

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q3 2014



ECONOMIC OVERVIEW

In 2013, the Newfoundland and Labrador economy was the envy of Canada, growing by an unprecedented 7.9% on the back of strong oil production and capital spending. In 2014 the economy is expected to grow by just 0.6%, given capital spending is expected to peak in 2014, oil production and mining slowed, given the fall in Chinese demand and the recent headwinds in the global economy.

In mid-2014, Tom Marshall, the former Provincial Minister of Finance and Premier, managed to overhaul the provincial public sector pension plan. This is significant in view of the fact that 67% of the provincial debt consists of unfunded pension and other post-retirement liabilities.

The plan, with an estimated shortfall of \$4 billion, should be fully funded in the next 30 years. Supported by the major public sector unions, the new plan will see premiums rise, and benefits for future employees will change. The new approach also includes a joint management structure wherein an arm's length corporation will be established to manage the fund. Future pension shortfalls will be equally shared between taxpayers and public employees.

OUT AND ABOUT

This quarter was another in which a number of industrial buildings were conveyed. Donovan's Business Park saw Seaforce Diving vacating their premises at 44-46 Dundee to allow for the expansion of tenant FMC Technologies. Seaforce purchased the building at 24 Dundee as well as picking up some land from Bell Aliant on Glencoe Drive where they will construct their new corporate headquarters. AMI Offshore also purchased 19 Clyde Avenue from the owner of Household Movers.

Bugden Signs purchased the building at 8 Hallett Crescent – formerly owned and occupied by North Atlantic Marine Supplies, who have recently completed (Q2) their new premises at 1237 Kenmount Road in Paradise.

THE NUMBERS

The vacancy rate continued to climb, reaching 11.6% this quarter. Large space availabilities continue to appear – in the older facilities of Donovan's such as 21 Glencoe Drive, and the Hutton building at 14 Clyde Avenue. The building at 24-26 Austin also had just under 10,000 square feet (sf) become available.

Despite the rise in the vacancy rate, rental rates have remained stable from last quarter.

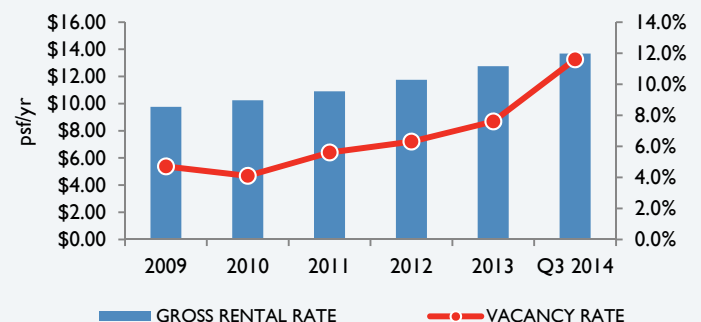
OUTLOOK

Oil and gas continues to drive demand for specialized facilities with major projects under construction, and others in the planning pipeline. New lands are being made available for industrial development within the city of St. John's on Kenmount Road, as well as in suburban areas such as Conception Bay South with prices that may prove optimistic.

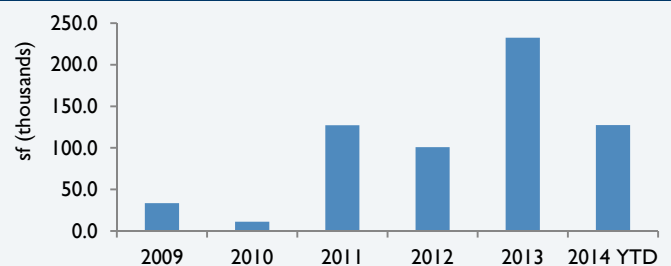
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.8%	11.6%	4.8 pp	▲
Gross Asking Rents (psf/yr)	\$12.21	\$13.68	12.0%	◄►
YTD New Supply (sf)	202,500	127,398	(75,102)	▲

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



ST. JOHN'S, NL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	UNDER CONSTRUCTION	CURRENT QUARTER CONSTRUCTION COMPLETIONS	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
St. John's – East	199,870	3.0%	0	0	0	(1,772)	8,212	\$11.91	\$3.35	\$15.26
St. John's – West	147,345	11.5%	0	0	0	0	10,000	\$8.83	\$2.57	\$11.40
St. John's - Central	170,951	5.4%	0	0	0	(2,500)	1,850	\$12.41	\$6.21	\$18.62
St. John's – North	752,724	12.1%	0	0	18,900	(10,700)	16,274	\$10.93	\$3.14	\$14.07
Mt. Pearl/Paradise	2,181,513	12.7%	91,800	10,000	108,498	(50,723)	(57,279)	\$10.13	\$2.75	\$12.88
TOTALS	3,452,403	11.6%	91,800	10,000	127,398	(65,695)	(20,943)	\$10.52	\$3.15	\$13.67

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
16 Beclin Road	Mount Pearl/Paradise	IPEX	Industrial	10,000
44-46 Dundee Ave	Mount Pearl/Paradise	FMC Technologies	Warehouse	TBA

SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
13-15 Duffy Place	St John's North	Duffy Capital Inc.	\$4,250,000 / \$183.19	23,200
19 Clyde Avenue	Mount Pearl/Paradise	AMI Offshore Inc.	\$3,600,000 / \$219.51	16,400
8 Hallett Crescent	St. John's - North	Bugden Signs Ltd.	\$1,750,000 / \$133.79	13,080
24 Dundee Avenue	Mount Pearl/Paradise	Sea-Force Diving Ltd.	\$950,000 / \$158.33	6,000

SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRELEASED
16 Beclin Road	Mount Pearl/Paradise	IPEX	Q3 2014	10,000/100%

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRE-LEASED
Bremigan's Blvd.	Mount Pearl/Paradise	Weatherford /Owner Occupier	Q2 2015	69,000 / 100 %
Corey King Project	Mount Pearl/Paradise	TBA	Various	7,800 / 80%
Bremigan's Blvd.	Mount Pearl/Paradise	TBA	Q4 2014	15,000 / 0%