

OTTAWA OFFICE

Economic Indicators

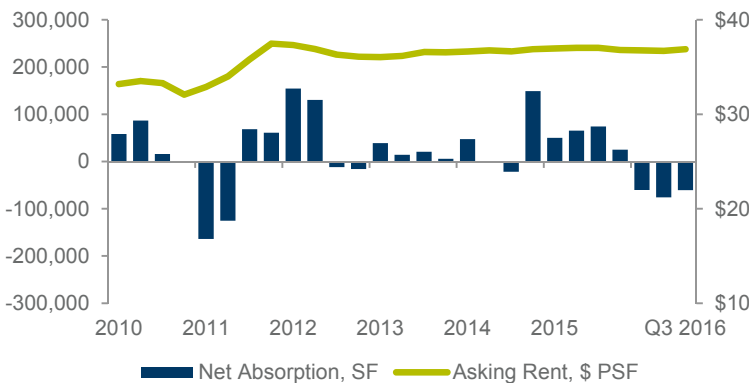
	Q3 15	Q3 16	12-Month Forecast
Ottawa Employment	529k	545k	▲
Ottawa Unemployment	6.4%	6.1%	■
Canada Unemployment	7.0%	7.0%	▼

Market Indicators (Overall, All Classes)

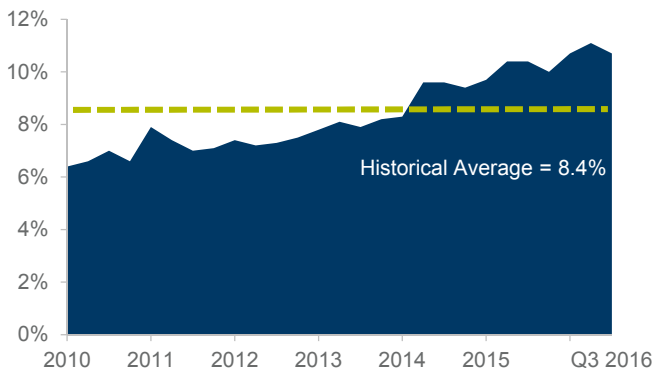
	Q3 15	Q3 16	12-Month Forecast
Overall Vacancy	10.4%	10.7%	▲
Net Absorption (sf)	6,287	67,642	▼
Under Construction (sf)	391,092	437,552	■
Average Asking Rent*	\$36.89	\$37.68	■

*Rental rates reflect gross asking \$psf/year

**Overall Net Absorption/Overall Asking Rent
4Q TRAILING AVERAGE**



Overall Vacancy



Economy

Although Statistics Canada reported that there were 2,000 less people employed in the National Capital Region in August 2016, employment levels remain strong with 720,000 residents working in the region, close to record-high levels. A decline in the number of people actively looking for work pushed the unemployment rate downwards in the City of Ottawa to 6.1% in August. This is a decrease of 0.7 percentage points from the second quarter, and continues to remain below the Canadian unemployment rate of 7.0%.

Market Overview

The overall office market stabilized this quarter, with vacancy sitting at 10.7%. This is a decline from the vacancy rate of 11.1% that was posted in Q2, and matches the vacancy rate posted in Q1. Although overall demand momentum remains fairly lacklustre throughout the city with the majority of the submarkets posting fairly minimal amounts of either positive or negative absorption, the overall total this quarter reached close to 68,000 square feet (sf); a notable improvement from the high levels of negative absorption seen in Q2. Market conditions in the downtown core continue to hold steady as vacancy declined in all three building classes, particularly in the class C segment where vacancy declined by over four full percentage points to 20.6%; the result of close to 40,000 sf of space coming off of the market. Although the Byward Market area saw some softening in its class C segment which led to vacancy climbing in this submarket, the decline in the overall vacancy of both the Downtown Core & Centretown submarkets helped push vacancy downwards in the overall Central area to 8.7%. After a quarter where substantial amounts of new availability came on the market, the overall Suburban market was quiet in Q3; with the exception of the Ottawa East class B segment where large pockets of space came on the market in two properties. All-in-all demand slightly outpaced the new availability that came on the Suburban market, with just over 14,000 sf of positive absorption. The overall vacancy remained unchanged from Q2 at 12.5%.

Outlook

After a fairly uneventful quarter, it is anticipated that the market will see another influx of space in the coming months. Notable spaces include: Bell Canada's space at 360 Lisgar Street of about 77,000 sf and approximately 87,000 sf at 250 Tremblay Road that is being vacated by the federal government. Looking to 2017, the market continues to wait and see what the timing will be and the subsequent impact of the consolidation of the Department of National Defense. In addition, there is the anticipated arrival of 325,000 sf coming to market in mid-2017; the result of the Bank of Canada placing their temporary leased space at 234 Laurier Avenue on the sublet market as they move back into their owned premises approximately a year earlier than originally scheduled.

MARKETBEAT

Ottawa, ON

Office Q3 2016



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	16,050,498	128,602	1,257,413	8.6%	53,647	(32,740)	402,193	0	\$43.55	\$49.42
Centretown	1,769,448	1,277	174,636	9.9%	8,791	(18,088)	41,574	0	\$28.88	n/a
Byward Market	842,861	10,000	52,102	7.4%	(9,029)	(8,215)	28,616	0	\$36.90	\$41.59
Central Area	18,662,807	139,879	1,484,151	8.7%	53,409	(59,043)	472,383	0	\$42.13	\$49.20
Kanata	5,925,497	132,593	662,541	13.4%	14,016	(15,578)	336,629	276,092	\$27.41	\$28.11
Ottawa West	3,939,145	10,055	403,356	10.5%	29,559	24,601	193,690	0	\$31.34	\$33.78
Nepean	5,541,988	23,416	553,999	10.4%	6,079	(240,319)	88,608	0	\$30.69	\$33.22
Ottawa East	4,666,638	60,517	625,780	14.7%	(43,772)	(25,074)	62,286	161,460	\$30.17	\$33.79
Gloucester	1,397,799	22,081	185,485	14.8%	8,351	90,526)	45,485	0	\$37.85	\$37.85
Total Suburban Area	21,471,067	248,662	2,431,161	12.5%	14,233	(346,896)	726,698	437,552	\$31.08	\$33.24
OTTAWA TOTALS	40,133,874	388,541	3,915,312	10.7%	67,642	(405,939)	1,199,081	437,552	\$37.68	\$42.61

*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	25,558,028	379,081	2,140,310	9.9%	3,699	(372,443)	746,660	437,552	26,000	\$42.61
Class B	11,581,664	6,816	1,420,238	12.3%	30,723	(734)	334,813	0	0	\$30.78
Class C	2,994,182	2,644	354,764	11.9%	33,220	(32,762)	117,608	0	0	\$28.31

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
100 Queen Street	14,202	SAS Institute of Canada	New Lease	Downtown Core
515 Legget Drive	13,575	Great West Life Assurance Company	Renewal	Kanata
515 Legget Drive	9,016	Persistent Systems	New Lease	Kanata
515 Legget Drive	7,027	Iceberg Networks	New Lease	Kanata

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
300,320,340 March Road	121,135	Dundee Canada (GP) Inc. / Kanata Research Park Corporation	\$25,300,000 / \$209	Kanata
1125,1135,1145 Innovation Drive	117,000	Dundee Canada (GP) Inc. / Kanata Research Park Corporation	\$25,150,000 / \$215	Kanata
2625 Queensview Drive	46,613	Dream Office (GP) Inc. / Cred GP I Inc.	\$5,500,000 / \$118	Ottawa West

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

For more information, contact:

Nathan Smith, Broker
Senior Vice President
Managing Director
Capital Markets Group
Tel: +1 613 236 7777
info@cwottawa.com

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