

MARKETBEAT INDUSTRIAL SNAPSHOT

NEW BRUNSWICK

A Cushman & Wakefield Alliance Research Publication

Q2 2014



ECONOMIC OVERVIEW

Although it was uncertain in the early stages of 2014, it is projected that improvement in New Brunswick's Industrial industry is still on the horizon. Currently, TD Economics is forecasting real GDP growth to advance to an average rate of 1.6%. Investment intentions for this quarter are also promising and capital expenditures are forecast to rise 2.1% following steep declines over the past two years. The expected expenditures for 2014 reflect the intentions for spending on machinery and equipment for the development of new projects.

INDUSTRIAL MARKET OVERVIEW

The overall vacancy rate for the province decreased slightly, ending the second quarter of 2014 at 13.2%, a 0.6-percentage point decrease over last quarter. The province's highest vacancy rate is in Saint John at 16.9%, although it has decreased by 5.6 percentage points year-over-year. Fredericton's overall vacancy increased 1.5 percentage points this quarter, to 16.2%, while Moncton's vacancy decreased from 12.7% to 12.4%. Moncton is still waiting for the anticipated City projects for 2014 which include the construction of a Cabela store, Princess Auto, and a 100,000-square foot (sf) distribution center for RTD-TriCanx Tire. Both net asking rents and additional rents remained virtually unchanged since last quarter in New Brunswick, and currently average \$6.25 per square foot (psf) and \$3.13 psf, respectively. Overall absorption for Q2 2014 totaled positive 328,897 sf across the province. The vast majority of this occurred in Moncton, where absorption was positive 318,152 sf, which was primarily caused by the completion of the fully-occupied 385,000-sf Kent Distribution Center in Caledonia Industrial Park. Additionally, 270 Baig Boulevard in Moncton filled 8,850 of sf when they gained Cube Automation and Power Battery as tenants. On the other hand, 275 McNaughton is now vacant after Sears Canada vacated on May 31st, and 140 McNaughton Avenue also lost a large tenant when Kraft Canada left at the end of their lease, leaving the building vacant.

OUTLOOK

New Brunswick has the promise to continue its growth with many new and expanding projects on the way. In the beginning of 2014, the forestry sector received a boost when it was announced that JD Irving Ltd. plans to invest some \$500 million in its mills over the next three years. They will begin Phase I (\$198 million) this quarter, with upgrades to the Saint John Pulp Mill. This year, The Atlantic Provinces Economic Council (APEC) has identified 92 projects totaling \$16.9 billion. Oil & Gas projects account for 30% of the inventory value.

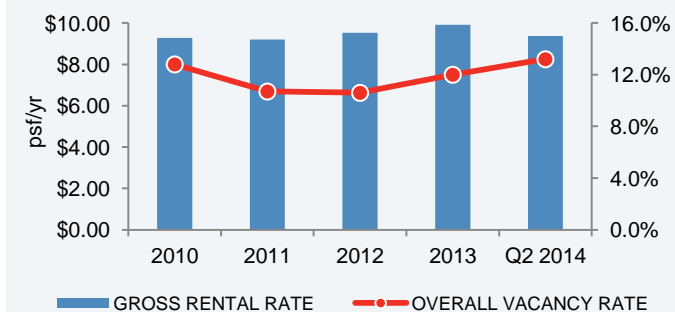
Atlantic Canada's exports to the US grew 11% in the first quarter of 2014, and look like they will continue to do so.

The East Energy Pipeline Project is still in development to ship from western Canada across the country and ending in Saint John. The project is set to begin in 2016 and so far has created 300 jobs over the development period. Oxford Frozen Foods is investing to construct a new processing facility and wild blueberry fields on the Acadian Peninsula, creating over 300 jobs. APEC states that various non-residential projects are slated for Dieppe, NB, including a multi-purpose facility and industrial buildings starting in late 2014.

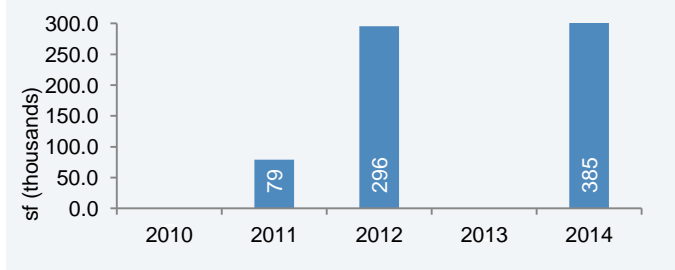
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.6%	13.2%	0.6 pp	▼
Direct Net Asking Rents (psf/yr)	\$6.42	\$6.25	-2.6%	▲
YTD Absorption (sf)	(41,874)	253,365	295,239 sf	▲

RENTAL VS. VACANCY RATES



NEW SUPPLY



NEW BRUNSWICK

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET ASKING RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Greater Moncton	444,978	12.0%	200,000	0	1,374	5,974	\$5.52	\$2.93	\$8.45
Moncton Industrial Park	2,054,394	12.7%	0	0	(26,116)	(105,238)	\$5.88	\$2.91	\$8.79
Dieppe Industrial Park	456,491	5.7%	0	0	(4,248)	(5,248)	\$7.07	\$3.45	\$10.52
Caledonia Industrial Park	856,702	27.8%	0	385,000	347,142	347,142	\$5.99	\$2.08	\$8.07
MONCTON	3,812,565	12.4%	200,000	385,000	318,152	242,630	\$6.01	\$2.87	\$8.88
Greater Fredericton	132,310	13.4%	0	0	(4,500)	(6,300)	\$7.50	\$3.63	\$11.13
Fredericton Industrial Park	331,615	17.3%	0	0	(2,405)	1,745	\$7.47	\$5.00	\$12.46
FREDERICTON	463,925	16.2%	0	0	(6,905)	(4,555)	\$7.48	\$4.61	\$12.08
SAINT JOHN	432,031	16.9%	0	0	17,650	15,290	\$6.86	\$3.55	\$10.41
TOTALS	4,705,521	13.2%	200,000	385,000	328,897	253,365	\$6.25	\$3.13	\$9.37

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING TYPE	SQUARE FEET
1070 St. George Street	Moncton	Armour Transport	Industrial	21,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
707 Malenfant Blvd	Dieppe	Edgeline Construction	Industrial	+/- 6,165
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Kent Building Distribution Center	Moncton	Kent Building Supplies	Q2 2014	385,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Cabela's Incorporated	Moncton	Cabela's	2015	50,000
RTD- TriCanx Tire	Moncton	RTD-TriCanx Tire	Q3 2014	150,000