

### MARKET TRENDS

#### Vacancy Rate



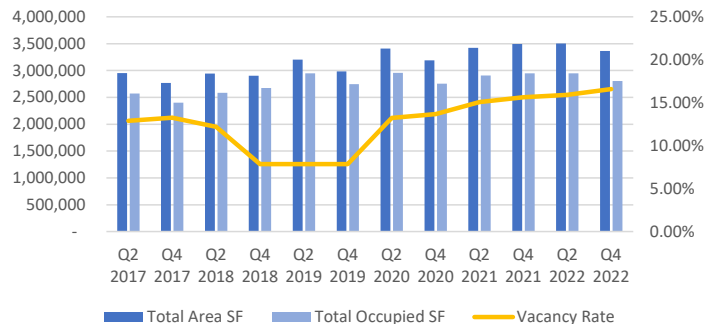
#### Avg. Net Rent



#### Absorption



Historical Overview  
2017-2022



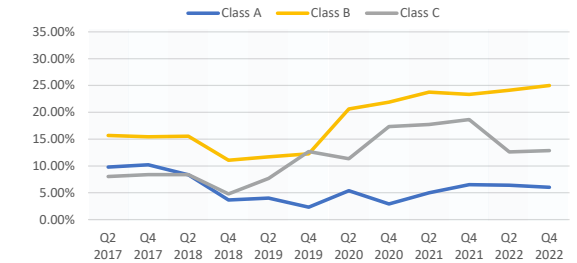
### MARKET OVERVIEW

The Moncton office market experienced a marginal uptick in vacancy this period as the overall rate currently sits at 16.59%, an increase of 68 basis points (bps) from the previous period. The overall net rental rate increased by \$0.19 to \$13.50 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 continued trending down as the rate currently sits at 6.0%. Downtown Class A saw a considerable increase in net rents, currently at \$15.15 psf after increasing \$0.82 this period. Downtown Class B net rental rates also saw a more modest increase of \$0.42 bringing the overall rate to \$12.95 psf for the period. Otherwise little change in net rents occurred, as downtown Class C and all suburban classes remained stable.

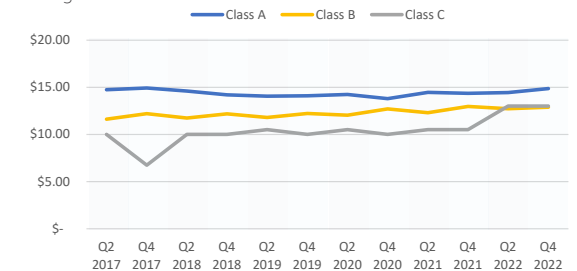
### MARKET OUTLOOK

**“Class A assets experienced another consecutive decrease in vacancy for the third straight quarter and rental rates are the second highest on recent record. A clear signal that Class A assets are thriving in Moncton, providing property owners with an opportunity to capitalize on the high demand for office spaces in the area.” Says Brunswick Brokers President Paul Moore.** Demand for quality Class A office product is expected to remain steady in the short term, with some businesses seeing their workforce continue to return to the office. However, in the mid-term future landlords may need to provide

Overall Vacancy Rate



Average Net Rent



more creative leasing options such as business centre type shared common areas or consider the conversion of office space to other uses, such as retail or multifamily. This could help to alleviate any excess office space in the market, while also meeting the growing demand for downtown living options. As Moncton’s population continues to grow, we expect there to be increased demand for multifamily housing in the city center, which could create new opportunities for landlords and investors holding office assets.

Source: Turner Drake & Partners Ltd. supplemented by Brunswick Brokers Research

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	66,454 sf	7.35%	(124,689) sf	\$15.15	\$14.51	\$29.66
Downtown Class B	1,056,355 sf	204,811 sf	19.39%	115,886 sf	\$12.95	\$7.61	\$21.83
Downtown Class C	54,485 sf	9,045 sf	16.60%	(1,989) sf	\$10.00	\$5.02	\$19.47
Suburban Class A	518,285 sf	18,895 sf	3.65%	3,609 sf	\$14.56	\$12.38	\$27.27
Suburban Class B	785,170 sf	255,296sf	32.51%	3,919 sf	\$12.85	\$9.07	\$22.56
Suburban Class C	45,356 sf	3,787 sf	8.35%	0 sf	\$14.50	\$4.62	\$19.12
TOTAL	3,364,346 sf	558,288 sf	16.59%	(6,873) sf	\$13.50	\$9.45	\$23.99

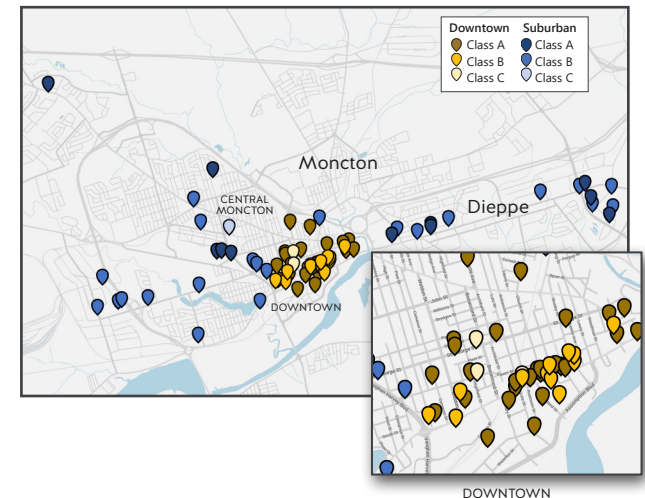
The average net rental rate for Class A offices increased by \$0.44 from \$14.43 to \$14.87 psf over the past six months, while Class B rents increased by a more modest \$0.16 to an average rate of \$12.89 psf. Class C rents remained flat during the period, holding at \$13.00 psf.

The Class A rental rate of \$14.87 is the second highest on recent record and has not come this close to \$15.00 psf since Q4 2017 when the average rate was \$14.93 psf. Coincidentally, Class B's net rental rate of \$12.89 is also the second highest on recent record as the submarket inches closer to the \$13.00 mark.

Atlantic Commercial Properties acquired 607 St. George Boulevard at the end of the period for \$1,370,000 or just over \$38 per square foot. The 36,000 square foot mixed use office/retail building is home to such tenants as DigiBandit IT Services, Wizard of Pawz, Omni Life Support, among many others.

The increasing rental rates for Class A and B office spaces in Moncton indicate a strengthening of the office leasing market and the Moncton economy as a whole.

Turner Drake Surveyed Properties Q2 2022



MARKET ACTIVITY

PROPERTY	SUBMARKET	TENANT/OWNER	Square Feet (SF)	SF/Price	TYPE
607 St. George Boulevard	Suburban Class B	Atlantic Commercial Properties	36,000 SF	\$1,370,000	Sale
1 Foundry Street	Downtown Class B	J.N Lafford Realty Inc.	14,800 SF	\$850,000	Sale
171 Lutz Street	Downtown Class B	Venor Recruitment	-	-	Lease

Source: All New Brunswick, Turner Drake & Partners Ltd. supplemented by Brunswick Brokers Research

## ECONOMIC OVERVIEW

### Population Growth

2021  
**162,824**  2022  
**171,608**

### Unemployment Rate

Jun-22  
**3.9%**  Dec-22  
**5.2%**

### GDP Growth

Sept-22  
**3.1%**  Dec-22  
**2.9%**

Source: Statistics Canada, Conference Board of Canada, Oxford Economics, City of Moncton, CBC

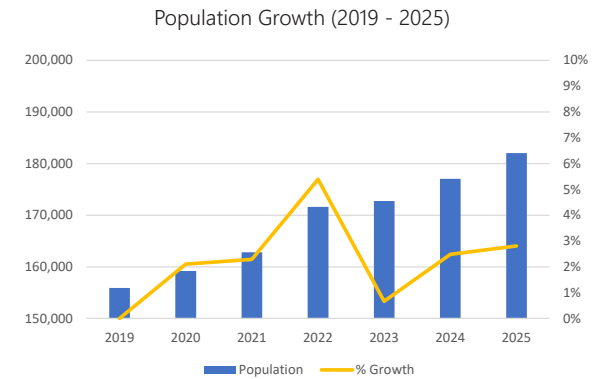
Oxford Economics predicts a further decline in Moncton's average annual growth percentage as the rate finished the year at 2.9%, down 20 bps from September and is expected to fall further despite promising population growth this year. Like many analysts and experts across the country, the commercial real estate industry is following suit with other major metros that are meticulously watching their local economies as potential for turbulent times may be ahead.

Despite this, Moncton's population growth in 2022 is particularly exciting and uplifting. As of July 2022, Moncton had the fastest-growing population among all of Canada's metropolitan areas. A grand total of 8,784 new Monctonians are calling the metro home this year, bringing the population to 171,608 people in 2022, a staggering growth rate of 5.4% in just one year.

The Bank of Canada has kept its interest rate at 4.5% after a flurry of increases in order to mitigate inflation that soared to highs not seen for decades, peaking at just over 8% in June, the rate has since cooled to 5.2% in December and currently sits at 4.3% at the release of this economic overview. Uncertainty in the economy and the influence of working from home continue to impact the overall office market.

As mentioned above, and contrary to other markets, Moncton's immigration levels saw country-leading figures this year as others saw immigration levels cool. Despite home prices falling 30% from their peak in 2022, Moncton's real estate market may continue to bolster top dollar as people flock to the city, keeping demand at higher than usual levels, given the economic situation.

According to the Conference Board of Canada, Several high-profile projects are supporting the construction sector in Moncton, including a new Atlantic Science Enterprise Centre and expansions at the George Dumont Hospital.



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