



OTTAWA OFFICE

Economic Indicators

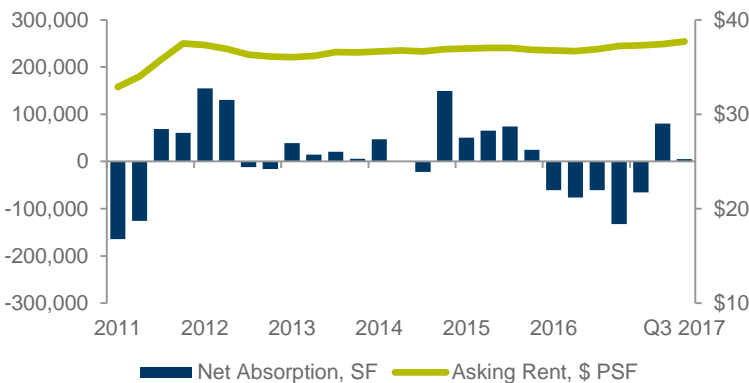
	Q3 16	Q3 17	12-Month Forecast
Ottawa Employment	545k	541k	▲
Ottawa Unemployment	6.1%	5.9%	▼
Canada Unemployment	7.0%	6.2%	▼

Market Indicators (Overall, All Classes)

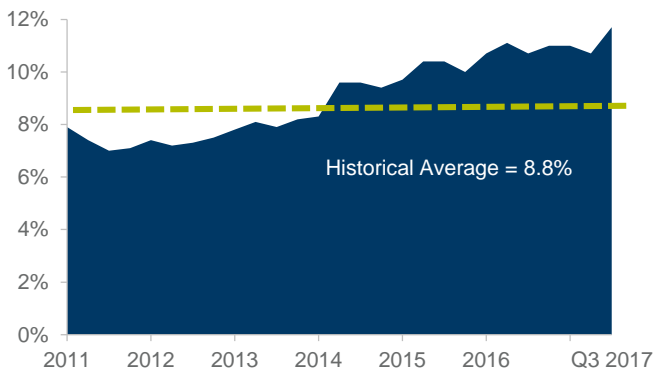
	Q3 16	Q3 17	12-Month Forecast
Overall Vacancy	10.7%	11.7%	▲
Net Absorption (sf)	67,642	-233,255	▼
Under Construction (sf)	437,552	0	■
Average Asking Rent*	\$37.68	\$38.75	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian economy continues to show strength. The Conference Board of Canada expects GDP to expand by close to 3.0% in 2017. The Bank of Canada raised its key interest rate for the second time this summer, and is now sitting at 1.0%, up 50 basis points from the spring. The local economy has also had a strong year, benefitting from the influx of tourists, and tourist dollars, for events surrounding the celebration of Canada's 150th birthday.

The region has seen significant non-residential redevelopment projects to date in 2017. Examples include the renovation and expansion of the National Arts Centre, the renovation of the National War Memorial, and the expansion of the Ottawa Art Gallery and Arts Court. As these projects come to a close other projects are revving up such as the Zibi Development, RendezVous Lebreton, Trinity's development at 900 Albert Street, the Parliament buildings revitalization and finally the relocation of one of the Ottawa Hospital campuses. The majority of the mixed-use projects that are in the pipeline will be complimented by the new Confederation Line, a light rail transit system, with its first phase to be completed by mid-2018.

The city has bid to be the home of Amazon's second North American headquarters which could bring an additional 50,000 jobs and \$5 billion U.S. dollars to the region. However the competition is fierce as several other Canadian cities have put their names in the hat to become the online conglomerate's HQ2 home. Even if Ottawa is not the chosen city, officials are using this bidding process to better prepare the city for infrastructure to accommodate such tenants in future scenarios. Certainly helping the city's case is that the technology sector continues to be a highlight for the region and added 400 jobs in August 2017 alone.

Market Overview

The largest transaction in Ottawa's office investment market history occurred this quarter when Constitution Square, a three-tower office complex located in the downtown market sold for \$480.6 million in September. Dream REIT also sold its downtown portfolio to Kingsett Capital, a deal worth \$120 million. As the Class A downtown office market tightens, the investment market is warming up. However, with interest rates rising, decompression in cap rates may occur.

The Ottawa East submarket continues to contend with high vacancy rates that were pushed upwards again this quarter as 405 Terminal Avenue was delivered to the market fully vacant. This brought Class A Ottawa East vacancy to 31.1%. There was some good news for this area of the city as 285-295 Coventry Road, a government tenanted complex, was expected to come to market in Q4 2017, but instead extended its lease for another three years. In addition, there are several technology firms who have expressed interest in the east end of the city.

Technology was also a story in the west end of the city as Flextronics announced its move to 3001 Solandt Road, leasing 63,000 square feet (sf) and You.i TV leased 40,000 sf at 307 Legget Drive.

Outlook

Tech tenants are searching for space both in the downtown core and east end. Survey Monkey is anticipated to follow Shopify's move to the downtown core, while other tech tenants are focused on the east end as the rates are especially attractive. Announcements for major tenants are anticipated to come in Q4 2017.

MARKETBEAT

Ottawa, ON

Office Q3 2017



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	16,054,745	68,807	1,385,950	9.1%	-22,002	77,763	917,877	0	\$42.76	\$47.99
Centretown	1,739,326	2,275	240,431	14.0%	-49,997	-7,588	92,184	0	\$28.11	N/A
Byward Market	842,861	0	54,034	6.4%	4,768	-1,442	22,920	0	\$36.99	\$43.59
Central Area	18,636,932	71,082	1,680,415	9.4%	-67,231	68,763	1,032,981	0	\$41.36	\$47.88
Kanata	6,297,770	139,635	758,766	14.3%	-80,828	156,720	311,140	0	\$27.58	\$26.82
Ottawa West	3,939,145	29,494	345,159	9.5%	-16,939	30,699	144,057	0	\$31.56	\$36.00
Nepean	5,537,222	0	555,909	10.0%	-33,086	12,115	42,673	0	\$27.93	\$28.78
Ottawa East	4,935,803	42,962	960,307	20.3%	-46,359	-140,584	36,365	0	\$25.60	\$29.37
Gloucester	1,422,201	5,780	196,068	14.2%	11,188	17,165	9,483	0	\$37.12	\$37.31
Total Suburban Area	22,132,071	217,871	2,816,209	13.7%	-166,024	76,115	543,718	0	\$31.44	\$33.50
OTTAWA TOTALS	40,769,003	288,953	4,496,624	11.7%	-233,255	144,878	1,576,699	0	\$38.75	\$48.31

*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	26,175,297	249,230	2,461,377	10.4%	-31,558	327,404	1,177,581	0	437,552	\$43.81
Class B	11,559,524	24,584	1,645,060	14.4%	-163,062	-176,044	318,049	0	0	\$30.40
Class C	2,994,182	15,139	390,187	13.5%	-38,635	-6,482	81,069	0	0	\$28.38

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
307 Legget Drive	40,000	You.i TV	New Direct	Kanata
55 Metcalfe Street	24,000	Canada Foundation for Innovation	New Direct	CBD
3001 Solandt Road	63,000	Flextronics	New Direct	Kanata

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
340,350,360 Albert Street/Constitution Square	1,006,000	Oxford Properties/Greystone & Canderel (Canstone Realty Advisors)	\$480,600,000 / \$463	CBD
219 Laurier Avenue West, 360 Laurier Avenue West, 400 Cumberland Street, 130 Slater Street	602,508	Dream REIT/Kingsett Capital	\$122,208,952 / \$202	CBD
74 Colonnade Road	11,578	Anuck Holdings Ltd./Adriatic Property Holdings Ltd.	\$2,260,000 / \$195	Nepean
193 Richmond Road	5,400	Pathfinder Systems Design Ltd./2576623 Ontario Inc.	\$2,822,000 / \$523	Ottawa West
66 Lisgar Street	4,800	Her Majesty the Queen in Right of Canada as represented by the Defense Staff in his Non-Public Property Capacity/ Inside Edge Properties Ltd.	\$1,200,000 / \$250	CBD

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