

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

The Newfoundland and Labrador Oil and Gas Industries Association (NOIA) held their annual conference in St. John's June 17 – 20, 2013 while the Atlantic Canada Petroleum Show was held June 19 – 20, 2013. Both participants and exhibitors emphasized the importance of the offshore oil industry to the provincial economy. Updates from oil companies including Husky, Suncor, and Exxon spoke to continued and increased production from existing wells and Hebron. Statoil continues deep water offshore exploration here as a sort of "training ground" for anticipated arctic exploration.

Statoil announced their discovery of light, high quality oil in the Flemish Pass basin – some 10 kms from where they discovered oil at Mizzen in 2009. The new basin is in the deeper water Flemish Pass – presenting the possibility that Statoil will become a producing operator in Newfoundland and Labrador.

Nalcor also provided an update on their continued progress at Muskrat Falls.

Overall, the results seem positive but raise the issue of the necessity of economic diversification for the province – and the city – given that oil activity accounts for about 40% of nominal GDP for St. John's. (Source: City of St. John's)

OUT AND ABOUT

FMC Technologies left 475 Water Street for their new facility at 44 – 46 Dundee Avenue in Donovan's Industrial Park – adjacent to the Sea Force Dive facility. In turn, Sea Force opened their private hyperbaric facility at the 475 Water Street location. The hyperbaric facility received federal and provincial government support, as well as private investment, and will service local and international offshore diving companies and offshore operators.

Kraft vacated their premises at 14 Austin Street, leaving the original 20,000-sf structure plus the newly constructed 10,000-sf addition available for lease.

THE NUMBERS

Average net rental rates are at \$10.02 per square foot (psf), up 2.0 percentage points from last quarter. Absorption was steady – although continued new supply is gradually moving vacancy rates upwards – with the overall vacancy rate currently at 5.5% - up 0.6 percentage points from last quarter.

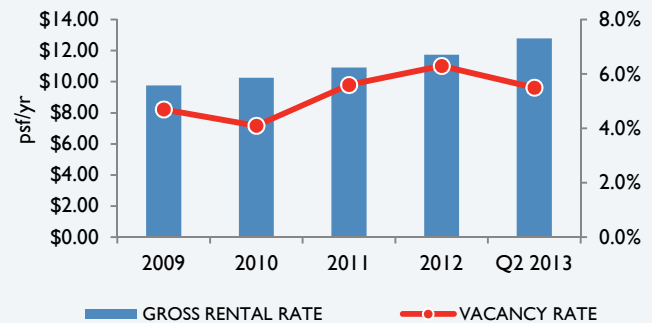
OUTLOOK

Eighty-seven acres of industrial land is coming onto the market and will be known as Glencrest – part of the new development spearheaded by former premier Danny Williams. The development is located in St. John's and is adjacent to Mount Pearl. It will be interesting to watch the affect on take up of development of the existing industrial areas in Paradise.

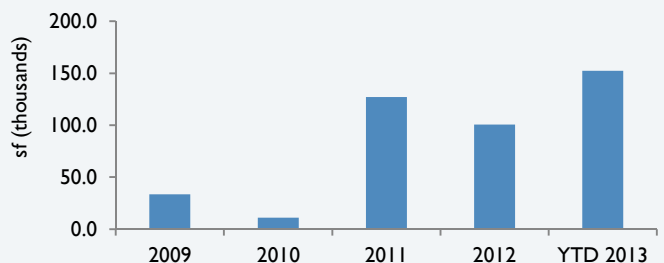
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.9 %	5.5%	0.6pp	▲
Gross Asking Rents (psf/yr)	\$ 11.56	\$12.79	10.6%	▲
YTD New Supply (sf)	45,356	152,500	107,144 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	8.1%	0	0	106,500	(2,000)	110,788	\$11.43	\$3.10	\$14.53
St. John's - West	147,345	18.3%	0	0	0	0	5,000	\$8.16	\$3.03	\$11.19
St. John's - Central	170,951	6.5%	0	0	0	3,650	150	\$11.38	\$3.45	\$14.83
St. John's - North	718,744	10.1%	0	10,000	10,000	(26,450)	(26,450)	\$10.42	\$2.84	\$13.26
Mt. Pearl/Paradise	1,984,315	2.5%	30,000	36,000	36,000	50,916	88,639	\$9.21	\$2.48	\$11.69
TOTALS	3,221,225	5.5%	30,000	46,000	152,500	26,116	178,127	\$10.02	\$2.77	\$12.79

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
44 – 46 Dundee Avenue, Mount Pearl	Mount Pearl/Paradise	FMC Technologies	Industrial	36,000
475 Water Street	Central	Seaforce Hyperbaric	Industrial	10,000
Significant Q2 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Significant Q2 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
44 – 46 Dundee Avenue	Mount Pearl/Paradise	FMC Technologies	Q2 2013	36,000
14 Austin Street - Addition	St. John's – North	TBA	Q2 2013	10,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
1257 Kenmount Road	Mt. Pearl/Paradise	TBA	Q3 2013	20,000
1209 Kenmount Road	Mt. Pearl/Paradise	Niqitaq Fisheries Ltd.	Q3 2013	10,000