

OTTAWA INDUSTRIAL

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%	▲

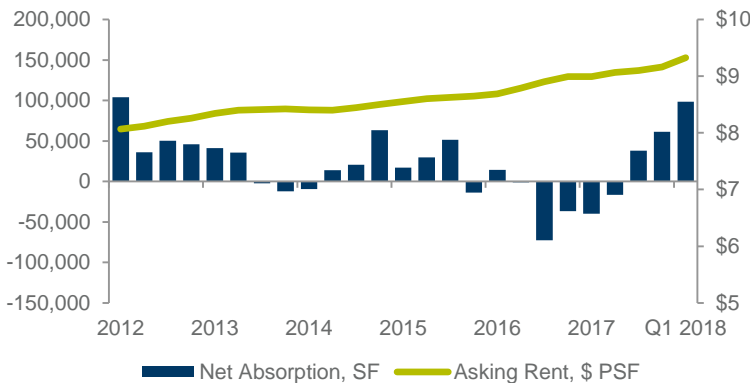
Market Indicators (Overall)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	7.4%	5.3%	▲
Net Absorption (sf)	34,901	182,803	▲
Under Construction (sf)	0	525,939	▲
Average Asking Rent	\$8.92	\$9.42	▲

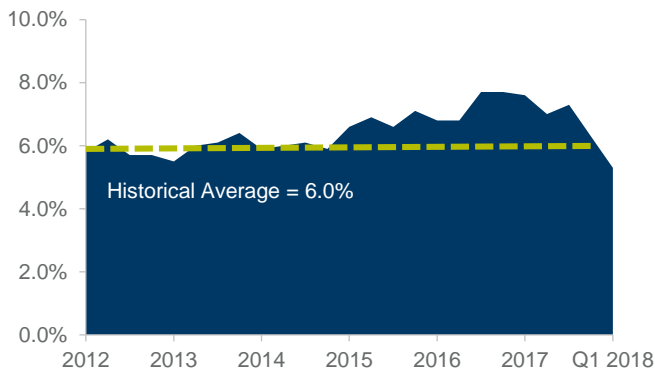
*Rental rates reflect net asking \$psf/year

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, although growth is anticipated to decelerate in 2018 as interest rates rise. Ottawa-Gatineau's GDP is anticipated to see growth of 2.1% in 2018 as the public administration sector continues to expand. This sector has increased by 27,000 positions from 2016 to 2017, although a slower pace of growth is anticipated for 2018. The second largest contributors to the Ottawa-Gatineau GDP are finance, insurance and the real estate industry, which are anticipated to grow by 2.9% in 2018 according to the Conference Board of Canada.

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 Ottawa industrial market remains healthy, even with the exit of the Giant Tiger distribution facilities looming on the horizon. Vacancy decreased by 100 basis points in the first quarter of 2018 to reach 5.3%, driven by significant transactions occurring throughout the city. Examples include The Sports Training Academy Ottawa, Pneu-Lavoie expanding its facility, and the Ottawa Tool Fasteners opening an east-end location. The Sports Training Academy Ottawa is a new entrant to the market, bringing a fully equipped tennis training facility to the city, while planning its next development of a gymnastic tumbling facility in 2020. East-end vacancy has declined by 260 basis points over the course of the past year, with absorption jumping from 20,289 square feet (sf) in the first quarter of 2017 to 152,128 sf this quarter. The rush of investors looking to enter the impending legalized cannabis industry has increased pressure and demand. Health Canada's restrictions including high level security and distance from residential areas are forcing these entrepreneurs to seek facilities with land for expansion in tertiary markets. Landlords are hesitant to lease their facilities to cannabis related companies as impacts to facilities are unknown, causing users to purchase property instead. With the explosion of e-commerce, the few existing cross-dock facilities are being scooped up as supply is low and demand is on the rise. Hi-Tone and K-Town distributions leased the efficient 16,000-sf facility at 2510 Sheffield Road.

Outlook

Ottawa's industrial market had a strong performance through 2017, and it is anticipated the market will remain a force throughout 2018. Build-to-suit projects are common in the west end of the city, and when completed are anticipated to create over 150,000 sf of positive absorption. The federal government is once again in the market for a 64,000-sf industrial facility located in Ottawa, which could help off-set Giant Tiger's exit from the Ottawa market.

MARKETBEAT

Ottawa, ON

Industrial Q1 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	61	3,365,811	1.8%	11,280	-35,000	-35,000	140,579	0	\$11.25	\$6.48	\$17.73
Bell's Corners	12	382,019	2.2%	0	-1,984	-1,984	0	0	\$13.39	\$6.52	\$19.91
Morrison/Queensview	9	415,519	13.5%	0	0	0	0	0	\$11.97	\$5.32	\$17.29
Woodward/Carling	25	561,170	2.4%	5,220	-16,168	-16,168	0	0	\$11.98	\$6.60	\$18.58
Ottawa Centre	27	799,667	2.8%	13,263	15,463	15,463	0	0	\$13.03	\$6.26	\$19.29
Ottawa South	11	703,974	13.6%	24,453	18,732	18,732	0	0	\$7.20	\$4.49	\$11.69
West Merivale	27	599,829	2.2%	0	0	0	0	0	\$11.76	\$7.95	\$19.71
East Merivale	28	657,693	8.5%	22,460	34,665	34,665	0	0	\$8.92	\$4.74	\$13.66
Colonnade	22	634,309	5.1%	0	11,306	11,306	0	0	\$10.11	\$6.41	\$16.52
Rideau Heights	29	668,325	3.3%	0	3,661	3,661	0	0	\$10.44	\$7.18	\$17.62
West Ottawa Totals	251	8,788,316	4.0%	76,676	30,675	30,675	140,579	0	\$10.52	\$5.89	\$16.41
South Walkley	13	325,180	0.8%	0	0	0	0	0	\$7.50	\$4.50	\$12.00
Ottawa Business Park	29	1,385,883	8.7%	29,863	13,027	13,027	0	0	\$9.01	\$5.04	\$14.05
Coventry/Belfast	48	1,783,609	5.2%	6,492	-16,193	-16,193	0	0	\$10.94	\$5.45	\$16.39
Cyrville	65	2,259,967	9.1%	7,385	17,306	17,306	0	0	\$8.95	\$6.06	\$15.01
Sheffield	59	3,008,123	7.4%	113,154	87,613	87,613	0	0	\$8.39	\$5.11	\$13.50
Sheffield/Lancaster	20	1,185,844	4.7%	14,654	-6,326	-6,326	385,360	0	\$9.81	\$6.62	\$16.43
Stevenage/Belgreen	58	2,103,378	2.6%	0	23,245	23,245	0	0	\$8.52	\$5.56	\$14.08
South Gloucester/Albion	16	437,234	1.1%	8,880	15,230	15,230	0	0	\$7.34	\$4.58	\$11.92
Queensway	25	920,465	5.5%	4,800	5,700	5,700	0	0	\$9.39	\$4.84	\$14.23
Orleans	18	596,384	7.2%	0	12,526	12,526	0	0	\$8.31	\$3.85	\$12.61
East Ottawa	351	14,006,067	6.1%	185,228	152,128	152,128	385,360	0	\$9.06	\$5.38	\$14.44
OTTAWA TOTALS	602	22,794,383	5.3%	261,904	182,803	182,803	525,939	0	\$9.42	\$5.52	\$14.94

*Rental rates reflect asking \$psf/year

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
101 Innes Park Way	37,655	Pneus-Lavoie	Direct	Sheffield/Michael
1255 Leeds Avenue	34,256	The Sports Training Academy Ottawa	Direct	Sheffield/Michael
3020 Hawthorne Road	20,000	Ottawa Tool Fasteners	Direct	Stevenage/Belgreen
2780 Sheffield Road	22,709	Cooper Rentals	Direct	Sheffield/Michael

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1100 Algoma Road	46,000	Desjardins Healthcare Group Inc / Ottawa Industrial Properties Ltd.	\$7,500,000 / \$163	Sheffield/Michael
2715 Sheffield Road	26,632	Fortran Iron Works Ltd. / Sheffield Road Property Ltd.	\$3,660,000 / \$137	Sheffield
2200 Thurston Drive	23,540	148991 Canada Inc. / 10530590 Canada Inc.	\$3,170,000 / \$134	Ottawa Business Park

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