

MARKETBEAT INDUSTRIAL SNAPSHOT

OTTAWA, ON

A Cushman & Wakefield Alliance Research Publication

Q4 2012



ECONOMIC OVERVIEW

Despite the region adding 3,300 new jobs in November 2012, the unemployment rate hit a 23-month high, reaching 6.7% as an additional 5,200 people were looking for work. Strong employment gains were seen in the construction sector, along with retail and wholesale trade. Another positive for the region is that after five months of shrinking employment, growth within the public administration sector was flat. Unfortunately the technology sector continues to struggle, contracting to 41,500 jobs. That is down from 44,600 in November 2011. Nationally the news was encouraging as the unemployment rate dropped to 7.2%, with almost all of the job gains being full-time employment in the private sector.

VACANCY RATES STABLE THROUGH 2012

Vacancy was unchanged in the fourth quarter, remaining at 5.7%. There was little movement in the overall vacancy rate through 2012 as vacancy ranged from 5.7% to 5.8% three out of four quarters. Reflective of the overall vacancy rate, vacancy within both the eastern and western markets was very similar to last quarter. Within the western markets vacancy declined by 0.1 percentage points to 8.7%, while in the eastern markets vacancy climbed by 0.2 percentage points to 3.9%.

DEMAND SLOWS IN FOURTH QUARTER

Overall absorption levels dropped in the fourth quarter although it did remain positive at 16,000 square feet (sf). This brings the end-of-year total to 184,000 sf; fairly close to absorption levels from 2011. Although the western markets had negative absorption of 11,000 sf this quarter, absorption for the year was still positive at 165,000 sf. In the eastern markets, absorption was 27,000 sf during the fourth quarter, with overall absorption for the year totaling 19,000 sf. Leasing activity slowed in the fourth quarter to 178,000 sf citywide, with activity in the eastern markets contributing approximately two-thirds of that total. Although overall leasing activity for 2012 was lower compared to 2011, totaling 775,000 sf, this figure is in line with levels seen during the past five years.

OUTLOOK

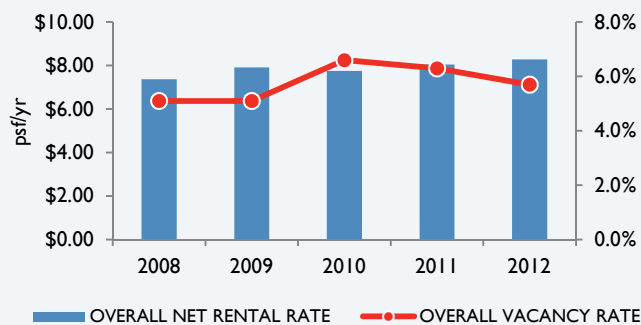
At first glance, it would appear the consistency that the market displayed through 2012 may not continue through the first half of 2013. Currently there is a projected 150,000 sf set to become available over the next six months, almost entirely located within the eastern markets. However it is worth noting that this new availability is not spread out within various submarkets, as 90,000 sf is located in just one property. Although this

new space will negatively impact absorption figures, as historically large blocks of space have generally proven to be more difficult to lease, absorption will receive a boost with the completion of the 64,000-sf build-to-suit for the federal government. In terms of additional new construction, it is fairly quiet throughout the city. A couple of projects are in pre-leasing mode but as right now no new construction projects have gotten underway.

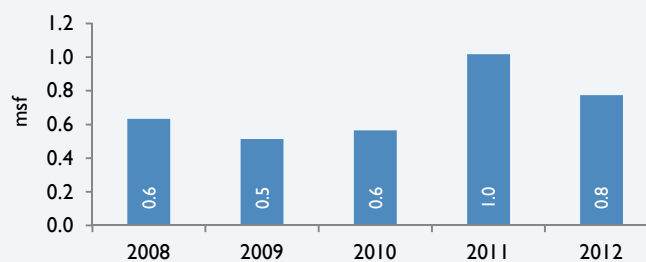
STATS ON THE GO

	Q4 2011	Q4 2012	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.3%	5.7%	-0.6pp	↔
Direct Asking Rents (psf/yr)	\$8.05	\$8.29	3.0%	↔
YTD Leasing Activity (sf)	1,016,553	774,224	-23.8%	▼

OVERALL RENTAL VS. VACANCY RATES



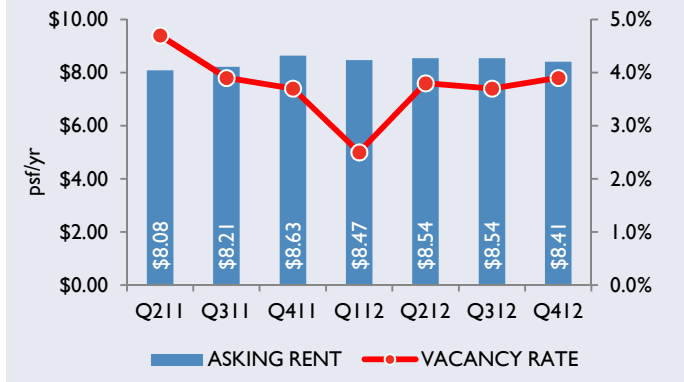
OVERALL LEASING ACTIVITY



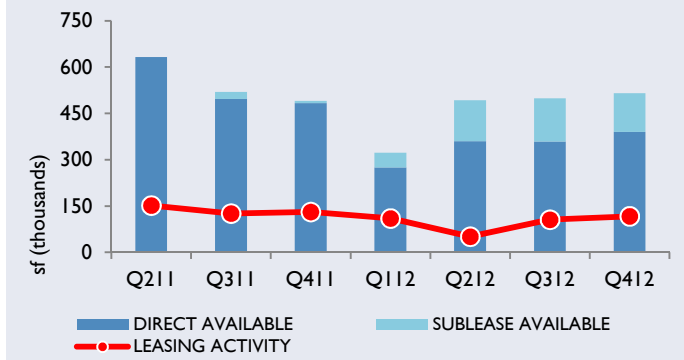
EASTERN SUBMARKETS

- Vacancy increased slightly in the fourth quarter, rising by 0.2 percentage points to 3.9% as vacancy climbed within four submarkets. Vacancy is projected to rise in the first half of 2013 as approximately 148,000 sf could become available. The vast majority of this vacancy is located in large blocks, particularly within 1255 Leeds Avenue where two tenants could potentially be vacating 90,000 sf.
- Asking rental rates eased slightly to \$8.41 per square foot (psf). This was largely the result of expensive space being leased this quarter as opposed to any general softening in rental rates.
- The amount of direct space available climbed this quarter to 390,000 sf, the largest amount that has been available in a year. After peaking last quarter, sublet space availability declined to 125,000 sf as a pocket of 15,000 sf in the Cyrville submarket moved from sublet availability to direct.
- Leasing activity maintained its momentum from last quarter and surpassed last quarter's total to reach 117,000 sf. The Ottawa Business Park and Coventry/Belfast areas in particular had three blocks of space over 15,000 sf that came off of the market; one of these being Mitten Vinyl which leased 23,616 sf at 2295 St. Laurent Blvd.
- Although leasing activity was solid this quarter this did not translate into strong absorption, which totaled only 27,000 sf. Although the completion of the 47,500-sf building in the Stevenage/Belgreen area fully counted towards positive absorption there were four pockets of space that became available that were over 10,000 sf in size. The largest was 37,000 sf at 465-485 Industrial Avenue.
- Absorption will receive a boost in the first quarter of 2013 as the 64,000-sf build to suit is completed for the federal government. However there exists the potential for absorption to head back into negative territory through the first half of 2013 as close to 150,000 sf could become available, largely consisting of three large blocks of space.
- Construction was completed on the 47,500-sf building that had been largely pre-leased by AVW-TELAV.
- Construction continues on the 64,000-sf build-to-suit for the federal government with a scheduled completion date during the first quarter of 2013.

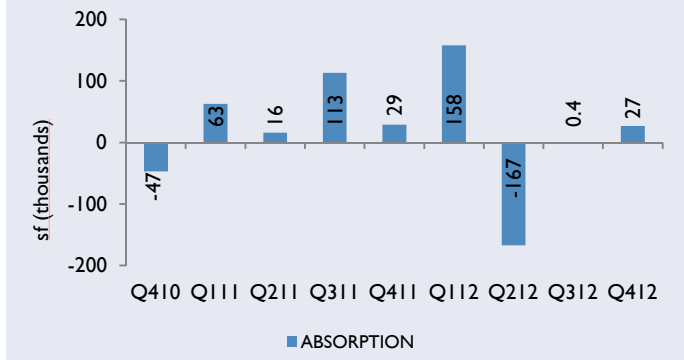
DIRECT RENTAL VS. VACANCY RATES



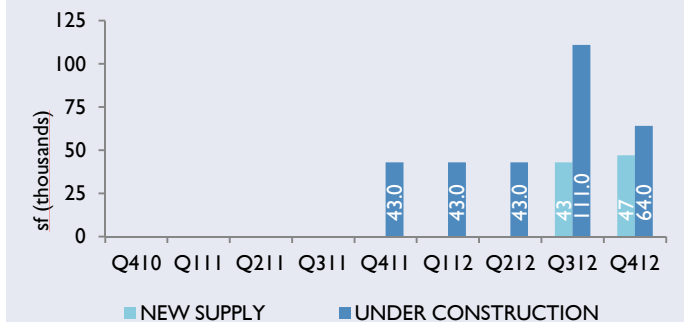
DIRECT & SUBLEASE AVAILABLE VS. LEASING ACTIVITY



ABSORPTION

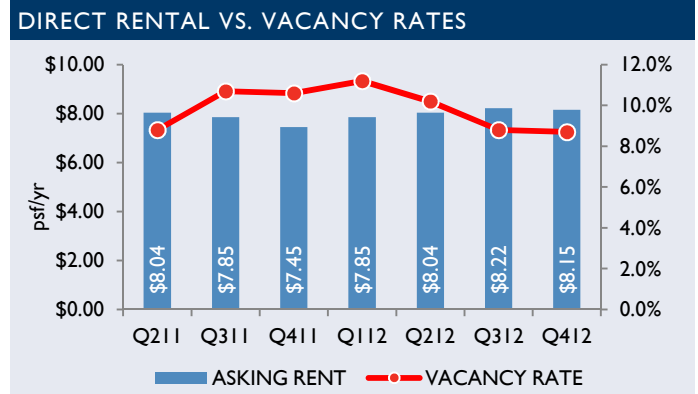


NEW SUPPLY VS. UNDER CONSTRUCTION

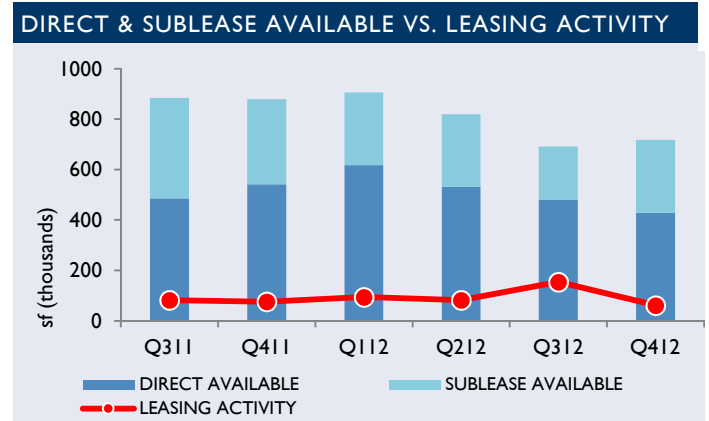


WESTERN SUBMARKETS

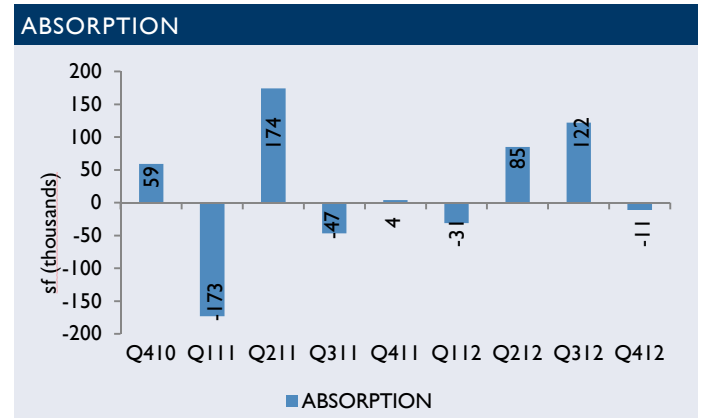
- Vacancy in the western submarkets continued to decline in the fourth quarter, albeit minimally at just 0.1 percentage points to 8.7%, as eight out of the ten submarkets either had declining vacancy or no change in the vacancy rate compared to last quarter.
- Average rental rates ticked down slightly to \$8.15 psf this quarter. Similar to the eastern submarkets the decline in the overall rental rate was the result of more expensive space coming off of the market this quarter.



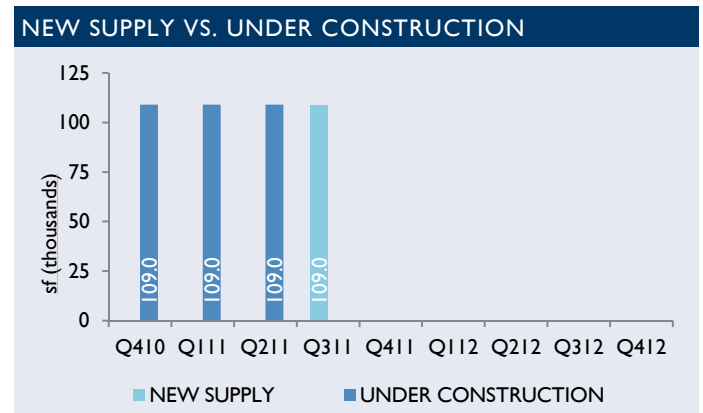
- After peaking in the first quarter of 2012 the amount of direct space available declined throughout the year and now totals 428,000 sf. After a marked decline last quarter the amount of sublet space climbed once more to reach 290,000 sf. This increase in sublet availability was entirely located within Kanata as the 78,000-sf Smith Induspec facility is now available for sublease.
- Compared to last quarter, leasing activity dropped off substantially to 61,000 sf; however this is in line with what leasing activity has generally been over the past six quarters. The number of transactions did decline from last quarter with only half of the submarkets reporting leasing activity.



- Absorption figures headed back into negative territory - close to 11,000 sf.
- Only two submarkets posted negative absorption this quarter, however overall demand throughout the western submarkets was not strong enough to counteract all of the new availability that came onto the market this quarter. Absorption figures should climb back into the positive next quarter as only 2,500 sf is set to become available.



- There was no change in new supply or properties under construction in the western submarkets this quarter. However there will be new supply in 2013 as construction will commence shortly on a new 47,000-sf distribution centre for FedEx that will be located on Moodie Drive.



OTTAWA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	CURRENT QUARTER OVERALL ABSORPTION	YTD OVERALL ABSORPTION	WTD. AVG. NET RENTAL RATE*	WTD. AVG. ADDITIONAL RENTAL RATE*	WTD. AVG. GROSS RENTAL RATE*
Kanata	3,098,458	15.0%	245,796	0	0	(27,458)	110,108	\$8.17	\$4.66	\$12.83
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	0	(25,146)	\$8.15	\$4.38	\$12.53
Woodward/Carling	540,800	4.9%	8,141	0	0	0	7,329	n/a	\$3.00	n/a
Ottawa Centre	777,339	2.0%	48,369	0	0	2,750	19,876	\$9.36	\$3.95	\$13.31
Ottawa South	695,111	7.9%	12,250	0	0	27,750	(3,798)	\$6.70	\$3.74	\$10.44
West Merivale	534,593	0.9%	9,143	0	0	1,860	2,223	\$9.00	\$5.10	\$14.10
East Merivale	587,403	7.9%	7,640	0	0	3,640	330	\$8.95	\$4.55	\$13.50
Colonnade	634,309	5.4%	26,928	0	0	(19,386)	47,637	\$7.79	\$5.28	\$13.07
Rideau Heights	594,171	0.7%	15,458	0	0	0	3,585	\$8.00	n/a	n/a
WEST OTTAWA	8,212,358	8.7%	391,220	0	0	(10,844)	165,454	\$8.15	\$4.42	\$12.57
South Walkley	325,180	0.0%	0	0	0	0	0	n/a	n/a	n/a
Ottawa Business Park	1,422,879	4.1%	99,355	0	0	27,082	51,306	\$9.00	\$4.39	\$13.39
Coventry/Belfast	1,770,250	6.0%	71,742	0	0	(5,422)	(65,390)	\$9.78	\$4.18	\$13.96
Cyrville	2,145,207	8.1%	92,158	0	0	(46,896)	(131,632)	\$9.08	\$4.29	\$13.37
Sheffield	3,043,681	2.5%	25,727	0	0	(20,512)	96,425	\$7.47	\$4.77	\$12.24
Sheffield/Lancaster	1,145,820	7.8%	18,060	0	0	(4,800)	(14,369)	\$8.05	\$4.58	\$12.63
Stevenage/Belgreen	1,901,724	0.3%	30,070	64,000	47,500	49,360	64,050	\$7.21	\$5.81	\$13.02
South Gloucester/Albion	402,234	1.2%	6,500	0	0	16,000	16,500	\$7.50	\$4.49	\$11.99
Queensway	798,865	0.6%	24,692	0	0	12,030	1,988	\$7.00	\$4.50	\$11.50
Orleans	474,178	0.0%	14,700	0	0	0	0	n/a	n/a	n/a
EAST OTTAWA	13,430,018	3.9%	383,004	64,000	47,500	26,842	18,878	\$8.41	\$4.56	\$12.97
OVERALL CITY	21,642,376	5.7%	774,224	64,000	47,500	15,998	184,332	\$8.29	\$4.50	\$12.79

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q4 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
2295 St. Laurent Blvd.	Ottawa Business Park	Mitten Vinyl Inc.	Office/Showroom	23,616
Significant Q4 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Portfolio Sale -Multiple Addresses	Sheffield	Standard Life Assurance	Various	670,198
501 Palladium Drive	Kanata	2342977 Ontario Inc.	\$23,600,000 / \$91	258,371
Significant Q4 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3020 Hawthorne Road	Stevenage/Belgreen	AVW-Telav Audio Visual	Q4 2012	47,500
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3020 Hawthorne Road	Stevenage/Belgreen	PWGSC	Q1 2013	64,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS