

MARKETBEAT INDUSTRIAL SNAPSHOT



HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

Real GDP growth is projected at 1.7% in Nova Scotia for 2013, a 0.2 percentage point drop from the forecasted rate reported in Q1 2013. Overall, economic growth moved at a sluggish pace over the first half of 2013, with provincial industry output growth estimates essentially flat at 0.2% - the slowest pace since 2009 (RBC Economics). As discussed in Q1 2013, this weakness can mainly be attributed to various Natural Gas project delays, a decline in forestry export output, and weak domestic performance. According to the Labour Force Survey, employment was down 0.7% year-to-date (YTD) as of April. As a result, the YTD unemployment rate has climbed modestly to the current 9.4%. Exports grew 5.7% YTD, mainly attributed to the restart of the Port Hawkesbury paper mill last year. The positive news is that this lull is expected to be temporary and the economy should gain some momentum during the second half of 2013, mainly due to the startup at Deep Panuke later this year.

INDUSTRIAL MARKET OVERVIEW

The Nova Scotia industrial market posted an overall vacancy rate of 7.9% this quarter, a 0.2 percentage point decrease from Q1 2013, and a 0.6 percentage point decrease year-over-year. The highest overall vacancy rate belongs to Bayers Lake with Atlantic Acres and Ragged Lake a close second and third, at 18.7%, 15.3% and 14.9% respectively. The lowest overall vacancy rate belongs to the Sackville area, with virtually 0% vacancy, and Bedford not too far behind with a posted 1.3% overall. The Halifax market did not adjust from last quarter; once again reporting 6.5% vacancy, while the Burnside market dropped 0.5 percentage points overall from last quarter, now witnessing a 7.4% overall vacancy rate. Burnside, which has the largest share of the industrial inventory in the market, continues to see new development land parcels aggressively sought after by both occupiers and REITs as they are made available by the city. This bodes well for demand.

OUTLOOK

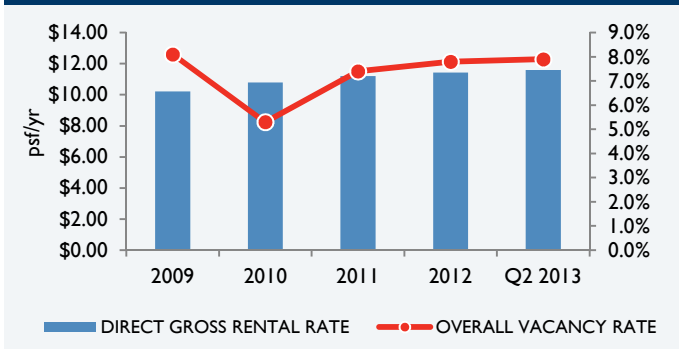
The Canada-Nova Scotia Offshore Petroleum Board has issued a tender for bids on 6 parcels located on the central and eastern Scotia shelf. The bid is issued to remain open until October 2013. The area is expected to hold significant undeveloped oil potential, approximately 65 million barrels. Plans will begin in Chester, Nova Scotia later this year in preparation for 2014, as the South Canoe Wind Project has now been accepted. This project will call for a \$200 million wind farm consisting of 34 turbines which will provide approximately \$660,000 in annual tax revenue to the municipality.

Other positive economic indicators for the second half of 2013 into 2014 include the possibility that the Maritime Transmission Link will proceed as well as indications of advances in the shipbuilding contract. Nova Scotia is expected to see a HST reduction in 2014 and 2015 by a 1.0 percentage point each year. According to APEC this will provide tax savings of \$195 million for each 1.0 percentage point reduction.

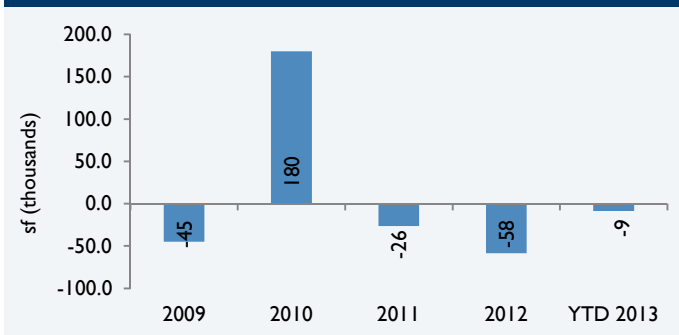
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.5%	7.9%	0.6%	▼
Direct Net Asking Rents (psf/yr)	\$7.11	\$7.26	2.1%	▲
YTD Absorption (sf)	(114,900)	(8,761)	106,139	▼

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	15.3%	15.3%	0	0	(9,000)	(27,000)	\$7.13	\$10.42
Sackville	42,900	0.0%	0.0%	0	0	0	0	\$8.68	\$13.58
Bedford	94,819	1.3%	1.3%	0	0	3,356	3,070	\$11.35	\$15.78
Halifax	585,336	6.5%	6.5%	0	0	0	0	\$7.77	\$12.72
Bayers Lake	249,739	18.7%	18.7%	0	0	(1,326)	(29,587)	\$9.87	\$14.07
Burnside	6,186,736	7.4%	7.2%	0	0	25,500	44,756	\$7.03	\$11.35
TOTALS	7,398,544	7.9%	7.7%	0	0	19,530	(8,761)	\$7.26	\$11.60

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
24 Neptune	Halifax	PYE Brothers Fuels	-	3,624
Significant Q2 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
57 Wright Avenue	Halifax	Day Nite Neon Signs	N/A	30,000
12435 Peggy's Cove Road	Halifax	TBS The Boat Shop	N/A	5,400
Significant Q2 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				