

## OTTAWA INDUSTRIAL

### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Ottawa Employment	541k	559k	▲
Ottawa Unemployment	5.9%	4.6%	▲
Canada Unemployment	6.2%	6.0%	▲

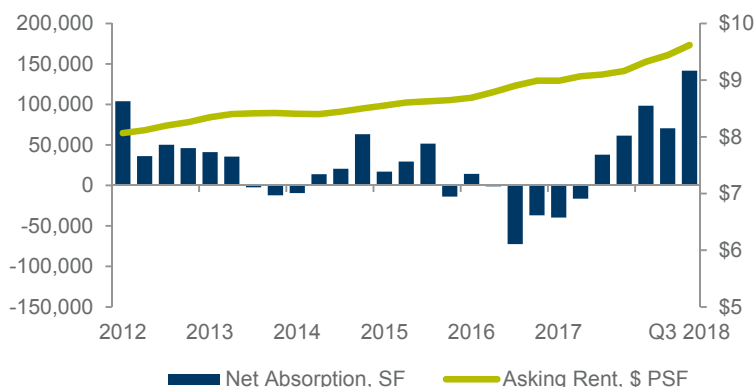
### Market Indicators (Overall)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	7.3%	4.1%	▲
Net Absorption (sf)	17,027	301,769	▲
Under Construction (sf)	0	1,405,360	▲
Average Asking Rent	\$9.25	\$9.96	▲

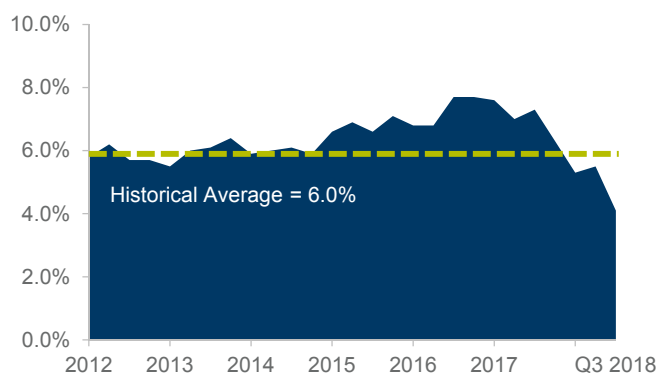
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Canadian job market softened slightly this quarter with the unemployment rate rising to 6.0%, a climb from 5.8% in the second quarter of 2018. Ottawa's unemployment rate remained stable at 4.6%, supported by Ontario's strong full-time job growth, with the province adding 15,000 new jobs since May 2018. As the country finalizes the details of the new USMCA trade deal, the end of uncertainty is good news for Ontario's highly trade-sensitive economy. Science, tech, engineering, and math (STEM) jobs, both in the private and public sectors, are growing rapidly, already accounting for 11% of jobs in the National Capital Region. Ottawa is among one of the fastest growing tech markets in North America due to the abundance of local talent and the relatively low cost for international business investment. Despite the rising cost of doing business as an obstacle for the construction sector, there is a significant pipeline of infrastructure and development projects in Ottawa. The long awaited \$2 billion LRT line that has seen repeated setbacks is supposed to be ready for ridership in early 2019.

## Market Overview

Ottawa's industrial vacancy fell to a record low of 4.1% in the third quarter of 2018, down from 5.5% last quarter. The transportation, warehousing, and distribution sectors are seeing growth while manufacturing is on the decline, partially due to high energy costs in Ontario placing pressure on profits. Overall average asking rental rates have experienced steady increases over the past 6 years, and the spread between the eastern and western submarkets continues to widen. The western submarkets rents are currently averaging \$11.41 per square foot (psf), 21% higher than in the eastern submarkets, compared to a modest 7% premium for west end space in the third quarter of 2016.

The majority of the leasing activity in third quarter of 2018 was completed in the eastern submarkets, as the average asking rent of \$9.43 psf provides more value for tenants. Significant activity was seen in the Sheffield and Cyrville submarkets where Ottawa Logistics, a fulfillment warehouse, renewed and expanded at 1250-1270 Humber Place, now occupying 90,339 square feet (sf).

Kanata, the largest submarket in terms of inventory size, had a strong quarter as overall vacancy declined to 1.1%. In addition, a key sale transaction occurred at 302 Legget Drive as Inside Edge Properties acquired the 84,096-sf industrial mall, home to technology manufacturer Neptec, for \$11.6 million.

One of the largest new industrial builds Ottawa has ever seen got underway this quarter as Amazon broke ground on its fulfillment centre located in the far southeast end of the city. The 1,020,000-million square foot facility is scheduled for completion in the fall of 2019.

## Outlook

Some relief for the tightening market is on the horizon as the Canadian Museum of Science and Technology completes construction of its storage facility. The museum will vacate its 3 current locations on Lancaster Road, bringing 242,000 sf to the sublease market throughout 2019. It is currently unknown if Giant Tiger will vacate all or a portion of the 230,000 sf warehouse at 2001 Bantree Street as the company's brand-new state-of-the-art distribution centre is completed. With an all-time low vacancy and rising demand for logistics and fulfillment warehouses, landlords are experiencing more power in selecting tenants. The lack of space in Ottawa's green belt may lead to a higher build-to-suit inventory if the downward trend continues.

## MARKETBEAT

## Ottawa, ON

Industrial Q3 2018



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	1.1%	92,003	35,959	52,880	0	40,579	\$17.00	\$13.00	\$30.00
Bell's Corners	12	382,019	0.9%	0	7,030	5,046	0	0	\$14.00	\$6.09	\$20.09
Morrison/Queensview	9	415,519	10.8%	13,000	3,216	-1,812	0	0	\$12.00	\$6.19	\$18.19
Woodward/Carling	25	568,513	3.7%	36,105	-8,611	-17,134	0	0	\$9.82	\$7.34	\$17.16
Ottawa Centre	27	799,667	4.7%	16,523	0	1,165	0	0	\$13.28	\$5.66	\$18.94
Ottawa South	11	709,160	8.2%	97,336	7,250	37,918	0	0	\$7.75	\$5.05	\$12.80
West Merivale	27	599,829	5.2%	4,230	-17,825	-17,810	0	0	\$10.00	\$5.45	\$15.45
East Merivale	28	657,693	5.7%	34,867	2,115	16,960	0	0	\$8.50	\$4.26	\$12.76
Colonnade	23	656,233	4.0%	11,571	10,461	-5,577	0	0	\$10.68	\$6.78	\$17.46
Rideau Heights	29	668,325	3.3%	0	-8,300	-12,774	0	0	\$10.00	\$7.18	\$17.18
<b>West Ottawa Totals</b>	<b>253</b>	<b>8,867,555</b>	<b>3.6%</b>	<b>305,635</b>	<b>31,295</b>	<b>58,862</b>	<b>0</b>	<b>40,879</b>	<b>\$11.41</b>	<b>\$6.45</b>	<b>\$17.86</b>
South Walkley	13	325,180	0.0%	0	2,550	2,550	0	0	n/a	n/a	n/a
Ottawa Business Park	29	1,385,883	5.0%	63,590	46,771	64,346	0	0	\$9.98	\$5.92	\$15.90
Coventry/Belfast	48	1,783,609	5.8%	11,242	4,777	-27,773	0	0	\$9.65	\$5.92	\$15.57
Cyrville	64	2,227,938	6.6%	102,831	47,242	64,366	0	0	\$10.48	\$6.76	\$17.24
Sheffield	59	2,955,631	4.7%	265,823	92,482	173,011	0	0	\$8.97	\$5.88	\$14.85
Sheffield/Lancaster	20	1,185,844	3.2%	21,681	9,809	11,399	385,000	0	\$9.63	\$6.70	\$16.33
Stevenage/Belgreen	58	2,104,041	2.6%	40,288	1,300	21,700	0	0	\$8.84	\$5.43	\$14.27
South Gloucester/Albion	17	467,234	0.6%	28,367	19,960	7,720	1,020,000	0	\$7.74	\$4.10	\$11.85
Queensway	25	920,465	6.6%	16,665	10,183	8,144	0	0	\$9.70	\$4.88	\$14.58
Orleans	18	596,384	1.3%	45,010	35,400	47,526	0	0	n/a	n/a	n/a
<b>East Ottawa</b>	<b>351</b>	<b>13,952,209</b>	<b>4.5%</b>	<b>595,497</b>	<b>270,474</b>	<b>372,989</b>	<b>1,405,360</b>	<b>0</b>	<b>\$9.43</b>	<b>\$5.90</b>	<b>\$15.33</b>
<b>OTTAWA TOTALS</b>	<b>604</b>	<b>22,819,764</b>	<b>4.1%</b>	<b>901,132</b>	<b>301,769</b>	<b>431,851</b>	<b>1,405,360</b>	<b>40,579</b>	<b>\$9.96</b>	<b>\$6.05</b>	<b>\$16.01</b>

\*Rental rates reflect asking \$psf/year

## Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1250-1270 Humber Place	90,339	Ottawa Logistics	Direct	Sheffield/Michael
1280-1290 Old Innes Road	13,741	Intelcom Express	Direct	Sheffield/Michael
1646 Woodward Drive	12,366	Russell Hendrix Foodservice Equipment	Direct	Woodward/Carling
2935 Conroy Road	11,857	Ainsworth	Direct	Ottawa Business Park

## Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
302 Legget Drive	84,096	Econo-Malls Holdings/Inside Edge Properties	\$11,600,000/\$138	Kanata
2447 Kaladar Avenue	25,223	Kaladar Property Limited/Ottawa Preston Holdings	\$4,335,000/\$172	Ottawa South
1043-1049 Belfast Road	10,000	M&P Investment Ltd/10852015 Canada Inc	\$2,100,000/\$210	Coventry/Belfast

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