

MARKET SURVEY (JUNE 2006) GREATER FREDERICTON WAREHOUSES

Scope

This survey included every warehouse building with a total rentable area of 20,000 ft² or greater, available for rent in the Greater Fredericton Area. Rental, operating expense and vacancy data was collected on 9 buildings with an aggregate rentable area of 350,479 ft², using a team of trained researchers. The survey successfully collected information on 100% of the rental stock polled. Data analysis prior to June 2006 is based on information gathered by a similar but smaller survey conducted by Cushman & Wakefield LePage for PWGSC.

Vacancy Rates

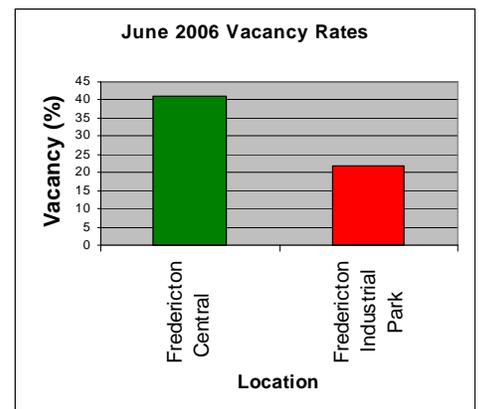
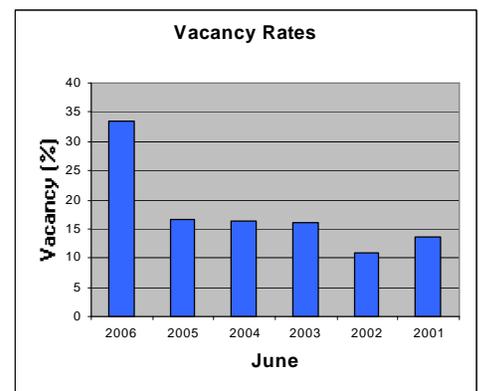
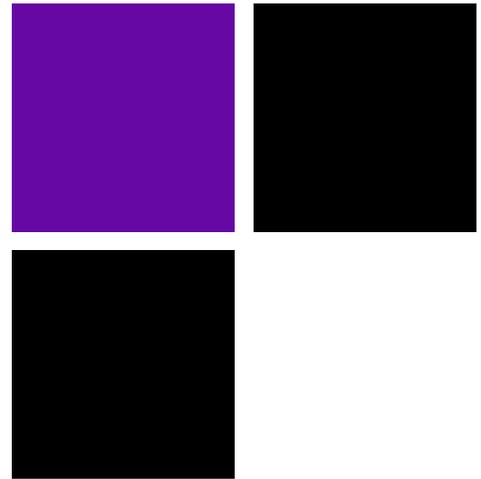
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Vacancy rates prior to June 2006 are based on data collected by the Cushman-Wakefield LePage surveys, and employ heuristic algorithms which compensate for missing data. As would be expected, rising vacancy rates have been triggered by falling demand for warehouse space. It is impossible to assess whether the large decline in demand was real or due to the change in methodology for collecting the data. The current overall vacancy rate is 33.55%.

Our survey also measured the vacancy rate by geographic node. The graph indicates the current vacancy rate for Fredericton Central and Fredericton Industrial Park.

The **overall** vacancy rate is a useful predictor of changes in the net absolute rental rate/ft². A falling vacancy rate portends increasing rents and vice versa. Empirical data indicates that net absolute rent/ft² movements follow the following pattern in a **falling** vacancy rate market: Fairly Stable ($\geq 12\% < 16\%$); Very Slight Increase, Reduced Rental Incentives ($\geq 10\% < 12\%$); Slight Increase, Rental Incentives Removed ($\geq 8\% < 10\%$); Modest Increase ($\geq 6\% < 8\%$); Strong Increase ($\geq 4\% < 6\%$); Major Increase ($< 4\%$).

Forecast (Next 12 months)

We anticipate that the overall vacancy rate will fall to 20.00% from the current 33.55%, due to older space being retired. The net absolute rent/ft² should hold steady for the time being.



Real Estate Counsellors, Brokers and Valuers
6182 North St. Halifax, N.S. B3K 1P5
Internet: www.turnerdrake.com
E-Mail: tdp@turnerdrake.com
Tel.: 1-902-429-1811
Fax: 1-902-429-1891