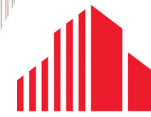


Industrial Snapshot Q1 2016

St. John's, NL



ST. JOHN'S INDUSTRIAL

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
St. John's Employment	115k	113k	▼
St. John's Unemployment	5.9%	7.6%	▲
Canada Unemployment	6.8%	7.3%	▲

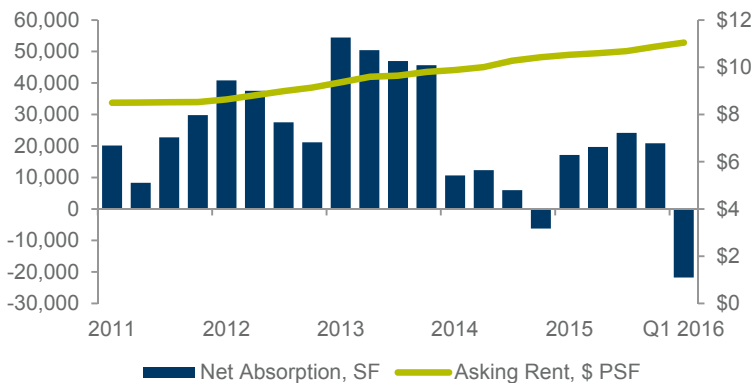
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	9.9%	16.0%	▲
Net Absorption (sf)	105,407	(65,131)	▼
Under Construction (sf)	175,500	25,000	▼
Average Asking Rent*	\$10.57	\$11.25	▼

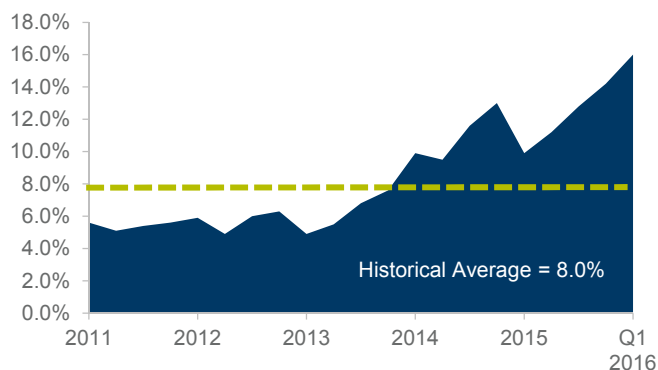
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The provincial government presented its budget on April 14th, 2016 and there was some surprise at the cost cutting measures put in place and tax increases that were tabled. Provincial royalties from the offshore are estimated for 2015-2016 at just \$551 million - down significantly from the \$ 2.8 billion that was received in 2011-2012. With the deficit forecast at \$2.4 billion, it was obviously felt by the government that drastic measures were called for.

Provincial HST, income taxes, and gas taxes have all risen, and fees have either been increased or introduced – including HST being charged on insurance premiums. A temporary deficit reduction levy has also been introduced, payable by everyone making over \$20,000 annually. Overall, a typical household in Newfoundland and Labrador will be paying nearly \$3,000 more in taxes and fees per year. All in all there will be less purchasing power as the population is shouldering a larger tax burden.

Corporate taxes are also being increased by 1%, retroactive to the beginning of this year. Salaries and benefits represent 45% of provincial government spending – so there was no surprise when announcements were made that 650 full time employees will be losing their positions.

Even with such measures put in place, the forecasted deficit remains at over \$1.8 billion. Further budgetary measures will be announced in the autumn with further staff cuts expected to be announced at that time. (Source: CBC)

Market Overview

In spite of the oil price depression, activity seemed to pick up in the Industrial market - although there were few actual lease transactions. Source Atlantic expanded into over 10,000 square feet (sf) of adjacent space in their 38 Beclin Road location. In addition, local service firms with less sensitivity to the oil industry were shopping around and considering potential relocation options.

Outlook

The new budget has added an element of uncertainty to the market. It will cost more to both import products into the province, and to ship those products to city centres. The optimism that seemed evident earlier in the year is likely to diminish and the province will be back to low activity levels; similar to when Newfoundland and Labrador was first dealing with the decline in oil prices.

MARKETBEAT

Industrial Snapshot Q1 2016

St. John's, NL



**CUSHMAN &
WAKEFIELD**
Atlantic

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANT SPACE (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVE. NET RENT*	OVERALL WEIGHTED AVE. ADD. RENT	OVERALL WEIGHTED AVE. GROSS RENT
EAST	8	225,870	20,364	9.0%	0	0	0	0	\$12.26	\$3.35	\$15.62
WEST	4	147,345	13,780	9.4%	0	0	0	0	\$9.43	\$2.57	\$12.00
DOWNTOWN	6	170,951	28,600	16.7%	(800)	(800)	0	0	\$12.56	\$6.21	\$18.78
NORTH	36	716,324	77,703	10.8%	(1,266)	(1,266)	0	0	\$11.11	\$3.39	\$14.50
MOUNT PEARL/PARADISE	101	2,439,741	450,165	18.5%	(63,065)	(63,065)	25,000	0	\$11.21	\$2.81	\$14.02
ST. JOHN'S TOTALS	155	3,700,231	590,612	16.0%	(65,131)	(65,131)	25,000	0	\$11.25	\$3.11	\$14.36

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
38 Beclin Road	10,421	Source Atlantic	Lease	Mount Pearl/Paradise

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
N/A				

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