

OTTAWA OFFICE

Economic Indicators

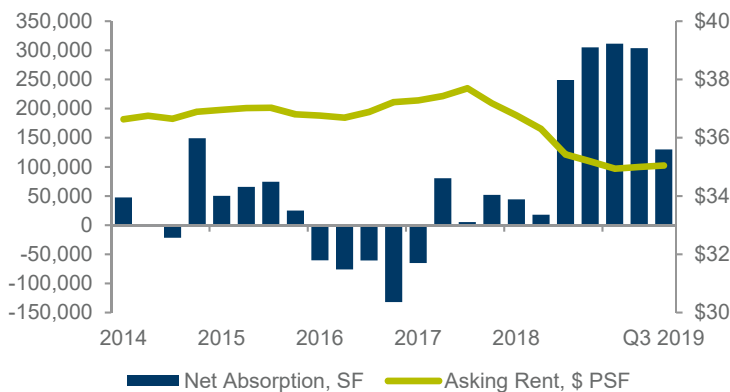
	Q3 18	Q3 19	12-Month Forecast
Ottawa Employment	559k	592k	▲
Ottawa Unemployment	4.6%	4.9%	▲
Canada Unemployment	6.0%	5.7%	▲

Market Indicators (Overall, All Classes)

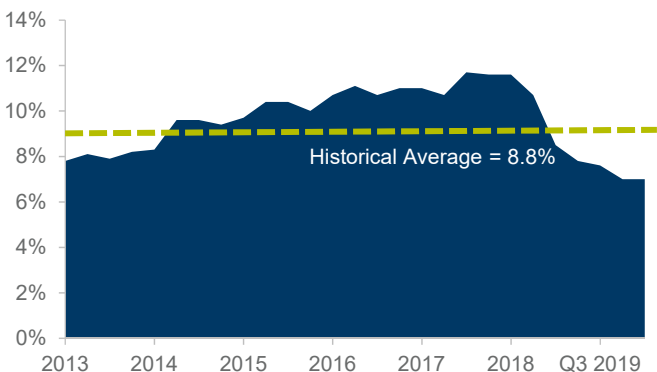
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	8.5%	7.0%	▼
Net Absorption (sf)	690,688	-4,738	▲
Under Construction (sf)	34,000	100,000	▲
Average Asking Rent*	\$35.24	\$35.44	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent
4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to the Conference Board of Canada, GDP growth within the Ottawa-Gatineau region is forecasted to cool to 1.7% in 2019, with growth projected to increase marginally to 1.9% in 2020. While unemployment reached a record-low average in 2018 of 4.7%, it is anticipated to increase to 5.2% in 2019 before levelling out to 5.0% in 2020. The upcoming federal election is being paid very close attention to in the local market as a change in the governing party could lead to government spending cuts, which would likely slow job growth in the capital. Softening growth in the public sector is the main contributing factor to the current downturn in the economy, although public administration employment is expected to increase at a moderate 1.4% annually between 2019 and 2023, allowing total government employment to reach 168,200 in 2023.

Market Overview

The third quarter of 2019 saw little change within the Ottawa office market. Overall vacancy remained unchanged from last quarter at 7.0%, with minimal negative absorption of approximately 5,000 square feet (sf). Slight increases in Class A and Class C availability were offset by a decline in Class B space. This trend is anticipated to continue due to the predicted rising cost of Class A space along the recently opened Light Rail Transit line (LRT), which runs through the heart of downtown to the eastern suburban market.

The LRT line has made well-positioned buildings winners in the office market, particularly properties that have stops integrated into their building. The LRT's completion will secure higher rental rates in buildings in close proximity and become a main feature in retaining old tenants and attracting new ones. Easier accessibility outside of the Downtown Core could also continue lowering vacancy rates in both the western and eastern submarkets. The Ottawa East market has seen a considerable decline in vacancy within the past year, as overall vacancy has declined from 13.4% to 6.9% year-over-year.

Co-working has become more popular within the Ottawa area. Although Ottawa has lagged behind other major Canadian markets in adopting this model, it seems like Ottawa is finally embracing this shared space mentality in the workplace with two larger leases of 75,000 sf and 13,000 sf to new co-working entrants Spaces and iQ Suites, respectively. In addition, the federal government has opened three new co-working spaces with plans for two more. It is the hope that these spaces, which offer a more mobile and flexible workspace, will result in higher productivity and bring more high-tech business to the region.

Outlook

Ottawa is in the midst of experiencing significant change to how commuters get around the city. The long-awaited completion of the LRT has made public transit along the line faster and more efficient, although currently it may be more of a headache for suburban commuters. It is believed that until the transit line stretches out to suburban communities, it will not be a major selling point for recruiting talent.

With Class A buildings close to the LRT transit line expected to see an increase in asking net rents, the office market will see a decrease in the more affordable Class B space. Managers of Class A buildings off the transit line will also push to make their space more desirable despite the inconvenience in location. The Carling Executive Park has recently been acquired by Crown Realty Partners with the intent of revamping the 289,000-square foot office space complex. Significant upgrades to the building's amenities will be made in an effort to appeal to prospective tenants who are unable to find space downtown or in Kanata.

MARKETBEAT

Ottawa, ON

Office Q3 2019



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	59,466	930,438	6.2%	40,133	61,584	404,885	0	\$40.85	\$47.15
Centretown	1,739,326	0	171,073	9.8%	-3,643	-1,284	34,023	0	\$28.09	N/A
Byward Market	842,861	15,219	93,154	12.9%	5,948	-38,904	17,994	0	\$39.01	\$44.98
Central Area	18,636,932	74,685	1,194,665	6.8%	42,438	21,396	456,902	0	\$39.68	\$46.99
Kanata	6,473,931	16,180	403,848	6.2%	-31,235	119,227	263,712	100,000	\$25.64	\$24.19
Ottawa West	3,972,145	6,715	276,328	7.0%	-42,364	-18,375	95,150	0	\$31.31	\$33.93
Nepean	5,564,478	0	323,909	5.8%	44,067	32,072	153,079	0	\$28.57	\$33.06
Ottawa East	4,961,982	5,481	336,270	6.9%	-9,954	173,971	197,860	0	\$30.01	\$32.05
Gloucester	1,422,201	5,780	243,517	17.5%	-7,690	-96,786	43,583	0	\$35.70	\$36.17
Total Suburban Area	22,394,737	34,156	1,583,872	7.2%	-47,176	210,109	753,384	100,000	\$30.45	\$33.03
OTTAWA TOTALS	41,031,669	108,841	2,778,537	7.0%	-4,738	231,505	1,210,286	100,000	\$35.44	\$40.27

*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	26,237,936	84,631	1,235,054	5.0%	-85,372	74,119	582,528	100,000	0	\$40.27
Class B	12,092,667	6,638	1,200,199	10.0%	126,147	221,353	552,796	0	0	\$31.20
Class C	2,701,110	17,572	343,284	13.4%	-45,513	-63,967	74,962	0	0	\$24.93

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6 Booth Street	158,000	PWGSC	Direct	Ottawa West
66 Slater Street	75,000	Spaces	Direct	CBD
222-230 Queen Street	13,700	iQ Office Suites	Direct	CBD
9 Auriga Drive	29,000	Canada Post	Direct	Nepean

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1525, 1545, 165 Carling Avenue	289,000	QuadReal Property Group/Crown Realty	\$56,500,000 / \$196	Ottawa West
99 Metcalfe Street	157,350	Pensionfund Realty/Morguard 99 Metcalfe	\$52,000,000 / \$330	CBD
150 Metcalfe Street	110,071	Dream Office/Northam CIGF Holdings	\$40,500,000 / \$368	CBD
251 Laurier Avenue W	58,000	Slate Asset Management/PROREIT	\$21,200,000 / \$366	CBD

*portfolio sale

Cushman & Wakefield
99 Bank Street, Suite 700
Ottawa, ON
www.cushmanwakefield.com

For more information, contact:
Nathan Smith, Broker
Senior Vice President
Managing Director
Tel: +1 613 236 7777
info@cwottawa.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.