

MARKETBEAT

Ottawa, ON

Industrial Q3 2019



OTTAWA INDUSTRIAL

Economic Indicators

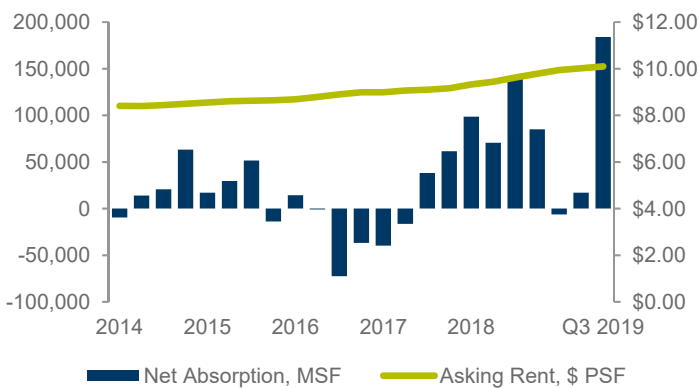
	Q3 18	Q3 19	12-Month Forecast
Ottawa Employment	541k	592k	▲
Ottawa Unemployment	4.6%	4.9%	▲
Canada Unemployment	6.0%	5.7%	▲

Market Indicators (Overall)

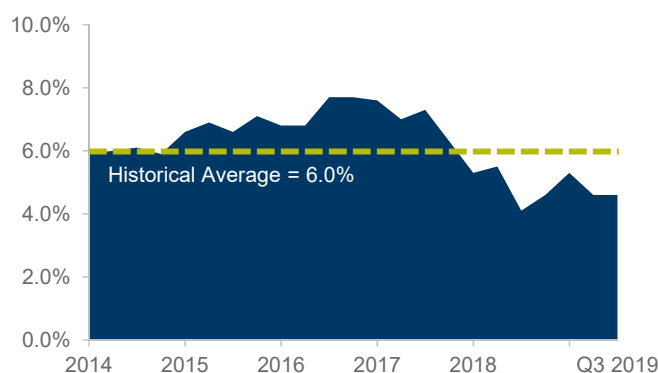
	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	4.1%	4.6%	▼
Net Absorption (sf)	301,769	969,403	▲
Under Construction (sf)	1,405,360	385,360	▲
Average Asking Rent	\$9.96	\$10.27	▲

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



Overall Vacancy



Economy

According to the Conference Board of Canada, GDP growth within the Ottawa-Gatineau region is forecasted to cool to 1.7% in 2019, with growth projected to increase marginally to 1.9% in 2020. While unemployment reached a record-low average in 2018 of 4.7%, it is anticipated to increase to 5.2% in 2019 before levelling out to 5.0% in 2020. Softening growth in the public sector is the main contributing factor to the current downturn in the economy, although public administration employment is expected to increase at a moderate 1.4% annually between 2019 and 2023, allowing total government employment to reach 168,200 in 2023.

Market Overview

Industrial availability in Ottawa remained low but stable through the third quarter of 2019 with vacancy sitting at 4.6%, unchanged from last quarter. Historically, the city has been fairly static in terms of demand for industrial space, but recently there has been an uptick in momentum. This new demand is expanding past the current stock available, leaving few options for industrial tenants with specific areas in mind. For example, the submarkets of Kanata, Rideau Heights, Bell's Corners, South Walkley, and South Gloucester all have a third-quarter vacancy of less than 1%.

In the Ottawa West submarkets, much of the availability is found in the Ottawa Centre and Morrison/Queensview submarkets. Currently, the overall western submarket vacancy rate is sitting at 3.2%, with an average gross rental rate of \$15.54 per square foot (psf). The eastern submarket overall third quarter 2019 vacancy rate is sitting at 5.4%, with an average gross rental rate of \$15.14 psf. The overall lack of fluctuation between the second quarter and third quarter of 2019 has in most part been reflective of a cooling period within the industry over the summer but can be expected to resume in the fall.

Amazon's newly-built fulfilment centre is now complete and operational, adding 1.02 million square feet of industrial space to the inventory, and has accounted for the major spike in net absorption within the Ottawa market this quarter. While the space is fully leased to Amazon in a long-term contract, Broccolini (who developed the property) has stated that there is the possibility to change the layout to accommodate multiple tenants in the future. Amazon's location has helped to ramp up industrial development buzz towards the eastern outskirts of the city, where large acres of land are available next to the technology giant.

Outlook

Currently, owners and landlords throughout the city are generally marketing available space for \$9.00 to \$12.00 psf. With the dwindling availability of space, it is expected that asking rental rates will only continue to rise.

The lack of space in Central areas is causing a shift of industrial space to the suburban markets. For example, the application for the development of a nearly 700,000-square-foot distribution warehouse facility located at 1966 Roger Stevens Drive, which is in the southern outskirts of the city, is suggestive of this development trend towards the suburbs in order to acquire the space needed for larger tenants.

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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	0.6%	38,111	-13,323	-4,917	0	0	\$13.25	\$5.11	\$18.36
Bell's Corners	12	382,019	0.0%	5,268	0	3,284	0	0	n/a	n/a	n/a
Morrison/Queensview	9	415,519	8.4%	0	0	-6,397	0	0	10.00	n/a	n/a
Woodward/Carling	25	568,513	4.8%	8,393	7,923	-6,226	0	0	\$9.00	\$11.00	\$20.00
Ottawa Centre	27	853,382	11.4%	28,205	6,204	-31,009	0	0	n/a	n/a	n/a
Ottawa South	11	709,160	2.4%	16,207	0	19,207	0	0	\$9.48	\$4.39	\$13.87
West Merivale	27	599,829	3.3%	43,071	1,665	17,600	0	0	\$9.70	\$5.57	\$15.27
East Merivale	28	657,693	4.2%	23,240	-2,300	-14,025	0	0	\$9.50	n/a	n/a
Colonnade	23	660,505	5.0%	6,726	-1,646	-4,476	0	0	\$9.47	\$6.37	\$15.54
Rideau Heights	29	668,325	0.8%	21,746	0	21,746	0	0	n/a	n/a	n/a
West Ottawa Totals	253	8,925,542	3.2%	190,967	-1,477	-5,213	0	0	\$10.06	\$5.48	\$15.54
South Walkley	13	325,180	0.0%	2,677	0	2,677	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,387,099	6.2%	27,272	-6,540	47,249	0	0	\$9.57	\$6.78	\$16.35
Coventry/Belfast	49	1,811,009	7.4%	36,277	1,839	-11,164	0	0	\$12.54	\$6.46	\$19.00
Cyrville	64	2,225,437	5.6%	59,385	-68,000	-50,346	0	0	\$9.22	\$5.73	\$14.95
Sheffield	59	2,955,631	10.3%	67,447	4,746	-195,231	0	0	\$10.98	\$4.99	\$15.97
Sheffield/Lancaster	20	1,233,080	4.2%	13,221	16,630	-24,776	385,360	0	\$8.44	\$6.72	\$15.16
Stevenage/Belgreen	58	2,104,041	1.4%	36,872	6,448	8,706	0	0	\$10.16	\$6.64	\$16.80
South Gloucester/Albion	18	1,487,234	0.0%	2,610	1,020,000	1,022,610	0	1,020,000	n/a	n/a	n/a
Queensway	25	920,465	6.6%	40,914	-4,243	42,152	0	0	\$9.75	\$5.89	\$15.64
Orleans	18	596,384	4.4%	4,000	0	4,000	0	0	\$9.00	\$6.00	\$15.00
East Ottawa	353	14,226,529	5.4%	290,675	970,880	845,877	0	0	\$10.31	\$5.83	\$16.14
OTTAWA TOTALS	606	22,867,928	4.6%	481,642	969,403	840,664	385,360	1,020,000	\$10.27	\$5.80	\$16.07

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1155 Lola Street	10,495	Carierre	Expansion	Ottawa East
2405 St. Laurent Boulevard	6,383	Telecon	Direct	Ottawa South
1240 Kenaston Street	5,215	ShapeGrabber Inc.	Direct	Ottawa East

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
21 Concourse Gate	25,822	Clarke Properties Ltd/Guardian Capital Real Estate GP Inc	\$3,750,000 / \$145	Nepean
1250-1270, 1280 Humber Place	233,411	Admins Leeds Investment Corp/DIR Properties (GP) Inc	\$32,800,000 / \$141	Ottawa East

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