

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q2 2014



ECONOMIC OVERVIEW

Real GDP is expected to grow by 1.4% in 2014 in the St. John's Census Metropolitan Area (CMA) to \$14.8 billion. Employment within the CMA is forecasted to increase 1.6%, driven by activity at the Hebron, Hibernia and the Muskrat Falls developments. This will offset the declines resulting from the completion of construction at Vale's nickel processing plant in Long Harbour.

The Newfoundland and Labrador Offshore Industries Association (NOIA) held its annual conference in St. John's in June. The offshore petroleum industry contributes 33% of the provincial GDP, with oil production value of over \$8 billion. Newfoundland and Labrador is developing into one of the world's most important research and development centres for deep water and harsh environment drilling and production as we consider the exploration of the Orphan Basin with depths to 3,000 metres.

OUT AND ABOUT

Like Schlumberger with their expansion on Panther Place, the Weatherford Group underlined their commitment to this market with their new facility underway on Bremigan's Blvd. The new building will consolidate all of the St. John's area operations with approximately 17,000 square feet (sf) of office space and almost 37,000 sf of warehouse space on a 10.89-acre site. The main building will have an eave height of 30 feet and will contain five 5-ton jib cranes and four overhead bridge cranes. There will also be a 6,000-sf testing facility which will have a 40-foot eave height, and will house three jib cranes and one overhead bridge crane.

Source Atlantic and Petroservice relocated to Beclin Business Park, taking space in the newly completed 38 Beclin Road.

McFadden's leased almost 12,000 sf of space at 14 Austin Street in O'Leary Industrial Park.

THE NUMBERS

Vacancy dropped half of a percentage point during the second quarter, to 9.5%. The absorption of large vacancies at 61 James Lane, 82 O'Leary Avenue and 14 Austin Street was welcomed as these spaces had been available for some time. However, overall absorption in the market was still moderate at 33,000 sf, as these availabilities were replaced by other large vacancies at 9 Glencoe Drive, and 117 Clyde Avenue.

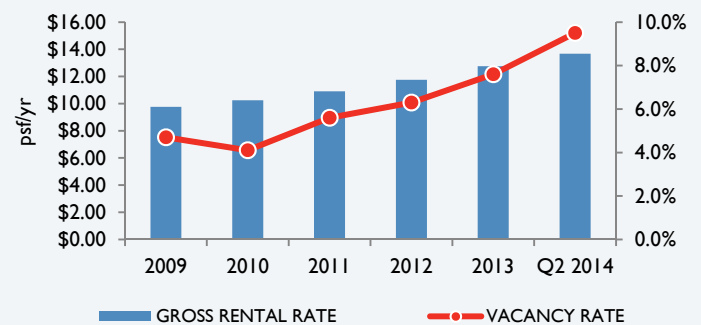
OUTLOOK

It is anticipated that there will be a continued take up of space by local entrepreneurs investing in the new opportunities resulting from consumer demand. The market is not limited to offshore oil and the supply and service thereof.

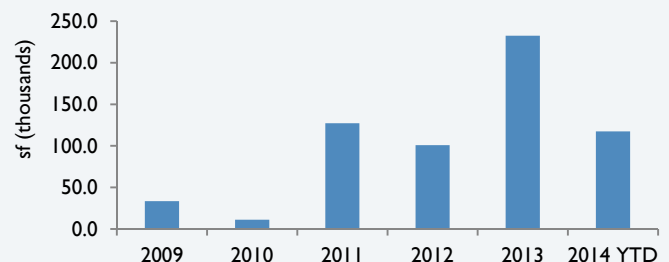
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	5.5%	9.5%	4.0 pp	↕
Gross Asking Rents (psf/yr)	\$12.79	\$13.67	6.9%	↕
YTD New Supply (sf)	152,500	117,398	-35,102 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	2.1%	0	0	0	0	9,984	\$11.91	\$3.35	\$15.26
St. John's – West	147,345	11.5%	0	0	0	20,000	10,000	\$8.83	\$2.57	\$11.40
St. John's - Central	170,951	3.9%	0	0	0	850	4,350	\$12.41	\$6.21	\$18.62
St. John's – North	739,644	10.9%	0	18,900	18,900	23,849	26,974	\$10.83	\$3.14	\$13.97
Mt. Pearl/Paradise	2,171,513	9.9%	59,000	0	98,498	(11,907)	(6,556)	\$10.16	\$2.75	\$12.91
TOTALS	3,429,323	9.5%	59,000	18,900	117,398	32,792	44,752	\$10.52	\$3.16	\$13.67

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
14 Austin Street	St. John's North	McFadden's	Warehouse	12,000
38 Beclin Road	Mount Pearl/Paradise	Source Atlantic	Warehouse	11,354
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRELEASED
80 Mews Place	St. Johns' North	TBA	Q2 2014	18,900/ 0 %
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRE-LEASED
Bremigan's Blvd.	Mount Pearl/Paradise	Weatherford /Owner Occupier	Q2 2014	69,000/100 %
Corey King Project	Mount Pearl/Paradise	TBA	Various	7,800/80%