

OTTAWA OFFICE

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Ottawa Employment	546k	543k	▼
Ottawa Unemployment	6.0%	5.4%	▲
Canada Unemployment	6.8%	5.7%	■

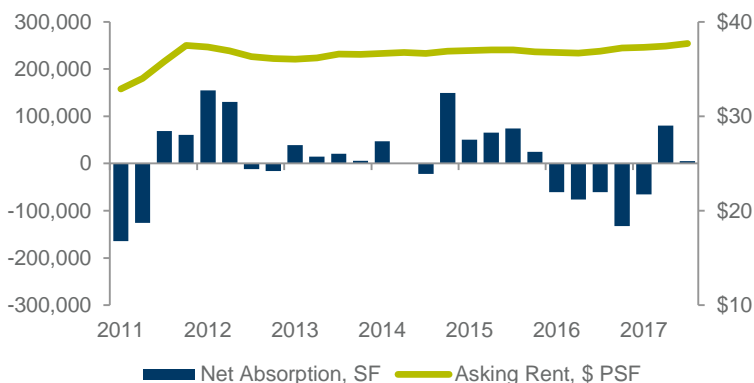
Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	11.0%	11.6%	▲
Net Absorption (sf)	-123,940	62,674	▼
Under Construction (sf)	437,552	0	▲
Average Asking Rent*	\$37.70	\$35.65	■

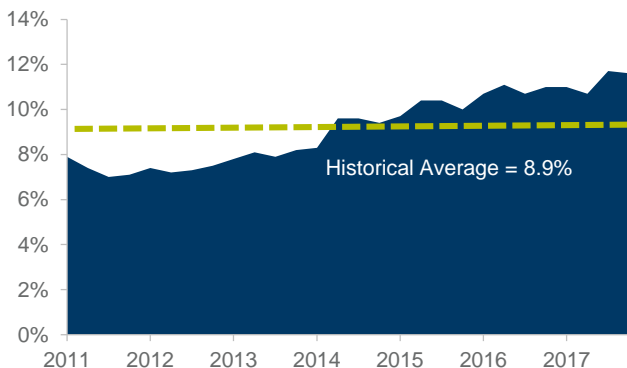
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian economy continues to show strength, with Ontario leading the charge in provincial growth, primarily led by continuing growth in the Greater Toronto Area. The Conference Board of Canada has reported that 329,000 new jobs were created in 2017, making Canada the fastest growing of the G7 countries. Canadian job creation is anticipated to slow down as Canada's 150th birthday celebrations come to a close. Despite the proverbial "hangover", it appears that the year-long celebrations helped put Canada on the list of top destinations in the world, with the New York Times and the Lonely Planet ranking Canada as the number one place to visit in 2017.

There is no shortage of construction projects in Ottawa's pipeline. The Ottawa Light Rail Transit (LRT) Project is the city's largest transportation infrastructure project since construction of the Rideau Canal in the 1860s. Stage one of the project which features a tunnel through the Central Business District is projected to be completed in summer of 2018. Construction of stage two is set to begin in 2019, expanding the Confederation Line west to Moodie Drive, east to Trim Road, and will feature expansion south of the existing Trillium Line, including a spur to the Ottawa International Airport. Dream REIT has kicked-off its first phase of the Zibi mixed-use development, and Trinity's development at 900 Albert Street, a mixed-used complex featuring condos, office and retail space is currently undergoing a sewer relocation before beginning construction later in 2018.

Market Overview

The Downtown Core posted a vacancy rate of 9.1% in the fourth quarter, remaining unchanged from the third quarter 2017. Vacancy climbed to 5.2% in the Class A Central Business District (CBD), up 50 basis points from the third quarter of 2017, and was the result of a few tenants making decisions to relocate to the Suburban west submarkets. The CBD market did see a few notable transactions occur this quarter, one of these being Telesat who leased 75,000 square feet (sf) at 160 Elgin Street. As they will be vacating a significant amount of space with this move, it will likely be a hard blow to the Suburban East Class A vacancy rate, potentially pushing it to 27.0%, with no recovery in sight.

Kanata continues to be a place where the younger, well-educated talent pool prefers to 'live, work, and play'. Blackberry remained in their space in Kanata, signing a new direct deal with the landlord, while Trend-Micro underwent yet another expansion. Although Kanata's vacancy rate rose 110 basis points to 13.0%, it was primarily due to Flextronics downsizing by 15,000 sf with their move from 10 Brewer Hunt Way to 3001 Solandt Road. The city's technology sector is experiencing growth, and while the majority of tech tenants will remain in Kanata, the Department of Defense's move to the suburbs will present opportunities for tech tenants to move Downtown as Class B office space will be in abundance, and landlords will likely be aggressive in trying to fill their buildings.

Outlook

Ottawa is anticipated to face a contracting economy in 2018 as Canada's 150th celebrations come to a close, and the federal government will likely work towards balancing the budget. In early 2018, renewed activity in the office market is anticipated as large tenants who were searching for space in 2017 are nearing closer to making final decisions.

MARKETBEAT

Ottawa, ON

Office Q4 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	50,273	1,415,078	9.1%	31,286	109,049	1,177,431	0	\$40.90	\$46.66
Centretown	1,739,326	2,275	222,959	12.9%	17,472	9,914	113,707	0	\$29.18	n/a
Byward Market	842,861	14,216	35,324	5.9%	4,494	3,052	32,610	0	\$37.49	\$42.17
Central Area	18,636,932	66,764	1,673,361	9.3%	53,252	122,015	1,323,748	0	\$39.88	\$46.52
Kanata	6,299,215	90,100	731,878	13.0%	46,456	203,176	583,351	0	\$26.00	\$26.56
Ottawa West	3,939,145	35,409	371,341	10.3%	-32,097	-1,398	194,970	0	\$32.74	\$35.30
Nepean	5,537,222	0	549,582	9.9%	5,419	17,534	129,878	0	\$28.92	\$29.27
Ottawa East	4,937,203	125,914	898,489	20.7%	-21,134	-161,718	89,712	0	\$30.61	\$32.61
Gloucester	1,422,201	0	191,070	13.4%	10,778	27,943	27,814	0	\$36.55	\$37.07
Total Suburban Area	22,134,201	251,423	2,742,630	13.5%	9,422	85,537	1,025,725	0	\$30.69	\$32.66
OTTAWA TOTALS	40,771,133	318,187	4,415,991	11.6%	62,674	207,552	2,349,473	0	\$35.65	\$39.58

*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	26,178,212	276,318	2,373,139	9.1%	52,123	379,527	1,744,190	0	437,552	\$39.58
Class B	11,559,524	25,537	1,619,961	14.0%	23,508	-152,536	503,770	0	0	\$30.14
Class C	2,994,182	16,332	422,891	14.1%	-12,957	-19,439	101,513	0	0	\$28.07

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1001 Farrar Road	146,000	Blackberry	Headlease	Kanata
160 Elgin Street	75,000	Telesat	Headlease	Downtown Core
380 Hunt Club Road	15,000	The Ottawa Hospital	Headlease	Nepean
31 Auriga Drive	30,000	Costco	Headlease	Nepean

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
301 & 303 Moodie Drive	159,369	The Manufacturers Life Insurance Co./ True North Commercial REIT	\$18,000,000 / \$113	Nepean
59 Camelot Drive	106,000	Pensionfund Realty Ltd./ Morguard Camelot Ltd.	\$21,500,000 / \$206	Nepean
299-305 Dalhousie Street	18,944	1054177 Ontario Inc./Triangle Business Group	\$4,550,000 / \$240	Byward Market

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