

OTTAWA INDUSTRIAL

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Ottawa Employment	542k	579k	▲
Ottawa Unemployment	6.8%	5.7%	▼
Canada Unemployment	6.9%	6.6%	▼

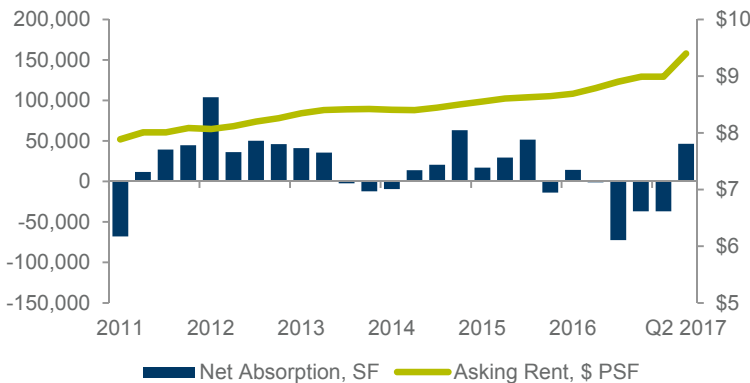
Market Indicators (Overall)

	Q2 16	Q2 17	12-Month Forecast
Overall Vacancy	6.8%	7.0%	▲
Net Absorption (sf)	-21,413	71,958	▲
Under Construction (sf)	30,000	0	▼
Average Asking Rent	\$9.09	\$9.40	▲

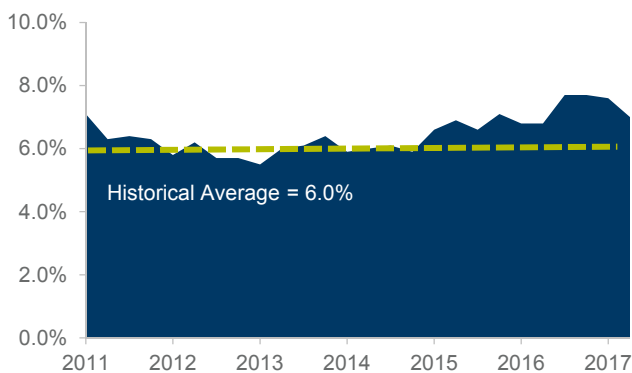
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Ottawa has a unique distinction in the country in that it has been ranked by Money Sense magazine as *Canada's Best Place to Live* two years in a row. On July 1, 2017 Canada's 150th birthday was celebrated and according to the Conference Board of Canada, the surge in tourism related to activities surrounding this year-long celebration was projected to increase the region's GDP to over 2% in 2017 for the first time since 2011. From the first quarter 2017, the Canadian unemployment rate decreased by only 0.1% to 6.6% in contrast to Ottawa's unemployment rate which increased by 0.6% to 5.7% from last quarter; likely a result of contraction in the construction and health care industries. Although there are ongoing projects within the construction sector such as the Light Rail Transit system and the rehabilitation of the Parliament buildings, there was a decrease in building permits issued in May 2017 for commercial, industrial and recreational facilities. Earlier this year the Federal Government was on a hiring spree; however the pace of hiring has slowed as only 300 government jobs were created in the National Capital Region from April to May 2017.

Market Overview

The Ottawa industrial market did not experience significant movement in second quarter 2017. The overall vacancy rate fell to 7.0%, down 40 basis points from first quarter 2017, and is sitting close to where vacancy was one year ago. Tenants are primarily interested in smaller pockets of industrial space, with the majority of transactions under the 5,000-square-foot mark. Single-user tenants looking for 50,000 square feet (sf) and above may have trouble finding space in the west end of the city, particularly as the vacancy rate in the western submarkets stands at 4.8%. In the eastern submarkets, landlords are able to accommodate these larger users. The eastern submarkets, much like the office market, is seeing vacancy on the rise, with an overall vacancy rate of 8.4%. Although Orleans submarket has the highest vacancy rate in the city at 16.6%, it is partially due to the smaller inventory size. Despite the climbing vacancy in the eastern markets, demand remains steady with positive absorption for the quarter at 42,516 sf. Absorption within the western submarkets was lower at 29,422 sf. Overall average asking rental rates have risen since first quarter 2017 from \$8.92 per square foot (psf) to \$9.40 psf.

Outlook

Looking ahead it is anticipated there may be a need for more industrial space in the western submarkets, particularly Kanata, as companies such as Apple, Blackberry, and Ford have announced new research and development initiatives in support of autonomous vehicles within the National Capital Region. Ottawa hopes to be the considered the hub of autonomous vehicles. The Ottawa city council adopted a motion supporting the creation of a Centre of Excellence for Autonomous Vehicles in November 2016, and has since held a delegation in May 2017 to support these efforts.

MARKETBEAT

Ottawa, ON

Industrial Q2 2017



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	3.2%	24,874	-16,043	-10,048	0	0	\$11.76	\$6.07	\$17.83
Bell's Corners	12	382,019	1.4%	0	0	0	0	0	\$13.00	\$6.89	\$19.89
Morrison/Queensview	9	415,519	12.6%	39,099	11,757	2,496	0	0	\$8.95	\$4.77	\$13.72
Woodward/Carling	23	540,800	1.7%	1,746	1,746	5,146	0	0	\$10.00	\$7.05	\$17.05
Ottawa Centre	27	795,276	4.6%	3,314	-11,941	-8,627	0	0	\$10.90	\$5.20	\$16.10
Ottawa South	11	702,521	6%	49,068	55,213	57,568	0	0	\$8.24	\$3.84	\$12.08
West Merivale	26	544,478	1.7%	0	5,308	5,308	0	0	\$9.00	\$4.15	\$13.15
East Merivale	27	645,693	11%	0	-2,248	-2,248	0	0	\$8.84	\$4.74	\$13.58
Colonnade	22	634,309	7.7%	7,529	-18,340	-12,791	0	0	\$10.07	\$6.03	\$16.10
Rideau Heights	27	655,655	4.8%	2,000	3,990	7,250	0	0	\$10.24	\$7.30	\$17.54
West Ottawa Totals	243	8,624,188	4.8%	127,630	29,442	44,054	0	0	\$9.92	\$5.45	\$15.37
South Walkley	13	325,180	0.8%	0	-2,550	0	0	0	\$7.50	\$4.50	\$12.00
Ottawa Business Park	29	1,394,140	12.3%	24,430	8,991	24,430	0	0	\$9.49	\$5.14	\$14.63
Coventry/Belfast	48	1,783,609	9.3%	10,311	-26,210	10,311	0	0	\$11.59	\$5.42	\$17.01
Cyrville	63	2,234,837	8.6%	8,000	-9,555	8,000	0	0	\$8.60	\$5.28	\$13.88
Sheffield	59	2,992,123	9.6%	28,992	9,009	28,992	0	0	\$8.28	\$4.64	\$12.92
Sheffield/Lancaster	20	1,185,844	4.3%	7,572	-983	7,572	0	0	\$10.43	\$5.77	\$16.20
Stevenage/Belgreen	57	2,092,378	3.7%	81,900	40,184	81,900	0	0	\$8.14	\$4.73	\$12.87
South Gloucester/Albion	15	392,234	2.2%	0	0	0	0	0	\$7.50	\$5.54	\$13.04
Queensway	25	920,465	11.8%	7,664	8,630	7,664	0	0	\$9.39	\$5.03	\$14.42
Orleans	18	596,384	16.6%	0	15,000	0	0	0	\$9.44	\$3.85	\$13.29
East Ottawa	347	13,917,194	8.4%	168,869	42,516	62,805	0	0	\$9.20	\$4.96	\$14.16
OTTAWA TOTALS	590	22,541,471	7.0%	296,499	71,958	106,859	0	0	\$9.40	\$5.08	\$14.48

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
200 Terence Matthews	42,695	Galtronics	Headlease	Kanata South Business Park
52 Antares Drive	4,380	St. Vincent de Paul	Headlease	Rideau Heights Business Park

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1620 Laperriere Avenue	5,500	1270632 Ontario Inc. / 2565990 Ontario Inc.	\$1,300,000/\$236	Woodward/Carling Business Park
851 Industrial Avenue	2 Acres	1760525 Ontario Inc./851 Industrial Storage GP Corp	\$4,000,000	Belfast/Industrial/Coventry

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