

MARKET SURVEY (JUNE 2008) GREATER ST. JOHN'S 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 St. John's Area. Rental, operating expense and vacancy data was collected on 91 buildings with an aggregate rentable area of 2,172,762 ft², using a team of trained researchers. The survey successfully collected information on 88% 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

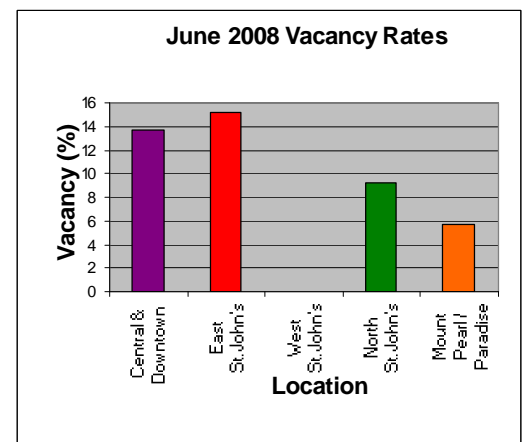
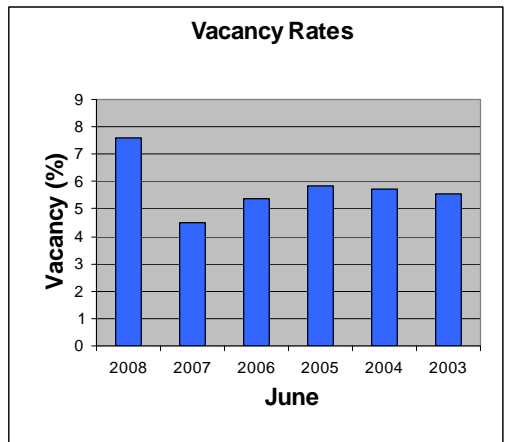
The vacancy rate **excludes** any space available for sub-lease: it is the total amount of space which is vacant and not currently leased. Vacancy rates prior to June 2006 are based on data collected by the Cushman & Wakefield LePage surveys, and employ heuristic algorithms which compensate for missing data. After five years in the 4-6% range, decreasing demand finally caught up with the overall vacancy rate, which jumped this year to 7.62%.

Our survey also measured the vacancy rate by geographic node. The graph indicates the current vacancy rate in each of the following locations: Central and Downtown 13.71%; East St. John's 15.13%; West St. John's 0%; North St. John's 9.24%; Mount Pearl/Paradise 5.70%.

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 jump to 11.59% from the current 7.62%, as new space is brought on stream even as demand continues to decline. Net absolute rents/ft.² will increase by 1%, reflecting the premium that quality new inventory commands.



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