

OTTAWA INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Ottawa Employment	552k	555k	▲
Ottawa Unemployment	5.1%	5.0%	▲
Canada Unemployment	5.8%	5.8%	▲

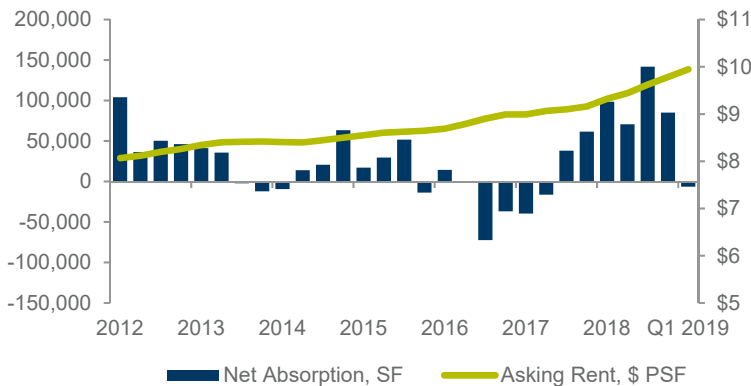
Market Indicators (Overall)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	5.3%	4.8%	▲
Net Absorption (sf)	182,803	-182,657	▼
Under Construction (sf)	525,939	1,405,360	▲
Average Asking Rent	\$9.42	\$10.06	▲

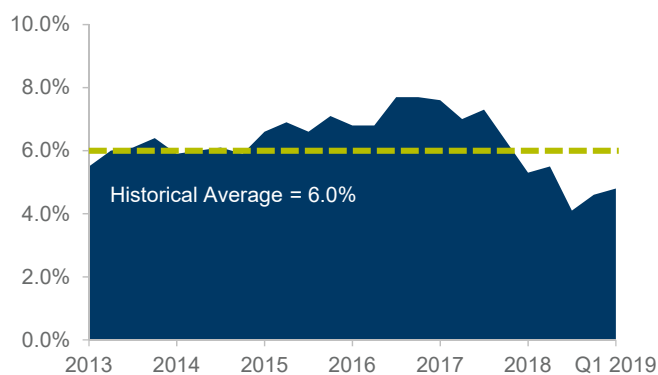
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in Ottawa declined to 5.0% in February 2019 as 8,100 new workers were added. Although the unemployment rate is anticipated to climb slightly to 5.2% through the remainder of 2019 and into 2020, the region will continue to experience tight market conditions. Although this is positive news for job seekers, it could act as a hindrance on growth due to potential labour shortages. The public administration sector accounts for almost 30% of the National Capital Region's total GDP and approximately a fifth of its total employment. It is expected however that hiring in the sector will slow in 2019, and that outlook is reflected in the projected GDP growth for the region which is forecasted to contract slightly to 1.9% in 2019 and 2020. With government spending cooling down, other industries are expected to step up. The technology sector is set to see a surge of activity, particularly in Kanata, which will help offset the decline in federal government employment.

Market Overview

The Ottawa industrial market began 2019 with a slight increase in its availability rate, climbing 20 basis points from last quarter to reach 4.8%. The overall city recorded negative absorption of 182,657 square feet (sf), primarily the result of 250,000 sf of space coming on the sublet market from Giant Tiger as they relocate to their new distribution facility located south of Ottawa. The anticipated additions of 1199 Newmarket and 1250-1270 Humber Place in late 2019 and mid-2020 respectively, may help to alleviate the shortage of space for larger tenants requiring spaces in excess of 25,000 sf; however, there remains a shortage of larger space options for tenants looking towards West Ottawa.

The Kanata market remains extremely tight with a vacancy rate of only 0.5%, as there is currently only 1,700 sf of available space in its 3.4 million square feet of competitive inventory. This incredibly low vacancy within West Ottawa's submarket is what is driving the overall low vacancy rate which currently sits at 3.0%.

Despite the negative absorption and higher vacancy rate seen in the first quarter of 2019, primarily the result of Giant Tiger's move, there remains a shortage of industrial space within the Ottawa area. Average asking rents currently at \$10.06 per square foot are reflective of these market conditions, which are an increase of 2% since last quarter and 7% one year ago.

Outlook

Over the course of the next 18 months, there will be some relief for tenants searching for existing space options – particularly those tenants with larger space requirements. Giant Tiger, Museum of Science and Technology, and St. Joseph Printing will be vacating large blocks of space pending their relocations into new facilities. These relocations are anticipated to bring approximately 650,000 sf of much needed space to the Ottawa market through 2019 and into 2020. However, in the short term it is expected that Ottawa will continue to see tightening availability in the market, continuing the favourable environment for landlords. Procuring tenants will be hard-pressed to find quality space in a desirable location, and if they do, the cost will reflect the demand.

MARKETBEAT

Ottawa, ON

Industrial Q1 2019



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	0.5%	14,768	14,768	14,768	0	0	\$11.50	\$7.00	\$18.50
Bell's Corners	12	382,019	0.9%	0	0	0	0	0	\$14.00	\$6.09	\$20.09
Morrison/Queensview	9	415,519	4.7%	0	-6,397	-6,397	0	0	\$12.00	\$6.19	\$18.19
Woodward/Carling	25	568,513	3.4%	0	1,746	1,746	0	0	\$9.00	\$11.00	\$20.00
Ottawa Centre	27	853,382	13.4%	6,040	-48,029	-48,029	0	0	\$10.21	\$5.47	\$15.68
Ottawa South	11	709,160	4.7%	0	3,000	3,000	0	0	\$8.01	\$4.79	\$12.80
West Merivale	27	599,829	5.6%	8,275	3,725	3,725	0	0	\$9.70	\$5.57	\$15.27
East Merivale	28	657,693	1.1%	21,215	6,250	6,250	0	0	n/a	n/a	n/a
Colonnade	23	656,233	4.8%	0	-2,625	-2,625	0	0	\$10.46	\$6.56	\$17.02
Rideau Heights	29	668,325	1.5%	17,146	17,146	17,146	0	0	\$10.00	\$7.18	\$17.18
West Ottawa Totals	253	8921,270	3.1%	67,444	-10,416	-10,416	0	0	\$10.41	\$6.01	\$16.42
South Walkley	13	325,180	0.0%	2,677	-2,677	-2,677	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,387,099	9.6%	7,900	13,784	13,784	0	0	\$10.14	\$5.86	\$16.00
Coventry/Belfast	49	1,811,009	7.1%	9,282	-6,449	-6,449	0	0	\$11.16	\$6.26	\$17.42
Cyrville	64	2,225,437	1.5%	46,388	41,593	41,593	0	0	\$9.80	\$5.26	\$15.06
Sheffield	60	2,955,631	11.2%	36,260	-222,844	-222,844	0	0	\$9.03	\$5.24	\$14.27
Sheffield/Lancaster	21	1,233,080	6.2%	0	-49,736	-49,736	385,360	0	\$10.18	\$6.26	\$16.44
Stevenage/Belgreen	58	2,104,041	1.6%	22,298	4,808	4,808	0	0	\$9.33	\$6.35	\$15.68
South Gloucester/Albion	17	467,234	0.6%	0	0	0	1,020,000	0	\$7.75	\$4.10	\$11.85
Queensway	25	920,465	6.4%	38,406	43,926	43,926	0	0	\$9.36	\$6.76	\$16.12
Orleans	18	596,384	5.1%	0	0	0	0	0	\$9.00	\$6.00	\$15.00
East Ottawa	354	14,025,560	6.0%	163,211	-172,241	-172,241	1,405,360	0	\$9.95	\$5.91	\$15.86
OTTAWA TOTALS	607	22,946,830	4.8%	230,655	-182,657	-182,657	1,405,360	0	\$10.06	\$5.93	\$15.99

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
340 Legget Drive	17,770	Spartan Bioscience	Direct	Kanata
110 Bentley Avenue	16,879	Brampton Hardwood	Direct	East Merivale
2575 Sheffield Road	14,000	Colautti Construction	Direct	Sheffield/Michael
3234-3270 Hawthorne Road	10,637	Honeybar Products	Direct	Stevenage/Belgreen

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1325-1335 Humber Place	29,900	N/A / Private Individuals	\$4,450,000 / \$149	Sheffield/Michael
1000 Thomas Spratt Place	20,600	1663177 Ontario Ltd / Eglise de Dieu d'Expression Francaise d'Ottawa	\$3,600,000 / \$167	Ottawa Business Park
5919 Prince of Wales Drive Phase I, Units 1-4	8,000	N/A	\$400,000 / \$50	South Ottawa Dispersed

Cushman & Wakefield
99 Bank Street, Suite 700
Ottawa, ON
www.cushmanwakefield.com

For more information, contact:
Nathan Smith, Broker
Senior Vice President
Managing Director
Capital Markets Group
Tel: +1 613 236 7777
info@cwottawa.com

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