

MARKETBEAT INDUSTRIAL SNAPSHOT



OTTAWA, ON

A Cushman & Wakefield Alliance Research Publication

Q2 2012



ECONOMIC OVERVIEW

After a fairly robust first quarter, the Ottawa-Gatineau region recorded flat job growth in May 2012, as both the number of people working and the number of people looking for work fell.

There was no change in the number of local jobs, holding at 716,600. Due to the 3,000 fewer people working or looking for work, the unemployment rate edged down slightly from last month to 6.0%. At a national level, unemployment remained unchanged at 7.3%.

VACANCY INCREASES IN SECOND QUARTER

After the blip last quarter where vacancy declined to a two-year low of 5.8%, vacancy climbed back up to levels that are more in line with what the rate has been in the past two years, reaching 6.2%. Only one quarter after the eastern submarkets had a fairly substantial decline in available space, the vacancy rate headed in the opposite direction this quarter to reach 3.8%, more than one percentage point higher than the first quarter. This climb was the result of multiple new availabilities in various submarkets that were over 20,000 square feet (sf). The largest pocket was 50,000 sf that is now available for sublease in one property in the Cyrville submarket. In contrast to the more turbulent eastern submarkets, vacancy within the western submarkets remained fairly steady, declining by a percentage point this quarter to reach 10.2%.

OVERALL DEMAND SOFTENS

Overall absorption slipped back down into negative territory this quarter, at 80,000 sf. As was the case with vacancy, absorption figures within the two markets reversed from last quarter's levels. The western markets posted positive absorption of 85,000 sf, while in the eastern markets negative absorption was over 166,000 sf. A significant portion of the absorption within the western markets was the result of a short-term transaction at 125 Colonnade Road. As mentioned above, absorption sharply declined into the negative in the eastern submarkets as new available space outpaced space coming off of the market. Overall leasing activity declined to 133,000 sf this quarter, particularly within in the eastern submarkets as the amount of space leased contracted by 60,000 sf quarter-over-quarter.

OUTLOOK

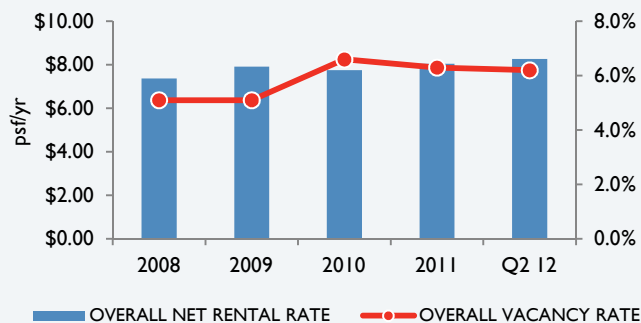
Market conditions over the next six months are projected to remain stable. Currently about 30,000 sf is set to come on the market by the end of the year, an amount that the market should be able to easily

absorb. In terms of new construction projects, the new build-to-suit for Iridian Spectral Technologies should be completed by next quarter. There are two additional projects located within the eastern submarkets that are set to get underway in the coming months. The government is also potentially in market for space, with a total requirement of close to 100,000 sf of space.

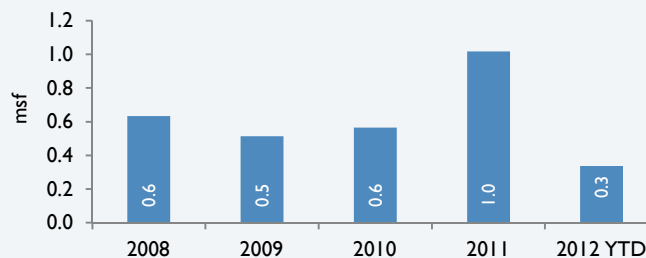
STATS ON THE GO

	Q2 2011	Q2 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.3%	6.2%	-0.1pp	↔
Direct Asking Rents (psf/yr)	\$8.07	\$8.27	2.5%	↔
YTD Leasing Activity (sf)	601,440	337,184	-43.9%	↔

OVERALL RENTAL VS. VACANCY RATES



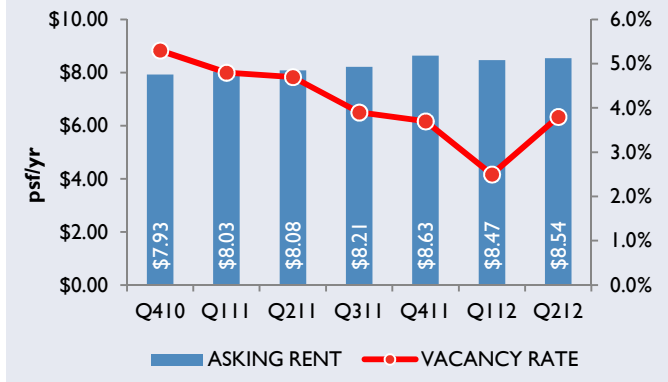
OVERALL LEASING ACTIVITY



EASTERN SUBMARKETS

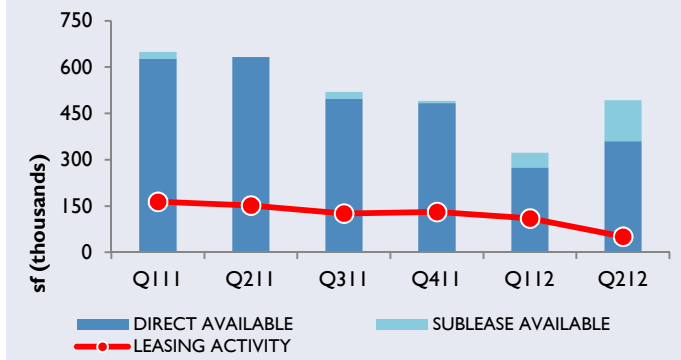
- It has been a tumultuous first half of the year for the eastern submarkets, with significant swings in vacancy. After a sharp decline last quarter, vacancy was back up in the second quarter to 3.8%. The second half of the year looks to be more stable, as only 29,000 sf is set to become available during the remainder of 2012.
- Despite the fluctuation in the vacancy rate, overall rental rates hold firm with the average net asking rate this quarter at \$8.54 per square foot (psf).

DIRECT RENTAL VS. VACANCY RATES



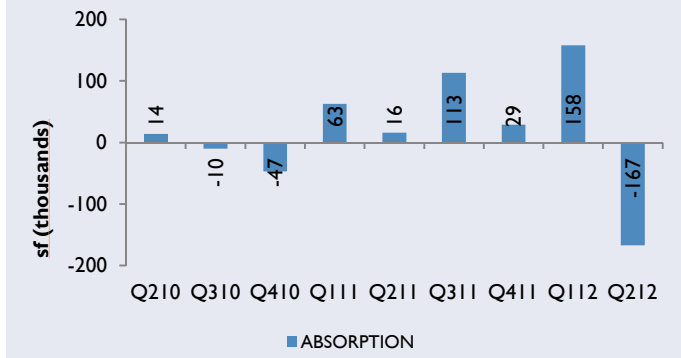
- The amount of both direct and sublet space available climbed this quarter. Currently there is 360,000 sf available direct from the landlord, while space available for sublease climbed once again to reach close to 133,000 sf. The largest climb in direct space available occurred within the Coventry/Belfast submarket, a result of tenant relocations that left over 61,000 sf vacant. In terms of sublease availability, there was a new 50,000-sf pocket of high-tech related space that was made available in the Cyrville Business Park.
- Leasing activity slowed within the eastern markets to 51,000 sf, approximately 59,000 sf less than last quarter, as half of all the submarkets recorded no activity at all during this quarter.

DIRECT & SUBLEASE AVAILABLE VS LEASING ACTIVITY



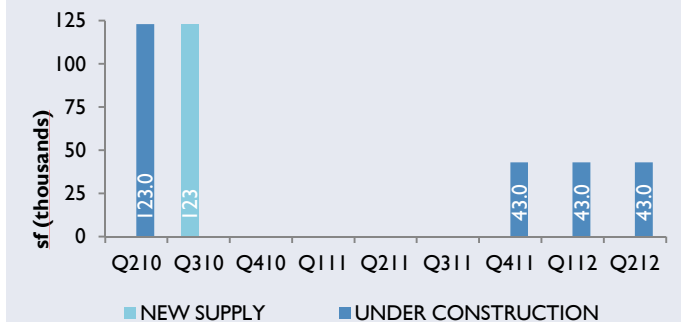
- As was the case with the vacancy rate, absorption figures moved in the opposite direction from last quarter and fell into negative territory at 166,000 sf. Only two submarkets posted positive absorption this quarter, with the remaining markets either having negative absorption or no absorption whatsoever.
- Absorption should move back into positive territory through the remaining half of the year as just approximately 29,000 sf is due to return to the market.

ABSORPTION



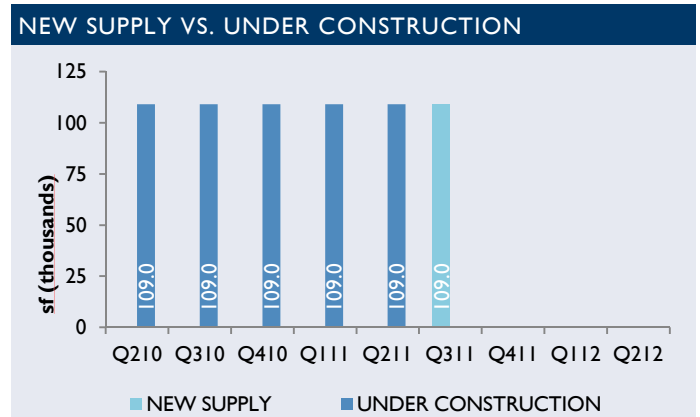
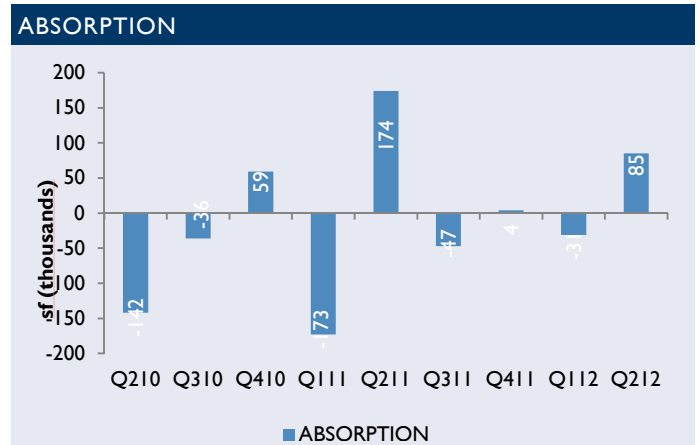
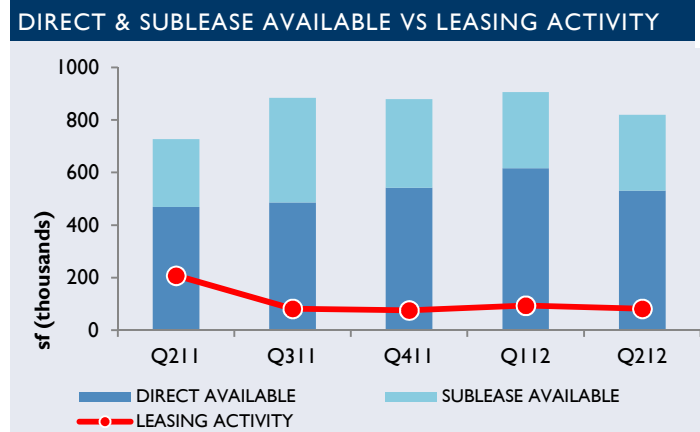
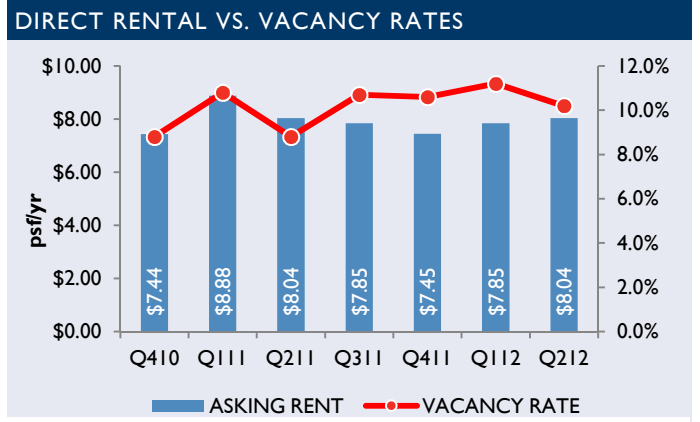
- There was no change in new supply or new construction this quarter. Construction continues on the 43,000-sf build-to-suit for Iridian Spectral Technologies, and is expected to be completed next quarter. Once complete, this building will not be part of the competitive inventory as it will be owned by the tenant.
- Additional projects continue to be in the planning stages. One is a 32,000-sf distribution centre that will be built once the tenant leases its current premises. The other two are currently in the pre-leasing stages with construction set to get underway shortly.

NEW SUPPLY VS. UNDER CONSTRUCTION



WESTERN SUBMARKETS

- Vacancy declined by a full percentage point this quarter to 10.2%, the largest decline in a year. The most significant factor contributing to the fall in vacancy was approximately 60,000 sf coming off of the market in the Colonnade submarket, including one 50,000-sf transaction. This is only a short-term lease, and that space will become available again in 2013.
- Rental rates continue to edge slightly upwards, with the current average asking rental rate now sitting at \$8.04 psf, the result of half of the submarkets either posting higher rental rates compared to last quarter or matching rates from the first quarter.
- The amount of direct space available declined for the first time in the last five quarters, falling to 531,000 sf. The amount of space available for sublease remained identical to last quarter at 289,000 sf, with almost all of the sublet space located in Kanata.
- Although leasing totals have not been at significant amounts over the last four quarters, levels have at least remained consistent with activity totaling 82,000 sf this quarter; just slightly down from last quarter.
- Absorption rebounded this quarter to 85,000 sf, the strongest quarterly absorption in a year.
- Absorption figures for the vast majority of the western submarkets were minimal: either slightly positive or slightly negative or, in the case of two submarkets, showing no change at all. As has been discussed the majority of the absorption was the result of the transaction at 125 Colonnade Road.
- There was no change in new supply or properties under construction in the western submarkets this quarter.



OTTAWA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Kanata	3,152,260	18.4%	82,410	0	0	14,656	13,282	\$8.14	\$5.34	\$13.48
Bell's Corners	334,655	4.9%	8,110	0	0	0	3,310	\$10.00	\$5.71	\$15.71
Morrison/Queensview	415,519	12.0%	9,385	0	0	(3,331)	(25,146)	\$8.15	\$4.38	\$12.53
Woodward/Carling	540,800	4.9%	7,329	0	0	0	7,329	\$0.00	\$3.00	\$0.00
Ottawa Centre	742,339	1.3%	35,869	0	0	7,720	17,126	\$9.00	\$3.95	\$12.95
Ottawa South	695,111	9.9%	2,250	0	0	183	(17,567)	\$6.58	\$3.84	\$10.42
West Merivale	534,593	1.7%	5,238	0	0	3,178	(1,682)	\$9.00	\$5.16	\$14.16
East Merivale	587,403	8.1%	3,000	0	0	(440)	(670)	\$8.78	\$4.55	\$13.33
Colonnade	621,923	3.0%	15,098	0	0	60,443	63,234	\$6.50	\$5.20	\$11.70
Rideau Heights	606,248	2.0%	8,018	0	0	2,920	(4,855)	\$7.75	\$6.38	\$14.13
WEST OTTAWA	8,230,851	10.2%	176,707	0	0	85,329	54,361	\$8.04	\$4.86	\$12.90
South Walkley	325,180	0.0%	0	0	0	0	0	\$0.00	\$0.00	\$0.00
Ottawa Business Park	1,422,879	6.0%	40,219	0	0	1,770	24,233	\$9.00	\$4.39	\$13.39
Coventry/Belfast	1,758,250	6.0%	33,632	0	0	(72,069)	(63,628)	\$8.13	\$4.06	\$12.19
Cyrville	2,074,520	5.8%	25,878	0	0	(48,241)	(78,016)	\$8.50	\$4.92	\$13.42
Sheffield	3,043,681	2.1%	14,276	0	0	(38,530)	109,217	\$6.50	\$5.02	\$11.52
Sheffield/Lancaster	1,145,820	5.5%	18,060	0	0	4,900	11,939	\$8.72	\$3.98	\$12.70
Stevenage/Belgreen	1,854,224	1.4%	0	43,000	0	0	(4,249)	\$7.69	\$5.02	\$12.71
South Gloucester/Albion	402,234	5.2%	6,500	0	0	(6,000)	500	\$7.58	\$4.32	\$11.90
Queensway	798,865	1.9%	7,212	0	0	(8,392)	(8,392)	\$8.54	\$4.93	\$13.47
Orleans	474,178	0.0%	14,700	0	0	0	0	\$0.00	\$0.00	\$0.00
EAST OTTAWA	13,299,831	3.8%	160,477	43,000	0	(166,562)	(8,396)	\$8.54	\$4.48	\$13.02
OVERALL CITY	21,530,682	6.2%	337,184	43,000	0	(81,233)	45,965	\$8.27	\$4.70	\$12.97

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
5977 Hazeldean Road	Kanata	Postmedia Network Inc.	Warehouse	47,183
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1171 Kenaston Street	Cyrville	Crestpoint Real Estate Investments Ltd.	\$9,800,000 / \$114	86,003
1780-1800 Woodward Drive	Woodward/Carling	District Realty	\$2,475,000/ \$99	25,000
Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
2700 Swansea Crescent	Stevenage/Belgreen	Iridian Spectral Technologies	Q3 2012	43,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS