

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q2 2015



ECONOMIC OVERVIEW

The budget for 2015 will see a \$200-million investment from the province, of which approximately \$44.4 million will support start-up businesses, emerging growth sectors, and regional development activities. Of course, the

larger news was the anticipated deficit of almost \$1 billion.

The oil price slump has had a significant effect on Newfoundland and Labrador's economy. Husky Energy announced that new wells in the South White Rose are expected to be brought online and begin production. Net peak production from the South White Rose extension is expected to be 15,000 barrels per day. This project began two years ago with anticipated costs of \$1 billion. (Source: CBC)

Newfoundland and Labrador's next provincial election is set for November 30th, 2015, and will closely follow the federal election. This series of events will lead to a "wait and see" environment in the business community, as economic policy development slows leading up to the election.

OUT AND ABOUT

This was another quarter wherein the Beclin Business Park was the major player. The building at 27 Beclin Road was completed, and Cardinal Health moved in, taking over 20,000 square feet (sf), while vacating 16,400 sf in their former location at 19 Clyde Avenue in Donovan's. 35 Beclin Road was also completed, with anchor Falck Safety Services expanding into Newfoundland and Labrador, offering safety and survival training in their 17,000-sf facility.

FI Oilfield Services completed their impressive premises on Bremigan's Boulevard in Paradise. The Weatherford facility is nearing completion, with the 69,000-sf facility dwarfing most other buildings in the Park.

THE NUMBERS

The absorption on the new Beclin buildings was significantly offset by the increase in vacancies throughout the city. The overall vacancy rate has increased 1.3 percentage points since last quarter, ending the second quarter at 11.2%. These new buildings also contributed to an increase in the average net rents, which are up slightly since last quarter, and currently average \$10.79 per square foot.

OUTLOOK

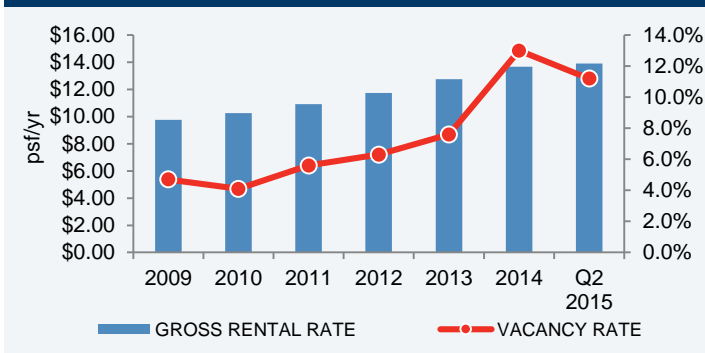
Vacancy will continue to remain relatively stable in the short term, with the absorption of the new space being countered by the

continual vacating of large (for this market) spaces in older warehouses. By the end of the third quarter, landlords may contemplate demising these larger areas to achieve tenancies.

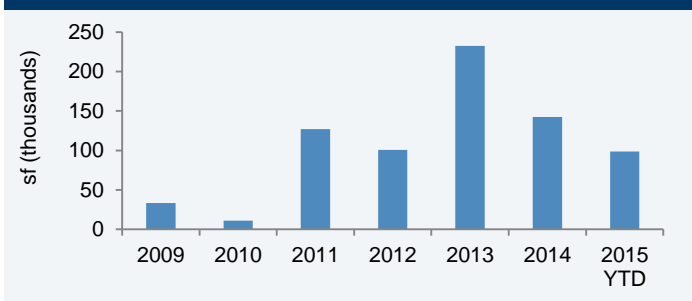
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.5%	11.2%	1.7 pp	▲
Gross Asking Rents (psf/yr)	\$13.67	\$13.92	1.8%	◄
YTD New Supply (sf)	117,398	98,692	-18,706 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. ADD'L RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
St. John's – East	199,870	2.0%	0	0	0	(3,964)	36	\$11.77	\$3.35	\$15.12
St. John's – West	147,345	9.4%	0	0	0	0	17,009	\$9.43	\$2.57	\$12.00
St. John's – Central	170,951	16.3%	0	0	0	(21,300)	(24,300)	\$12.42	\$6.21	\$18.63
St. John's – North	752,724	12.2%	0	0	0	(10,555)	2,345	\$11.16	\$3.33	\$14.49
Mt. Pearl/Paradise	2,304,285	11.4%	101,800	98,692	98,692	78,750	153,248	\$10.55	\$2.84	\$13.40
TOTALS	3,575,175	11.2%	101,800	98,692	98,692	42,931	148,338	\$10.79	\$3.12	\$13.92

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS

	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
27 Beclin Road	Mount Pearl/Paradise	Cardinal Health	Warehouse	20,475
35 Beclin Road	Mount Pearl/Paradise	Falck Safety Systems	Warehouse	17,100

SIGNIFICANT Q2 2015 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
126 Glencoe Drive (Lot Size 5.56 A)	Mount Pearl/Paradise	Spinnaker Hldgs	\$ 6,350,000/\$ 128.93	49,250

SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRELEASED
27 Beclin Road	Mount Pearl/Paradise	Cardinal Health	Q2 2015	52,500 / 39%
35 Beclin Road	Mount Pearl/Paradise	Falck Safety/CAE	Q2 2015	46,200 / 62%

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRE-LEASED
Bremigan's Blvd.	Mount Pearl/Paradise	Weatherford	Q3 2015	69,000 / 100 %
Corey King Project	Mount Pearl/Paradise	TBA	Q3 2015	7,800 / 80%
Import Tools	Mount Pearl/Paradise	Owner Occupied	Q3 2015	25,000