

Retail Snapshot Q2 2016

Ottawa, ON



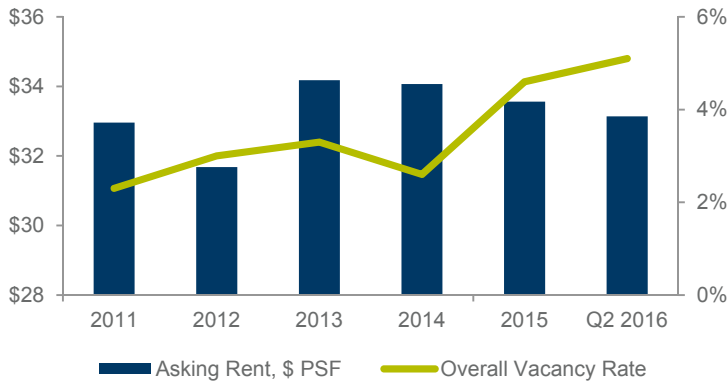
ECONOMIC INDICATORS

National	2015	2016F	12-Month Forecast
GDP Growth	1.1%	1.4%	▲
CPI Growth	1.1%	1.6%	▲
Consumer Spending Growth	1.9%	2.1%	■
Retail Sales Growth	1.7%	3.4%	▲

Regional (Ottawa/Gatineau)	2015	2016F	12-Month Forecast
Personal Income per Capita	\$49,514	\$49,994	▲
Population Growth	1.2%	1.1%	■
Unemployment	6.5%	6.4%	▼

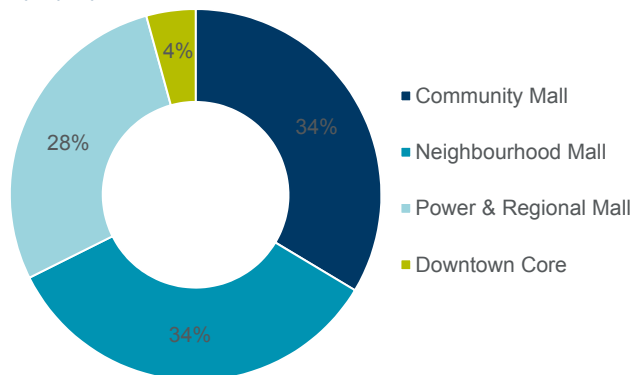
Source: Statistics Canada /Conference Board of Canada/ RBC Economics

Rental Rate vs. Overall Vacancy



*Rental rates reflect gross asking \$psf/year

Availability by Type



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's 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

The significant retail closures that have occurred in the city over the course of the last 12-18 months has for the most part come to an end; although in May it was announced that Aeropostale will be closing all their Canadian locations, two of which are located in Ottawa. There were some additional blocks of vacancy that arrived on the market in the first half of 2016 that pushed the overall retail vacancy rate upwards to 5.1%; a rise of half a percentage point from the end of 2015. One of the larger new blocks of availability was close to 45,000 square feet (sf) located at Place D'Orleans, which pushed the Regional Mall vacancy rate to 4.1%. The Community Mall segment saw the completion of the Shops of Tenth Line, a 120,000-sf development located in Orleans. This development; largely pre-leased, helped push absorption levels to close to 122,000 sf within the community malls. This completion, in combination with other transactions, nudged overall vacancy in the Community Malls downwards to 5.1%. The Neighbourhood Mall segment saw construction completed on Kanata Commons – a 75,000-sf development that is anchored by The Brick and La-Z-Boy. This completion was largely responsible for pushing absorption figures in Kanata to over 60,000 sf. However, vacancy did climb in Kanata to 5.3% during the first half of the year as there were a few pockets of new availability that arrived on the market. The majority of the Neighbourhood Malls submarkets saw vacancy climb over the first half of the year as new pockets of availability outpaced demand. All-in-all, vacancy in the Neighbourhood Mall segment climbed to 6.1% from 4.4% at the end of 2015.

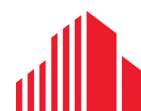
Outlook

Despite the rising vacancy that occurred over the first half of 2016, there is a lot of positive momentum in the Ottawa retail market. Simon's will be opening their first location in Ottawa in August. This two-level 100,000-sf store will be located in The Rideau Centre's expansion wing. Cabela's, a new entrant into the city is slated to open a 70,000-sf store in the fall of this year at the new Kanata West Centre that is currently under construction. Costco is also making an impact in the region as it is rumoured to be moving their east-end location to Shopper's City East and opening a brand new location in the Barrhaven area in a new 380,000-sf development.

MARKETBEAT

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MARKETS/SUBMARKETS	TOTAL BLDGS	INVENTORY (SF)	Q2 2016 VACANCY RATE	Q4 2015 VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	OVERALL AVERAGE ASKING RENT *
Regional Malls & Larger Power Centres	13	8,195,555	4.1%	3.6%	(35,913)	(35,913)	n/a
Community Malls & Smaller Power Centres	37	7,749,921	5.1%	5.4%	121,554	121,554	\$35.28
Downtown Core	21	728,047	7.0%	9.9%	21,457	21,457	\$53.98
Ottawa East	14	480,083	7.3%	5.6%	(8,053)	(8,053)	\$25.27
Gloucester	14	397,321	14.1%	4.7%	(37,285)	(37,285)	\$28.45
Orleans	21	834,064	3.5%	3.4%	(1,177)	(1,177)	\$28.69
Ottawa South	28	1,020,134	5.6%	2.7%	(29,750)	(29,750)	\$26.96
Kanata/Stittsville	33	1,532,361	5.3%	4.4%	60,145	60,145	\$33.85
Bell's Corners	10	338,302	6.8%	8.1%	4,301	4,301	\$29.95
Nepean (Merivale Road Area)	19	657,301	7.7%	6.6%	(7,073)	(7,073)	\$31.95
Nepean/Other/Barrhaven	19	740,491	1.9%	3.5%	10,921	10,921	n/a
Ottawa West/Westboro	25	649,039	2.7%	4.3%	16,945	16,945	\$34.33
NEIGHBOURHOOD MALLS TOTAL	183	6,649,096	6.1%	4.4%	8,974	8,974	\$29.73
OTTAWA TOTALS	254	23,322,619	5.1%	4.6%	116,072	116,072	\$33.14

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
319 McRae Avenue	31,174	Farm Boy	New Lease	Westboro
Kanata Centrum	10,595	Dollarama	New Lease	Regional Malls (Kanata)

Key Construction Completions 2016

PROPERTY	SF	KEY TENANT(S)	PROPERTY TYPE	SUBMARKET
Shops of Tenth Line	120,000	Sobey's	Community Malls	Orleans
Kanata Commons	75,186	The Brick, La-z-Boy	Neighbourhood Malls	Kanata

Key Projects Under Construction 2016

PROPERTY	SF	KEY TENANT(S)	PROPERTY TYPE	SUBMARKET
Citigate	380,000	Proposed Costco, Value Village, Marshalls	Power Centre	Nepean / Barrhaven
Kanata West Centre	250,000	Cabela's Canada, Princess Auto	Community Mall	Kanata

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