

# MARKETBEAT

## Ottawa, ON

Industrial Q2 2019



### OTTAWA INDUSTRIAL

#### Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Ottawa Employment	552k	555k	▲
Ottawa Unemployment	4.4%	4.8%	▲
Canada Unemployment	5.9%	5.4%	▲

#### Market Indicators (Overall)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	5.5%	4.6%	▼
Net Absorption (sf)	-42,944	53,918	▲
Under Construction (sf)	300,000	1,405,360	▲
Average Asking Rent	\$9.87	\$10.18	▲

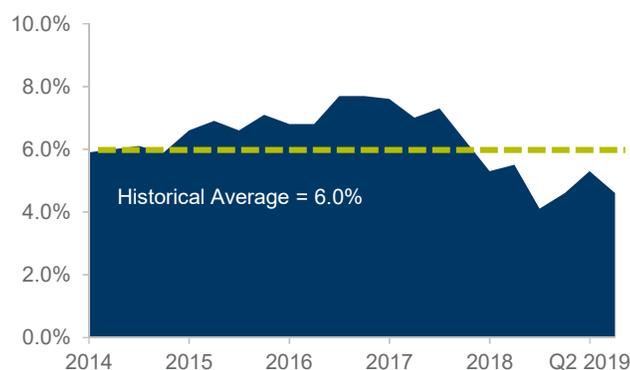
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4Q TRAILING AVERAGE



#### Overall Vacancy



### Economy

GDP growth within the Ottawa-Gatineau region has weakened since 2018's decade-high growth rate of 2.7%. It is expected that the federal Liberal government will soon begin to curb its spending, which in turn will hamper economic growth within the National Capital Region. While the "Canada 150 hangover" has not impacted the region as much as was originally anticipated, the Conference Board of Canada has stated that tourism has slowed. While government spending cools, it is expected that the high-tech sector will help to soften the blow of limited growth in the public administration sector. In fact, Ottawa is expected to see a shift in the downtown real estate market with technology firms expanding into office space previously leased by the federal government. Despite this softening outlook, results from the Ottawa Business Growth Survey showed members of Ottawa's business community having intentions to expand in 2019, both in employees and their footprint. The economy is expected to generate 7,600 new jobs in 2019, a more modest number compared to the 14,000 jobs created last year.

### Market Overview

Industrial space continued to tighten in the Ottawa market with an overall vacancy rate of 4.6% in the second quarter of 2019. Vacancy within the western submarkets sits slightly lower than the eastern submarkets with rates of 3.2% and 5.5%, respectively. Currently, there are very few options for tenants looking for larger space. Options are still available for tenants requiring smaller spaces, but even those are becoming limited with areas such as Bell's Corners, South Walkley, and South Gloucester/Albion reporting a 0% vacancy rate in the quarter. Kanata continued to tighten with a 0.2% vacancy, as well as Rideau Heights with 0.8%.

This lack of available space has created an advantageous market for landlords. Average asking rents have increased to \$10.18 per square foot and are expected to continue to rise as the availability of quality space continues to decrease. In fact, over the past year, asking rents have increased by 8.1%.

The acquisition of 2001 Bantree Road is a major addition to Regional Group's portfolio. The building is currently fully leased by Giant Tiger but will be vacated for their new headquarters on Walkley Road in the fourth quarter of 2021. Dream Industrial REIT is also in the process of making a notable purchase of two industrial buildings, totalling 233,000 square feet (sf). In the second half of 2019 the completion of both 5317 Boundary Road (1,020,000 sf), and the new warehouse facility for the Museum of Science and Technology, (385,360 sf), will add a total of 1,405,360 sf of new inventory. However, both spaces are fully leased to Amazon and the Museum of Science and Technology respectively.

### Outlook

A limited supply of industrial-zoned land for development and high construction expenses are hindering new construction. This lack of new supply and availability of quality space, in particular large blocks, are expected to contribute to higher asking rental rates and make finding space for larger tenants nearly impossible.

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### Industrial Q2 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	0.2%	14,768	-6,362	8,406	0	0	\$11.50	\$7.00	\$18.50
Bell's Corners	12	382,019	0.0%	3,284	3,284	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	6.2%	1,720	-15,894	-14,149	0	0	\$9.82	\$7.51	\$17.33
Ottawa Centre	27	853,382	12.2%	22,706	10,816	-37,213	0	0	\$14.00	n/a	n/a
Ottawa South	11	709,160	2.4%	16,207	16,207	19,207	0	0	\$9.48	\$4.39	\$13.87
West Merivale	27	599,829	3.5%	25,885	12,210	15,935	0	0	\$10.00	\$5.39	\$15.39
East Merivale	28	657,693	3.9%	23,240	-17,975	-11,725	0	0	\$9.50	n/a	\$9.50
Colonnade	23	656,233	4.8%	4,225	-205	-2,830	0	0	\$10.75	\$6.65	\$17.40
Rideau Heights	29	668,325	0.8%	21,746	4,600	21,746	0	0	n/a	n/a	n/a
<b>West Ottawa Totals</b>	<b>253</b>	<b>8,921,270</b>	<b>3.2%</b>	<b>133,781</b>	<b>6,680</b>	<b>-3,736</b>	<b>0</b>	<b>0</b>	<b>\$10.95</b>	<b>\$6.13</b>	<b>\$17.08</b>
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	5.7%	20,889	40,005	53,789	0	0	\$10.32	\$6.69	\$17.01
Coventry/Belfast	49	1,811,009	7.5%	14,282	-6,554	-13,003	0	0	\$11.71	\$5.92	\$17.63
Cyrville	64	2,225,437	2.6%	54,285	-23,939	17,654	0	0	\$9.53	\$5.53	\$15.06
Sheffield	59	2,955,631	10.4%	62,968	22,867	-199,977	0	0	\$9.22	\$6.22	\$15.44
Sheffield/Lancaster	20	1,233,080	5.6%	8,035	8,330	-41,406	385,360	0	\$9.00	\$6.37	\$15.37
Stevenage/Belgreen	58	2,104,041	1.7%	33,624	-2,550	2,258	0	0	\$9.95	\$6.13	\$16.08
South Gloucester/Albion	17	467,234	0.0%	2,610	2,610	2,610	1,020,000	0	n/a	n/a	n/a
Queensway	25	920,465	6.2%	40,914	2,469	46,395	0	0	\$9.70	\$5.89	\$15.59
Orleans	18	596,384	4.4%	4,000	4,000	4,000	0	0	\$9.00	\$6.00	\$15.00
<b>East Ottawa</b>	<b>352</b>	<b>14,025,560</b>	<b>5.5%</b>	<b>244,284</b>	<b>47,238</b>	<b>-125,003</b>	<b>1,405,360</b>	<b>0</b>	<b>\$9.92</b>	<b>\$6.13</b>	<b>\$16.05</b>
<b>OTTAWA TOTALS</b>	<b>605</b>	<b>22,946,830</b>	<b>4.6%</b>	<b>378,065</b>	<b>53,918</b>	<b>-128,739</b>	<b>1,405,360</b>	<b>0</b>	<b>\$10.18</b>	<b>\$6.13</b>	<b>\$16.31</b>

\*Rental rates reflect asking \$psf/year

### Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
360 Terry Fox Drive	17,855		Direct	Kanata
265 City Centre Boulevard	16,666		Direct	Ottawa West
2487 Kaladar	16,207		Direct	Ottawa South
1740 Woodroffe Avenue	15,521		Direct	Nepean

### Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2001 Bantree Street	258,000	Canadian Urban Ltd. / Regional Group	\$25,500,000 / \$99	Sheffield/Michael
1335 Bank Street	2,500	1924324 Ontario Inc / Loft Riverside GP Inc	\$3,750,000 / \$1,500	Ottawa South

Cushman & Wakefield Ottawa  
99 Bank Street, Suite 700  
Ottawa, ON  
[www.cushmanwakefield.com](http://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](mailto:info@cwottawa.com)

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