

	YoY Chg	12-Mo. Forecast
11.8% Vacancy Rate	▲	▼
-42,012 Net Absorption, SF	▼	▲
\$12.15 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
116.9K St. John's Employment	▲	▲
6.6% St. John's Unemployment Rate	▲	▲
5.5% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

In 2023, Newfoundland and Labrador are hopeful for some relief after a challenging year. Strong commodity markets have led to increased capital spending intentions, which is positive for the local labour market. It is projected there will be economic growth of 1.6% for the province in 2023, a welcome improvement from the downwardly revised negative 0.4% in 2022. While Newfoundland and Labrador is the only province expected to buck the slowing trend, weak activity in the oil and mining sector caused the province's real GDP to contract last year, making it the only province to experience a decline. While it is not anticipated there will be another decline in output, oil and mining production will remain lackluster, leading to underperformance compared to the rest of the nation this year. The bounce back in the oil sector was dependent on the restart of the Terra Nova project, but Suncor's production plans for 2023 have put that on hold until next year. Overall, crude production is expected to contract significantly this year due to the deferral of Terra Nova's restart and scheduled maintenance to White Rose and Hebron. The mining sector has also experienced a pull-back in prices for iron ore, nickel, and copper, resulting in a decline in mineral shipments for 2023. However, mineral exploration expenditures reached a 10-year high in 2022, indicating a positive outlook for the mining sector in the medium term. Additionally, the province introduced a new Green Transition Fund to support projects that facilitate the transition to a green economy, aligning with their commitment to position Newfoundland and Labrador as a preferred location for green economic investment. Despite the Bank of Canada's aggressive rate hiking campaign, domestic-oriented industries in Newfoundland have performed relatively well. Strong employment and population gains have supported consumer spending, with NL households outpacing other provinces in terms of growth. While domestic spending and job gains may moderate in the coming months, it is anticipated that the unemployment rate will reach a record low on average this year. (Sources: RBC Economics, Statistics Canada, TD Economics.)

SUPPLY AND DEMAND

In the third quarter of 2023 the vacancy rate in the St. John's industrial market increased to 11.8%, a 100-basis point increase from the previous quarter, as overall vacant space increased from 451k square feet (sf) last quarter to 492k sf. Additionally, there was a slight decrease in overall absorption, with a shift from negative 29,000 sf to negative 42,000 sf quarter-over-quarter. Some softening in the North submarket was one of the factors behind the increase in negative absorption this quarter as the submarket saw an increase of nearly 39k sf of available space arrive to the market this quarter.

PRICING

In the third quarter, the overall net asking rent in St. John's remained relatively stable at \$12.15 per square foot (psf), a slight increase of \$0.08 psf compared to last quarter. This increase can largely be attributed to the North submarket, which experienced a significant increase of \$0.40 psf in its overall asking net rent compared to the previous quarter. When comparing the current net asking rent to the same period last year, there has been an overall increase of \$0.12 from \$12.03 psf to the current price of \$12.15 psf.

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	11,354	52.9%	-3,040	-6,440	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	0	0.0%	20,418	0	0	0	\$12.88	\$6.29	\$19.17
North	759,880	75,894	10.4%	-38,412	-59,602	0	0	\$12.01	\$5.25	\$17.27
Mount Pearl / Paradise	2,661,700	163,248	6.4%	-20,978	-5,655	0	0	\$11.77	\$3.19	\$14.96
Total St. John's	4,165,746	250,496	11.8%	-42,012	-71,697	0	0	\$12.15	\$3.60	\$15.75

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
27 Beclin Road	Mount Pearl	Undisclosed	11,819	Direct

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
N/A				

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