

MARKETBEAT INDUSTRIAL SNAPSHOT

NEW BRUNSWICK

A Cushman & Wakefield Alliance Research Publication

Q1 2015



ECONOMIC OVERVIEW

Since the release of the TD Economics Forecasts in Q4 2014, oil prices have continued to slide. With global supply outstripping demand by a wide margin, it is anticipated that oil prices will remain low over the 1-year forecast horizon. As a consequence, they have trimmed their outlook for real GDP growth to 2.0% in 2015.

“Supported by a weak Loonie, solid demand south of the border, and lower prices at the pumps, we foresee that the non-energy export sector will have a competitive edge. However, limited spare capacity in the manufacturing sector will act as a moderate headwind to production, although this bodes well for prospective investment spending on machinery and equipment” (TD Economics).

Despite an overall decline in merchandise exports in 2014, exports of wood products grew by 8% (RBC Economics), propelled by rising shipments to the United States.

This also translates to the outlook for the province’s labour market; the “Times and Transcript” states that the sectors most likely to increase their labour force, according to the latest Manpower Employment Outlook Survey, are “construction, real estate, manufacturing, mining, general services, transportation and wholesale/retail trade.”

INDUSTRIAL OVERVIEW

Moncton posted positive absorption of 75,464 square feet (sf) in Q1 2015, which contributed to a 2.2-percentage point decrease in the overall vacancy rate over the quarter, ending Q1 at 14.3%. Notable moves in Moncton included STIHL relocating from 205 Commerce Street creating a 12,193-sf vacancy, to 1070 St. George Boulevard, where it now occupies 24,330 sf of space. At 222 Edinburgh Drive, 7,611 sf was leased to Safety Express, and 191 Henri Dunant is now fully occupied by Maritime Exhaust. All three of these moves involved Cushman & Wakefield Atlantic agents. Other significant moves in Moncton included Scotsburn leasing 40,000 sf at 653 St. George Boulevard and an undisclosed tenant vacating 200 Commerce Street.

Fredericton’s vacancy rate stayed relatively stable this quarter, at 10.8%, as there were no significant moves this quarter. The Saint John area experienced positive absorption, and a slight drop in the vacancy rate from 14.3% last quarter to 14.0% in Q1.

OUTLOOK

Despite the slow growth for New Brunswick in the past, the future is looking bright. The mining industry is poised for a turnaround as the

new \$2.2 billion potash mine in Sussex ramps up production during 2015 and the Caribou zinc mine remains on schedule for re-commissioning in the first half of the year. Construction is expected to begin this year on the Sisson brook tungsten mine, thereby providing a substantial boost to capital spending in the province.

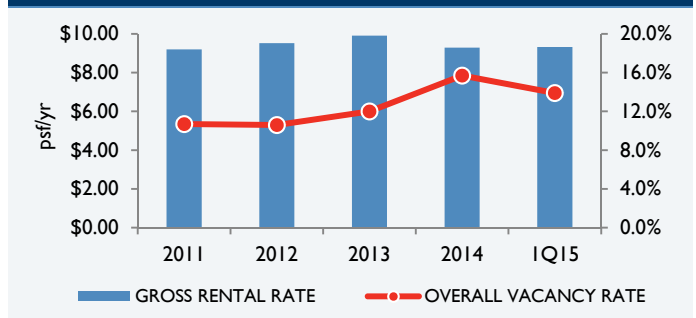
Since the increase in wood exports, spending is expected to expand capacity at the pulp and paper mill in Saint John NB, along with assorted other forestry investments.

Overall the outlook for New Brunswick seems to be looking up and the industrial sector will continue to expand and grow with new jobs, facilities and resources for our province.

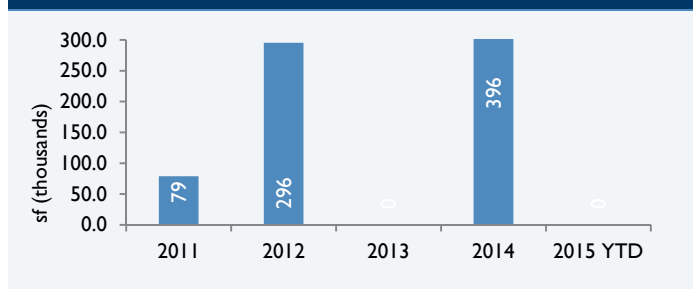
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.8%	13.9%	0.1 pp	▼
Direct Net Asking Rents (psf/yr)	\$6.32	\$6.04	-4.4%	▲
YTD Absorption (sf)	(75,532)	84,770	160,302 sf	▲

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	444,978	16.6%	0	0	17,330	17,330	\$5.72	\$3.01	\$8.74
Moncton Industrial Park	2,123,158	15.1%	0	0	63,514	63,514	\$5.50	\$3.00	\$8.51
Dieppe Industrial Park	546,429	11.4%	0	0	16,251	16,251	\$6.95	\$3.37	\$10.32
Caledonia Industrial Park	955,232	12.9%	84,000	0	(21,631)	(21,631)	\$6.01	\$2.76	\$8.77
MONCTON	4,069,797	14.3%	84,000	0	75,464	75,464	\$5.82	\$3.02	\$8.84
Greater Fredericton	132,310	8.3%	0	0	(3,450)	(3,450)	\$7.50	\$3.85	\$11.35
Fredericton Industrial Park	331,615	11.7%	0	0	3,356	3,356	\$7.13	\$5.05	\$12.18
FREDERICTON	463,925	10.8%	0	0	(94)	(94)	\$7.24	\$4.71	\$11.94
SAINT JOHN	432,031	14.0%	0	0	9,400	9,400	\$6.56	\$4.00	\$10.56
TOTALS	4,965,753	13.9%	84,000	0	84,770	84,770	\$6.04	\$3.28	\$9.32

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
222 Edinburgh Drive	Moncton	Safety Express Ltd.	Industrial	5,625
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
11-15 Brandon Street	Moncton	Moncton Community Residences Inc.	\$365,000	3,000
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Frenette Avenue	Moncton	TBD	Q2 2015	14,000
Lot 95-27 Frenette Ave	Moncton	TBD	2015	40,000
Lot 05-16 Frenette Ave	Moncton	TBD	2015	30,000
Berrys Mills Project (Owner occupied and will not be on survey)	Moncton	Maritime-Ontario	Q3 2015	+/-80,000