

NEW BRUNSWICK INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
NB Employment	350k	352k	▲
NB Unemployment	10.1%	9.4%	▼
Canadian Unemployment	7.0%	7.0%	▼

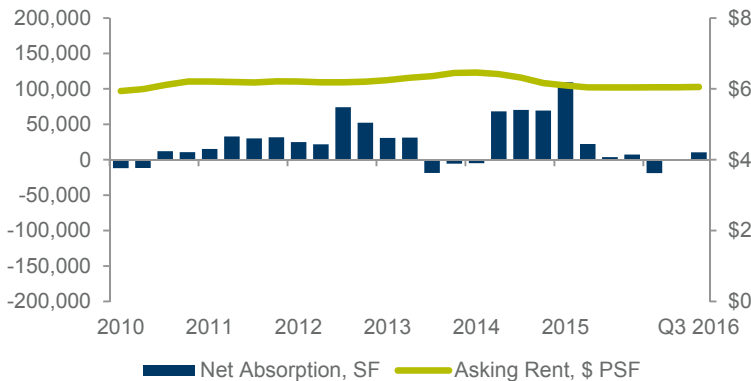
Market Indicators

	Q3 15	Q3 16	12-Month Forecast
Overall Vacancy	16.8%	15.0%	▼
Net Absorption (sf)	(33,636)	8,410	▲
Under Construction (sf)	114,000	0	▼
Overall Average Asking Rent*	\$6.03	\$6.06	▲

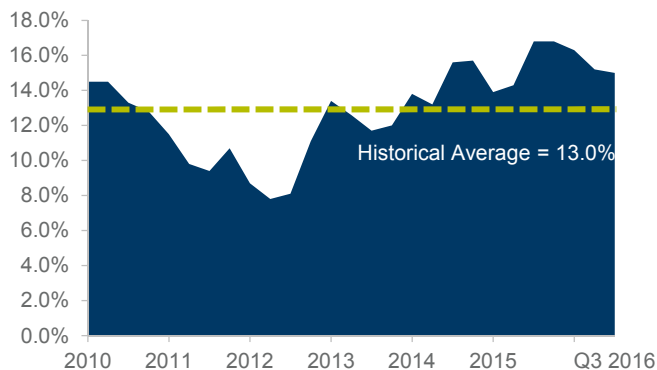
*Rental rates reflect net asking \$psf/year

Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

RBC Economics has reported that after briefly leading the Atlantic Provinces in GDP growth in 2015, indicators now suggest that New Brunswick's economy has stalled in 2016. While economic conditions remain supportive for exports, this year's data has disappointed, and the mining sector has been set back substantially by the shuttering of a major mine. Relief will not be forthcoming from the manufacturing or construction sectors unfortunately—both of which also show signs of sluggish growth in both output and employment. Economic growth is forecasted to be nil (0.0%) in New Brunswick in 2016, and while growth is expected to return in 2017, it should be a modest 0.5%. Overall, nominal merchandise exports have declined by 20% year-to-date in 2016 due principally to decreased exports of refined petroleum products. Moreover, the closure of the Picadilly potash mine is causing a decline in exports of mining products this year, and the ramp up of the Caribou zinc mine will provide only a partial offset. On a brighter note, exports of food products have grown strongly in value, and wood product exports have surged by 17% so far this year thanks to earlier boosts in production capacity, increasing lumber prices, the weak Canadian dollar, and a steady rise in U.S. housing starts.

Market Overview

Moncton, Fredericton and Saint John posted a combined positive absorption total of 8,410 square feet (sf) in Q3 2016 and saw a slight decrease of vacancy from last quarter to 15.0%. A notable move in Dieppe this quarter was Art FX leaving 47-49 Industrial Street which left 19,073 sf vacant. Fredericton remained relatively stable, with a small decrease in vacancy of 0.1 percentage points to 10.4% this quarter. Finally the Saint John area saw a decrease in vacancy of 1.3 percentage points from Q2 to 14.9%.

Outlook

New Brunswick is projecting a \$347 million deficit for the fiscal year (FY) 2016/17, or rather, a still-large 1.0% of GDP. That follows a FY 2015/16 shortfall of \$466 million (1.4% of GDP) - slightly wider than previously expected - and comes despite a host of tax increases. Both years maintain a \$100 million contingency reserve. Looking ahead, the province expects to balance the budget in FY 2020/21, whereas there was previously no firm timeline in place, while net debt will likely increase to 40% of GDP this coming fiscal year. In a nutshell, the province is leaning on tax hikes and some public-sector restraint measures to support spending growth in other areas, leading to a drawn out pace of deficit reduction (BMO Capital Markets).

MARKETBEAT

New Brunswick

Industrial Q3 2016


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Atlantic

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	8	444,978	11,700	2.6%	6,167	28,390	0	0	\$5.83	\$3.01	\$8.84
Moncton Industrial Park	44	2,228,158	434,144	19.5%	21,458	72,162	0	0	\$5.52	\$3.11	\$8.62
Dieppe Industrial Park	17	546,429	73,979	13.5%	(22,473)	(34,223)	0	0	\$6.96	\$3.40	\$10.36
Caledonia Industrial Park	15	955,232	126,128	13.2%	0	(12,600)	0	0	\$5.96	\$2.87	\$8.83
MONCTON TOTALS	84	4,174,797	645,951	15.5%	5,152	53,729	0	0	\$5.82	\$3.10	\$8.92
Greater Fredericton	3	132,310	7,950	6.0%	(4,500)	(3,000)	0	0	\$7.50	\$3.88	\$11.38
Fredericton Industrial Park	12	331,615	40,454	12.2%	4,578	(1,830)	0	0	\$7.07	\$5.03	\$12.10
FREDERICTON TOTALS	15	463,925	48,404	10.4%	78	(4,830)	0	0	\$7.19	\$4.70	\$11.89
SAINT JOHN TOTALS	13	427,031	63,670	14.9%	3,180	(5,620)	0	0	\$6.88	\$4.05	\$10.92
NEW BRUNSWICK TOTALS	112	5,065,753	758,025	15.0%	8,410	43,279	0	0	\$6.06	\$3.35	\$9.40

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
140 Commerce Street	65,600	Irving Oil Limited	Lease	Moncton
320 Granview Avenue	2,855	Vets Taxi 2011 Ltd.	Lease	Saint John
189 Collishaw Street	2,925	T&T Power Group Inc.	Lease	Moncton

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
671 Malenfant Boulevard	17,800 sf/2.51 acre lot	Undisclosed	Undisclosed	Dieppe

Cushman & Wakefield
32 Alma Street
Moncton, NB E1C 4Y1
www.cushmanwakefield.com

For more information, contact:
Meaghan MacDougall, Research
& Sales Coordinator
Tel: +1 902 334 2169
mmacdougall@cwatlantic.com

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