

MARKETBEAT INDUSTRIAL SNAPSHOT



ST. JOHN'S, NL

A Cushman & Wakefield Alliance Research Publication

Q4 2014



ECONOMIC OVERVIEW

The recent steep decline in oil prices has resulted in upward pressure on the projected provincial deficit – now forecast to be \$916.1 million. It has also led to a delay in development of the west White Rose project

by Suncor and Husky.

However, a call for bid on offshore oil exploration licenses in Newfoundland and Labrador resulted in a record \$596.7 million in oil exploration commitments for three areas: the Jeanne d'Arc basin – where the current producing wells are located, the Flemish Pass Basin – where Statoil is currently drilling, and the Carson Basin to the south. The Flemish Pass license was awarded to a partnership of ExxonMobil, Suncor Energy and ConocoPhillips for a \$559-million commitment, which is the highest bid for a single license in Canadian history, since the new land tenure system was instituted. The results were announced during December: apparently falling oil prices are not quelling the strong interest in deepwater and slope exploration. (Source: NOIA)

OUT AND ABOUT

The Canada Revenue Agency vacated their location at 117 Glencoe Drive in Donovan. The CRA downsized as some services were privatized and awarded an Ontario firm.

Belfor expanded by taking 6,000 square feet (sf) in the new Enviromed building in Paradise, while keeping their existing 155 McNamara Road location.

Extreme East Metals completed their building at 85 Bremigan's Boulevard. They have retained 5,000 sf, and have leased an additional 5,000 sf to Drilling Tools International.

THE NUMBERS

The overall vacancy rate continued to increase, reaching 13.0% this quarter. Large spaces of approximately 10,000 sf continue to be vacated in older buildings, including 49 James Lane and 84 Glencoe Drive.

Despite the rise in the vacancy rate, rental rates have remained stable from last quarter, and currently average \$10.50 per square foot (psf) net.

OUTLOOK

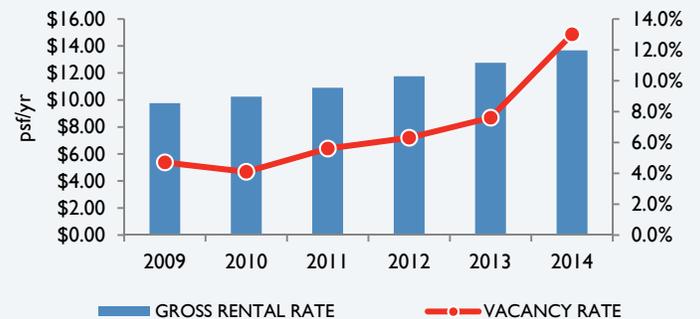
The uncertainty surrounding where and when oil prices will stabilize may adversely affect industrial development, but not in the near term.

This quarter saw continued land sales in industrial parks in St. John's and Paradise at prices of \$425,000-\$460,000 per acre. The Hebron project work continues regardless of oil prices, therefore the warehouse requirement awarded to Blue Water will proceed. The land for this project closed this quarter at just under \$3 million for 11 acres.

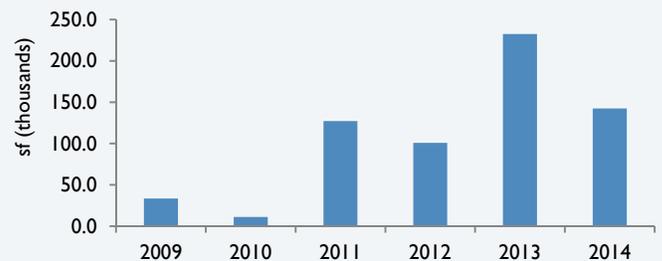
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.6%	13.0%	5.4 pp	▲
Gross Asking Rents (psf/yr)	\$12.75	\$13.67	7.2%	◄
YTD New Supply (sf)	232,500	142,398	(90,102)	▲

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	2.0%	0	0	0	2,000	10,212	\$11.91	\$3.35	\$15.26
St. John's – West	147,345	20.9%	0	0	0	(13,780)	(3,780)	\$9.43	\$2.57	\$12.00
St. John's - Central	170,951	2.0%	0	0	0	5,750	7,600	\$11.64	\$6.21	\$17.86
St. John's – North	752,724	12.5%	0	0	18,900	(2,999)	13,275	\$10.93	\$3.22	\$14.15
Mt. Pearl/Paradise	2,196,513	14.4%	76,800	15,000	123,498	(24,900)	(82,179)	\$10.12	\$2.75	\$12.87
TOTALS	3,467,403	13.0%	76,800	15,000	142,398	(33,929)	(54,872)	\$10.50	\$3.17	\$13.67

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
SIGNIFICANT Q4 2014 SALE TRANSACTIONS				
SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET	
20 Sagona Avenue	Mount Pearl/Paradise	CGI Development	\$1,870,000 / \$207.78	9,000
80 Mews Place	St. John's – North	NL Bldg & Construction Trades Realty	\$ 4,400,000/\$ 232.80	18,900
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS				
SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRELEASED	
85 Bremigan's Blvd.	Mount Pearl/Paradise	Extreme East/Drilling Tools Int'l	Q4 2014	15,000 / 67%
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET/% PRELEASED	
Bremigan's Blvd.	Mount Pearl/Paradise	Weatherford	Q2 2015	69,000 / 100 %
Corey King Project	Mount Pearl/Paradise	TBA	Various	7,800 / 80%