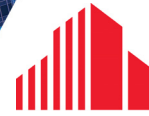


Office Snapshot Q2 2016

Ottawa, ON



OTTAWA OFFICE

Economic Indicators

	Q2 15	Q2 16	12-Month Forecast
Ottawa Employment	533k	542k	▲
Ottawa Unemployment	6.3%	6.8%	■
Canada Unemployment	6.8%	6.9%	▲

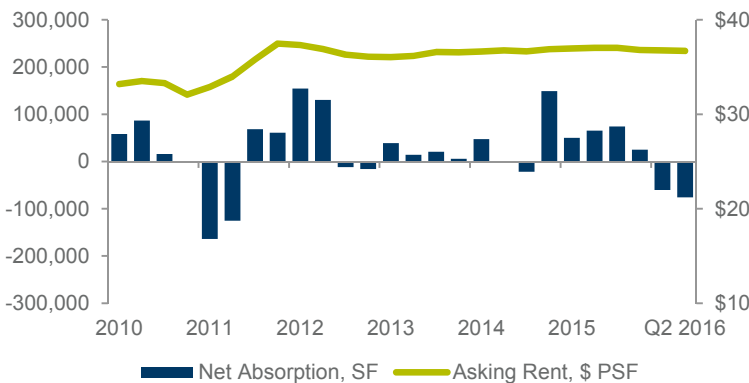
Market Indicators (Overall, All Classes)

	Q2 15	Q2 16	12-Month Forecast
Overall Vacancy	10.4%	11.1%	▲
Net Absorption (sf)	(164,819)	(227,363)	▼
Under Construction (sf)	391,092	463,552	■
Average Asking Rent*	\$36.96	\$36.69	■

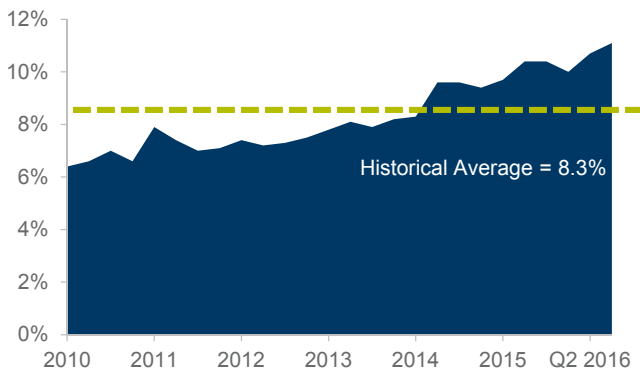
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in the City of Ottawa reached 6.8% in May 2016, an increase of 0.2 percentage points from the first quarter, but remaining below the national unemployment rate of 6.9%. The federal government has now turned its focus away from balancing the budget to opening up their pocketbooks, likely leading to the federal government resuming hiring in the region. This in combination with a robust non-residential sector and a strengthening services sector will help push GDP growth in the region to 1.6% in 2016 from 2015's growth of 1.1%. Next year GDP growth is poised to accelerate further with the tourism sector expected to enjoy a very strong year due to the celebrations planned in the National Capital Region for Canada's 150th birthday.

Market Overview

The impact of the newly available, formerly occupied federal government office space at Qualicum Centre in Nepean was notable in Q2 as it was the main driving force behind overall vacancy rising in the City of Ottawa; reaching 11.1% from 10.7% last quarter. The negative absorption created from this new availability contributed to half of the entire city's overall negative absorption total of 227,000 square feet (sf) for the quarter. That being said there were submarkets that fared better. Market conditions in the downtown core class A market stabilized with vacancy remaining at 6.3%, with just a minimal negative absorption total of close to 11,000 sf. Although the volume of transactions remains low, there were only a few larger pockets of space that came on the downtown core market this quarter which lead to fairly equal levels of new supply and demand. This story also played out in the overall downtown core and the overall Central area, which also had no changes in its vacancy rates from last quarter; remaining at 9.3% and 9.4% respectively.

Vacancy within the Suburban markets saw a bit more movement this quarter, although it was not significant with vacancy in the majority of the submarkets either slightly increasing or decreasing by less than a percentage point compared to Q1. Nepean was the exception of course due to the previously mentioned new vacancy. Kanata also saw vacancy rise, with absorption totals remaining in the negative. This was largely the result of the newly available 63,000 sf located at 700 Palladium Drive.

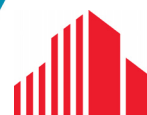
Outlook

Looking to the remainder of 2016, the influx of new availability onto the market is anticipated to slow. However, vacancy is still anticipated to rise as Bell Canada continues to consolidate its operations in the city; resulting in the company fully vacating their location at 360 Lisgar Street, a 112,000-sf class B building located in the Centretown submarket. Two particular events to watch for heading into 2017 will be the Department of National Defense consolidation and the anticipated arrival of 325,000 sf to the market as the Bank of Canada places their temporary leased space at 234 Laurier Avenue on the sublet market.

MARKETBEAT

Office Snapshot Q2 2016

Ottawa, ON


**CUSHMAN &
WAKEFIELD**
Ottawa

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	113,402	1,385,213	9.3%	(18,351)	(86,387)	250,715	0	\$43.09	\$48.96
Centretown	1,769,448	0	210,348	11.9%	(3,867)	(26,879)	25,181	0	\$29.26	N/A
Byward Market	842,861	13,501	39,572	6.3%	11,455	814	27,916	0	\$36.84	\$41.47
Central Area	18,662,807	126,903	1,635,133	9.4%	(10,763)	(112,452)	303,812	0	\$41.76	\$48.70
Kanata	5,869,098	107,327	673,652	13.3%	(27,359)	(29,594)	240,892	302,092	\$26.84	\$27.58
Ottawa West	3,918,724	30,156	412,814	11.3%	7,971	(4,958)	90,048	0	\$31.38	\$34.43
Nepean	5,541,988	26,496	557,078	10.5%	(195,812)	(246,398)	52,370	0	\$29.48	\$32.77
Ottawa East	4,666,638	60,517	588,373	13.9%	(3,452)	18,698	46,044	161,460	\$28.76	\$32.43
Gloucester	1,397,799	22,081	193,836	15.4%	2,052	(98,877)	13,357	0	\$37.37	\$37.37
Total Suburban Area	21,394,247	246,577	2,425,753	12.5%	(216,600)	(361,129)	442,711	463,552	\$29.99	\$32.11
OTTAWA TOTALS	40,057,054	373,480	4,060,886	11.1%	(227,363)	(473,581)	746,523	463,552	\$36.69	\$41.28

*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	25,532,028	328,067	2,234,341	10.0%	(156,289)	(376,142)	462,601	463,552	0	\$41.28
Class B	11,530,844	36,769	1,418,917	12.6%	(69,940)	(31,457)	231,030	0	0	\$29.48
Class C	2,994,182	8,644	407,628	13.9%	(1,134)	(65,982)	52,892	0	0	\$28.34

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
40 Elgin Street	24,624	PWGSC	New Lease	Downtown Core
1600 Scott Street	18,988	Great West Life Assurance Company	New Lease	Ottawa West
1050 Morrison Drive	10,152	St. John Ambulance	New Lease	Ottawa West
161 Greenbank Road	6,859	Trac Group Inc.	Expansion	Nepean

Key Sales Transactions Q2 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1547 Merivale Road	154,344	Minto Properties Inc. / Emerald Plaza Inc.	\$26,100,000 / \$169	Nepean
1155 Lola Street	62,211	Huntington Properties / 1155 Lola Street Inc.	\$12,800,000 / \$206	Ottawa East

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