

MARKETBEAT RETAIL SNAPSHOT



OTTAWA, ON

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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 the stabilizing of the five month decline in employment growth within the public administration sector.

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.

According to the monthly report released by the Ottawa Real Estate Board, a total of 618 properties were sold in December 2012, down from 695 properties sold in December 2011. The total number of properties sold in 2012 totaled 14,308, down slightly from 14,389 in 2011. The report further states that home sales were on pace to increase through the first part of 2012 but dropped off soon after the tighter federal mortgage rules came into effect. Despite this slowdown, and declining employment within the federal government which is the region's largest employer, the Ottawa resale market continues to be viewed as steady and balanced.

In December, the Canada Mortgage and Housing Corporation reported that 366 new homes were started in November. Although this is a decrease from 553 starts in November 2011, the January to November total for 2012 was 5,644, up from 5,231 during the same period in 2011.

In its latest metropolitan release, the Conference Board of Canada forecasted that as a result of continuing federal government fiscal restraint and ongoing softness in the high-tech sector, economic

growth will be slow, with an average GDP growth for Ottawa-Gatineau of 1.9% from 2013-2016. This, combined with an anticipated slowdown in residential construction, will result in projected retail sales of \$17.6 billion for 2013. Although this figure is an increase of 2.6% from 2012 totals, it is the lowest rate of growth since 2009.

ECONOMIC INDICATORS

NATIONAL	2011	2012F	2013F
GDP Growth	1.5%	1.0%	1.4%
CPI Growth	3.0%	2.0%	2.1%
Retail Sales Growth	4.4%	3.5%	2.6%
REGIONAL	2011	2012F	2013F
Household Income	\$43,825	\$44,986	\$45,667
Population Growth	1.7%	1.2%	0.8%
Unemployment	6.0%	6.1%	6.4%

Source: Conference Board of Canada

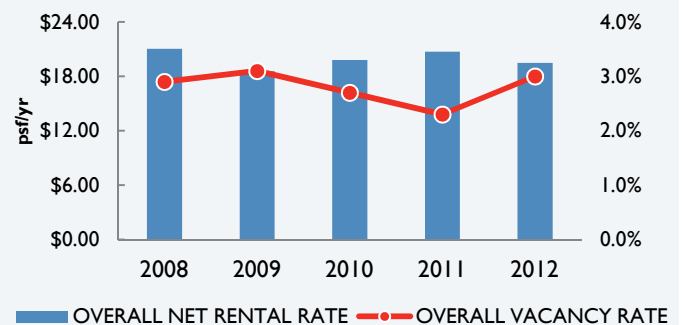
OTTAWA MARKET BREAKDOWN

	VACANCY	RENTAL RATES PSF/YR	MEDIAN SALES PRICE / SQUARE FOOT
Regional Malls	0.6%	N/A	N/A
Community Malls	3.2%	\$18.68	\$55
Core Office Tower	2.6%	\$29.34	\$374
Neighbourhood Malls	5.6%	\$19.29	\$185
TOTAL MARKET	3.0%	\$19.49	N/A

RETAIL SALES ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



RETAIL MARKET OVERVIEW

Overall vacancy continued to creep upwards throughout 2012 and ended the year at 3.0%, the result of rising vacancy within the Community and Neighbourhood Mall segments. A decline in the average asking rents in the Neighbourhood Mall segment, coupled with no reported rents in the Regional Mall segment, led to a decrease in the overall average rent for the city to \$19.49 per square foot (psf). Although absorption was down during the second half of the year compared to the first six months of 2012, absorption remained in the positive at 83,000 square feet (sf) bringing the end-of-year total to 354,000 sf. As the actual amount of vacant space remains low, the majority of this new absorption was the result of numerous construction completions of retail plazas in the growing suburbs of Orleans, Kanata, and Barrhaven.

REGIONAL MALLS AND LARGE POWER CENTRES: OVER 375,000 SF

The vacancy rate within this segment was unchanged through 2012, remaining at 0.6%. Although the amount of available space increased slightly over the course of the year, the vacancy rate has not climbed, as building inventory has increased by over 400,000 sf - resulting from Grant Crossing, a new power centre located in the suburb of Kanata that is near completion. In the first half of the year, expansion work commenced at the Bayshore Shopping Centre which will add approximately 160,000 sf of retail space to the mall. The Rideau Centre, Bayshore's main competitor, followed suit in October announcing their plans to add 180,000 sf of retail space to its shopping centre. This project will also involve building a new food court and converting the existing food court into shops. The expansion plans coincide with the opening of the new anchor tenant for the Rideau Centre. Nordstrom, an upscale American fashion chain, will be leasing approximately 150,000 sf of retail space on the top two floors of what was previously the Sears store. All of the work is anticipated to be completed by the spring of 2015. After announcing their plans to expand a few years back, it appears that the St. Laurent Shopping Centre is closer to commencing work, as they have submitted a site plan to the city. Although Place D'Orleans, a regional mall located in the eastern suburb of Orleans has not announced any significant renovation or expansion plans, they will certainly benefit from being the first regional mall in Ottawa to have a Target store, with a targeted opening in the fall of 2013.

COMMUNITY MALLS AND SMALLER POWER CENTRES – 110,000 - 375,000 SF

After a prolonged period of unchanged vacancy, the rate increased over the second half of 2012 to reach 3.2%. This increase was partly the result of the amount of vacant space growing by approximately 43,000 sf during the last six months of 2012, as pockets of space became available at Silver City Centre, RioCan Merivale, and Signature Centre. The other contributing factor was that the total inventory declined by 350,000 sf, as Grant Crossing transitioned into the Regional Mall/Large Power Centre category. Absorption figures for the year remained in the positive; however, this is the result of new construction completions within this market segment during the first half of 2012. This segment will grow through 2013 as new construction continues at a brisk pace. A handful of these projects include Trinity's Hunt Club and Merivale site that is anchored by a

Lowes, SmartCentre's development at Fernbank and Terry Fox that is anchored by a Walmart, and finally Centrecorp's development at Hazeldean and Huntmar. Like Place D'Orleans in the Regional Mall category, Herongate Mall and Billings Bridge Plaza, both community malls, will have Target as a major drawing factor with scheduled openings of those two stores in the fall of 2013.

NEIGHBOURHOOD MALLS: 10,000-110,000 SF

Vacancy within this segment climbed through 2012; reaching 5.6% at year-end, as vacancy rose in eight of nine submarkets over the last six months of the year. Although the majority of the new vacancy was located in small pockets throughout numerous plazas, there were a few notable exceptions such as a 21,000-sf block of space in the Gloucester submarket, along with an additional 21,000-sf block in Nepean/Merivale Road submarket. Despite the rising vacancy, absorption remained positive for the year, largely the result of fully-leased new construction completions that occurred throughout the year in Kanata. Currently there is one project in preleasing mode in this category, located in Barrhaven, with proposed occupancy in 2013.

CORE OFFICE TOWER: 10,000 SF AND OVER

Vacancy declined over the course of 2012, ending the year at 2.6%. Although there was close to 8,000 sf that became available at The Chambers on Elgin Street, that was counteracted by close to 12,000 sf that came off of the market at Place Bell, also on Elgin Street. In noteworthy news for a segment that is generally fairly quiet, The 3 Brewers, a restaurant/microbrewery, opened their first location in Ottawa at 240 Sparks Street. Looking ahead, this type of inventory will rise by approximately 13,000 sf with the completion of 150 Elgin Street, although that will not occur for another year.

OUTLOOK

Although vacancy did climb throughout 2012, at 3.0% it still remains a very tight market. Although weak economic growth is forecasted for the region, this has not put a damper on new construction projects located throughout the city. With three out of four enclosed regional malls already – or soon to be – undertaking significant expansions and renovations, along with new entries to the Ottawa market such as Nordstrom's and Target opening locations in the latter part of 2013, the local retail landscape continues to evolve. This is certainly evidenced by upcoming projects such as the redevelopment of Lansdowne Park and its 360,000-sf retail component as well as the planned construction of Ottawa's first outlet mall which will feature 350,000 sf of retail space and will include at least 100 units.

OTTAWA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	VACANCY RATE MID-YEAR 2012	VACANCY RATE YEAR-END 2012	Q4 2012 ABSORPTION	YTD ABSORPTION	WTD AVERAGE NET RENT	WTD AVERAGE TAX & OP COSTS
Regional Malls & Larger Power Centres	7,436,219	0.6%	0.6%	53,811	84,342	N/A	N/A
Community Malls & Smaller Power Centres	6,471,677	2.4%	3.2%	(42,938)	124,111	\$18.68	\$11.66
Downtown Core	648,166	3.2%	2.6%	3,827	9,058	\$29.34	\$26.47
Ottawa East	480,083	1.4%	2.1%	(3,088)	(1,534)	\$20.00	\$8.90
Gloucester	377,229	8.7%	10.8%	(14,456)	(19,729)	\$14.65	\$12.09
Orleans	781,969	7.5%	8.5%	5,504	(12,592)	\$21.09	\$10.55
Ottawa South	1,127,134	3.3%	3.4%	41,420	118,714	\$17.39	\$10.83
Kanata/Stittsville	1,411,578	3.1%	4.9%	66,331	84,688	\$20.77	\$11.15
Bell's Corners	334,640	11.2%	15.4%	(14,026)	(32,173)	\$17.50	\$10.17
Nepean (Merivale)	657,301	2.1%	5.8%	(24,321)	(15,856)	\$19.43	\$12.45
Nepean (Other)	638,365	5.9%	3.6%	14,813	17,004	\$21.66	\$10.38
Ottawa West	680,736	3.2%	3.8%	(3,703)	(2,502)	\$22.67	\$12.58
Neighbourhood Malls	6,489,035	4.6%	5.6%	68,474	136,020	\$19.29	\$11.18
TOTAL MARKET	21,045,097	2.5%	3.0%	83,174	353,531	\$19.49	\$12.19

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q4 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Orleans Central	Orleans	Freshland Super Market	Neighbourhood Malls	32,967
Eagleson Place	Kanata	GoodLife Fitness	Neighbourhood Malls	25,000
Significant Q4 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
3775-3777 Strandherd Drive	Community Mall	SunLife Assurance Company	\$41,250,000 (75% Interest)	148,727
1309-1321 Carling Avenue	Community Mall	RioCan Holdings Inc.	\$9,350,000 (50% Interest)	165,842
Significant Q4 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Smart Centres – Terry Fox & Fernbank	Community Mall	Walmart	August 2012	154,873
The Shoppes at Fairwinds	Community Mall	Various Tenants	Second Half 2012	95,636
Grant Crossing	Community Mall	Various Tenants	Second Half 2012	54,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Grant Crossing	Community Mall	Various Tenants	First Half 2013	50,600
Smart Centres – Terry Fox & Fernbank	Community Mall	Various Tenants	First Half 2013	45,229
Eagleson Plaza	Community Mall	GoodLife Fitness	First Half 2013	25,000