

	YoY Chg	12-Mo. Forecast
<b>10.8%</b> Vacancy Rate	▲	▼
<b>-32K</b> Net Absorption, SF	▼	▼
<b>\$12.07</b> Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
<b>117.8K</b> St. John's Employment	■	▲
<b>5.0%</b> St. John's Unemployment Rate	▼	▼
<b>5.4%</b> Canada Unemployment Rate	▲	▲

Source: Statistics Canada

### ECONOMIC OVERVIEW

Newfoundland and Labrador have endured an ongoing set of challenges in the economic sphere in the early parts of 2023. While the commodities sector provides some light at the end of the tunnel, driven by favourable markets that are motivating capital expenditure, the province is not yet out of the woods. A sluggish start to 2023 in the production of key commodities paints a sobering picture, particularly for oil and mining sectors. Indeed, Newfoundland was the only province to see a contraction in GDP in 2022, primarily due to weakness in these sectors. A significant factor in this downturn was the continued standstill at the Terra Nova offshore oilfield. Despite hope for a rebound this year, the oilfield's production remains on hold, with further updates expected in 2024. Another setback is anticipated in the oil sector with both White Rose and Hebron expected to produce fewer barrels due to scheduled maintenance. Nevertheless, the province's long-term outlook appears brighter due to an upswing in mineral exploration expenditure reaching a 10-year high at \$243 million in 2022. This growth was fueled by accelerated gold exploration in central Newfoundland and increased interest in Labrador's deposits of rare earth elements. Meanwhile, the province's domestic industries are showing resilience, with encouraging consumer spending data in the first half of 2023, bolstered by steady population and job growth. However, Equinor's recent announcement that the \$16 billion Bay du Nord oil project will be delayed by up to three years does present additional headwinds for the oil and gas industry in the long term. Notwithstanding the headwinds in the export sector, Newfoundland and Labrador's economy remains propped up by its robust domestic performance. Additionally, the labour market remains very light, with projections for the unemployment rate to hit a record low for 2023, despite some expected moderation in job gains due to increased interest rates. This domestic resilience provides a counterbalance to the uncertainties in the international commodities market, thus offering a degree of economic stability during these turbulent times.

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

### SUPPLY AND DEMAND

The St. John's industrial market witnessed a slight increase in overall vacancy from the previous quarter, moving from 10.1% to 10.8% in the second quarter of 2023. The Mount Pearl & Paradise submarket continues to show resilience, maintaining its vacancy rate at 5.7%. However, this was offset by an increase in the Downtown submarket's vacancy rate, which jumped from 0.0% to 14.5%, and the Northern submarket's vacancy rate which increased from 4.1% to 5.4%. In contrast, the Eastern & Western submarkets saw no significant change in their vacancy rates.

### PRICING

In terms of rental pricing, the average net rental rate in the St. John's industrial market marginally increased to \$12.07 per square foot (psf) in the second quarter from \$12.04 psf in the previous quarter. This increase was primarily due to a slight increase in the Mount Pearl & Paradise submarket, where the rent rose by \$0.04 psf quarter-over-quarter. The other submarkets saw no major changes in their rental rates.

### 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
East	455,870	238,314	52.3%	-3,400	-3,400	0	0	\$11.46	\$4.13	\$15.59
West	147,345	0	0.0%	0	0	0	0	\$8.92	\$2.98	\$11.90
Downtown	140,951	20,418	14.5%	-20,418	-20,418	0	0	\$12.88	\$6.29	\$19.17
North	759,880	40,982	5.4%	-9,600	-21,190	0	0	\$11.61	\$5.17	\$16.78
Mount Pearl / Paradise	2,661,700	150,967	5.7%	1,254	15,323	0	0	\$11.65	\$3.17	\$14.82
<b>Total St. John's</b>	<b>4,165,746</b>	<b>450,681</b>	<b>10.8%</b>	<b>-32,164</b>	<b>-29,685</b>	<b>0</b>	<b>0</b>	<b>\$12.07</b>	<b>\$3.58</b>	<b>\$15.65</b>

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
27 Beclin Road	Mount Pearl	Master Group	11,819	Direct

KEY SALE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
N/A				

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