

# MARKETBEAT INDUSTRIAL SNAPSHOT

## NEW BRUNSWICK

A Cushman & Wakefield Alliance Research Publication

Q2 2015



### ECONOMIC OVERVIEW

The first two quarters of 2015 proved quite challenging for Canada's economy, and New Brunswick was no exception. However, the province shows signs of strengthening as monthly reports from RBC Economics point to a pickup in spending and exports for the remainder of the year. This upcoming quarter (Q3) real GDP is expected to grow by 1.1%.

Signs of economic improvement, especially with labour market conditions gradually firming and wage growth beginning to accelerate (according to BMO Capital Markets Report), have indicated that the average New Brunswick consumer is in a solid position thus far. On the employment spectrum, manufacturing employment is trending upward, whereas the construction industry continues to struggle due to a continued decline in housing starts. Overall labor market trends remain weak, with employment down 0.9% year-over-year. Demographics remain a major concern, as the province continues to see net outward migration and an aging population left behind.

### INDUSTRIAL OVERVIEW

Moncton, Fredericton and Saint John posted a combined negative absorption of 19,969 square feet (sf) in Q2 2015, which contributed to the slight 0.4-percentage point increase in the overall vacancy rate over the quarter, ending Q2 at 14.3%. Notable moves in Moncton included PPG Paints relocating from 450 Edinburgh Drive to their newly built location where they currently occupy 60,000 square feet (sf), creating an 11,250-sf vacancy. At 300 Baig Boulevard, 18,450 sf was left unoccupied when Canadian Industrial Distributors Inc. vacated. At 290 Baig Boulevard, 9,800 sf was also left vacant due to the relocation of Old Dutch Foods & Atlantica Mechanical Contractors Inc.

Fredericton's vacancy rate remained relatively stable at 11.1%, which is attributed to the lack of significant moves in the quarter. The Saint John area experienced a 1.1-percentage point increase from last quarter, ending the second quarter with a 15.1% vacancy rate. The increase was due, in part, to a significant section of warehouse space at 1161 Westfield being vacated by a storage tenant.

### OUTLOOK

Economic activity is forecasted to gain momentum in New Brunswick over the remainder of 2015. After three years of declining output, New Brunswick's mining sector is poised for a comeback. Potash production is set to increase substantially starting mid-year, as production ramps up at the \$2.2-billion Piccadilly development near Sussex (RBC Economics).

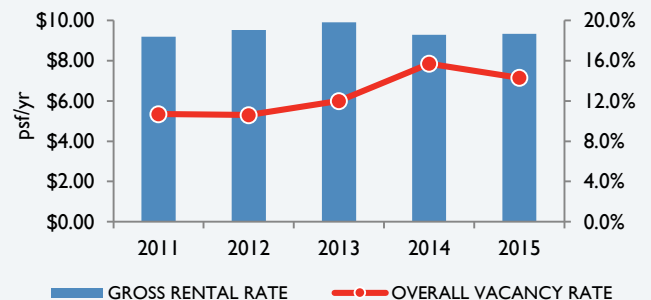
RBC expects that the rejuvenated mining and forestry sectors will help bolster non-energy exports for the remainder of the 2015. The Caribou Zinc Mine commenced mining operations in March and remains on track for full re-commissioning in the third quarter, while forestry exports should get a boost from the U.S housing recovery.

Overall, the future of the industrial market looks bright for New Brunswick. There seems to be a great deal of traffic in regards to industrial land in Moncton as longstanding inventory is slowly getting leased while a number of new buildings are being considered. Fredericton and Saint John remain quiet, however a number of projects are coming out of the woodwork, and investments are expected to produce activity in the near future. It is safe to say that although activity is slowly moving upwards, it will eventually gain a solid momentum for the remainder of 2015.

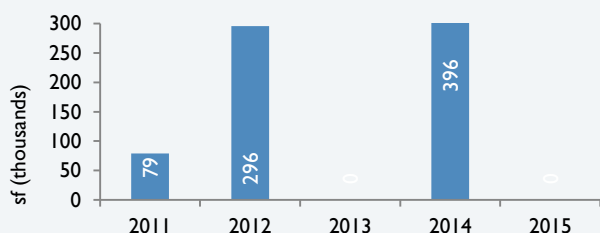
### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.2%	14.3%	1.1 pp	▼
Direct Net Asking Rents (psf/yr)	\$6.25	\$6.05	-3.2%	▲
YTD Absorption (sf)	253,365	64,801	-188,564 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	8.0%	0	0	38,296	55,626	\$5.75	\$3.01	\$8.76
Moncton Industrial Park	2,123,158	16.8%	0	0	(36,500)	27,014	\$5.53	\$3.01	\$8.54
Dieppe Industrial Park	546,429	11.9%	0	0	(3,000)	13,251	\$6.95	\$3.37	\$10.32
Caledonia Industrial Park	955,232	14.3%	74,000	0	(12,497)	(34,128)	\$6.01	\$2.76	\$8.77
<b>MONCTON</b>	<b>4,069,797</b>	<b>14.6%</b>	<b>74,000</b>	<b>0</b>	<b>(13,701)</b>	<b>61,763</b>	<b>\$5.84</b>	<b>\$3.03</b>	<b>\$8.87</b>
Greater Fredericton	132,310	8.3%	0	0	0	(3,450)	\$7.50	\$3.85	\$11.35
Fredericton Industrial Park	331,615	12.2%	0	0	(1,500)	1,856	\$7.13	\$5.05	\$12.18
<b>FREDERICTON</b>	<b>463,925</b>	<b>11.1%</b>	<b>0</b>	<b>0</b>	<b>(1,500)</b>	<b>(1,594)</b>	<b>\$7.24</b>	<b>\$4.71</b>	<b>\$11.94</b>
<b>SAINT JOHN</b>	<b>432,031</b>	<b>15.1%</b>	<b>0</b>	<b>0</b>	<b>(4,768)</b>	<b>4,632</b>	<b>\$6.56</b>	<b>\$4.00</b>	<b>\$10.56</b>
<b>TOTALS</b>	<b>4,965,753</b>	<b>14.3%</b>	<b>74,000</b>	<b>0</b>	<b>(19,969)</b>	<b>64,801</b>	<b>\$6.05</b>	<b>\$3.29</b>	<b>\$9.34</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1880 Connolly Drive	Bathurst	682055 NB Ltee	\$330,000	19,060
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
208 Desbrisay Avenue (Owner occupied and will not be on survey)	Moncton	PPG Paints	Q2 2015	60,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Frenette Avenue	Moncton	TBD	July 2015	14,000
175 Harrisville Boulevard	Moncton	TBD	2015	40,000
The Hub – 155 Harrisville Boulevard	Moncton	TBD	2015	60,000
Berrys Mills Project (Owner occupied and will not be on survey)	Moncton	Maritime-Ontario	Q3 2015	+/-80,000