

MARKETBEAT RETAIL SNAPSHOT



OTTAWA, ON

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Q4 2013



ECONOMIC OVERVIEW

Despite another year-over-year decrease in employment in the public administration sector, the unemployment rate in the National Capital Region decreased in November, reaching 5.9%. The public administration

sector, which includes federal government employees, saw its employment numbers drop to 143,600. That is a decrease from 164,400 in November 2012. However, the sector that includes high-tech workers has added numbers to its ranks with 55,200 people now working in information and communication technology in November, which is up from 41,500 a year ago. Despite these positives the Conference Board of Canada is still forecasting GDP growth for the region at just 0.8% this year, ranking Ottawa-Gatineau 12th out of 13 census metropolitan areas. This will largely be the result of the shrinking public administration sector which accounts for approximately 30% of overall economic activity.

According to the year-end report released by the Ottawa Real Estate Board (OREB), a total of 13,873 properties were sold in 2013, down from 14,326 properties sold in 2012. In a statement released by the OREB, home sales were down over the first half of the year as changes the federal government made to the rules concerning mortgage lending had an impact on the slow start. The second half performed better largely due to first-time homebuyers jumping into the market in advance of anticipated mortgage rate hikes.

Housing starts finished the year on a strong note, with starts for the year totaling 6,564, about 9% higher to the 6,026 recorded in 2012. However, declines are expected in 2014 due to the combination of public service job cuts, tighter mortgage rules, and a balanced resale housing market.

Overall retail sales have been impacted by the uncertainty of the local economy with the Conference Board of Canada predicting retail

sales growth of just 0.5% for 2013. However improvement is forecasted for 2014 with retail sales growth of 3.4%.

ECONOMIC INDICATORS

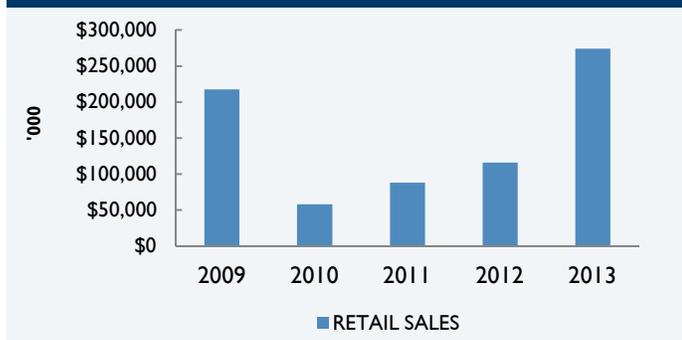
REGIONAL	2012	2013F	2014F
GDP Growth	0.8%	0.8%	1.6%
CPI Growth	1.3%	1.3%	1.9%
Retail Sales Growth	2.8%	0.5%	3.4%
REGIONAL	2012	2013F	2014F
Household Income	45,137	44,816	46,226
Population Growth	1.4%	1.0%	0.7%
Unemployment	6.3%	6.4%	6.1%

Source: Conference Board of Canada

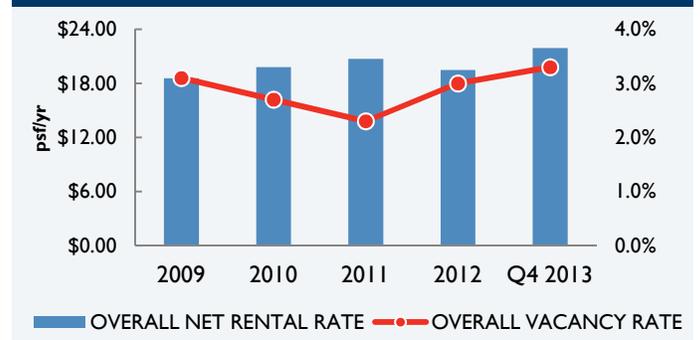
OTTAWA MARKET BREAKDOWN

	VACANCY	RENTAL RATES PSF/YR	MEDIAN SALES PRICE / SQUARE FOOT
Regional Malls	1.4%	N/A	N/A
Community Malls	4.0%	\$21.52	\$347
Core Office Tower	2.7%	\$28.48	N/A
Neighbourhood Malls	5.0%	\$20.23	\$184
TOTAL MARKET	3.3%	\$21.92	N/A

RETAIL SALES ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



RETAIL MARKET OVERVIEW

Overall vacancy was unchanged at year-end 2013, remaining at 3.3%. There was little change in the Regional Mall segment with vacancy remaining at 1.4% and only minimal negative absorption. Both the Neighbourhood and Community Mall segment had rising vacancy over the last six months; however, the vacancy rate sharply declined in the Downtown Core as 47,000 square feet (sf) came off the market at 155 Queen Street. These vacancy changes resulted in an overall absorption total of 31,000 sf, which brings the end-of-year total to 280,000 sf. Overall rental rates held steady, with the current average sitting at \$21.92 per square foot (psf).

REGIONAL MALLS AND LARGE POWER CENTRES: OVER 375,000 SF

As referenced above, the vacancy rate for this market category remained at 1.4% for the entire year. The inventory size of this segment did rise over the last six months, the result of an adjustment in the size of the Train Yards development. There is also a potential 250,000 sf that may be added to this development in the next few years as the Train Yards is proving to be very popular with both shoppers and retailers alike. In other news, Phase I of the renovation and expansion work was completed at the Bayshore Shopping Centre this past fall. The long awaited and highly anticipated opening of H&M occurred in October, along with Victoria's Secret opening their first location in Ottawa. Work has also now been completed on the new parking deck for the shopping centre, creating 500 additional parking spaces. Not to be outdone, the Rideau Centre officially broke ground on their \$360-million expansion in September that will add 230,000 sf of retail space, a three-level underground parking garage, and a "dining hall" with seating for 850 people. High-end chains confirmed to be coming to the Rideau Centre are Simons, J Crew, Nordstrom, and Victoria's Secret. Work also continues at the Tanger Outlet Mall in Kanata and is expected to begin opening stores sometime in 2014.

COMMUNITY MALLS AND SMALLER POWER CENTRES – 110,000 - 375,000 SF

Vacancy climbed in this segment throughout 2013, reaching 4.0% at year-end. However it should be noted that the increase in vacancy seen over the second half of the year was largely the result of a 93,000-sf Zellers closing at 59 Robertson Road as neither Walmart nor Target elected to take over this location. This market segment also underwent changes to its inventory size over the last six months with the addition of Laurentian Plaza, a 146,000-sf centre located in Nepean that is anchored by Walmart. Construction also continues at Trinity's development at West Hunt Club Road and Merivale. Besides the Lowes that opened earlier in the year, the development also has a retail strip that is now open. Once the centre is completed in the coming years it will total 360,000 sf. Finally, construction on the retail component of the re-developed Lansdowne Park is well underway with construction completions expected in 2014/2015.

NEIGHBOURHOOD MALLS: 10,000-110,000 SF

Vacancy climbed slightly within this segment during the last six months of the year to reach 5.0%; 0.3 percentage points higher than at mid-year 2013. With overall demand steady throughout the majority of the submarkets - as most posted positive absorption totals - vacancy rose due to a few large blocks of space coming on the market. The largest was a 27,000-sf space in a plaza in Orleans. Like the other two market segments this category also had an increase in inventory. With the construction now complete at SmartCentres Fernbank there was the addition of new stores as well as the additional new inventory to the Neighbourhood Mall category which includes Sinclair Plaza, a 20,000-sf plaza located in Gloucester, and Mulligan Centre; a 25,000-sf plaza located in Barrhaven. Construction was also completed at Strandherd Central, a 32,000-sf plaza also located in Barrhaven. Construction is ongoing at Centrecorp's The Shoppes at Fairwinds with a Shoppers Drug Mart and TD Canada Trust completed earlier this year and a BMO currently under construction.

CORE OFFICE TOWER: 10,000 SF AND OVER

The 48,000-sf availability at 155 Queen Street came off of the market over the last half of the year, resulting in vacancy dropping back down to 2.7%. It has been confirmed that Bier Market, a Toronto-based restaurant and bar chain, will be moving into at least some of the space in 2014. Looking ahead to the next retail survey in June 2014, the retail component of 150 Elgin Street which is approximately 17,000 sf will be included in the survey as the building will be completed in Q1 2014.

OUTLOOK

Despite the struggles the local economy is experiencing, Ottawa continues to remain a destination for retailers, in particular higher-end retailers such as Nordstrom's and Simons that will enter the local retail landscape in the next few years. These new entrants to the city are likely attracted to the fact that the city is now large enough to support these new chains, combined with Ottawa remaining as one of the wealthiest cities in the country. Ottawa shoppers spend more than \$15 billion dollars annually with retailers collecting \$475 per square foot in retail sales annually. This per square foot amount is closer to \$250-\$350 in other Canadian cities. In addition to the construction projects that have already been discussed, it appears that Broccolini/Laurentide Holdings have plans for a retail development located near the Tanger Outlet Mall. This centre will be anchored by a 120,000-sf Bass Pro Shop, a U.S. based premier outdoor retailer. This will be their first store in Ottawa and just the 5th location in Canada.

OTTAWA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	VACANCY RATE MID-YEAR 2013	VACANCY RATE YEAR-END 2013	Q4 2013 ABSORPTION	EOY ABSORPTION	WTD AVERAGE NET RENT	WTD AVERAGE TAX & OP COSTS
Regional Malls & Larger Power Centres	7,581,166	1.4%	1.4%	(1,595)	(34,786)	N/A	N/A
Community Malls & Smaller Power Centres	6,957,908	3.4%	4.0%	(45,208)	208,185	\$21.52	\$12.09
Downtown Core	695,846	10.3%	2.7%	53,302	(1,715)	\$28.48	\$25.92
Ottawa East	480,083	1.5%	0.8%	3,624	6,144	\$20.24	\$11.46
Gloucester	397,321	11.3%	12.2%	13,981	12,355	\$15.68	\$12.51
Orleans	834,064	7.7%	10.9%	(30,682)	(24,678)	\$19.32	\$10.29
Ottawa South	1,008,134	2.9%	3.8%	(9,508)	366	\$21.17	\$12.29
Kanata/Stittsville	1,436,078	3.5%	5.0%	(21,544)	17,940	\$22.85	\$12.32
Bell's Corners	334,640	7.2%	1.7%	18,172	45,763	\$15.00	\$10.20
Nepean (Merivale)	657,301	5.7%	2.7%	19,778	20,337	\$16.63	\$8.53
Nepean (Other)/Barrhaven	694,889	3.7%	3.7%	29,793	28,831	\$26.45	\$10.94
Ottawa West	680,736	3.8%	3.6%	1,337	1,484	\$24.98	\$12.95
Neighbourhood Malls	6,394,535	4.7%	5.0%	24,951	108,542	\$20.23	\$11.69
TOTAL MARKET	21,758,166	3.3%	3.3%	31,450	280,226	\$21.92	\$12.26

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q4 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
155 Queen Street	Downtown Core	Bier Market	Core Office Tower	47,681
240-260 Centrum Blvd.	Orleans	Cinestarz Orleans	Community Malls	27,734
Significant Q4 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
1357 - 1385 Baseline Road	Community Malls	Calloway REIT	\$101,611,304 / \$412	246,477
5345-5375 Fernbank Road	Community Malls	Calloway REIT	\$53,921,061 / \$282	191,531
Significant Q4 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Strandherd Central	Neighbourhood Malls	Various	Second Half 2013	31,553
Sinclair Plaza	Neighbourhood Malls	Various	Second Half 2013	20,092
SmartCentres Fernbank	Community Malls	Various	Second Half 2013	17,243
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Hunt Club & Merivale Road	Community Malls	Lowe's, Various	Ongoing	360,000
Herongate Mall Redevelopment	Community Malls	Food Basics	Ongoing	270,000
The Shoppes at Fairwinds	Community Malls	Metro, Shoppers Drug Mart	Ongoing	180,000