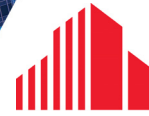


Office Snapshot Q1 2016

Ottawa, ON



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OTTAWA OFFICE

Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Ottawa Employment	533k	535k	▲
Ottawa Unemployment	7.0%	6.6%	▲
Canada Unemployment	6.8%	7.3%	▲

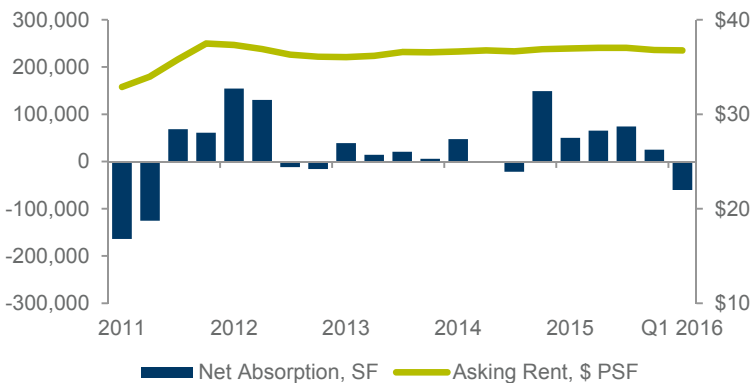
Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	9.7%	10.7%	▲
Net Absorption (sf)	(100,220)	(246,218)	▼
Under Construction (sf)	116,000	463,552	▲
Average Asking Rent*	\$37.01	\$36.82	▲

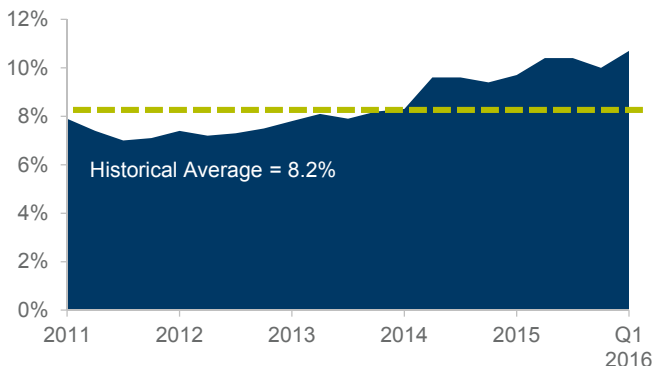
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the City of Ottawa reached 6.6% in February 2016, an increase of 0.3 percentage points from the fourth quarter. The newly elected federal government has tabled its budget, and have not shied away from running deficits in order to improve the economy. This should bode well for the local economy as the sizeable public administration sector should stop shedding jobs and, according to the Conference Board of Canada's latest metropolitan release, employment in the sector will expand by 1.3% in 2016. This, in combination with continuing positive momentum in the high-tech industry, will push GDP growth in the region to 1.7% in 2016, up from 1.0% in 2015.

Market Overview

The Ottawa office market had a soft start to 2016 with overall vacancy rising to 10.7%, 0.6 percentage points higher than last quarter. Central area vacancy bumped up to 9.4% in large part due to negative absorption in both the class A and C markets in the downtown core - a result of new blocks of availability arriving to market and deal velocity unable to match. The overall Suburban market also weakened this quarter with vacancy rising to 11.8%. The class A market in particular struggled in both the Suburban markets with negative absorption of close to 75,000 square feet (sf) in each market, as was the case in the Central area where demand was unable to outpace new availability.

Outlook

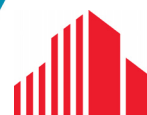
The Ottawa office market may face some challenges through the next six months. Currently it is projected that close to 400,000 sf will be arriving to the market which could result in vacancy climbing by a full percentage point. A sizeable amount of that square footage consists of space vacated by the federal government at Qualicum Centre coming to market and DRS Technologies vacating 700 Palladium Drive. It is expected that the Department of National Defense will commence their consolidation process towards the end of the year and once completed, over a million square feet (msf) of competitive office space could arrive on the Ottawa market. It is worth noting though that this process will take years, and not all of the space will become available at the same time. It is also possible that it may not come to market at all as other federal government departments may require the space.

These relocation/consolidation decisions were made in the past and are now just beginning to impact the office market. This is notable since even though vacancy may rise in the short-term there is room for optimism. The boost in federal government spending, although largely infrastructure based, may still lead to some expansion of local government departments and hopefully provide a trickle-down effect to the private sector. In addition, there have been various announcements by developers who are looking to build mixed-use type of developments which will involve both residential and commercial components. These developments in time will provide a new dynamic element to the current office market.

MARKETBEAT

Office Snapshot Q1 2016

Ottawa, ON


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Ottawa

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown Core	16,050,498	127,044	1,363,393	9.3%	(68,036)	(68,036)	140,641	0	\$43.04	\$48.65
Centretown	1,769,448	0	206,481	11.7%	(23,012)	(23,012)	5,350	0	\$29.05	N/A
Byward Market	842,861	25,369	39,159	7.7%	(10,641)	(10,641)	4,431	0	\$37.15	\$41.71
Central Area	18,662,807	152,413	1,609,033	9.4%	(101,689)	(101,689)	150,422	0	\$41.75	\$48.43
Kanata	5,869,098	109,508	641,562	12.8%	(2,235)	(2,235)	76,597	302,092	\$25.94	\$27.35
Ottawa West	3,918,724	30,978	419,963	11.5%	(12,929)	(12,929)	7,705	0	\$31.15	\$33.70
Nepean	5,541,988	26,416	391,792	7.5%	(50,586)	(50,586)	16,509	0	\$29.51	\$33.50
Ottawa East	4,624,138	60,517	621,779	14.8%	22,150	22,150	19,745	161,460	\$28.84	\$31.62
Gloucester	1,397,799	22,081	195,888	15.6%	(100,929)	(100,929)	10,746	0	\$39.24	\$39.55
Total Suburban Area	21,351,747	249,500	2,270,984	11.8%	(144,529)	(144,529)	131,302	463,552	\$30.01	\$32.54
OTTAWA TOTALS	40,014,554	401,913	3,880,017	10.7%	(246,218)	(246,218)	281,724	463,552	\$36.82	\$41.51

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT *
Class A	25,489,528	332,202	2,093,066	9.5%	(219,853)	(219,853)	156,862	463,552	0	\$41.51
Class B	11,530,844	51,131	1,390,393	12.5%	38,483	38,483	110,761	0	0	\$29.70
Class C	2,994,182	18,580	396,558	13.9%	(64,848)	(64,848)	14,101	0	0	\$28.06

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
525 Coventry Road	42,500	Assent Compliance	New Lease	Ottawa East
10 Brewer Hunt Way	17,287	Equiis Technologies Inc.(Article12 Technologies Inc.)	New Lease	Kanata
123 Slater Street	10,546	HarrisDecima	New Lease	Downtown Core
270 Albert Street	8,978	Public History Inc.	New Lease	Downtown Core

Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1900 Merivale Road	18,929	Gencon Capital Resources/1900 Merivale Inc.	\$3,500,000 / \$185	Nepean

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