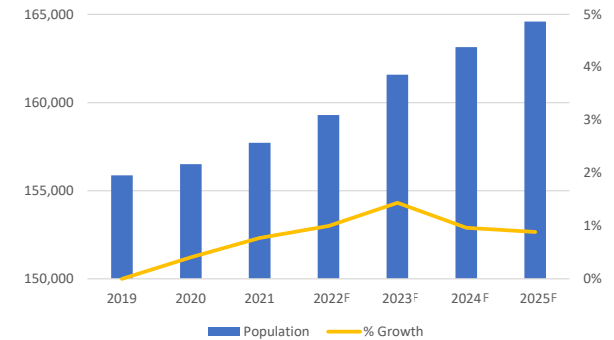
Provincial health measures were reinstated throughout the province at the beginning of 2022 due to the high transmissibility of the Omicron variant. Despite these challenges, GDP is expected to increase again by 3.2% in 2022.

New Brunswick's population surpassed 800,000 this year with Moncton's population growth being a large contributor. Moncton grew by 8.9% since 2016 to 157,717 according to 2021 census information.

Inflation in New Brunswick is currently outpacing Canada according to TD Economics, a result of spikes in food and energy prices. Interest rate hikes have reached substantial highs in an attempt to cool the market as the prime rate currently sits at 2.5%.

Moncton's residential real estate market continues to stay hot as housing starts totaled 257 in June. Fredericton recorded 176 starts, 81 less than Moncton, while Saint John reported 36.

Population Growth (2019 - 2025)



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