

# MARKETBEAT INDUSTRIAL SNAPSHOT

## NEW BRUNSWICK

A Cushman & Wakefield Alliance Research Publication

Q3 2013



### ECONOMIC OVERVIEW

GDP in New Brunswick is expected to settle at 0.8% for 2013 and is estimated to double in 2014 stemming from further strength in exports and the U.S. economic outlook. New Brunswick has seen about \$168 million in net tax hikes in 2013 in order to edge the province toward keeping the deficit on a downward trajectory, which also has had a restraining effect on GDP growth. Investment activity has also slowed in 2013 in both the public and private sectors because of this fiscal restraint (BMO Capital Markets). Earlier anticipation of an improvement in the labour market has not yet panned out and employment is expected to remain flat for the remainder of 2013, with promises of an influx of capital projects beginning in 2014 (RBC).

### INDUSTRIAL MARKET OVERVIEW

New Brunswick's overall industrial vacancy rate adjusted down to 11.7% from the previous quarter's posted rate of 12.6%. Moncton has seen a more drastic improvement from 11.6% to 10.6% in the third quarter due to a notable increase in leasing activity in the Caledonia Industrial Park. The introduction of 700 St. George Blvd. to our industrial market survey had little impact on the vacancy rate as only 4,600 sf is available in that property. Saint John remains stagnant at an overall rate of 22.2%. Being such a small market, Saint John has been greatly affected by only a few large leasable vacant spaces in a small number of buildings, including a building completed in 2012 that remains at 96% vacancy. Fredericton remained relatively unchanged from last quarter at an overall rate of 10.1%. New Brunswick's rents remain competitive compared to other provinces posting a weighted average net rent of \$6.44 per square foot (psf); a .02\$ increase over Q2 2013.

### OUTLOOK

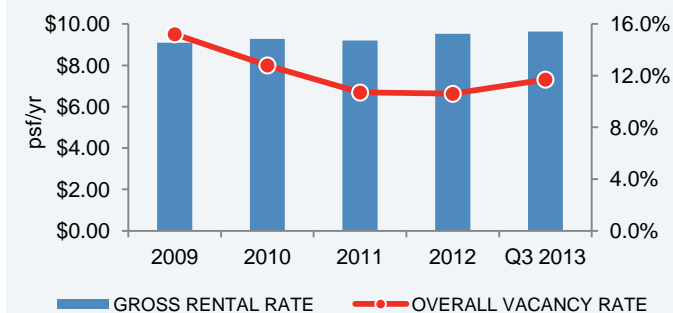
Exports of lumber have solidly increased this year, and momentum is expected to improve with rising prices for lumber as U.S. housing is forecasted to reach a 7 year high in 2014 (BMO Capital Markets). Non-residential building construction in New Brunswick produced its first quarterly gain in more than two years in the second quarter of 2013 (BMO). The anticipated ramping up of production at the expanded Sussex Potash plant in 2014 should also provide a boost to provincial exports (RBC). Refinery maintenance at Point Lepreau nuclear power plant as well as the closing of Xstrata's Brunswick mine are expected to curb the anticipated increase in energy exports in the short term, with lumber, potash, and natural gas exports expected to dominate the economic activity during 2014 (RBC). The

slight improvement in the labour market from earlier this year was dampened by further job losses this summer causing the forecast to increase just marginally by 0.1% for 2013 (RBC); however, job prospects are expected to improve next year. The long term outlook for the province is bright, with the prospect of converting the Canaport LNG – Canada's only natural gas receiving terminal – into an export facility. This could be highly beneficial for the province's economy especially when coupled with the production boosts anticipated from Point Lepreau's expansion, the completion of PotashCorp, and finally the recent price increases for natural gas and lumber (TD Economics).

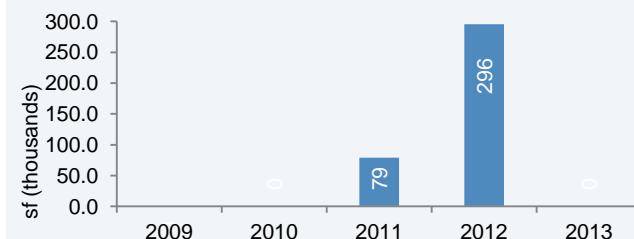
### STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.1%	11.7%	3.6pp	▲
Direct Net Asking Rents (psf/yr)	\$6.25	\$6.44	3.0%	▲
YTD Absorption (sf)	274,577	(9,298)	-283,875	▼

### RENTAL VS. VACANCY RATES



### NEW SUPPLY



## NEW BRUNSWICK

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET ASKING RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Greater Moncton	448,923	12.6%			(5,974)	13,450	\$5.37	\$2.94	\$8.31
Moncton Industrial Park	2,090,694	10.3%			16,808	3,359	\$6.06	\$2.86	\$8.92
Dieppe Industrial Park	456,391	0.7%			2,000	43,666	\$7.30	\$3.24	\$10.54
Caledonia Industrial Park	471,194	19.8%			18,000	(74,100)	\$6.46	\$3.03	\$9.50
<b>Moncton</b>	<b>3,467,202</b>	<b>10.6%</b>			<b>30,834</b>	<b>(13,625)</b>	<b>\$6.24</b>	<b>\$2.93</b>	<b>\$9.17</b>
Greater Fredericton	132,310	0.0%			0	0	\$7.58	\$3.12	\$10.70
Fredericton Industrial Park	331,615	14.2%			742	3,577	\$7.32	\$5.06	\$12.39
Fredericton	463,925	10.1%			742	3,577	\$7.40	\$4.48	\$11.88
Saint John	433,031	22.2%			1,000	750	\$6.65	\$3.50	\$10.15
<b>TOTALS</b>	<b>4,364,158</b>	<b>11.7%</b>			<b>32,576</b>	<b>(9,298)</b>	<b>\$6.44</b>	<b>\$3.20</b>	<b>\$9.64</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
180 Henri Dunant	Moncton	Labatt Brewing Company Ltd.	B	6,750
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
275 MacNaughton Ave.	Moncton	Secure Capital Advisors	\$3,300,000/ \$81 psf	40,680 sf
21 Whitebone Way	Saint John	Coastal Property Holdings	\$337,500/ \$60 psf	5,600 sf
23 Biggs Dr.	Riverview	CBM Custom Building Maintenance	\$228,000/ \$73 psf	3,120 sf
Significant Q3 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				