

MARKETBEAT INDUSTRIAL SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication

Q1 2014



ECONOMIC OVERVIEW

The commencement of full production at Deep Panuke offshore natural gas facility, combined with renewed strength for manufacturing exports is setting the stage for the province's moderate gains of projected real GDP of 2.0% for 2014 (RBC). Strong export sector

performance – up 9% to date – was the highlight of Nova Scotia's 2013. Paper, fishing and manufactured seafood products were the key contributors (TD). The first full year of production from Deep Panuke, combined with increasing strength in energy exports are expected to boost the province's trade gains for 2014, which RBC expects will balance slower domestic performance. Strength in auto sales in the US is expected to support the province's largest export which is rubber tires; however, an anticipated reduction in production capacity by the province's largest manufacturer may dampen potential gains for the province. Nova Scotia's job market is expected to have slow growth at .3%-.4%, following the decrease in employment last year. Employment continues to be of concern for the province, as the labour force growth has continually outpaced employment growth since 2008, resulting in the unemployment rate remaining higher than pre-recession lows (TD).

INDUSTRIAL MARKET OVERVIEW

For Q1, the industrial market in Nova Scotia saw an overall increase in the vacancy rate, rising 0.6 percentage points from the previous quarter to 9.3% overall, and 1.2 percentage points versus one year ago. Bayers Lake remains the market with the highest overall vacancy rate at 16.6%, followed by Ragged Lake at 14.9%, and Atlantic Acres at 12.3%. The lowest vacancy rates are in Halifax and Bedford, at 8.6% and 6.4%, respectively. The Sackville market saw a sizeable increase in its vacancy rate to 9.2%, though this is due to the small sample size surveyed. The introduction of 32,000 sf of new supply at 118 Cutler Avenue in Burnside brought its vacancy rate to 9.0%, up 0.4 percentage points over last quarter.

OUTLOOK

Nova Scotia is expected to have the second strongest economy in Canada for both 2014 and 2015 according to the Conference Board of Canada's Winter Provincial Outlook. Increased momentum is expected from major investments in capital projects including the recent authorization of funds for the construction of Arctic Offshore Patrol Ships, which has allowed for the design component of the \$288-million dollar contract to proceed. Further contributing to growth is the continued oil exploration activity by BP and Shell, both completing seismic imaging and potentially beginning to drill as early

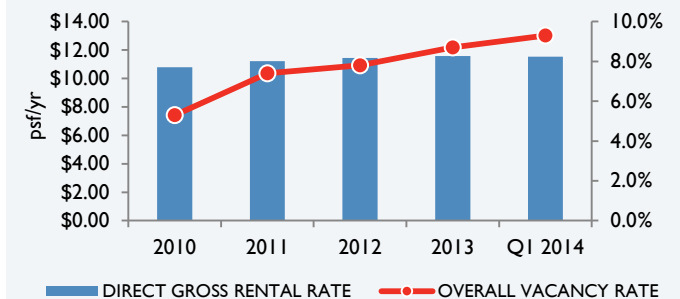
as 2015. The recently approved Maritime Link project, as well as the refurbishment of the Halifax Shipyard in anticipation for Irving Shipbuilding, continue to fuel economic stimulus for 2014 (RBC).

With the tabling of the new Liberal budget, there will be restraint on government spending in order to deal with the large budget deficit of close to \$500-million. In addition, the anticipated one percentage point decrease in HST for next year has been eliminated. This will likely put strain on any growth the Liberal majority government had hoped to achieve from the projected budget surplus promised by the NDP (TD).

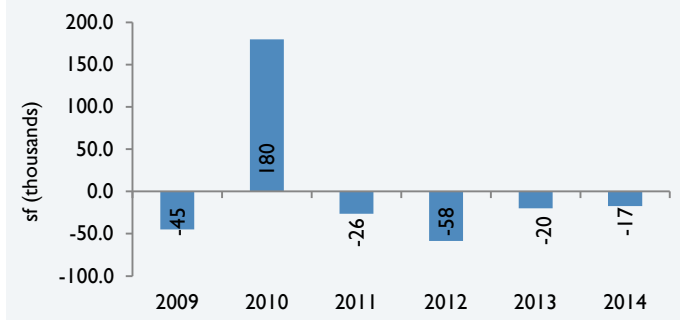
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.1%	9.3%	1.2 pp	▲
Direct Net Asking Rents (psf/yr)	\$7.25	\$7.24	-0.1%	▲
YTD Absorption (sf)	(28,291)	(17,255)	11,036	▼

DIRECT RENTAL VS. VACANCY RATES



ABSORPTION



NOVA SCOTIA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET ASKING RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Ragged Lake	36,000	14.9%	14.9%	0	0	0	0	\$7.50	\$10.79
Atlantic Acres	203,014	12.3%	12.3%	0	0	3,875	3,875	\$7.13	\$10.20
Sackville	27,300	9.2%	9.2%	0	0	(2,500)	(2,500)	\$7.35	\$12.03
Bedford	94,819	6.4%	6.4%	0	0	(1,559)	(1,559)	\$11.35	\$15.78
Halifax	585,336	8.6%	7.9%	0	0	(24,349)	(24,349)	\$7.77	\$12.78
Bayers Lake	249,739	16.6%	13.6%	0	0	3,668	3,668	\$10.62	\$14.94
Burnside	6,279,058	9.0%	8.4%	0	32,000	3,577	3,577	\$6.99	\$11.27
TOTALS	7,475,266	9.3%	8.6%	0	32,000	(17,288)	(17,288)	\$7.24	\$11.54

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
44 Orion Court	Bayers Lake	Pioneer Fuels	Industrial	4,738
10 Akerley Boulevard	Burnside	RAD Distribution Ltd.	Industrial	9,000
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1 Wright Avenue	Burnside	Confidential	Confidential	51,000
20 Thorne Avenue	Burnside	Deep Down Cleaning Service	Confidential	3,100
6430 Lady Hammond Road	Suburban Halifax	Confidential	Confidential	4,200
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
118 Cutler Avenue	Burnside	TBA	Q1 2014	32,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				