

# MARKETBEAT INDUSTRIAL SNAPSHOT



## ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

The recent provincial budget has forecasted a deficit of \$563.8 million for 2013-2014 - considerably less than the \$1.6 billion that had been anticipated just two months earlier. The deficit projected for 2012-2013 was \$725.8 million but has been reduced to \$430.9 million. (Source: Dept of Finance) Almost \$700 million of the difference in the deficit projections is a result of improvement in forecasted revenue from royalties and taxes from the offshore oil and mining sectors.

Construction for the Hebron project is on schedule, with employment anticipated to reach over 3,000 people late this year – up from the current level of 1,600. (Source: The Telegram) Upgrades completed by Suncor to the Terra Nova oil and gas field have extended the life by 7 years – with proven and probable reserves increasing to 506 million barrels from 419 million barrels. (Source: CBC)

### OUT AND ABOUT

The Hutton warehouse at 465 East White Hills Road is now completed and fully occupied. British Confectionary has taken 37,000 square feet (sf), Regional Tire has leased 26,000 sf and Staples has taken the remaining 42,000 sf. The nearby NL Liquor Corp. warehouse will likely be ready for occupancy by the third quarter of 2013. Phase II of the Baine Johnston East White Hills industrial park is in the planning stages.

Kenmount Road Extension in Paradise continues to mushroom – with Summit Builders well underway with a 10,000-sf warehouse, as well as another three condo building – one of which they will occupy around the beginning of Q4 2013. Tempo is also constructing a 20,000-sf warehouse for Lawrence Pond Holdings at 1257 Kenmount Road for which a single tenant is being sought.

Turning to investment sales, 61 James Lane was sold by Avalon Recycling Services to Solo Investments Inc. for \$ 1,500,000.

### THE NUMBERS

The overall vacancy rate is currently at 4.9 % - down 1.4 percentage points from last quarter. Average net rental rates are at \$9.82 per square foot (psf), up almost 6.0% from last quarter. The completion of the fully leased Hutton warehouse significantly increased absorption figures this quarter – more than double the figure for all of 2012.

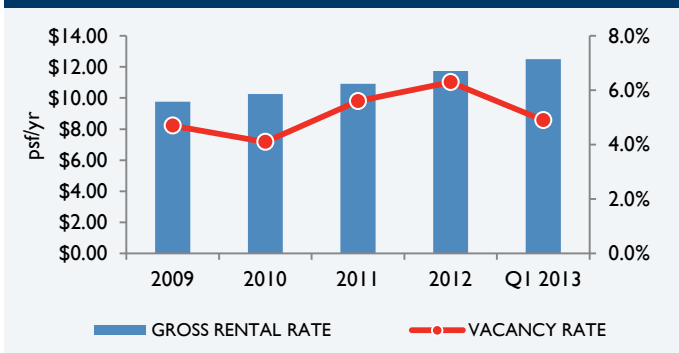
### OUTLOOK

Rental rates continue their upward climb – with new construction demanding upwards of \$15.00 psf. Since 2008, net rental rates are up 34.5% - putting pressure on tenants currently negotiating renewals in this climate of high expectations. Adding to the interesting dynamics of the St. John's industrial market will be the return of several larger distribution warehouse spaces to the market within the next two quarters – space that the offshore industry does not require.

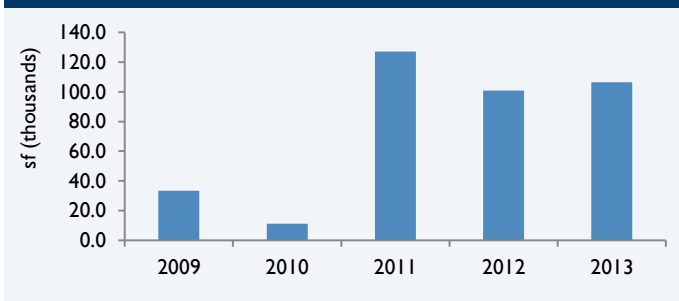
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	5.9%	4.9%	-1.0pp	◀▶
Gross Asking Rents (psf/yr)	\$ 11.29	\$12.51	10.8%	▲
YTD New Supply (sf)	14,400	106,500	92,100 sf	▲

### 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	7.1%	0	106,500	106,500	112,788	112,788	\$11.43	\$3.10	\$14.53
St. John's - West	147,345	18.3%	0	0	0	5,000	5,000	\$8.16	\$3.03	\$11.19
St. John's - Central	170,951	8.6%	0	0	0	-3,500	-3,500	\$10.12	\$2.65	\$12.77
St. John's - North	708,744	5.1%	10,000	0	0	0	0	\$9.98	\$2.64	\$12.62
Mt. Pearl/Paradise	1,948,315	3.3%	66,000	0	0	37,723	37,723	\$9.17	\$2.47	\$11.64
<b>TOTALS</b>	<b>3,175,225</b>	<b>4.9%</b>	<b>76,000</b>	<b>106,500</b>	<b>106,500</b>	<b>152,011</b>	<b>152,011</b>	<b>\$9.82</b>	<b>\$2.68</b>	<b>\$12.51</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
465 East White Hills Road	East	Staples	Warehouse	42,000
465 East White Hills Road	East	British Confectionary Co.	Warehouse	37,000

Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
61 James Lane	West	Solo Investments Ltd.	\$ 1,500,000 / \$29	51,300

Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
465 East White Hills Road	East	Staples , British Confectionary	Q1 2013	106,500

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
44-46 Dundee Avenue	Mt. Pearl/Paradise	FMC Technologies	Q2 2013	36,000
1257 Kenmount Road	Mt. Pearl/Paradise	TBA	Q3 2013	20,000
Kenmount Road	Mt. Pearl/Paradise	Niqitaq Fisheries Ltd.	Q3 2013	10,000
14 Austin Street	St. John's North	TBA	Q2 2013	10,000