

	YoY Chg	12-Mo. Forecast
11.4% Vacancy Rate	▲	▼
17,876 Net Absorption, SF	▼	▲
\$12.82 Weighted Net Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
115.1K St. John's Employment	▲	▲
6.7% St. John's Unemployment Rate	▼	▲
5.8% Canada Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMIC OVERVIEW

Newfoundland and Labrador's economy is currently facing challenges due to a decline in oil production, as well as a dimmer outlook for the mining sector and construction investment. This has resulted in the possibility of a second consecutive year of contraction in 2023. However, there are better growth prospects on the horizon. All four offshore oilfields have resumed operations as of November 2023, and the mining sector is expected to improve in the latter half of 2024 due to increased global demand for commodities. The strength of the natural resources sector raises the likelihood that Newfoundland and Labrador will experience growth in 2024, which sets it apart from the weakening trend seen in other provinces. A strong turnaround is expected in 2024, with a projected growth rate of 2.2%, placing Newfoundland and Labrador at the top of the growth charts for that year. The delayed restart of the Terra Nova oilfield and maintenance at other offshore facilities have impacted the oil sector this year, leading to a decline in crude oil production for the third consecutive year. However, the Terra Nova oilfield and other major offshore facilities are expected to be fully operational in 2024, resulting in robust oil production growth. The mining sector has also been affected by lower prices for iron ore, nickel, and copper, leading to a decline in mineral shipments. However, there is an expectation of increased mineral exploration expenditures, and base metal prices may find support as global demand rises. Additionally, Newfoundland and Labrador have signed an agreement with the federal government that, if passed, would allow the province to regulate its renewable energy developments independently. This presents a significant economic opportunity and supports future investment in offshore wind development projects. Despite the Bank of Canada's rate hikes, domestic-oriented industries have performed relatively well. (Sources: RBC Economics, Statistics Canada, TD Economics)

SUPPLY AND DEMAND

The vacancy rate for the St. John's industrial market decreased in the fourth quarter of 2023 to 11.4%, a decline of 40 basis points (bps) quarter-over-quarter (QOQ), as overall vacant space increased from 491,996 square feet (sf) last quarter to 505,120 sf. Overall absorption in NL's industrial market significantly improved compared to last quarter, from negative 42,012 sf to 17,876 sf. Movement in the Mt Pearl & Paradise submarket was one of the driving forces behind the improvement as the submarkets overall absorption improved from negative 20,978 sf to positive 17,058 sf. This improvement can largely be attributed to 10,366 leased at 1126 Topsail Road by an undisclosed tenant, as well as many modest movements being seen in the North submarket.

PRICING

The overall net rent in St. John's increased slightly to \$12.82 per square foot (psf) in the final quarter of 2023, rising by \$0.67 psf QOQ. Consequently, an increase in the overall average asking net rent in the East submarket was the primary factor behind the overall increase, seeing a significant increase of \$3.72 psf reaching \$15.18 psf. The North submarket had an increase of \$0.41 bringing the net rent to \$12.42 psf, the Mount Pearl & Paradise submarket had a slight increase of \$0.11 to \$11.88 psf, and in respect to the West and Downtown submarkets the overall net rent remained stable this quarter.

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	672,780	235,348	35.0%	6,006	-434	0	0	\$15.18	\$4.13	\$19.31
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	759,880	84,582	11.1%	-5,188	-64,790	0	0	\$12.42	\$5.20	\$17.62
Mount Pearl / Paradise	2,693,991	185,190	6.9%	17,058	11,403	0	0	\$11.88	\$3.22	\$15.10
Total St. John's	4,414,947	505,120	11.4%	17,876	-53,821	0	0	\$12.82	\$3.62	\$16.43

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1126 Topsail Road	Mount Pearl	West Pier Marine & Supply	10,366	Direct
35 Beclin Road	Mount Pearl	On Site Restoration Services Ltd.	17,230	Direct

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
133 Crosbie Road	St. John's	Pollett River Holdings	24,839	Undisclosed

BILL MACAVOY

Managing Director

+1 902 425 1872 / bmacavoy@cwatlantic.com

SUZIE TAYLOR

Research Coordinator

+1 506 387 6925/ staylor@cwatlantic.com

cwatlantic.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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