

# MARKETBEAT INDUSTRIAL SNAPSHOT

## HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Atlantic Research Publication

Q4 2014



### ECONOMIC OVERVIEW

Nova Scotia's economic growth in 2014 was primarily driven by an increase in production and prices for natural gas. An increase in U.S. demand for non-energy exports, including seafood and rubber tires, combined with a weaker Canadian dollar, and a significant boost in capital project spending also supported the economy. RBC Economics' GDP forecast remains at 2.2% for 2014. There have been recent maturation related production decreases at the Sable Offshore facility, however natural gas production continues to surge with the first full year of production wrapping up at Deep Panuke. The recent decline in oil prices may help to mitigate and ease out-migration due to lower labour demands in Alberta (BMO). Wholesale prices are up 4.2% for 2014 with increases in machinery & equipment, and food & beverage which offset a slight decline in motor vehicles according to the Department of Finance. Expected boosts in employment for 2015 have begun with the Halifax Shipyard announcing its first round of hiring for red seal qualified tradespeople in preparation for work on the first Arctic patrol vessels. Nova Scotia's capacity to respond to the increase in manufacturing and construction labour requirements for capital projects will depend entirely on the extent at which the work is contracted to local firms, and the ability of the current labour force to absorb the skilled workers required.

### SIGNIFICANT DECREASE IN INDUSTRIAL VACANCY

The Halifax industrial market saw a significant decrease in its overall vacancy rate this quarter, dropping to 9.9% from last quarter's 11.1%. There were a number of significant moves in Halifax, Atlantic Acres, and Burnside. Burnside saw a huge swing from last quarter's 11.1% to end Q4 at 8.9%. This 2.2-percentage point drop was mainly attributed to Sable Warehousing & Distribution moving into 50,380 square feet (sf) at Dream Industrial REIT's 71 Thornhill Drive. Sancton Access Inc. moved out of its 17,500-sf property at 75 MacDonald Ave., to a new larger building on Cutler Avenue. Atlantic Acres jumped significantly from 3.4% to 24.9% with 48,015 sf of warehouse space coming available at 200 Bluewater Road, representing a large portion of the small submarket. Halifax posted a significantly higher vacancy rate of 10.3%, up from the Q3 rate of 7.2%. New space is available at 3667 Strawberry Hill and the H.H. Marshall Building. The Sackville market remained stable at 9.2% overall. Bayers Lake Business Parks' vacancy rate decreased slightly from 19.9% to 18.3% and the Bedford market dropped slightly from 26.5% to 24.9%.

### OUTLOOK

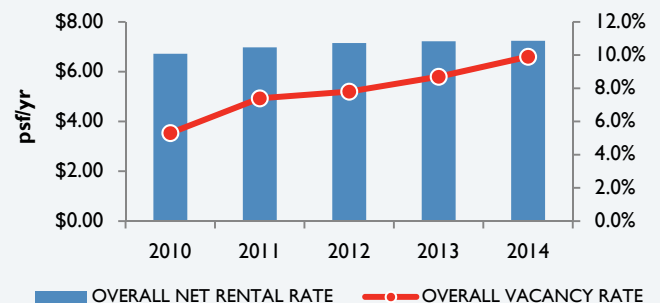
Construction, manufacturing and energy projects continue to lead investment activity in the province. This activity includes the \$500-

million Nova Centre, the \$25-billion Irving Shipbuilding contract, which is set to commence this year, and the \$300-million Halifax Shipyard expansion in preparation for the Arctic Patrol Vessels. The Maritime Link project is beginning a 3-year construction phase, eventually connecting the electrical grids of Newfoundland & Labrador to Nova Scotia. BP & Shell have also recently committed to an additional \$2 billion in offshore oil exploration, and planning continues on the \$8.3-billion Pieridae LNG export facility, and the H-Energy LNG export project (APEC). The budget for fiscal year 14/15 is on track according to BMO Capital Markets, however, major decisions on taxation and spending restraint are imminent, with the province planning to balance the books in fiscal year 17/18.

### STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.7%	9.9%	1.2 pp	▲
Direct Asking Rents (psf/yr)	\$7.22	\$7.24	0.3%	◄►
YTD Absorption (sf)	(20,096)	(67,560)	47,464	▲

### OVERALL RENTAL VS. VACANCY RATES



### NEW SUPPLY



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	0.0%	0.0%	0	0	0	5,350	\$7.50	\$10.79
Atlantic Acres	203,014	24.9%	24.9%	0	0	(43,740)	(21,865)	\$7.98	\$11.18
Sackville	27,300	9.2%	9.2%	0	0	0	(2,500)	\$7.35	\$12.03
Bedford	94,819	24.9%	24.9%	0	0	1,600	(19,071)	\$11.35	\$15.78
Halifax	585,336	10.3%	9.6%	0	0	(17,665)	(33,964)	\$7.63	\$12.82
Bayers Lake	249,739	18.3%	18.3%	0	0	3,917	(645)	\$10.10	\$14.47
Burnside	6,347,150	8.9%	8.3%	0	32,000	140,467	5,135	\$7.01	\$11.37
<b>TOTALS</b>	<b>7,543,358</b>	<b>9.9%</b>	<b>9.3%</b>	<b>0</b>	<b>32,000</b>	<b>84,609</b>	<b>(67,560)</b>	<b>\$7.24</b>	<b>\$11.64</b>

MARKET HIGHLIGHTS					
SIGNIFICANT Q4 2014 LEASE TRANSACTIONS		SUBMARKET	TENANT	TYPE	SQUARE FEET
71 Thornhill Drive		Burnside		Industrial	50,380
220 Cutler Avenue		Burnside	Sancton Access Inc.	Industrial	20,000
20 Payzant Avenue		Burnside	Fedex	Industrial	22,516
105 Akerley Boulevard		Burnside	Undisclosed	Industrial	14,440
200 Bluewater Road		Burnside	Tenant moved out	Industrial	48,015
28 Topple Drive		Burnside	Undisclosed	Industrial	43,528
120 Troop Avenue		Burnside	Undisclosed	Industrial	8,000
101 Ilsley Avenue		Burnside	Undisclosed	Industrial	7,314
SIGNIFICANT Q4 2014 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Lot 1275 Cutler Avenue (Land)		Burnside	Contact The Gerard Team	Undisclosed	159,995
36 Frazee Avenue		Burnside	Contact The Gerard Team	Undisclosed	14,109
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A					
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A					