

OTTAWA INDUSTRIAL

Economic Indicators

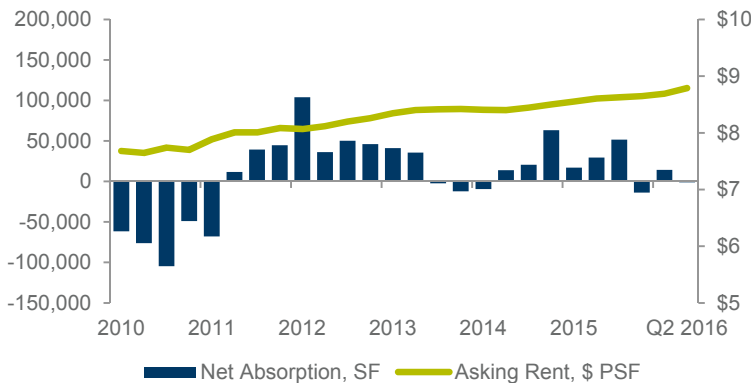
	Q2 15	Q2 16	12-Month Forecast
Ottawa Employment	533k	542k	▲
Ottawa Unemployment	6.3%	6.8%	■
Canada Unemployment	6.8%	6.9%	▲

Market Indicators (Overall)

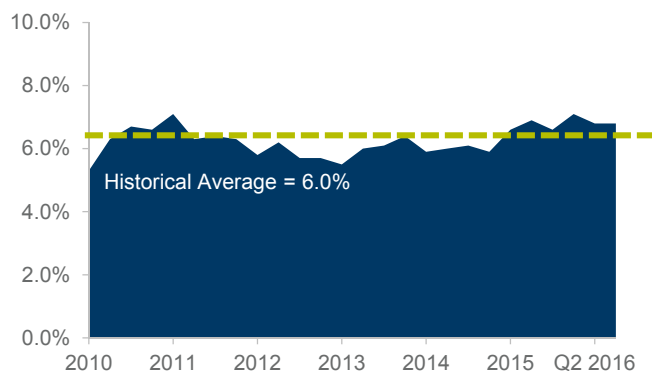
	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	6.9%	6.8%	■
Net Absorption (sf)	40,091	(21,413)	■
Under Construction (sf)	119,000	30,000	▼
Average Asking Rent	\$8.69	\$9.09	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the City of Ottawa reached 6.8% in May 2016, an increase of 0.2 percentage points from the first quarter, but remaining below the national unemployment rate of 6.9%. The federal government has now turned its focus away from balancing the budget to opening up their pocketbooks, likely leading to the federal government resuming hiring in the region. This in combination with a robust non-residential sector and a strengthening services sector will help push GDP growth in the region to 1.6% in 2016 from 2015 growth of 1.1%. Next year GDP growth is poised to accelerate further with the tourism sector expected to enjoy a very strong year due to the celebrations planned in the National Capital Region for Canada's 150th birthday.

Market Overview

Although the overall industrial market remained stable in the second quarter of 2016 with vacancy remaining unchanged at 6.8% and only a minimal amount of negative absorption at 21,000 square feet (sf), the majority of the submarkets in the city did experience movement in their respective vacancy rates and absorption totals. The western submarkets saw overall vacancy decline to 6.1% from 6.4% in Q1 as demand outpaced new availability in the majority of the submarkets. Kanata in particular had a strong quarter as sizeable blocks of space came off of the market and vacancy declined to 5.0%. The overall absorption total would have been higher in the western submarkets had it not been for the arrival of 52,000 sf on the market located at 110 Bentley Avenue; space that was leased by Epic Indoor Bike & Skate Park less than 2 years ago.

In contrast, vacancy within the eastern submarkets climbed to 7.3% from 7.0%, largely the result of close to 100,000 sf of new second quarter vacant space located in the Sheffield Industrial Park. However, there were a handful of eastern submarkets that did strengthen this quarter, such as Cyrville, Sheffield/Lancaster, and Queensway, with all three submarkets posting vacancy declines from last quarter and positive absorption totals.

Rental rates continued to steadily climb upwards, particularly in the western submarkets, a pattern that has not been seen over the past 5 years. There are now multiple submarkets that are posting an average asking rate of over \$10.00 per square foot (psf).

Outlook

Looking ahead to the remainder of the year no significant change is expected although there is a strong possibility vacancy will rise as close to 168,000 sf is anticipated to become available, with approximately two-thirds of that availability located in three blocks over 20,000 sf; a size requirement not in significant demand at the moment.

MARKETBEAT

Industrial Snapshot Q2 2016

Ottawa, ON


**CUSHMAN &
WAKEFIELD**
Ottawa

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	YTD LEASING ACTIVITY (SF)	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. ADD. RENT	OVERALL WEIGHTED AVG. GROSS RENT
Kanata	58	3,307,953	5.0%	83,583	45,603	94,098	0	32,944	\$10.00	\$4.77	\$14.77
Bell's Corners	12	382,019	0.0%	0	0	0	0	0	n/a	n/a	n/a
Morrison/Queensview	9	415,519	15.4%	0	4,197	4,197	0	0	\$9.30	\$4.50	\$13.80
Woodward/Carling	23	540,800	2.3%	33,495	11,761	35,416	0	0	\$10.50	\$6.76	\$17.26
Ottawa Centre	27	795,276	3.1%	13,974	15,744	18,944	0	0	\$12.00	\$4.91	\$16.91
Ottawa South	11	695,111	13.3%	5,000	7,750	7,750	0	0	\$8.26	\$4.39	\$12.65
West Merivale	26	544,478	4.9%	20,905	6,060	8,854	0	0	\$9.00	\$4.86	\$13.86
East Merivale	27	639,693	11.9%	0	(52,290)	(66,985)	0	0	\$ 9.34	\$5.28	\$14.62
Colonnade	22	634,309	5.0%	1,000	(17,525)	(17,671)	0	0	\$10.15	\$5.92	\$16.07
Rideau Heights	27	655,655	4.8%	6,568	(12,385)	(16,979)	0	0	\$9.99	\$7.96	\$17.95
West Ottawa Totals	243	8,610,813	6.1%	164,525	8,915	67,624	0	32,944	\$9.75	\$5.16	\$14.91
South Walkley	13	325,180	0.0%	0	4,550	4,550	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,394,140	11.0%	13,804	1,941	15,025	0	0	\$8.13	\$5.02	\$13.15
Coventry/Belfast	48	1,760,250	6.2%	4,514	(2,198)	7,654	0	0	\$8.69	\$4.86	\$13.55
Cyrville	63	2,234,837	10.1%	92,318	20,923	56,343	0	0	\$8.61	\$4.95	\$13.56
Sheffield	59	2,991,265	6.7%	7,019	(97,736)	(84,484)	0	0	\$8.39	\$4.32	\$12.71
Sheffield/Lancaster	20	1,185,844	5.4%	32,268	22,006	(37,878)	0	0	\$9.77	\$6.37	\$16.14
Stevenage/Belgreen	57	2,054,378	2.0%	24,806	7,920	(6,474)	0	0	\$8.29	\$5.28	\$13.57
South Gloucester/Albion	15	392,234	2.2%	0	0	0	0	0	\$7.50	\$5.54	\$13.04
Queensway	25	920,465	11.1%	27,100	34,666	35,066	0	0	\$ 9.24	\$5.07	\$14.31
Orleans	17	544,473	19.4%	8,362	(22,400)	(32,400)	30,000	15,000	\$10.32	\$3.79	\$14.11
East Ottawa Totals	346	13,803,066	7.3%	209,471	(30,328)	(42,598)	30,000	15,000	\$8.78	\$4.95	\$13.73
OTTAWA TOTALS	589	22,413,879	6.8%	373,996	(21,413)	25,026	30,000	47,944	\$9.09	\$5.02	\$14.11

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1101 Polytek Street	26,000	Sleep Country Canada	New Lease	Queensway
2215 Gladwin Crescent	24,850	DHL Express	New Lease	Sheffield/Lancaster

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
130 & 140 Iber Road	98,675	Fiera Capital / Huntington Properties	\$11,700,000 / \$119	Kanata

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