

HALIFAX INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Halifax Employment	229K	238 K	▲
Halifax Unemployment	6.4%	4.9%	▼
Canada Unemployment	5.8%	5.8%	■

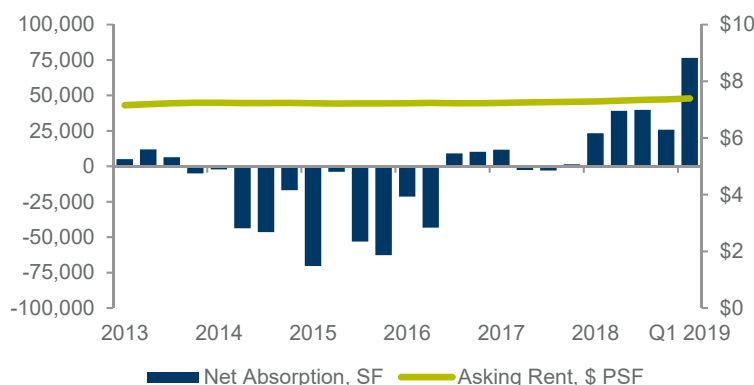
Market Indicators (Overall, All Product Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	12.4%	9.9%	▼
Net Absorption (sf)	27,327	230,477	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$7.31	\$7.44	▲

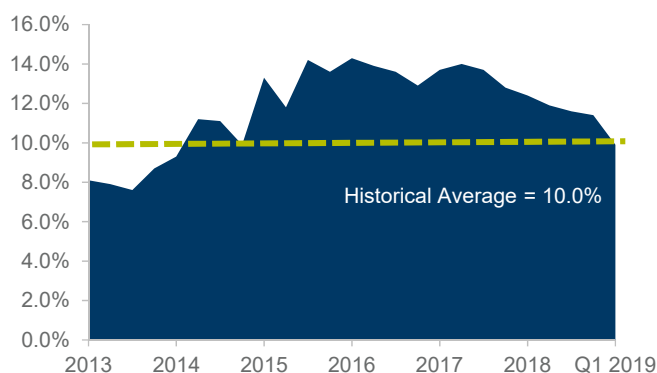
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Although Nova Scotia's economy is expected to remain slow in 2019 positive growth is still expected. In the first quarter of 2019, the province experienced a healthy job growth rate, supported by an increase of 3,400 additional eligible workers to the labour force pool and a high volume of job vacancies. These factors helped to push the provincial unemployment rate to a low of 6.4%. The net gain of full-time positions weakened to 0.2% while part-time positions surged by 8.3%. Home resale inventory remains low, housing prices are slightly higher but stable, and housing starts have grown by approximately 4.7%. Although there will be moderate capital spending in sectors such as natural resources, the fiscal boost will be in manufacturing and infrastructure. Nova Scotia remains a strong exporter on the international stage although growth in demand is slightly slowing.

(Sources: Statistics Canada, National Bank of Canada, CMHC)

Market Overview

Nova Scotia's industrial market saw a decline in vacancy in the first quarter of 2019, with overall vacancy falling 150 basis points from 11.4% last quarter to 9.9% in the current quarter. A significant driver of this decline was leasing activity in both the Halifax and Burnside submarkets. Halifax generated positive absorption of 9,160 square feet (sf) this quarter, lowering its vacancy rate to 4.2%. The Burnside submarket continued to attract tenants, such as 100 Wright Avenue with transactions in that building totaling 11,294 sf and is now 100% leased. This submarket saw a 200-basis point decline in vacancy from 11.4% last quarter to 9.4% in the first quarter of 2019. In addition, this submarket saw two new buildings arrive to the market this quarter totaling 123,000 sf. As the buildings were fully leased these completions contributed to strong positive absorption in the Burnside market this quarter of 236,000 sf. Moving to sales activity, Dream Industrial REIT, the Burnside submarket's largest industrial landlord, put its entire Burnside portfolio on the market. Dream's portfolio of 37 buildings comes with an asking price of \$500M. Overall industrial market net rents reached \$7.44 per square foot (psf) in the first quarter of 2019, a jump of \$0.08 from \$7.36 psf last quarter. Halifax net rents increased quarter-over-quarter by \$0.05 to reach \$7.71 psf. The Burnside submarket net rents reached \$7.32 psf, a \$0.03 cent climb from last quarter.

Bayers Lake, Bedford and Sackville submarkets experienced a loss in momentum in the first quarter. While Bayers Lake has seen a year-over-year decline in vacancy from 43.7% to 40.9%, negative absorption of close to 11,000 sf resulted in a slightly higher first quarter vacancy compared to last quarter's rate of 36.5%. A contributing factor to this negative absorption was the result of tenants vacating units 102, 106 and 110 at Chain Lake Drive. Negative absorption of 2,693 sf was observed in the Bedford submarket, as various tenants vacated the properties at 275 and 325 Rocky Lake Drive.

Outlook

The pace of population growth in Nova Scotia is brisk and is expected to remain constant throughout 2019. Economic activity is one step closer to getting a boost pending a decision of whether to proceed with building an \$8 billion LNG plant. Housing starts should remain strong throughout 2019 and the acceleration of resale values is expected to stabilize.

MARKETBEAT

Halifax, Nova Scotia

Industrial Q1 2019



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	0.0%	-13,697	-13,697	0	0	\$6.25	\$3.76	\$10.01
Bayers Lake	5	249,739	102,032	40.9%	-10,878	-10,878	0	0	\$8.47	\$7.07	\$15.54
Bedford	4	94,819	5,023	5.3%	-2,693	-2,693	0	0	\$13.74	\$6.75	\$20.49
Burnside	121	6,623,465	625,031	9.4%	236,585	236,585	0	123,634	\$7.32	\$5.04	\$12.37
Halifax	13	585,336	24,530	4.2%	9,160	9,160	0	0	\$7.71	\$5.04	\$13.01
Ragged Lake Business Park	1	36,000	0	0.0%	16,000	16,000	0	0	\$7.50	\$5.05	\$12.55
Sackville	2	27,300	4,000	14.7%	-4,000	-4,000	0	0	\$7.35	\$4.68	\$12.03
HALIFAX TOTALS	151	7,819,673	747,773	11.4%	230,477	230,477	0	123,634	\$7.44	\$5.11	\$12.56

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	SUBMARKET
110 Higney Avenue	10,000	Kitchen Door Catering	Burnside
210 Wright Avenue	24,000	Princess Auto	Burnside

Key Sale Transactions Q1 2019

PROPERTY	SF	BUYER	PRICE / \$PSF	SUBMARKET
N/A				

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