

REGINA



Market Facts

4,902,694 sf

Total Competitive Inventory

13.5%

Competitive Inventory Vacancy

3.9%

A class vacancy

9.7%

B class vacancy

29.3%

C class vacancy

What is good for the goose is not always good for the gander when it comes to leasing activity in Regina

Overall, the Regina office market is presently experiencing a period of soft demand. Notwithstanding, the market lethargy is interrupted from time to time by a few opportunistic tenants that have acquired sizeable leasehold interests. As is often the case in Regina, however, the net effect of these transactions in terms of absorption is negligible or negative. Consequently, the market remains in stasis. This condition is expected to prevail for the foreseeable future.

As at December 31, 2018 approximately 660,000 square feet of competitive office inventory remains vacant. This equates to approximately 13.5% of competitive inventory – up from 12.1% observed a year ago. Negative absorption of approximately 88,000 square feet was recorded in the second half of 2018.

Vacancy in the Central Business District (CBD) remains concentrated in a handful of materially vacant buildings. As before, the highest quality class A buildings remain very well tenanted with a negligible vacancy rate of 3.9%. The class A vacancy rate has decreased significantly from January 2018 largely due to Co-operators leasing all available space in Sherwood Place office building. Net rental rates for existing class A buildings range from \$20 to \$25 psf while newly constructed buildings draw net rates in the \$35 psf range. While the class A buildings represent 38% of the total competitive inventory, a high concentration of these buildings are located in the downtown core with 6% located in the suburbs at University of Regina's Innovation Place.

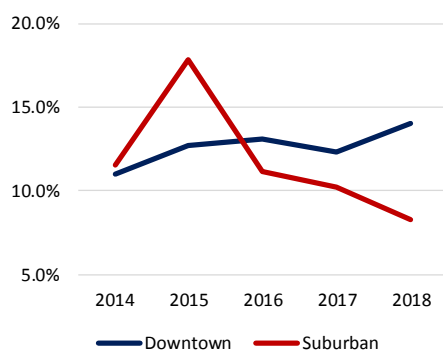
Average Asking Rents All Classes



The class B inventory remains fairly well tenanted with a vacancy rate of 9.7% - essentially unchanged from a year ago. These buildings represent 31% of the total competitive inventory and 82% of class B space is concentrated in the downtown core. We expect the vacancy rate to remain stable in this class for the foreseeable future. Net rental rates range between \$14 to 22 psf. Newly constructed suburban office rates are in the \$26 to \$30 psf range.

The vacancy rate for the utilitarian class C product has ballooned to 29.3%. This increase from 2018 is largely due to swing space tenants returning to their buildings (University of Regina College Avenue campus completion). Lease rates remain between \$10 and \$17 psf, net with an average gross lease rate of approximately \$26 psf. Newly constructed rates in this class are in the \$25 psf, net range.

Downtown / Suburban Vacancy

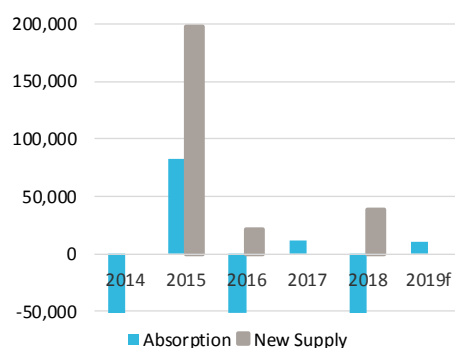


It is fair to say that it is very much a tenant's market when characterizing the class B and class C inventory located in the CBD. In some instances, contract rents are now being (heavily) discounted. In all instances, inducements are on the rise in both size and scope.

When aggregated, net demand for office space in the CBD has not been significant. Leasing activity has been concentrated in a few sizeable transactions, but in these instances, what has proven beneficial for one landlord has proven detrimental for another.

Additionally, there has been a smattering of smaller leases acquired through the course of the year.

Annual Absorption & New Supply



On a relative basis, the suburban office market is performing well. Demand, while not overwhelming, is healthy. Consequently, contract rents have been reasonably maintained. Suburban owners have not been required to incent tenants to the same extent as their CBD counterparts.

Looking to the future, we expect conditions to remain largely the same in Regina for some considerable period of time.



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For more information on this report, please contact:

Doug Toth / Sherry Comte
Avison Young Commercial Real Estate (Sask) Inc.
#300 - 2550 12th Avenue
Regina, SK S4P 3X1
T 306.559.9000 F 306.559.9016

avisonyoung.com