MARKETBEAT

St. John's, NL

Industrial Q4 2022

CUSHMAN & WAKEFIELD Atlantic

	YoY Chg	12-Mo. Forecast
10.1% Vacancy Rate	▼	▲
42K Net Absorption, SF	▲	▼
$12.04 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
114K St. John's Employment	▲	▲
7.2% St. John's Unemployment Rate	▲	▼
5.0% Canada Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

Newfoundland and Labrador saw a challenging economic year in 2022, especially in the production sectors. The declines in mining, manufacturing and oil production particularly impacted the provincial GDP for Newfoundland in 2022, and the underlying impact of depleting oil reserves at Newfoundland's disposal will continue to hold weight. However, some light can be found at the end of the tunnel for the Newfoundland economy as the federal government confirmed the Bay du Nord offshore oil megaproject, and a return to oil production is planned for the Terra Nova and White Rose production facilities in 2023. This will certainly boost government revenues for the province and is a primary reason why Newfoundland is projecting increases in its GDP into 2023 and 2024. This projection is reliant on the level at which oil prices remain, and the elephant in the room, depleting reserves of oil. To combat these future oil supply impacts, the province is also attempting to diversify their exports further into gold mining as gold prices are projected to remain relatively high as the commodity retains its value relative to the supply. The Valentine Lake gold mine is going to provide a great step forward in terms of export diversification this year and will provide a strong increase in the province's employment numbers. Population growth is also seeing some positive momentum as interprovincial migration levels increased during 2022, positively impacting the service sector which grew by more than 4%. Newfoundland is gaining most of its population from Ontario and Alberta. Lastly, the province is experiencing lower inflation than the national average and it is likely to cool further in 2023 as government relief has positively impacted households and the remaining influences remain, primarily, external.

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

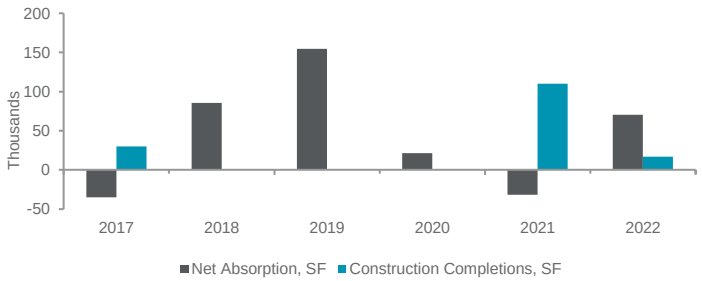
SUPPLY AND DEMAND

Overall vacancy in the St. John's industrial market was down by 50 basis points (bps) compared to the previous quarter, declining from 10.6% to 10.1% in the fourth quarter of 2022. This shift was due primarily to leasing activity seen in the Mount Pearl & Paradise submarket, as the amount of vacant space declined from 180,820 square feet (sf) to 169,290 sf. Vacancy in the Eastern & Northern submarket also declined in the fourth quarter of 2022, primarily due to small lease transactions which resulted in minor changes. The vacancy in the Eastern submarket declined from 238,914 sf to 234,914 sf and in the Northern submarket from 22,792 sf to 19,792 sf. Other submarkets such as the downtown core and the western area of St. John's saw no material change in vacancy during the fourth quarter of 2022.

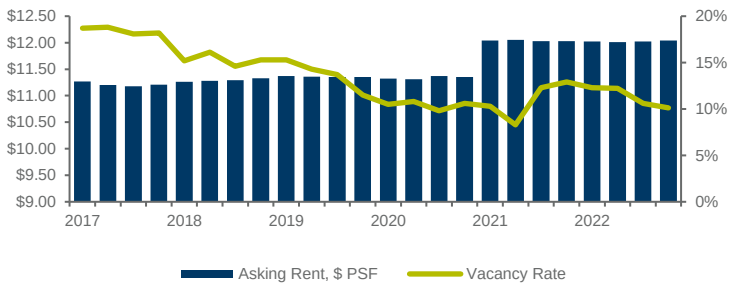
PRICING

The St. John's industrial market saw a minor change in its overall average net rental rate during the fourth quarter of 2022, as rates increased by $0.02 per square foot (psf) moving from $12.02 psf to $12.04 psf. The increase was driven by minor changes within each submarket, however, the Mount Pearl submarket saw the largest increase in rents of $0.09 psf quarter-over-quarter, moving from $11.52 psf to $11.61 psf. Additionally, the Northern & Eastern submarkets had a small quarter-over-quarter increase in its net rental rate, as rates rose from $11.48 psf to $11.50 psf in North and from $11.41 psf to $11.43 psf in the East. Lastly, the Western submarket saw an increase from $8.87 psf to $8.92 psf.

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	234,914	51.5%	4,000	7,400	0	0	$11.43	$4.05	$15.48
West	147,345	0	0.0%	0	0	0	0	$8.92	$2.98	$11.90
Downtown	140,951	0	0.0%	0	0	0	0	$12.88	$6.29	$19.17
North	758,514	19,792	2.6%	3,000	96	0	0	$11.50	$5.12	$16.63
Mount Pearl / Paradise	2,675,003	169,200	6.3%	34,600	63,163	0	16,820	$11.61	$3.16	$14.78
Total St. John's	**4,177,683**	**423,996**	**10.1%**	**41,600**	**70,659**	**0**	**16,820**	**$12.04**	**$3.56**	**$15.61**

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
3 Vanguard Court	East	Distribution Stox Inc.	4,000	Renewal
1 Duffy Place	North	TK Elevator (Canada) Limited	3,000	Renewal

**Renewals not included in leasing statistics*

KEY SALE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
N/A				

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