

OTTAWA OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Ottawa Employment	552k	552k	■
Ottawa Unemployment	5.1%	4.8%	▲
Canada Unemployment	6.7%	5.8%	▼

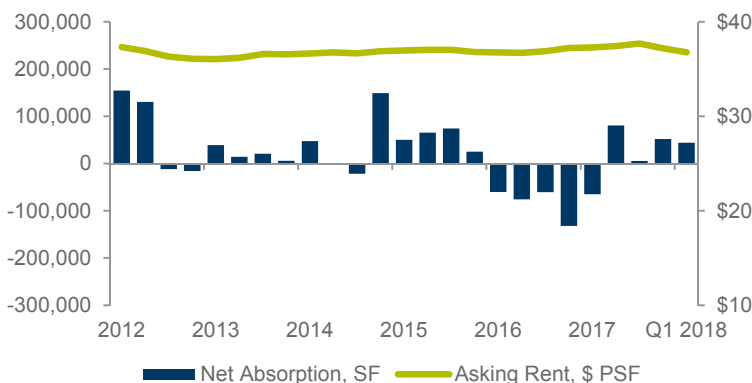
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	11.0%	11.6%	■
Net Absorption (sf)	23,287	-7,739	▲
Under Construction (sf)	437,552	0	▲
Average Asking Rent*	\$37.05	\$35.38	▲

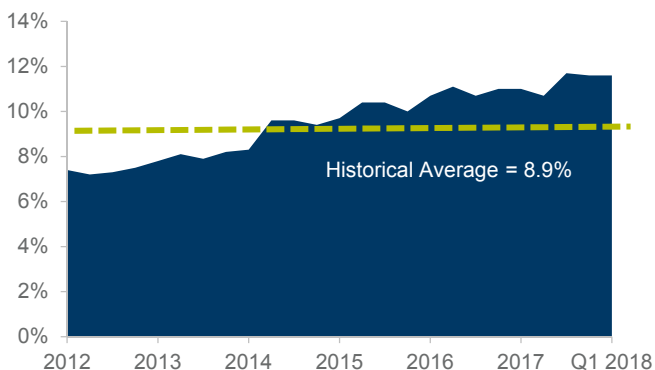
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The Canadian economy continued to expand through the first quarter of 2018, although at a more gradual pace compared to 2017. According to the Conference Board of Canada, job-creation in the country reached a 10-year high in 2017, however growth is anticipated to decelerate in 2018 as interest rates rise. Ottawa-Gatineau's GDP is anticipated to expand by 2.1% in 2018 as the public administration sector continues to advance. This sector has increased by 27,000 positions from 2016 to 2017, although a more modest pace of expansion is anticipated for 2018. The second largest contributors to the Ottawa-Gatineau GDP are finance, insurance and the real estate industry, which are projected to increase by 2.9% in 2018.

There are numerous non-residential construction projects underway in the region, with many others in the pipeline. Examples include the revitalization of the east and west blocks of Parliament Hill, the renovation of the government conference centre, and the construction of a new Ottawa Public Central Library which has recently received federal budget approval. The Ottawa Light Rail Transit (LRT) line, although delayed from its original completion date of May 2018, will be up and running in November 2018. Meanwhile, Rendez-Vous Lebreton, the developers of LeBreton Flats, have reached a preliminary agreement with the City of Ottawa to redevelop and revitalize the lands, a development that will cost \$4.2 billion dollars according to the National Capital Commission.

Market Overview

The Central Business District (CBD) is currently undergoing a transformation as the Department of Defense vacates the CBD for its campus in the suburbs; while almost simultaneously technology related companies are moving in. CBD Class A vacancy rose to 5.9% this quarter, as large pockets of space came to market, while Class B vacancy declined by 160 basis points to 12.9% as companies such as Survey Monkey, Shared Services, and the Treasury Board leased up large pockets of space.

The Ottawa East submarket holds a significant amount of vacant space with Class A vacancy reaching 29.7% in the first quarter of 2018, a huge shift from a decade ago when vacancy was a mere one percent. Intact Insurance recently expanded in Ottawa East subleasing over 33,500 sf at 1200 St. Laurent. With vacancy at record high levels, tenants are certainly at an advantage to negotiate favourable terms in the east market. The Kanata submarket saw a flurry of leasing activity in the first quarter which helped push vacancy downwards by 60 basis points from last quarter to 12.4%. Ford Motor Company leased approximately 65,000 sf at 700 Palladium Drive to establish a research and development centre for developing autonomous vehicles. Innovapost amalgamated its office within the city and took over the Extreme Networks Inc. sublet space at 425 Legget Drive, resulting in 46,100 sf of space coming off the market. Finally, Genband expanded by 22,000 sf taking the balance of the space remaining at 500 Palladium Drive.

Outlook

Although the economy is cooling off the momentum of Canada's 150th birthday, the federal government continues to send out Expressions of Interest (EOI) to lease space in the National Capital Region. Kanata will continue to remain a strong market, while the CBD may face increasing vacancy as large blocks of space are anticipated to arrive on the market.

MARKETBEAT

Ottawa, ON

Office Q1 2018



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Downtown Core	16,054,745	54,987	1,419,498	9.2%	-9,134	-9,134	191,165	0	\$40.66	\$45.87
Centretown	1,739,326	8,798	252,430	15.0%	-35,994	-35,994	30,208	0	\$29.29	N/A
Byward Market	842,861	4,216	78,737	9.8%	-33,413	-33,413	3,755	0	\$38.59	\$44.01
Central Area	18,636,932	68,001	1,750,665	9.8%	-78,541	-78,541	225,128	0	\$39.61	\$45.74
Kanata	6,299,215	93,702	687,070	12.4%	41,196	41,196	88,246	0	\$26.97	\$27.97
Ottawa West	3,939,145	31,006	386,080	10.6%	-10,336	-10,336	67,049	0	\$32.32	\$35.24
Nepean	5,537,222	0	485,157	8.8%	64,057	64,057	47,800	0	\$28.51	\$31.75
Ottawa East	4,937,203	129,723	891,080	20.7%	3,600	3,600	17,109	0	\$31.65	\$33.61
Gloucester	1,422,201	5,780	213,005	15.4%	-27,715	-27,715	4,090	0	\$33.86	\$34.36
Total Suburban Area	22,134,201	260,211	2,662,402	13.2%	70,802	70,802	224,294	0	\$30.57	\$32.64
OTTAWA TOTALS	40,771,133	328,212	4,413,067	11.6%	-7,739	-7,739	449,422	0	\$35.38	\$39.37

*Rental rates reflect gross asking \$psf/year

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT *
Class A	26,178,212	252,727	2,354,123	10.0%	42,607	42,607	206,496	0	0	\$39.37
Class B	11,559,524	43,196	1,581,483	14.0%	20,181	20,181	227,584	0	0	\$29.83
Class C	2,994,182	32,289	477,461	17.0%	-70,527	-70,527	15,342	0	0	\$27.97

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
700 Palladium Drive	64,950	Ford Motor Company	New Direct	Kanata
255 Albert Street	53,000	Shared Services	Renewal	CBD
200 Laurier Avenue West	47,629	Survey Monkey	New Direct	CBD
425 Legget Drive	46,100	Innovapost	Sublease	Kanata
219 Laurier Avenue West	38,195	Treasury Board of Canada	New Direct	CBD
1200 St. Laurent Boulevard	33,569	Intact Financial Corporation	Sublease	East
1111 Prince of Wales Drive	29,377	BELAIR Insurance Company Inc.	Renewal	Nepean
500 Palladium Drive	22,000	Genband	Expansion	Kanata

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3000, 3001, 3026 Solandt Road & 450 March Road	197,470	Pensionfund Realty Limited (Morguard)/ Fiera Properties Acquisitions Limited	\$41,000,000 / \$207	Kanata
1001 Farrar Road	146,515	HOOPP Realty Inc. (Morguard)/ Fiera Properties Acquisitions Limited	\$33,173,000 / \$226	Kanata
22 Rue de Varennes & 34-38 Valcourt	124,080	KRP Properties/ Regional Group	\$11,525,000	Gatineau

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

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

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