MARKETBEAT

New Brunswick

Industrial Q2 2019

CUSHMAN & WAKEFIELD Atlantic

NEW BRUNSWICK INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
NB Employment	368K	357K	▼
NB Unemployment	8.4%	8.2%	▼
Canadian Unemployment	5.9%	5.4%	▬

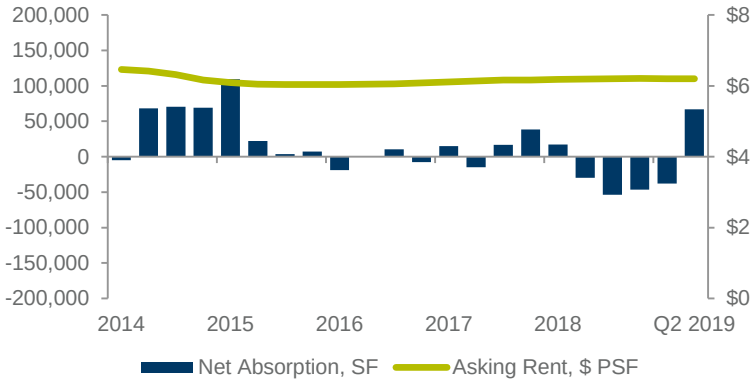
Market Indicators

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	20.2%	14.7%	▼
Net Absorption (sf)	-261,150	165,724	▲
Under Construction (sf)	0	0	▬
Overall Average Asking Rent*	$6.21	$6.20	▲

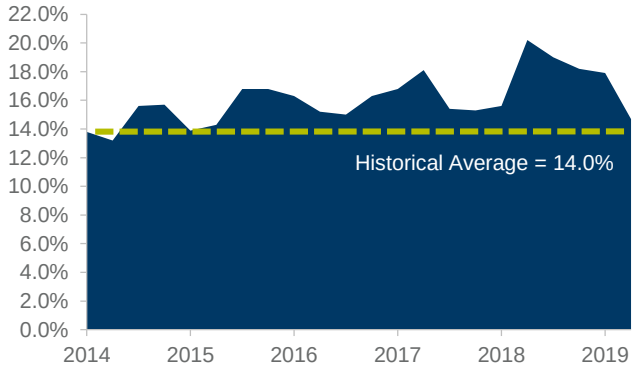
*Rental rates reflect net asking $psf/year

Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The standstill in the New Brunswick economy in 2018 transitioned to a sluggish start in 2019. Manufacturing sales and exports experienced a slowdown after the Irving Oil Refinery explosion and are now beginning to recover. Lumber exports to the United States fell by 18% since 2018. Despite these hurdles, job growth increased by 0.7% since the beginning of 2019 with the service sector leading the expansion. Housing starts are on the rise with a surge of apartment building construction in the province. Demand for single-family housing weakened with 20.1% fewer housing starts recorded this quarter compared to Q2 2018. Home sales are trending upwards and resale values have increased by 8.8% year-over-year.

(Source: Statistics Canada, TD Economics, CMHC, CREA)

Market Overview

New Brunswick's vacancy rate trended lower in the second quarter of 2019 as leasing activity pushed the vacancy rate down to 14.7% from 17.9% last quarter. Vacancy rates in Moncton and Fredericton declined, while the vacancy rate in Saint John remained stable. Moncton's vacancy rate fell to 15.3% in the second quarter of 2019, largely driven by robust leasing activity in the Moncton Industrial Park which helped generate positive absorption of 116,870 square feet (sf) in that submarket. Notable transactions this quarter included Scholastic Canada Limited moving into 26,534 sf at 222 Edinburgh Drive and Systemair leasing 14,400 sf at 145 English Drive. The Caledonia Industrial Park experienced a vacancy rate decline from 27.7% in the first quarter of 2019 to 25.1% in this quarter. The Dieppe Industrial Park saw a smaller decline in the quarter-over-quarter vacancy rate, falling from 4.1% to 3.5% in the second quarter of 2019. Vacancy in the Greater Moncton submarket remained unchanged at 5.8%. Fredericton's second quarter 2019 vacancy rate of 10.6% sits at its lowest level since 2016,down from 14.4% last quarter. Vacancy in Saint John remained unchanged at 13.3%.

Industrial net rents in New Brunswick saw a marginal increase from $6.19 per square foot (psf) last quarter to $6.20 psf in the second quarter of 2019. Net rents in the overall Moncton and Saint John areas remained unchanged from last quarter, while a net rent increase of $0.04 psf to $7.45 psf was observed in the Fredericton market. Compared to a year ago, Saint John and the Greater Moncton submarket have experienced the largest decline in rental rates. Average rates in Saint John fell $0.10 psf year-over-year to $7.08 psf, while Greater Moncton rents declined $0.28 psf to $5.88 psf over this same period.

Outlook

Demographic trends and long-term tightened government spending will result in slowed GDP growth in the future. As repairs to the Irving Oil Refinery progress, production of refined oil products will be restrained through 2019. Lumber exports are predicted to remain low and New Brunswick's lumber mills are expected to feel the economic impact.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	TOTAL VACANT SPACE (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT WEIGHTED AVG. NET RENT*	DIRECT WEIGHTED AVG. ADD RENT	DIRECT WEIGHTED AVG. GROSS RENT
Greater Moncton	9	469,978	27,399	5.8%	0	7,750	0	0	$5.88	$2.86	$8.74
Moncton Industrial Park	46	2,291,182	355,743	15.5%	116,870	123,622	0	0	$5.56	$3.18	$8.74
Dieppe Industrial Park	17	546,229	19,180	3.5%	3,070	2,357	0	0	$6.99	$3.46	$10.45
Caledonia Industrial Park	18	1,069,232	268,043	25.1%	28,244	42,219	0	0	$6.54	$2.33	$8.86
MONCTON TOTALS	90	4,376,621	670,365	15.3%	148,184	175,948	0	0	$5.95	$3.05	$9.01
Greater Fredericton	3	132,310	9,688	7.3%	3,000	0	0	0	$7.93	$3.91	$11.84
Fredericton Industrial Park	12	329,365	39,198	11.9%	14,540	13,033	0	0	$7.26	$5.01	$12.26
FREDERICTON TOTALS	15	461,675	48,886	10.6%	17,540	13,033	0	0	$7.45	$4.69	$12.14
SAINT JOHN TOTALS	12	453,031	60,190	13.3%	0	-3,180	0	0	$7.08	$3.81	$10.89
NEW BRUNSWICK TOTALS	117	5,291,327	779,441	14.7%	165,724	185,801	0	0	$6.20	$3.28	$9.48

*Rental rates reflect asking $psf/year

Key Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
80 Driscoll Crescent	12,809	Stor-it Systems Ltd.	Lease	Moncton
145 English Drive	14,400	Systemair Inc.	Lease	Moncton
222 Edinburgh Drive	26,534	Scholastic Canada Ltd.	Lease	Moncton
Northwood Road	7.8 acres	Undisclosed	Sale	Moncton

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