

New Brunswick

Industrial Q2 2023

YoY Chg 12-Mo. Forecast

6.9%
Vacancy Rate ▲ ▲

-29K
Net Absorption, SF ▼ ▲

\$6.78
Asking Rent, PSF ▲ ▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

383.3K
New Brunswick Employment ▲ ▲

6.4%
New Brunswick Unemployment Rate ▲ ▼

5.4%
Canada Unemployment Rate ▲ ▲

Source: Statistics Canada

ECONOMIC OVERVIEW

Despite prevalent recession talks in Canada, New Brunswick's economy continues to demonstrate resilience. High levels of in-migration and a robust labour market have bolstered residential investment and household spending, countering predictions of immediate economic softening. However, the steep increase in interest rates and contractionary conditions in export markets are expected to curtail this year's momentum, halving GDP growth in the province from 2.0% in this past year to a projected 1.0%. New Brunswick's economy recorded a modest 1.6% real GDP advance in 2022, trailing the national gain by nearly two percentage points. However, looking into 2023 and 2024, New Brunswick appears better positioned than many of its provincial counterparts, with less downside to growth. Midway through the year, domestic spending has emerged as a pillar of relative stability, counteracting headwinds from an external environment experiencing softening conditions. Exports displayed a lukewarm 1.5% increase in the first quarter compared to year-ago levels. As over 90% of the province's international exports are directed to the U.S., a slowing economy south of the border will likely affect export figures this year and into 2024. Nonetheless, a significantly weakened Canadian dollar provides a cushioning effect to New Brunswick's international exports. Meanwhile, interprovincial shipments, accounting for over half of total exports, are also anticipated to ease off as Canadian domestic activity decelerates.

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

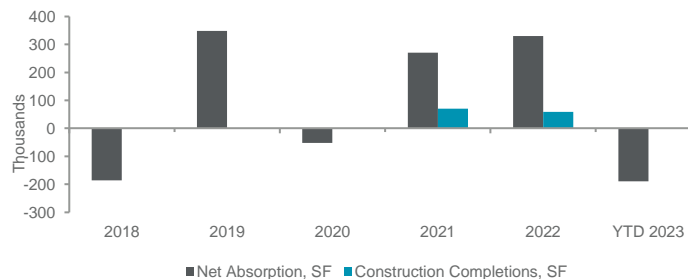
SUPPLY AND DEMAND

New Brunswick's overall industrial vacancy rate edged up by 50 basis points in the second quarter of 2023, rising from 6.4% last quarter to 6.9%. This quarter, the Fredericton submarket shone as it experienced a decrease in vacancy from 1.7% to 1.6%, while Saint John also observed a decline in its vacancy rate from 8.2% to 7.1%. Moncton, however, witnessed an uptick in market vacancy from 6.7% to 7.4%. This was primarily driven by soft leasing activity in the Moncton Industrial Park. However, the Caledonia and Dieppe Industrial Parks continue to hold most of the available space.

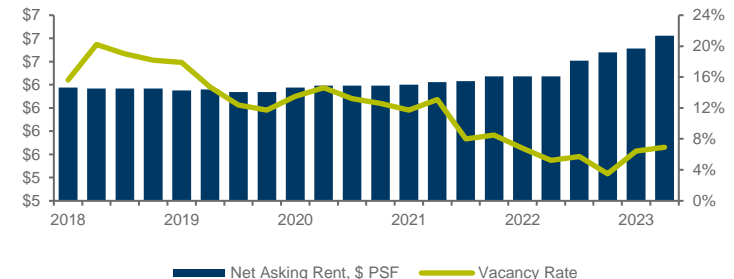
PRICING

This quarter New Brunswick's overall average net rent per square foot (psf) increased by \$0.14 to reach \$6.78 psf. While each submarket experienced an increase, Saint John saw the largest change, rising from \$8.69 psf in the first quarter to \$8.80 psf. Moncton observed a quarter-over-quarter increase of \$0.16, climbing from \$6.23 psf to \$6.39 psf. The Fredericton submarket, in contrast, saw a modest increase of \$0.04, moving from \$8.00 psf to \$8.04 psf. The industrial market in New Brunswick will likely continue to witness net rental rate increases, especially if industrial vacancy rates remain relatively stable through the last half of 2023. Despite the Canadian economy's broader slowdown, New Brunswick's industrial market has demonstrated resilience, supported by steady in-migration and robust labour market conditions. While there are headwinds present, such as a potential softening in export markets and rising interest rates, the province's relative affordability, healthy fiscal backdrop, and low household debt-to-GDP ratio provide a shield against economic turbulence. This is further reinforced by the province's projected surplus of 1.9% this year, cementing its status as one of Canada's most stable and resilient economies.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & NET ASKING RENT



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
Greater Moncton	478,818	11,500	2.4%	-1,300	700	0	0	\$6.46	\$3.22	\$9.68
Moncton Industrial Park	2,365,280	21,588	0.9%	2,364	38,618	0	0	\$5.94	\$3.21	\$9.15
Dieppe Industrial Park	608,826	89,602	14.7%	-45,202	-74,357	0	0	\$7.58	\$3.52	\$11.10
Caledonia Industrial Park	1,197,871	222,414	18.6%	9,610	-174,654	62,475	0	\$6.80	\$3.36	\$10.16
MONCTON TOTALS	4,650,795	345,104	7.4%	-34,528	-209,693	62,475	0	\$6.39	\$3.28	\$9.67
Greater Fredericton	179,440	0	0.0%	3,450	10,650	0	0	\$8.21	\$4.35	\$12.56
Fredericton Industrial Park	343,575	8,892	2.6%	-3,710	-2,210	0	0	\$7.95	\$5.20	\$13.14
FREDRICKTON TOTALS	523,015	8,892	1.7%	-260	8,440	0	0	\$8.04	\$4.90	\$12.94
SAINT JOHN TOTALS	522,603	37,100	7.1%	5,992	11,332	0	0	\$8.80	\$3.97	\$12.66
NEW BRUNSWICK TOTALS	5,696,413	391,096	6.9%	-28,796	-189,921	62,475	0	\$6.78	\$3.50	\$10.27

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
345 English Drive	Moncton	Capital Paper Products	16,100	Direct

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
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N/A

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