

MARKETBEAT

Halifax, Nova Scotia

Industrial Q4 2017



HALIFAX INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Halifax Employment	225K	225K	▼
Halifax Unemployment	5.9%	6.9%	▼
Canada Unemployment	6.8%	5.7%	■

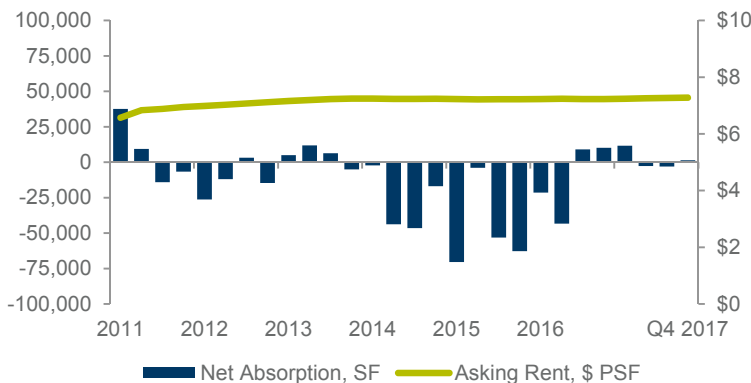
Market Indicators (Overall, All Product Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	12.9%	12.8%	▼
Net Absorption (sf)	50,856	68,400	▲
Under Construction (sf)	0	0	▼
Average Asking Rent*	\$7.24	\$7.28	▲

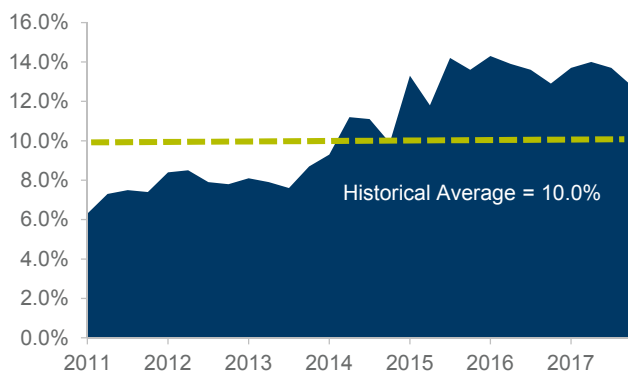
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Nova Scotia's economy had a commendable 2017; however, according to RBC Economics, there are potential dark clouds ahead. After GDP growth of approximately 0.8% in 2017, RBC is forecasting growth to slip to 0.6% in 2018 and decline again to 0.4% in 2019. The major reasons behind these projected growth declines are the winding down of major investment and construction projects, weak demographics, and an aging population. Of note, Halifax's outlook is just as grim as the overall provincial outlook.

Market Overview

Nova Scotia's industrial market saw a slight decline in the overall vacancy rate in the fourth quarter, declining by 90 basis points to reach 12.8%. Burnside posted an overall vacancy rate of 12.2%, a decrease from the 13.1% vacancy rate posted in the third quarter. Transactions that contributed Burnside's vacancy decrease were 50 Topple Drive where Armour Transport leased roughly 52,000 square feet (sf) and 7 Mellor Avenue, where Code & Mortar occupied a sublease of 7,000 sf. Another contributing factor to the vacancy decline in Burnside was Medline Industries Inc. expanding by roughly 20,000 sf at 65 John Savage Avenue.

In the Bedford submarket, there was also a decline in the vacancy rate, falling from 8.9% to 7.3% in the fourth quarter. Numerous small transactions contributed to the vacancy decline. The Halifax submarket also experienced some movement in the fourth quarter with notable activity taking place at 3660 Strawberry Hill. With Nimbus Publishing occupying significant space on the Hill, the submarket had a slight vacancy decrease to 10.6%. The Bayer's Lake submarket decreased by 450 basis points in the fourth quarter to 43.1% with a number of tenants leasing space at 102-110 Chain Lake Drive (Vantage Point). Meanwhile, Atlantic Acres, Ragged Lake Business Park and Sackville submarkets all showed little to no change from the third quarter of 2017.

Outlook

According to TD Economics, residential construction and consumer spending contributed to the strong momentum in Nova Scotia in 2017. Looking to 2018 its being predicted that household spending will decline as both job growth and new home construction start to slow down. Offshore natural gas is expected to wind down over the next two years, which will also likely act as a drag on growth. One area that should see growth is international exports, as Nova Scotia should benefit from continuing strong U.S. demand, rising Chinese demand, and a newly implemented trade deal with Europe.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG. NET RENT*	DIRECT WEIGHTED AVG. ADD. RENT	DIRECT WEIGHTED AVG. GROSS RENT
Atlantic Acres Industrial Park	5	203,014	13,697	6.7%	0	24,766	0	0	\$6.25	\$3.68	\$9.94
Bayers Lake	5	249,739	107,697	43.1%	11,181	-50,603	0	0	\$7.82	\$4.77	\$12.59
Bedford	5	94,819	6,881	7.3%	1,557	5,239	0	0	\$9.87	\$6.75	\$16.63
Burnside	121	6,499,831	793,519	12.2%	55,382	42,074	0	0	\$7.18	\$4.99	\$12.18
Halifax	13	585,336	62,227	10.6%	280	-18,563	0	0	\$8.06	\$5.43	\$13.50
Ragged Lake Business Park	1	36,000	0	0.0%	0	0	0	0	\$7.50	\$4.88	\$12.38
Sackville	2	27,300	0	0.0%	0	2,500	0	0	\$7.35	\$4.68	\$12.03
HALIFAX TOTALS	152	7,696,039	984,003	12.8%	68,400	5,413	0	0	\$7.28	\$5.01	\$12.29

*Rental rates reflect asking \$psf/year

Key Sale Transactions Q4 2017

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
19 Akerley Boulevard	Undisclosed	MCK Kitchens	Undisclosed	Burnside

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