## MARKET SURVEY (JUNE 2009) 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 11 buildings with an aggregate rentable area of 389,839 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. The vacancy rate is at its lowest level in 6 years, dropping for the first time below 15%. The current overall vacancy rate is 14.74%, down from 18.91% last year.

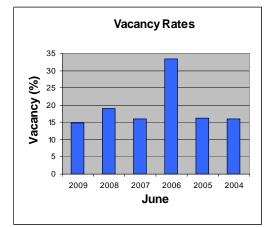
Our survey also measured the vacancy rate by geographic node. The graph indicates the current vacancy rate for Fredericton Central (25.80%) and Fredericton Industrial Park (7.63%).

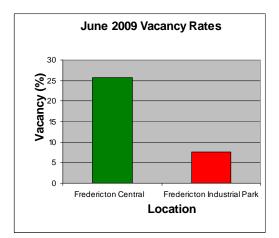
The *overall* vacancy rate is a useful predictor of changes in the net absolute rental rate/ft<sup>2</sup>. A falling vacancy rate portends increasing rents, and vice versa. Empirical data indicates that net absolute rent/ft<sup>2</sup> movements follow the following pattern in a *falling* vacancy rate 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 14.09% from the current 14.74%. There will be a slight increase in the net absolute rent/ft.<sup>2</sup>.







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

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