

MARKETBEAT INDUSTRIAL SNAPSHOT

HALIFAX, NOVA SCOTIA

A Cushman & Wakefield Atlantic Research Publication



ECONOMIC OVERVIEW

RBC Economics is forecasting real GDP growth at around 2.2% with energy exports continuing to bolster Nova Scotia's economy. The strength in energy exports is accompanied by rising nominal merchandise exports

including seafood, automotive tires, and more recently, industrial grade wood pellets, said to be one of the fastest growing sources of renewable energy by Middle Musquodoboit's Scotia Atlantic Biomass Ltd. Natural gas exports surged early in the year. However, output was notably lower month-over-month in August, down 22% at Deep Panuke and 36% for the Sable Offshore facility. In addition to the decrease in production, Sable began a four-week shut down in August for maintenance and inspections according to the Canada-Nova Scotia Offshore Petroleum Board. Despite the rise in exports, domestic indicators remain weak in the province with unemployment at 5.8% (BMO). Other challenges include a weak housing market, demographic challenges resulting from outmigration, an aging population, and ongoing fiscal restraint. Employment is expected to rise in 2015 due to increased capital project hiring in manufacturing, construction, and professional services that should boost consumer confidence, and build momentum in retail spending and the real estate market.

FORMER 50,000 SF ARMOUR TRANSPORT SPACE LEASED

The Halifax industrial market has held fairly stable over the quarter, with the overall vacancy rate dropping only one-tenth of a percentage point, to 11.1%. Bayers Lake Business Parks' vacancy rate dropped from 23% to 19.9% due to 7,000 square feet (sf) being subleased at 115 Chain Lake Drive. Burnside remained unchanged at 11.1% vacancy but will see a large move in Q4 with the fixturing period starting November 1st for an undisclosed tenant moving into 50,000 square feet (the former Armour Transport warehouse space) at Dream Industrial REIT's 71 Thornhill Drive. The Bedford market, because of its small sample size, was hugely impacted by R. Nicholls Distributors closing down their 15,000 sf of space on Rocky Lake Drive, causing vacancy to spike to 26.5%. Halifax posted a rate of 7.2% with San Remo Lighting taking 10,000 square feet in a portion of the old Liquidation World space at 3667 Strawberry Hill. The Sackville market remained stagnant at 9.2% overall. Wartsila Canada purchased and completed a brand new owner occupied 17,300-sf facility (not included in our survey) on Cutler Avenue this quarter, nearly doubling their footprint in their former location on Akerley Boulevard. The company's expansion speaks to a local trend by international firms ramping up local operations for Irving's 2015 \$25-billion shipbuilding contract.

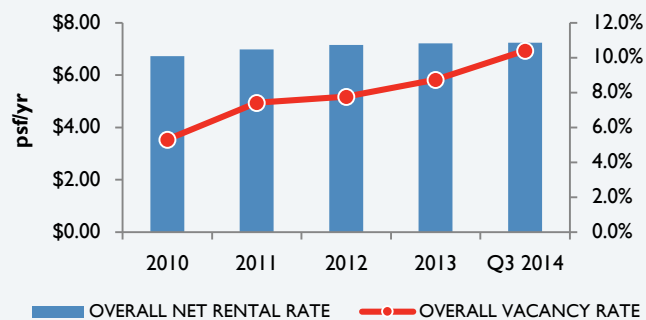
OUTLOOK

Projects related to manufacturing continue to lead investment in the province, including construction activity at the Halifax Shipyard, Nova Centre, the Maritime Link project, Kings Wharf, and many other multi-family projects in Halifax. Potential future investment includes a further \$2 billion by Shell & BP on exploration, the \$8.3-billion Pieridae LNG export facility, and the H-Energy LNG export project (APEC). Fiscal restraint remains a major issue on both the federal and provincial levels with the Province continuing to battle a near \$300-million deficit (BMO).

STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.6%	11.1%	3.5 pp	▼
Direct Asking Rents (psf/yr)	\$7.24	\$7.24	0%	◄►
YTD Absorption (sf)	13,572	(152,169)	(165,741)	▲

OVERALL RENTAL VS. VACANCY RATES



NEW SUPPLY



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	0.0%	0.0%	0	0	5,350	5,350	\$7.50	\$10.79
Atlantic Acres	203,014	3.4%	3.4%	0	0	9,000	21,875	\$7.98	\$11.18
Sackville	27,300	9.2%	9.2%	0	0	0	(2,500)	\$7.35	\$12.03
Bedford	94,819	26.5%	26.5%	0	0	(19,112)	(20,671)	\$11.35	\$15.78
Halifax	585,336	7.2%	6.5%	0	0	11,650	(16,299)	\$7.63	\$12.82
Bayers Lake	249,739	19.9%	19.9%	0	0	7,725	(4,562)	\$10.10	\$14.47
Burnside	6,347,150	11.1%	10.4%	0	32,000	(3,206)	(135,362)	\$7.01	\$11.36
TOTALS	7,543,358	11.1%	10.4%	0	32,000	11,407	(152,169)	\$7.24	\$11.63

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
71 Thornhill Drive (Fixturing begins Nov 1, Move in Dec 31 – Statistics will reflect this next quarter)	Burnside	Confidential (Formerly Armour Transport)	Industrial	50,000
20-24 Akerley Boulevard	Burnside	Undisclosed tenant moved out	Industrial	14,500
105 Akerley Boulevard	Burnside	Undisclosed tenant moved out	Industrial	14,144
121 Ilsley Avenue	Burnside	Undisclosed tenant moved out	Industrial	14,075
191 Joseph Zatzman Drive	Burnside	Confidential	Industrial	11,374
86 Troop Avenue	Burnside	Confidential	Industrial/Flex	10,046
3667 Strawberry Hill	Halifax Suburban	San Reno Lighting	Industrial	10,000
45-53 Fielding Avenue	Burnside	Confidential	Industrial	9,560
115 Chain Lake Drive	Bayers Lake	West Halifax Cheer	Industrial/Flex	7,000
40 Thornhill Drive	Burnside	Undisclosed tenant moved out	Industrial	5,917
31 Raddall Avenue	Burnside	Weir Canada	Industrial	Confidential
11 Morris Street	Burnside	Bluefin Marine Electrical Service	Industrial	Confidential
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				