

# MARKET SURVEY (JUNE 2007) GREATER FREDERICTON WAREHOUSES

## Scope

This survey included every warehouse building with a total rentable area of 20,000 ft<sup>2</sup> or greater, available for rent in the Greater Fredericton Area. Rental, operating expense and vacancy data was collected on 10 buildings with an aggregate rentable area of 369,679 ft<sup>2</sup>, 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

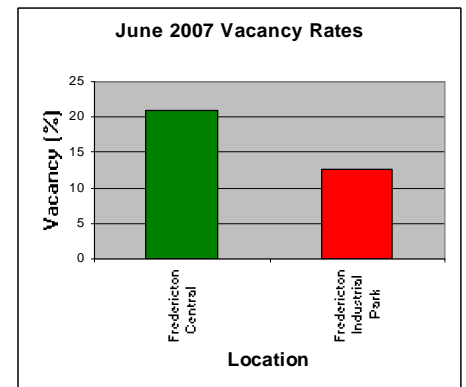
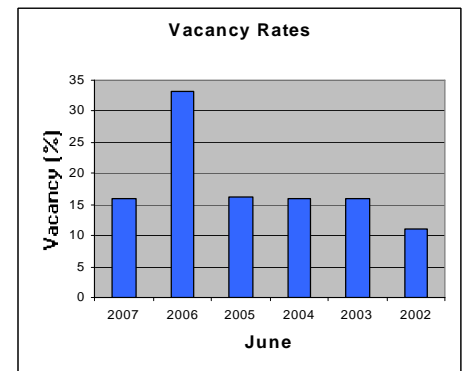
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Vacancy rates prior to June 2006 are based on data collected by the Cushman & Wakefield LePage surveys, and employ heuristic algorithms which compensate for missing data. After declining for four years running, demand for rental warehouse space increased in 2007, bringing the vacancy rate down. We anticipate it will come down more in the next year as older rental stock is removed from the inventory. The current overall vacancy rate is 15.99%.

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/ft<sup>2</sup>. A falling vacancy rate portends increasing rents, and vice versa. Empirical data indicates that net absolute rent/ft<sup>2</sup> 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 12.99% from the current 15.99%. There will be no change in the net absolute rent/ft<sup>2</sup>.



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