MARKETBEAT

St. John's, NL

Industrial Q2 2022

CUSHMAN & WAKEFIELD Atlantic

	YoY Chg	12-Mo. Forecast
5.5% Vacancy Rate	▼	▲
283,314 Net Absorption, SF	▲	▼
$12.01 Asking Rent, PSF	▼	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
117.8K St. John's Employment	▲	▲
6.3% St. John's Unemployment Rate	▼	▼
4.9% Canada Unemployment Rate	▼	▬

Source: Statistics Canada

ECONOMIC OVERVIEW

Newfoundland and Labrador have seen their GDP growth projections shrink in the second quarter of 2022 shifting from 2.5% to between 1.2% and 1.4%. At a macro level, the province is seeing growth in the oil-producing sector due to increased oil prices which are boosting incomes and provincial government revenues. However, the province is unable to fully capitalize on this, as production levels are still lower than desired. This is primarily because Terra Nova offshore oilfield remains offline and both Hibernia and White Rose are beginning to face depleting reserves of oil. The province will therefore have to wait for 2023 to reach a full recovery to pre-pandemic levels as the Terra Nova oil field will come back online, work on the $3.2 billion West White Rose offshore oil project ramps up and the Come By Chance refinery becomes converted into a biofuel operation. Population growth is still a cause of concern for the province, despite seeing interprovincial migration levels increase during 2021, as the expected return-to-office will potentially put a slow to any growth that may have occurred. Additionally, the province is experiencing lower inflation than the national average, sitting at 4.9% and has seen a reduction in its unemployment rate of 6.3% compared to 7.4% in the first quarter of 2022. Although, the anticipated drop in non-residential construction will not bode as well for Newfoundland and Labrador. Current projects such as the Voisey's Bay underground mine expansion, West White Rose offshore oil project and the new acute care hospital in Corner Brook should, however, provide some positive impact towards the drop.

(Sources: RBC Economics, Statistics Canada, TD Economics,)

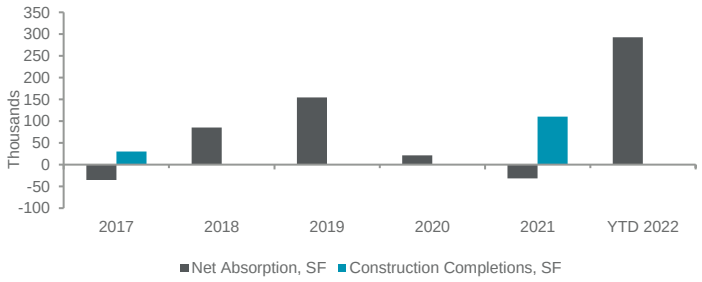
SUPPLY AND DEMAND

Overall vacancy in the St. John's industrial market was down by a staggering 680 basis points (bps) compared to the previous quarter vacancy rate of 12.3%, with second quarter of 2022 vacancy at 5.5%. This material shift was due primarily to leasing activity seen in the East submarket, specifically at the Canopy facility on 60 Eastlands Drive where 230,000 square feet (sf) of manufacturing space was taken off the market. Availability in Northern St. John's however, was up from the first quarter of 2022 climbing by 90 bps to 2.6%. This was balanced out by a large shift in the primary industrial market, Mount Pearl & Paradise, where vacancy dropped by 230 bps quarter-over-quarter from 9.8% to 7.5%. Other submarkets such as the downtown core and the western area of St. John's saw no material change in availability during the second quarter of 2022.

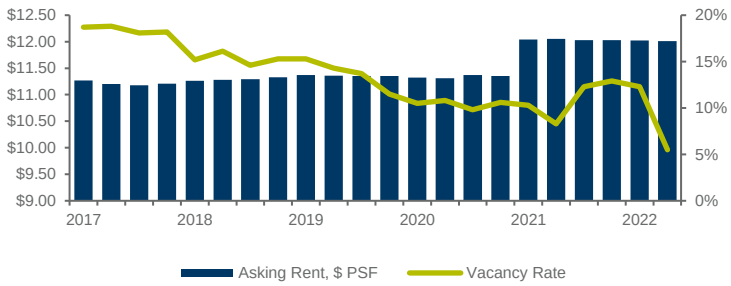
PRICING

The St. John's industrial market saw a minor change in its overall average net rental rate during the second quarter of 2022, as rates dropped by only $0.01 from $12.02 per square foot (psf) last quarter to $12.01 psf. The North submarket had a $0.06 psf quarter-over-quarter drop of its own, declining from $11.48 psf to $11.42 psf and is the main reason for the overall market decline in rents this quarter. Despite the overall drop, the Mount Pearl / Paradise submarket had a small increase quarter-over-quarter, as rates rose from $11.50 psf to $11.51 psf in the second quarter of 2022.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & NET ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	OVERALL WEIGHTED AVG ADD RENT	OVERALL WEIGHTED AVG GROSS RENT
East	455,870	8,914	2.0%	230,000	233,400	0	0	$11.32	$3.98	$15.30
West	147,345	0	0.0%	0	0	0	0	$8.87	$2.84	$11.71
Downtown	140,951	0	0.0%	0	0	0	0	$12.88	$6.29	$19.17
North	755,253	19,543	2.6%	-6,599	345	0	0	$11.42	$4.58	$16.00
Mount Pearl / Paradise	2,658,183	200,470	7.5%	59,913	58,913	0	0	$11.51	$3.09	$14.59
Total St. John's	**4,157,602**	**228,927**	**5.5%**	**283,314**	**292,658**	**0**	**0**	**$12.01**	**$3.45**	**$15.46**

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
153 Glencoe Drive	Mount Pearl	Fleet Brake Atlantic Parts & Service	8,000	Lease

KEY SALE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
1270 Kenmount Road	Mount Pearl / Paradise	76830 Newfoundland and Labrador / Atlantic Cold Properties	20,380	$2,950,000

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