

MARKETBEAT INDUSTRIAL SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Alliance Research Publication



Q2 2014



ECONOMIC OVERVIEW

The Conference Board of Canada is reporting that Natural Gas production from offshore production in June reached its highest monthly production level in over six years. Output from Deep Panuke outperformed the Sable offshore energy project for the seventh consecutive month. This strong performance comes from running at 85% of design capacity over the winter to keep up with renewed demand strength from New England (allns.com). RBC Economics is forecasting real GDP growth to accelerate to 2.2%, led by output at Deep Panuke. According to Statistics Canada, manufacturing sales were down in May, falling to \$625 million, a 34% drop from the same month in 2013. This may be due, at least in part, to the shutdown of the Imperial Oil refinery in September. Aerospace, rubber, plastics and seafood are up year-to-date, with sawmills and wood preservation plants on the sharp decline. The boost in the province's exports is expected to be mitigated by the recent fall in the province's workforce participation rate. Nova Scotia had the largest reduction in the labour force in Canada, down 1.8% year-to-date in April (APEC). The underperforming labour market is impeding any income gains taking place, as well as detracting from any boosts in consumer spending (TD).

INDUSTRIAL MARKET OVERVIEW

The industrial market in Nova Scotia saw a significant increase in vacancy, rising 1.9 percentage points from the previous quarter, to 11.2% overall. The bulk of this increase occurred in Burnside Business Park, where vacancy increased to 11.1%, from 9.0% last quarter, and over 135,000 sf of negative absorption occurred. A significant portion of this was due to Armour Transport downsizing and vacating 50,000 square feet (sf) at Dream Unlimited's 71 Thornhill Drive. Additionally, Sleeman's Brewery space on Windmill Road introduced 30,000 sf back into the Burnside market. Bayers Lake also saw a significant jump in vacancy rate, to 23.0%, from 16.6% last quarter. This is due to increased vacancy at 115 Chain Lake Drive. Dream Unlimited's 131 Thornhill Drive and Eastport Properties' 41 Mount Hope Avenue were also added to the survey. Ragged Lake, Bedford & Sackville markets had relatively small changes due to smaller sample sizes.

OUTLOOK

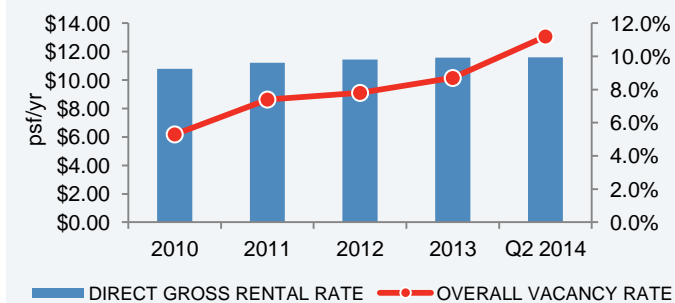
In its 2014 Nova Scotia Major Projects Inventory, APEC identified 183 rolling projects totalling \$55 billion, with \$3.4 billion to be spent in 2014 (RBC). Projects related to manufacturing led potential

investment in the province, including the Halifax Shipbuilding project, the \$8.3-billion Pieridae LNG export facility, and the H-Energy LNG export project (APEC). Spending on major projects is expected to increase by approximately 11% in 2015 as spending begins on the Maritime Link project, with an estimated \$335 million to be spent on the 180-kilometre link in 2014 (RBC). Spending in Halifax will include the MacDonald Bridge renovation, the ongoing construction of the recently approved \$500-million Nova Centre, continued preparatory work at the Halifax Shipyard, and the commencement of building the Arctic Offshore Patrol Vessels (APEC).

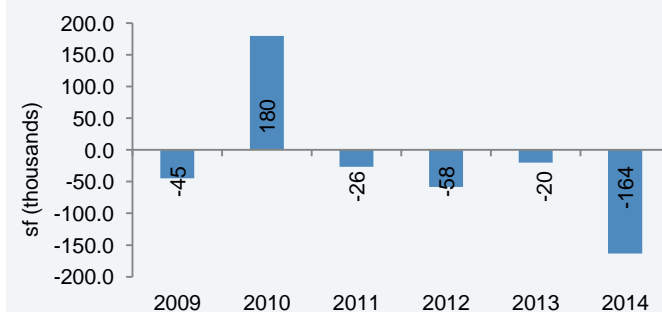
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.9%	11.2%	3.3 pp	▲
Direct Net Asking Rents (psf/yr)	\$7.26	\$7.22	-0.6%	▲
YTD Absorption (sf)	(8,761)	(163,576)	-154,815 sf	▼

DIRECT RENTAL VS. VACANCY RATES



ABSORPTION



NOVA SCOTIA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET ASKING RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Ragged Lake	36,000	14.9%	14.9%	0	0	0	0	\$7.50	\$10.79
Atlantic Acres	203,014	7.8%	7.8%	0	0	9,000	12,875	\$7.13	\$10.20
Sackville	27,300	9.2%	9.2%	0	0	0	(2,500)	\$7.35	\$12.03
Bedford	94,819	6.4%	6.4%	0	0	0	(1,559)	\$11.35	\$15.78
Halifax	585,336	9.2%	8.5%	0	0	(3,600)	(27,949)	\$7.76	\$12.94
Bayers Lake	249,739	23.0%	20.0%	0	0	(15,955)	(12,287)	\$10.62	\$14.94
Burnside	6,347,150	11.1%	10.2%	0	32,000	(135,733)	(132,156)	\$6.97	\$11.32
TOTALS	7,543,358	11.2%	10.3%	0	32,000	(146,288)	(163,576)	\$7.22	\$11.60

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
1000 Windmill Road	Burnside Business Park	MDA Systems Limited	Industrial	14,208
161 Lively Road	Sackville	Canadian Preventative Maintenance	Industrial	-
49 Pettipas Drive	Burnside Business Park	CR Lewis Transport Services	Industrial	-
SIGNIFICANT Q2 2014 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
310 Bluewater Road	Atlantic Acres	Tracey's Landscaping Ltd	Confidential	2.83 Acres
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS				
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
N/A				