

OTTAWA INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Ottawa Employment	543k	556k	▲
Ottawa Unemployment	5.4%	4.6%	▲
Canada Unemployment	5.7%	5.6%	▲

Market Indicators (Overall)

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	6.3%	4.6%	▲
Net Absorption (sf)	122,010	-104,785	▲
Under Construction (sf)	40,579	1,405,360	▲
Average Asking Rent	\$9.23	\$9.89	▲

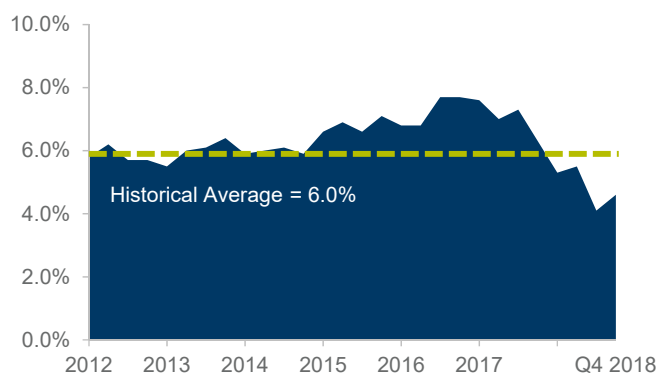
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian economy had a strong finish to 2018 with the unemployment rate declining to 5.6% from 6.0% in the fourth quarter of 2018. As Canadians continue to adjust to this year's interest rates hikes, growth in consumer spending and the housing sector in 2019 may soften to a more moderate level compared to previous years. According to the Conference Board of Canada, Ottawa-Gatineau's GDP growth is forecasted to marginally decrease to 1.8% in 2019 from 2.1% in 2018. The future of the redevelopment project at LeBreton Flats is uncertain as the partnership between Trinity and Capital Sports Management broke into a dispute and has resulted in lawsuits. The National Capital Commission (NCC) will officially terminate the agreement with the development group if the parties cannot reconcile; however, the NCC have stated that they are committed to working with other partners to keep the 21-acre redevelopment project alive.

Market Overview

The Ottawa industrial market experienced a strong year with the fourth quarter 2018 vacancy rate coming in at 4.6%. The overall city recorded negative absorption of 104,785 square feet (sf) this quarter; the result of a few mixed-use blocks of space coming to market in the Ottawa Business Park. However this is not indicative of overall strength of the eastern submarkets in 2018, as vacancy has declined to 5.4% from 7.4% one-year-ago. Average asking rental rates for Ottawa rose by 7% year-over-year to reach \$9.89 per square foot in the fourth quarter; one of the highest average rents in Canada. Large spaces over 25,000 sf are becoming increasingly difficult for larger tenants to find as there are only a handful of options currently available.

The Sheffield submarket continues to experience high demand for quality spaces. Small industrial multiples under 10,000 sf are leased almost immediately after arriving on the market. Vacancy within this submarket has tightened every quarter in 2018, declining to 3.7% in the fourth quarter of 2018 from 10.4% one year ago. Overall availability in the western submarkets declined to 3.4%, marking the lowest vacancy rate in over a decade. The Kanata submarket has been a significant driver of this declining vacancy, and also reached a record low this quarter with vacancy dropping to 0.5%, in part due to Spartan Bioscience leasing 17,770 sf at 340 Legget Drive.

Some notable sales occurred this quarter adding to a busy year on the investment front with approximately \$300 million of industrial product changing hands in 2018. Baxter Lancaster Nominee Inc. sold a \$41.5 million portfolio to Summit Ltd. that was comprised of seven buildings across Ottawa.

Outlook

Landlords will continue to have the power to create favourable lease expectations and stiffening terms. Absorption may begin to weaken in 2019 as Giant Tiger and St. Joseph Printing will be vacating large pockets of space followed by the first of the Canadian Museum of Science and Technology buildings in early 2020. This will bring approximately 650,000 sf of much needed new availability to the Ottawa market in the next two years. In the short term, the pent up demand for quality space with high ceilings and a desirable location will battle a more cost sensitive environment. E-commerce, distribution centres and activity centres will continue to expand moving into the new year.

MARKETBEAT

Ottawa, ON

Industrial Q4 2018



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	62	3,410,597	0.5%	135,263	21,328	74,208	0	40,579	\$11.50	\$4.73	\$16.23
Bell's Corners	12	382,019	0.9%	0	0	5,046	0	0	\$14.00	\$6.09	\$20.09
Morrison/Queensview	9	415,519	12.2%	16,387	-5,847	-7,659	0	0	\$12.00	\$6.19	\$18.19
Woodward/Carling	25	568,513	3.7%	36,105	0	-17,134	0	0	\$9.00	\$11.00	\$20.00
Ottawa Centre	27	799,667	8.3%	25,123	-29,140	-27,975	0	0	\$10.21	\$5.47	\$15.68
Ottawa South	11	709,160	5.1%	97,336	21,504	59,422	0	0	\$7.53	\$4.74	\$12.80
West Merivale	27	599,829	6.2%	7,405	-6,125	-23,935	0	0	\$10.00	\$5.22	\$15.22
East Merivale	28	657,693	2.1%	54,846	24,105	41,065	0	0	n/a	n/a	n/a
Colonnade	23	656,233	4.4%	15,141	-2,380	-7,957	0	0	\$10.39	\$6.71	\$17.10
Rideau Heights	29	668,325	4.1%	3,495	-4,950	-17,724	0	0	\$10.37	\$7.00	\$17.37
West Ottawa Totals	253	8,867,555	3.4%	391,101	18,495	77,357	0	40,879	\$10.50	\$5.82	\$16.32
South Walkley	13	325,180	0.8%	0	-2,677	-127	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,385,883	9.6%	69,157	-64,145	219	0	0	\$10.05	\$5.76	\$15.81
Coventry/Belfast	48	1,783,609	6.9%	13,742	-19,302	-47,075	0	0	\$9.69	\$5.87	\$15.56
Cyrville	64	2,227,938	8.0%	118,826	-29,554	34,812	0	0	\$9.86	\$5.79	\$15.65
Sheffield	59	2,955,631	3.7%	294,376	29,579	202,590	0	0	\$9.00	\$5.37	\$14.37
Sheffield/Lancaster	20	1,185,844	2.3%	26,480	10,854	22,253	385,000	0	\$9.76	\$6.58	\$16.34
Stevenage/Belgreen	58	2,104,041	1.8%	75,560	16,483	38,183	0	0	\$8.71	\$5.75	\$14.46
South Gloucester/Albion	17	467,234	0.6%	28,367	0	7,720	1,020,000	0	\$7.75	\$4.10	\$11.85
Queensway	25	920,465	11.2%	16,665	-42,018	-33,874	0	0	\$9.65	\$4.96	\$14.61
Orleans	18	596,384	5.1%	48,683	-22,500	25,026	0	0	\$9.00	\$6.00	\$15.00
East Ottawa	351	13,952,209	5.4%	691,856	-123,280	249,727	1,405,360	0	\$9.67	\$5.68	\$15.35
OTTAWA TOTALS	604	22,819,764	4.6%	1,082,957	-104,785	327,084	1,405,360	40,579	\$9.89	\$5.72	\$15.61

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
340 Legget Drive	17,770	Spartan Bioscience	Direct	Kanata
110 Bentley Avenue	16,879	Brampton Hardwood	Direct	East Merivale
2575 Sheffield Road	14,000	Colautti Construction	Direct	Sheffield/Michael
3234-3270 Hawthorne Road	10,637	Honeybar Products	Direct	Stevenage/Belgreen

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1050 & 1051 Baxter, 2615 Lancaster, 2620-2650 Lancaster*	287,194	Baxter Lancaster Nominee Inc. / Summit Ltd.	\$41,500,000	Sheffield/Michael & Morrison/Queensview
1125-1135 Parisien Street, 3169 Hawthorne, 174 Cleopatra*	145,565	Controlex Corp. / StorageVault Canada Inc.	\$8,255,345	Cyrville, Stevenage/Belgreen & West Merivale
2380 Lancaster Road	47,236	Osgoode Properties Ltd. / Two Three Eighty Lancaster GP Inc.	\$6,800,000 / \$144	Sheffield/Michael

*portfolio sale

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