

## OTTAWA INDUSTRIAL

### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Ottawa Employment	579k	562k	▲
Ottawa Unemployment	5.7%	4.8%	▲
Canada Unemployment	6.6%	5.8%	▲

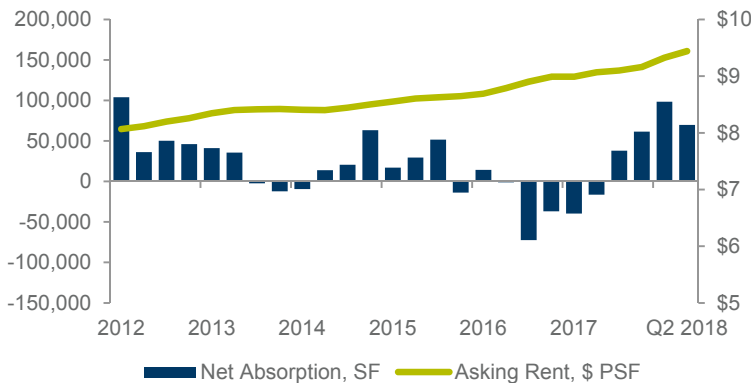
### Market Indicators (Overall)

	Q2 17	Q2 18	12-Month Forecast
Overall Vacancy	7.0%	5.5%	▼
Net Absorption (sf)	71,958	-42,944	▲
Under Construction (sf)	30,000	385,360	▲
Average Asking Rent	\$9.40	\$9.87	▲

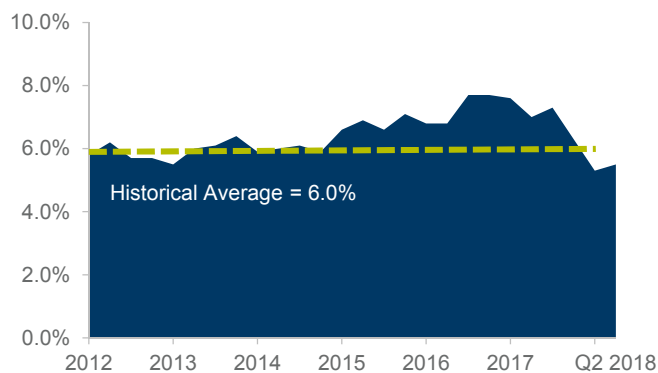
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The unemployment rate in the National Capital Region hit a 3-decade historical low of 4.4% and saw a record 11 million visitors in 2017. There is optimism that this momentum will continue to promote domestic and international tourism despite the projection by Statistics Canada that economic growth is forecasted to slow from last year's 3.0%. Ottawa's key economic sectors, the federal government and high-tech, continue to steadily expand along with construction and transportation.

According to the Ottawa Business Journal Growth Survey, local companies are expanding and expecting future growth. One third of the respondents, made up of 755 local CEOs and business owners, plan to expand into larger commercial space. Morale is positive and investment demand continues even with the Bank of Canada recent hike in the overnight lending rate to 1.5%.

## Market Overview

The Ottawa industrial market continues to show stable lease rates with an average annual increase of 2.5% over the past 5 years. In the first quarter of 2018 net absorption declined to negative 42,944 square feet (sf), largely the result of multiple pockets of space becoming available in the submarkets of East Merivale and South Gloucester, and not enough leasing activity to combat the surplus. Kanata and Ottawa South saw the majority of leasing activity with BMT Fleet Technology taking 17,974 sf at 311 Legget Drive and Canadian Property Stars taking 14,703 sf at 2477 Kaladar Avenue.

It looks like 2018 is shaping up to be a strong year on the investment sales front with Investors Group Trust selling an industrial portfolio of 554,065 sf to Desjardins Financial for \$68.15 million. The portfolio boasts an occupancy rate of more than 90% and includes properties in the Ottawa Business Park as well as 1255 Leeds Avenue, where Boyd operates Canada's largest vehicle storage facility.

In terms of new developments, UPS completed its 40,579-sf distribution facility at 8825 Campeau Drive. Broccolini has begun pre-construction on Amazon's new 1.02 million-sf warehouse at 5381 Boundary Road which is set for completion in the second half of 2019. This distribution centre will create approximately 1,000 new jobs which will notably increase the jobs-to-residents ratio in the east end of the city. Overall vacancy in the Suburban East submarket declined from 8.4% in the second quarter of 2017 to 6.4% this quarter, and conditions are likely to continue to improve.

## Outlook

Although there is still much that is unknown about the cannabis retail system, we may see industrial rental rates climb once recreational marijuana becomes legalized in Canada in October 2018. The impact of cannabis legalization may put pressure on the industrial real estate market amid the rising demand for distribution centres associated with the rise of e-commerce sales. In addition to this there is also a decided lack of speculative construction occurring in the city. The only projects in the pipeline are both build-to-suits; Amazon's fulfillment centre and the Museum of Science & Technology storage facility, the latter of which has been downsized from its original plans due to budget constraints.

## MARKETBEAT

## Ottawa, ON

Industrial Q2 2018



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	YTD LEASING ACTIVITY (SF)	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT*	OVERALL WEIGHTED AVG. ADD. RENT	OVERALL WEIGHTED AVG. GROSS RENT
Kanata	62	3,410,597	2.2%	55,654	51,921	16,921	0	40,579	\$13.50	\$4.75	\$18.25
Bell's Corners	12	382,019	2.7%	0	0	-1,984	0	0	\$13.39	\$5.62	\$19.01
Morrison/Queensview	9	415,519	14.7%	0	-5,028	-5,028	0	0	\$15.00	\$4.50	\$19.50
Woodward/Carling	25	565,170	1.6%	21,206	7,645	-8,523	0	0	\$11.67	\$4.72	\$16.39
Ottawa Centre	27	799,667	4.7%	13,263	-14,298	1,165	0	0	\$12.23	\$5.21	\$17.44
Ottawa South	11	703,974	9.3%	81,566	11,936	30,668	0	0	\$7.50	\$4.95	\$12.45
West Merivale	27	599,829	4.3%	4,230	15	15	0	0	\$10.00	\$5.22	\$15.22
East Merivale	28	657,693	6.1%	27,670	-19,820	14,845	0	0	\$8.50	\$4.26	\$12.76
Colonnade	23	656,233	2.3%	1,016	-27,344	-16,038	0	0	\$10.32	\$6.91	\$17.23
Rideau Heights	29	668,325	2.1%	0	-8,135	-4,474	0	0	\$10.00	\$7.18	\$17.18
<b>West Ottawa Totals</b>	<b>253</b>	<b>8,859,026</b>	<b>4.2%</b>	<b>204,605</b>	<b>-3,108</b>	<b>27,567</b>	<b>0</b>	<b>40,579</b>	<b>\$11.05</b>	<b>\$5.29</b>	<b>\$16.34</b>
South Walkley	13	325,180	0.8%	0	0	0	0	0	\$7.50	\$4.50	\$12.00
Ottawa Business Park	29	1,385,883	8.4%	29,863	4,548	17,575	0	0	\$9.46	\$4.80	\$14.29
Coventry/Belfast	48	1,783,609	6.1%	6,492	-16,357	-32,550	0	0	\$11.33	\$5.74	\$17.07
Cyrville	64	2,227,938	9.3%	41,093	-182	17,124	0	0	\$9.27	\$3.30	\$12.57
Sheffield	59	2,955,631	7.8%	113,154	-7,084	80,529	0	0	\$9.10	\$5.14	\$14.24
Sheffield/Lancaster	20	1,185,844	4.1%	21,681	7,916	1,590	385,360	0	\$10.25	\$6.79	\$17.04
Stevenage/Belgreen	58	2,104,041	2.7%	40,288	-2,845	20,400	0	0	\$8.41	\$5.55	\$13.96
South Gloucester/Albion	17	467,234	4.8%	14,757	-17,693	-2,463	0	0	\$9.65	\$2.74	\$12.39
Queensway	25	920,465	6.3%	4,800	-7,739	-2,039	0	0	\$9.19	\$6.74	\$15.93
Orleans	18	596,384	7.3%	12,010	-400	12,126	0	0	\$8.27	\$3.85	\$12.12
<b>East Ottawa</b>	<b>351</b>	<b>13,952,209</b>	<b>6.4%</b>	<b>284,138</b>	<b>-39,836</b>	<b>112,292</b>	<b>385,360</b>	<b>0</b>	<b>\$9.52</b>	<b>\$5.00</b>	<b>\$14.52</b>
<b>OTTAWA TOTALS</b>	<b>604</b>	<b>22,811,235</b>	<b>5.5%</b>	<b>488,743</b>	<b>-42,944</b>	<b>139,859</b>	<b>385,360</b>	<b>40,579</b>	<b>\$9.87</b>	<b>\$5.06</b>	<b>\$14.93</b>

\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
311 Legget Drive	17,974	BMT Fleet Technology	Direct	Sheffield/Michael
2477 Kaladar Avenue	14,703	Canadian Property Stars	Direct	Ottawa South
1570 Laperriere Avenue	14,000	Capital Collision	Direct	Woodward/Carling Business Park

## Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1255 Leeds Avenue	205,899	Investors Group Trust/ Desjardins Financial	\$24,005,000 / \$117	Sheffield/Michael
3224, 3230-3270 Hawthorne Road	95,246	Investors Group Trust/ Desjardins Financial	\$12,445,000 / \$130	Stevenage/Belgreen
2405 St Laurent Boulevard	83,260	Investors Group Trust/ Desjardins Financial	\$11,445,000 / \$137	Ottawa Business Park
2070-2092 Walkley Road	97,136	Investors Group Trust/ Desjardins Financial	\$11,295,000 / \$116	Ottawa Business Park
1151-1181 Parisien Street	74,693	Investors Group Trust/ Desjardins Financial	\$8,960,000 / \$120	Cyrville Business Park

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