

## OTTAWA INDUSTRIAL

### Economic Indicators

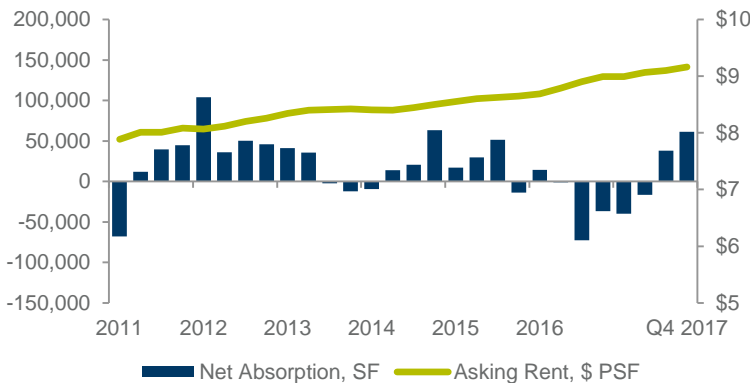
	Q4 16	Q4 17	12-Month Forecast
Ottawa Employment	546k	543k	▲
Ottawa Unemployment	6.0%	5.4%	▼
Canada Unemployment	6.8%	5.7%	▲

### Market Indicators (Overall)

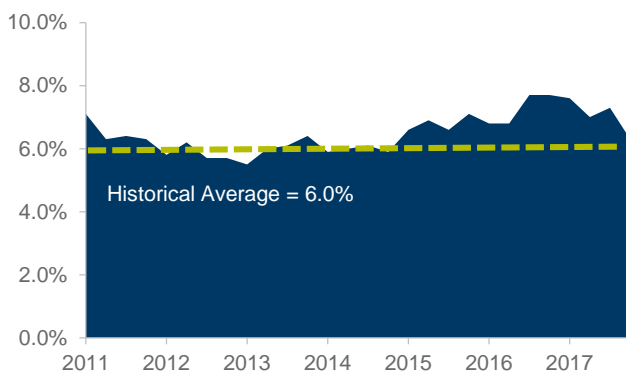
	Q4 16	Q4 17	12-Month Forecast
Overall Vacancy	7.7%	6.3%	▼
Net Absorption (sf)	28,382	122,019	▲
Under Construction (sf)	0	40,579	■
Average Asking Rent	\$8.98	\$9.23	▲

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

### Overall Net Absorption/Overall Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Canadian economy continues to show strength, with Ontario leading the charge in provincial growth, primarily led by continuing growth in the Greater Toronto Area. The Conference Board of Canada has reported that 329,000 new jobs were created in 2017, making Canada the fastest growing of the G7 countries. Canadian job creation is anticipated to slowdown as Canada's 150<sup>th</sup> birthday celebrations come to a close. Despite the proverbial "hangover", it appears that the year-long celebrations helped put Canada on the list of top destinations in the world, with the New York Times and the Lonely Planet ranking Canada as the number one place to visit in 2017.

There is no shortage of construction projects in Ottawa's pipeline. The Ottawa Light Rail Transit (LRT) Project is the city's largest transportation infrastructure project since construction of the Rideau Canal in the 1860s. Stage one of the project which features a tunnel through the Central Business District is projected to be completed in summer of 2018. Construction of stage two of is set to begin in 2019, expanding the Confederation Line west to Moodie Drive, east to Trim Road, and will feature expansion south of the existing Trillium Line, including a spur to the Ottawa International Airport. Dream REIT has kicked-off its first phase of the Zibi mixed-use development, and Trinity's development at 900 Albert Street, a mixed-used complex featuring condos, office and retail space, is currently undergoing a sewer relocation before beginning construction later in 2018.

## Market Overview

The Ottawa Industrial market remains balanced with healthy activity in 2017 seeing 244,253 square feet (sf) of absorption primarily in the eastern submarkets. Vacancy declined by approximately 100 basis points in the fourth quarter to reach 6.3%, largely due to the federal government's lease at 950 Ages Drive and the demolition of 3636 Innes Road, where a local developer is converting the site to a residential development. This rate marks the lowest vacancy has been since the fourth quarter of 2014.

Ottawa's industrial investment market remains strong, as several medium sized industrial buildings were sold in the fourth quarter, and two major portfolios are anticipated to sell in the coming year. Growth in the industrial sector is occurring on the Gatineau side of the river, as a local cannabis company broke ground to build its 250,000 sf facility this past fall. The company, called Hydropharmacy, also has plans to build a second 750,000-sf facility on the same property.

## Outlook

Ottawa's Industrial market showed a strong performance through 2017, with vacancy dropping 150 basis points and net positive absorption reaching nearly 250,000 sf. There is potential on the horizon for the market to soften as the Canadian Museum of Science and Technology completes construction of its state of the art storage facility and Giant Tiger begins the relocation of their distribution network to its recently completed facility outside of Prescott, Ontario. That being said, it is anticipated both moves will be staggered, delivering the space into the market in blocks late-2018, through 2019, and potentially beyond. This coupled with the rise in e-commerce and last-mile distribution, will likely soften the blow.

## MARKETBEAT

## Ottawa, ON

Industrial Q4 2017



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	59	3,329,953	1.8%	57,721	27,244	44,322	40,579	0	\$10.16	\$5.43	\$15.59
Bell's Corners	12	382,019	2.2%	7,000	0	3,900	0	0	\$13.00	\$6.71	\$19.71
Morrison/Queensview	9	415,519	13.5%	65,099	-9,613	-1,020	0	0	\$11.98	\$5.32	\$17.30
Woodward/Carling	23	540,800	2.4%	5,319	-49	1,753	0	0	\$10.09	\$6.90	\$16.99
Ottawa Centre	27	795,276	2.8%	26,298	0	5,757	0	0	\$12.14	\$5.64	\$17.78
Ottawa South	11	703,974	13.6%	63,711	-18,046	3,802	0	0	\$7.49	\$4.65	\$12.14
West Merivale	28	599,829	2.2%	11,056	-4,630	-11,209	0	0	N/A	N/A	N/A
East Merivale	27	645,693	8.5%	23,095	8,963	13,740	0	0	\$8.84	\$4.74	\$13.58
Colonnade	22	634,309	5.1%	28,119	12,805	3,549	0	0	\$10.36	\$6.31	\$16.67
Rideau Heights	28	655,655	3.9%	13,423	0	12,800	0	0	\$10.44	\$7.26	\$17.70
<b>West Ottawa Totals</b>	<b>246</b>	<b>8,703,027</b>	<b>4.5%</b>	<b>300,901</b>	<b>16,654</b>	<b>77,394</b>	<b>40,579</b>	<b>0</b>	<b>\$9.83</b>	<b>\$5.60</b>	<b>\$15.43</b>
South Walkley	13	325,180	0.8%	0	0	-2,550	0	0	\$7.50	\$4.50	\$12.00
Ottawa Business Park	29	1,385,883	11.5%	24,430	1,047	15,661	0	0	\$9.13	\$5.87	\$15.00
Coventry/Belfast	48	1,783,609	4.3%	56,275	8,787	36,260	0	0	\$10.94	\$5.89	\$16.83
Cyrville	65	2,259,967	9.9%	55,400	14,231	-31,753	0	0	\$8.94	\$5.51	\$14.45
Sheffield	59	2,992,123	10.4%	108,764	58,295	-25,788	0	0	\$8.39	\$4.41	\$12.80
Sheffield/Lancaster	20	1,185,844	4.2%	18,926	-20,595	8,583	0	0	\$9.61	\$6.42	\$16.03
Stevenage/Belgreen	57	2,092,378	3.6%	134,812	32,327	66,452	0	0	\$8.92	\$5.60	\$14.52
South Gloucester/Albion	16	437,234	4.6%	5,752	12,075	-11,303	0	0	\$7.34	\$4.58	\$11.92
Queensway	25	920,465	6.1%	71,126	-802	64,688	0	0	\$9.00	\$5.31	\$14.31
Orleans	18	596,384	9.3%	31,500	0	48,261	0	0	\$9.43	\$3.85	\$13.28
<b>East Ottawa</b>	<b>350</b>	<b>13,979,067</b>	<b>7.4%</b>	<b>506,985</b>	<b>105,365</b>	<b>168,511</b>	<b>0</b>	<b>0</b>	<b>\$9.08</b>	<b>\$5.27</b>	<b>\$14.35</b>
<b>OTTAWA TOTALS</b>	<b>596</b>	<b>22,682,094</b>	<b>6.3%</b>	<b>807,886</b>	<b>122,019</b>	<b>245,905</b>	<b>40,579</b>	<b>0</b>	<b>\$9.23</b>	<b>\$5.34</b>	<b>\$14.57</b>

\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
950 Ages Drive	87,000	PWGSC	Direct	Stevenage/Belgreen
4123 Belgreen Drive	8,000	Amano McGann	Direct	Stevenage/Belgreen
1230 Old Innes Road	11,000	Superior Solutions Ltd.	Direct	Sheffield Industrial Park

## Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
5499 Canotek Road	37,180	Morguard Industrial Properties (1) Inc. / Summit Industrial Income REIT	\$5,050,000 / \$136	Queensway Business Park
2715 Sheffield Road	26,632	Fortan Iron Woks Ltd./Sheffield Road Property Ltd.	\$3,660,000 / \$137	Sheffield Industrial Park
3155 Swansea Crescent	25,000	Northern Micro Inc./2548257 Ontario Inc.	\$3,398,944 / \$135	Kanata

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