

MARKETBEAT INDUSTRIAL SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q3 2013



ECONOMIC OVERVIEW

Nova Scotia's projected real GDP growth is still expected to make a modest recovery despite falling slightly to 1.2% from Q2's projection of 1.7%. This downward adjustment is due in part to a slow increase in domestic activity, as well as a decline in natural gas production in the first half of 2013 (RBC). In addition, further delays at the Deep Panuke offshore natural gas facility is pushing back the anticipated natural gas export recovery, and is expected to contribute more significantly to growth in 2014 than the current fiscal year. Year-to-date growth for Nova Scotia has surpassed that of other provinces because of a sharp increase in exports to the U.S. after a decline in 2012. Year-to-date employment rates dropped in August, bringing down any previous indications of improvement in the province's labour markets this year (RBC).

INDUSTRIAL MARKET OVERVIEW

For Q3 the industrial market in Nova Scotia saw an overall vacancy rate of 7.6%; falling 0.3 percentage points from the second quarter; and a 0.3 percentage point decrease year-over-year. The highest overall vacancy rate remains in Bayers Lake at 19.7%, followed by Ragged Lake at 14.9%, and Atlantic Acres at 10.1%. Bedford saw the lowest vacancy rate posting 3.5%, and Sackville posted a 9.2% overall rate. The Halifax market saw a decline in the vacancy rate to 4.9%, while the Burnside market dropped to 7.3%. The recent hike in interest rates may affect the landscape of the local industrial market by making it more difficult operationally for owner-occupiers to compete with larger industrial landlords which will slow small parcel land sales from HRM Business Parks. However, this bodes well for leasing which will see more development by investor landlords, keeping vacancy rates in the same range, if not increasing slightly.

OUTLOOK

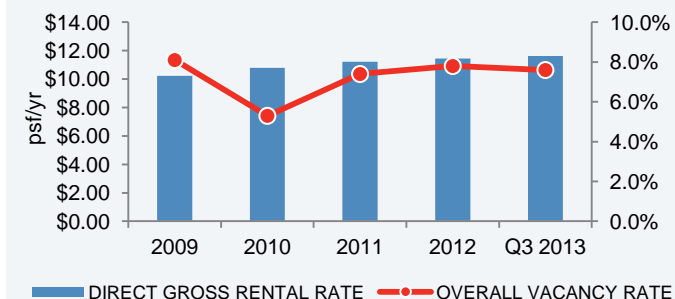
The Nova Scotia economy is expected to continue to improve due largely to large scale capital projects including Deep Panuke, Maritime Link, Irving Shipbuilding and the Donkin Coal mine, as well as the increase in offshore exploratory work by British Petroleum and Shell (TD). Paper product exports are notably improving in performance in Nova Scotia as well, as the Port Hawkesbury Paper mill is rounding out its first full year back in production (RBC). The tender put out earlier this year by the Canada-Nova Scotia Offshore Petroleum Board for 6 parcels of land on the central and eastern shelf of Nova Scotia is set to be awarded in October 2013; which will further the extraction of approximately 65 million barrels of undeveloped oil for export. The tender for the installation of the \$200 million South

Canoe Wind Project also closes in October 2013, which is expected to contribute \$660,000 in annual tax revenue to the municipality. Nova Scotia is eagerly anticipating the \$25 billion, 30-year shipbuilding contract. The continuing preparatory work is furthering the province's advancement towards the positive economic effect this project promises for the region (RBC). The Nova Scotia government has also maintained its commitment to return to fiscal balance by reporting a slight surplus in the current fiscal year, which is expected to permit the government to lower the harmonized sales tax by one percentage point in 2014 and by a further percentage point in 2015 (BMO Capital Markets).

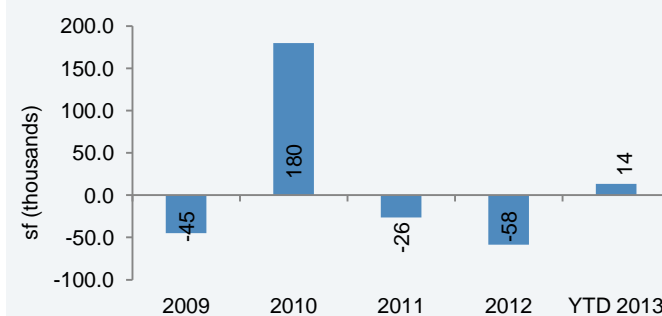
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.9%	7.6%	0.3 pp	▼
Direct Net Asking Rents (psf/yr)	\$7.11	\$7.24	1.8%	▲
YTD Absorption (sf)	(70,264)	13,572	83,836	▲

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	10.1%	10.1%	0	0	10,500	(16,500)	\$7.13	\$10.42
Sackville	27,300	9.2%	9.2%	0	0	(2,500)	(2,500)	\$7.35	\$12.03
Bedford	94,819	3.5%	3.5%	0	0	(2,162)	908	\$11.35	\$15.78
Halifax	585,336	4.9%	4.9%	0	0	9,157	9,157	\$7.77	\$12.72
Bayers Lake	249,739	19.7%	19.7%	0	0	(2,475)	(32,062)	\$9.87	\$14.07
Burnside	6,186,736	7.3%	7.0%	0	0	9,813	54,569	\$7.01	\$11.39
TOTALS	7,382,944	7.6%	7.4%	0	0	22,333	13,572	\$7.24	\$11.62

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
73 Williams Avenue	Burnside	HD Supply Canada Inc.	Industrial	14,080
71 Ilsley Avenue, Unit 7	Burnside	Eastern Atlantic Storage Solutions	Industrial	3,646
31 Raddall Avenue	Burnside	Weir Canada	Industrial	2,494
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
60 Payzant Avenue	Burnside	Ron Parker's Plumbing & Heating		4,050
172 Cornwallis Street	Kentville	Peter Nathanson Trustee		2,000
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				