

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q1 2014



ECONOMIC OVERVIEW

The Public and Private Investment intentions survey released by Statistics Canada in February forecasts \$12.2 billion in expenditures anticipated over 2014 – down about 1% from 2013. The decline in construction spending is mainly responsible, especially at the nickel processing plant in Long Harbour. (Source: Statistics Canada)

Public sector investment is set to increase, mainly due to the continued investment in Nalcor's Muskrat Falls hydroelectric project – with about \$1.3 billion in planned spending for 2014. (Source: Department of Finance)

Retail sales were up about 4% in 2013, totaling approximately \$8.5 billion, while 2014 levels are estimated to increase 3.6%. (Source: Statistics Canada)

OUT AND ABOUT

Sales of industrial buildings were brisk this quarter, as both local and extra-provincial investors continued to invest in the bullish industrial sector.

Cluny Properties added to their portfolio, with the purchase of two neighbouring buildings on Clyde Avenue in Donovan's Business Park.

Also in Donovan's Business Park, local Chino Holdings purchased the two small buildings that had been purchased by Encanex in Q3 2012. Encanex will occupy 15 Kyle Ave.

Import Tools has leased 15,000 square feet (sf) at North Shore Roofing's new building at 89 Bremigan's Blvd. while they await the construction of their own new building in Bremigan's.

Two buildings were completed in Eastport's Beclin Business Park in Mount Pearl, and a third on Lintrose Place, altogether adding close to 100,000 sf of new inventory this quarter.

THE NUMBERS

Over the course of a year, overall vacancy in St. John's has doubled – reaching 9.9% at the end of Q1 2014, compared to 4.9% one year ago. The increase in owner occupied buildings, the rapid development of the Kenmount Road Extension and Bremigan's industrial areas, and the development of Beclin Industrial Park have created a perfect storm of conditions to double the vacancy rate. However, rents have still shown a slight increase as the new buildings are able to attract tenants willing to pay for the better facilities.

In spite of the rise in vacancy, tenants seeking mid-sized warehouse space at reasonable costs are having difficulty.

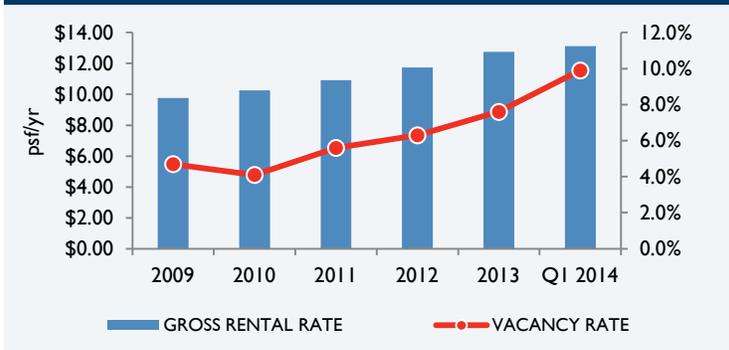
OUTLOOK

With almost a quarter million square feet of new inventory completed last year, and almost 100,000 square feet added in this quarter, it remains to be seen how much more speculative building will take place in the remainder of 2014.

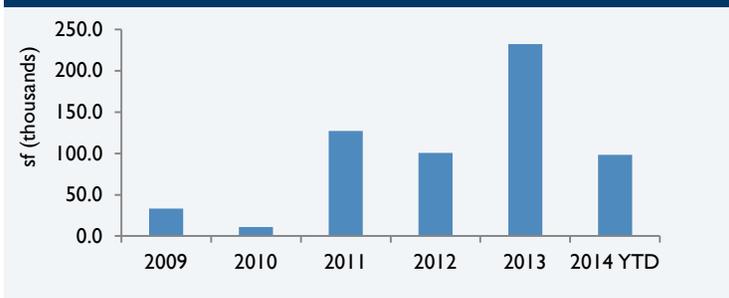
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	4.9%	9.9%	5.0pp	▲
Gross Asking Rents (psf/yr)	\$ 12.51	\$13.12	4.9%	◄
YTD New Supply (sf)	106,500	98,498	-8,002 sf	◄

DIRECT RENTAL VS. VACANCY RATES



NEW SUPPLY



ST. JOHN'S, NL

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	UNDER CONSTRUCTION	CURRENT QUARTER CONSTRUCTION COMPLETIONS	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
St. John's – East	199,870	2.1%	0	0	0	9,984	9,984	\$ 11.91	\$3.28	\$15.19
St. John's – West	147,345	25.1%	0	0	0	(10,000)	(10,000)	\$8.83	\$3.03	\$11.86
St. John's - Central	170,951	4.4%	0	0	0	3,500	3,500	\$10.75	\$3.45	\$14.20
St. John's – North	720,744	11.9%	0	0	0	3,125	3,125	\$10.41	\$3.12	\$13.53
Mt. Pearl/Paradise	2,181,513	9.3%	15,000	98,498	98,498	5,351	5,351	\$9.87	\$2.65	\$12.52
TOTALS	3,420,423	9.9%	15,000	98,498	98,498	11,960	11,960	\$10.15	\$2.96	\$13.12

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2014 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
89 Bremigan's Blvd.	Mount Pearl/Paradise	Import Tools	Warehouse	15,000
Significant Q1 2014 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
80 Clyde Avenue	Mount Pearl/Paradise	Chino Hldgs	\$ 942,940/ \$ 157	6,000
15 Kyle Avenue	Mount Pearl/Paradise	Chino Hldgs	\$ 1,107,060/\$ 205	4,000
47 Clyde Avenue	Mount Pearl/Paradise	Cluny Properties Corp.	\$ 2,887,715/\$ 131.25	22,000
45 Clyde Avenue	Mount Pearl/Paradise	Cluny Properties Corp.	\$ 1,443,857/\$ 121.33	11,900
36 Dundee Avenue	Mount Pearl/Paradise	St. Anne's Holdings	\$ 1,175,000/\$ 167	7,000
45 Pippy Place	St. John's North	Fantastic Realty Inc.	\$ 1,400,000/\$ 145.83	9,600
Significant Q1 2014 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
30 Beclin Road	Mt. Pearl/Paradise	TBA	Q1 2014	46,396
38 Beclin Road	Mt. Pearl/Paradise	TBA	Q1 2014	38,702
12 Lintrose Place	Mt. Pearl/Paradise	TBA	Q1 2014	13,400
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Bremigan's Blvd.	Mount Pearl/Paradise	Extreme East/Owner Occupier	Q2 2014	15,000