

Industrial Snapshot Q3 2015

Ottawa, ON



OTTAWA INDUSTRIAL

Economic Indicators

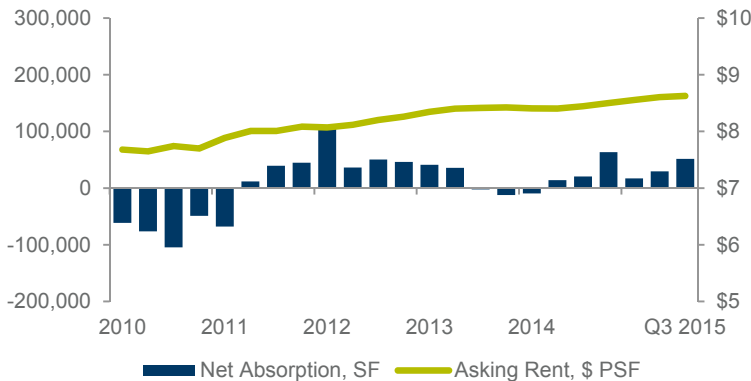
| | Q3 14 | Q3 15 | 12-Month Forecast |
|---------------------|-------|-------|-------------------|
| Ottawa Employment | 533k | 529k | ▲ |
| Ottawa Unemployment | 6.7% | 6.4% | ▼ |
| Canada Unemployment | 6.9% | 7.0% | ■ |

Market Indicators

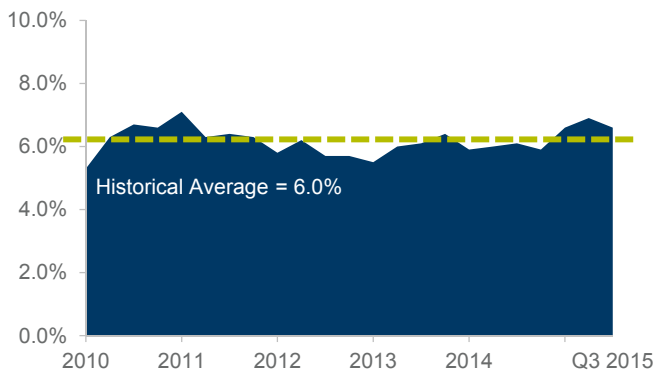
| | Q3 14 | Q3 15 | 12-Month Forecast |
|-----------------------------|--------|--------|-------------------|
| Overall Vacancy | 6.1% | 6.6% | ■ |
| Net Absorption | 105k | 85k | ■ |
| Under Construction | 122k | 0 | ▼ |
| Overall Average Asking Rent | \$8.59 | \$8.67 | ▲ |

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the City of Ottawa reached 6.4% in August 2015, 0.3 percentage points higher than July, but lower than one year ago. Although the Canadian economy gained 12,000 jobs in August, more people seeking employment nudged the unemployment rate to 7.0%. The region's economy has struggled over the past 3 years; in large part due to the federal government's austerity measures and the impact that had on the region's sizeable public administration sector. Improvement is expected in the region's economy in 2016 as the significant cuts to the public administration sector are largely complete; in combination with continuing robust non-residential construction and an improving high-tech services sector.

Market Overview

Overall vacancy declined in the third quarter to 6.6%; a decrease of 0.3 percentage points from Q2. While vacancy remained unchanged in the western submarkets at 6.9%; vacancy dropped by 0.4 percentage points quarter-over-quarter in the eastern submarkets to reach 6.5%. This decline in vacancy was the result of an uptick in demand within the eastern submarkets as overall absorption totaled 78,000 square feet (sf); the strongest showing year-to-date. The Sheffield submarket was particularly active with three blocks of space over 10,000 sf coming off the market. The western submarkets were quiet this quarter, which was reflected in the unchanged vacancy from Q2 and a positive absorption total of 6,700 sf. The new development pipeline remains quiet throughout the city. Although there are a few projects currently in active pre-leasing mode there is only one 22,000-sf speculative project that is under construction with a slated completion date of Q2 2016.

Outlook

The Ottawa industrial market remains one of the most consistent markets in the entire country; having seen few dramatic swings in vacancy and consistent levels of demand over the past five years. There are a number of contributing factors to these market conditions; specifically the relatively few speculative projects that have arrived on the market and the lack of suitable existing options for tenants in the 5,000-10,000-sf range that is also located in a desirable location. Little change is anticipated through the remainder of 2015. However, looking ahead to 2017 there may be some large blocks of space that will arrive on the market as Giant Tiger has announced it will be moving its Ottawa Distribution Centre to the Prescott area; resulting in the closure of three warehouse locations.

MARKETBEAT

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| SUBMARKET | TOTAL BLDGS | INVENTORY | OVERALL VACANCY RATE | YTD LEASING ACTIVITY | CURRENT NET OVERALL ABSORPTION | YTD NET OVERALL ABSORPTION | UNDER CNSTR | YTD CNSTR COMPLETIONS | DIRECT WEIGHTED AVG. NET RENT | DIRECT WEIGHTED AVG. ADD. RENT | DIRECT WEIGHTED AVG. GROSS RENT |
|-------------------------|-------------|-------------------|----------------------|----------------------|--------------------------------|----------------------------|---------------|-----------------------|-------------------------------|--------------------------------|---------------------------------|
| Kanata | 55 | 3,249,132 | 6.7% | 37,478 | (2,389) | 118,008 | 22,000 | 119,000 | \$ 7.71 | \$ 4.52 | \$12.23 |
| Bell's Corners | 12 | 382,019 | 0.0% | 8,956 | 0 | 5,230 | 0 | 0 | n/a | n/a | n/a |
| Morrison/Queensview | 9 | 415,519 | 23.2% | 4,564 | (23,771) | (36,409) | 0 | 0 | \$ 9.30 | \$ 4.70 | \$14.00 |
| Woodward/Carling | 23 | 540,800 | 10.9% | 0 | 800 | (18,340) | 0 | 0 | \$ 8.31 | \$ 7.14 | \$15.45 |
| Ottawa Centre | 26 | 777,339 | 2.4% | 19,100 | 3,200 | (3,074) | 0 | 0 | \$ 9.00 | \$ 5.07 | \$14.07 |
| Ottawa South | 11 | 695,111 | 14.1% | 44,647 | (2,355) | (1,833) | 0 | 0 | \$ 7.86 | \$ 4.39 | \$12.25 |
| West Merivale | 26 | 534,593 | 4.3% | 0 | 0 | (4,855) | 0 | 0 | \$ 9.71 | \$ 4.78 | \$14.49 |
| East Merivale | 27 | 639,693 | 0.9% | 2,740 | 224 | 14,039 | 0 | 0 | \$ 9.00 | \$ 6.87 | \$15.87 |
| Colonnade | 22 | 634,309 | 8.0% | 16,327 | (14,516) | (2,639) | 0 | 0 | \$ 9.46 | \$ 5.30 | \$14.76 |
| Rideau Heights | 26 | 623,188 | 2.2% | 6,217 | 45,489 | 51,706 | 0 | 0 | \$ 9.13 | \$ 7.94 | \$17.07 |
| South Walkley | 13 | 325,180 | 1.4% | 0 | (2,000) | (2,000) | 0 | 0 | \$ 7.50 | \$ 4.95 | \$12.45 |
| Ottawa Business Park | 27 | 1,288,846 | 9.2% | 33,945 | 4,516 | (11,227) | 0 | 0 | \$ 8.65 | \$ 5.09 | \$13.74 |
| Coventry/Belfast | 48 | 1,760,250 | 5.7% | 28,181 | (16,565) | (15,124) | 0 | 0 | \$ 9.55 | \$ 5.32 | \$14.87 |
| Cyrville | 63 | 2,234,837 | 11.8% | 71,072 | 3,227 | (72,969) | 0 | 70,000 | \$ 8.60 | \$ 5.04 | \$13.64 |
| Sheffield | 60 | 3,043,681 | 4.5% | 163,055 | 71,661 | 41,948 | 0 | 0 | \$ 8.49 | \$ 4.69 | \$13.18 |
| Sheffield/Lancaster | 20 | 1,185,844 | 2.0% | 28,695 | 2,766 | 8,836 | 0 | 0 | \$10.83 | \$ 5.27 | \$16.10 |
| Stevenage/Belgreen | 55 | 2,010,706 | 0.7% | 23,645 | 13,250 | 20,708 | 0 | 0 | \$ 6.50 | \$ 5.02 | \$11.52 |
| South Gloucester/Albion | 15 | 392,234 | 2.2% | 0 | 1,557 | (8,804) | 0 | 0 | n/a | n/a | n/a |
| Queensway | 25 | 920,465 | 13.6% | 31,600 | (196) | 3,604 | 0 | 0 | \$ 9.00 | \$ 4.41 | \$13.41 |
| Orleans | 15 | 514,473 | 17.7% | 8,134 | 0 | (28,106) | 0 | 0 | \$ 8.08 | \$ 3.55 | \$11.63 |
| OTTAWA TOTALS | 578 | 22,168,219 | 6.6% | 528,357 | 84,898 | 58,699 | 22,000 | 189,000 | \$ 8.67 | \$ 4.85 | \$13.52 |

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q3 2015

| PROPERTY | SF | TENANT | PROPERTY TYPE | SUBMARKET |
|--------------------------|--------|--------------------|----------------|-----------|
| 1270 Leeds Avenue | 28,870 | Wills Transfer | Warehouse | Sheffield |
| 2760-2770 Sheffield Road | 3,276 | Exide Technologies | Office Service | Sheffield |

Key Sales Transactions Q3 2015

| PROPERTY | SF | SELLER/BUYER | PROPERTY TYPE | PRICE | SUBMARKET |
|--------------------|--------|--|------------------------|--------------|-----------|
| 500 March Road | 80,000 | Broccolini Construction/Sanmina | High Technology | \$25,300,000 | Kanata |
| 103 Willowlea Road | 18,000 | Embrylin Estates Ltd./WC Properties Inc. | Warehouse/Distribution | \$1,550,000 | Kanata |

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