

OTTAWA INDUSTRIAL

Economic Indicators

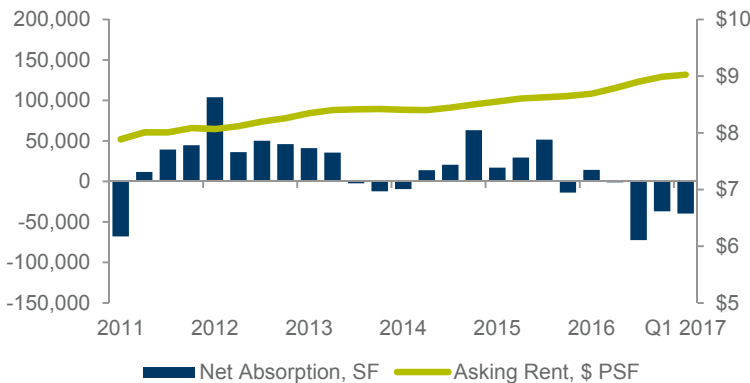
	Q1 16	Q1 17	12-Month Forecast
Ottawa Employment	535k	552k	▲
Ottawa Unemployment	6.6%	5.1%	■
Canada Unemployment	7.3%	6.7%	▼

Market Indicators (Overall)

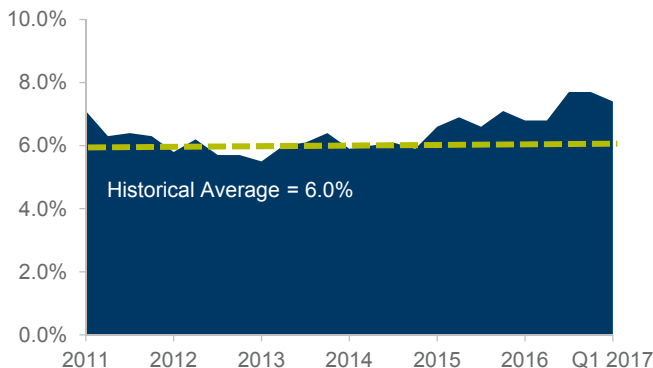
	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	6.8%	7.4%	▼
Net Absorption (sf)	46,439	34,901	■
Under Construction (sf)	22,000	0	■
Average Asking Rent	\$8.77	\$8.92	■

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

After years of spending freezes and job cuts, the number of public servants in the National Capital Region continues to grow. March marks the eighth straight month of federal government employment expansion and there are now 152,900 people in Ottawa-Gatineau working for the federal government, up 20% since July 2016. The news from the tech sector was also positive, adding 1,100 new jobs in March. The expansion of these two important employers in the region led to the unemployment rate declining to 5.1%, its lowest level in more than seven years.

Market Overview

Vacancy within both the Suburban East and West markets declined this quarter, pushing the overall vacancy for the city downwards to 7.4% from 7.7% in Q4 2016. Although a few notable blocks (ie. over 20,000 square feet (sf)) of new availability arrived on the market this quarter, both located in the eastern submarkets, overall absorption remained positive at just under 35,000 sf.

One of these new pockets of space was located in the Stevenage/Belgreen submarket as a 31,000-sf building became available for lease. In was in this same submarket that the largest transaction this quarter took place, in fact one of the largest transactions the industrial market has seen in years, as the federal government leased 70,000 sf of warehouse space at 950 Ages Drive.

An additional positive indicator that the federal government may be ramping up their requirements for industrial space would be the recent request released by them for 60,000 sf of warehouse space, with a 5,000-sf office component, located in the Ottawa/Gatineau region excluding the far western and eastern submarkets in Ottawa of Kanata and Orleans. The more centrally located Suburban east markets have options that may meet this requirement and if a transaction took place would certainly contribute to tighter market conditions that were seen in the Suburban East market just a few years ago.

Outlook

Although the totals were not substantial, Q1 2017 marks the first time since the summer/fall of 2015 that the market has seen back to back quarters of positive absorption. Although there are signs of increased activity in the market, it may take a few more quarters before overall demand momentum really takes hold. It is anticipated that vacancy will likely hold steady, and perhaps even decrease, over the course of the next two quarters as minimal amounts of new availability are set to arrive on the market. Market activity will also keep asking rental rates stable, and in some submarkets rates may even creep upwards. This will continue to give Ottawa the distinction of having the highest asking rental rates in Central Canada.

MARKETBEAT

Ottawa, ON

Industrial Q1 2017


 CELEBRATING
100
 YEARS

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	3.0%	5,995	5,995	5,995	0	0	\$9.65	\$5.47	\$15.12
Bell's Corners	12	382,019	3.2%	0	0	0	0	0	\$13.00	\$5.20	\$18.20
Morrison/Queensview	9	415,519	15.5%	14,955	(9,261)	(9,261)	0	0	\$8.95	\$3.69	\$12.64
Woodward/Carling	23	540,800	2.1%	0	3,400	3,400	0	0	\$10.09	\$6.46	\$16.55
Ottawa Centre	27	795,276	3.1%	3,314	3,314	3,314	0	0	\$7.00	\$5.11	\$12.11
Ottawa South	11	695,111	12.9%	2,355	2,355	2,355	0	0	\$7.55	\$4.39	\$11.94
West Merivale	26	544,478	2.7%	0	0	0	0	0	\$9.00	\$5.00	\$14.00
East Merivale	27	639,693	10.7%	0	0	0	0	0	\$9.43	\$4.82	\$14.25
Colonnade	22	634,309	4.8%	4,838	5,549	5,549	0	0	\$10.71	\$6.58	\$17.29
Rideau Heights	27	655,655	5.4%	0	3,260	3,260	0	0	\$10.04	\$7.78	\$17.82
West Ottawa Totals	243	8,610,813	5.2%	31,457	14,612	14,612	0	0	\$9.05	\$5.29	\$14.34
South Walkley	13	325,180	0.0%	0	0	0	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,394,140	12.9%	2,820	(12,989)	(12,989)	0	0	\$8.53	\$5.31	\$13.84
Coventry/Belfast	48	1,783,609	7.9%	10,311	24,297	24,297	0	0	\$10.16	\$5.95	\$16.11
Cyrville	63	2,234,837	8.2%	0	(6,341)	(6,341)	0	0	\$8.75	\$4.63	\$13.38
Sheffield	59	2,991,265	9.9%	17,403	(9,893)	(9,893)	0	0	\$8.28	\$4.74	\$13.02
Sheffield/Lancaster	20	1,185,844	4.5%	3,895	8,167	8,167	0	0	\$10.12	\$5.54	\$15.66
Stevenage/Belgreen	57	2,092,378	5.6%	70,000	23,688	23,688	0	0	\$8.22	\$4.48	\$12.70
South Gloucester/Albion	15	392,234	2.2%	0	0	0	0	0	\$7.50	\$5.54	\$13.04
Queensway	25	920,465	12.8%	5,884	3,360	3,360	0	0	\$8.99	\$5.72	\$14.71
Orleans	18	602,257	19.9%	0	(10,000)	(10,000)	0	0	\$9.44	\$3.50	\$12.94
East Ottawa	347	13,922,209	8.7%	110,313	20,289	20,289	0	0	\$8.86	\$4.93	\$13.79
OTTAWA TOTALS	590	22,533,022	7.4%	141,770	34,901	34,901	0	0	\$8.92	\$5.04	\$13.96

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
950 Ages Drive	70,000	PWGSC	New Lease	Stevenage/Belgreen
1250-1270 Leeds Avenue	35,629	Spicers	Renewal	Sheffield

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1027 Moodie Drive	11,475	Primo Developments Inc. / 10027715 Canada Inc.	\$3,100,000 / \$270	Bell's Corners
2784 Fenton Road	10,130	Presentey Engineering Products Ltd. / 2474027 Ontario Inc.	\$1,520,000 / \$150	South Gloucester / Albion

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