

OTTAWA OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Ottawa Employment	535K	552K	▲
Ottawa Unemployment	6.6%	5.1%	■
Canada Unemployment	7.3%	6.7%	▼

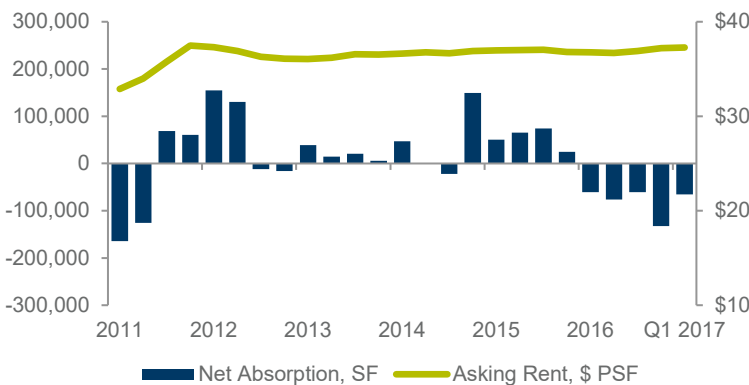
Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Overall Vacancy	10.7%	11.0%	▲
Net Absorption (sf)	(246,218)	23,287	▼
Under Construction (sf)	463,552	437,552	■
Average Asking Rent*	\$36.82	\$37.05	■

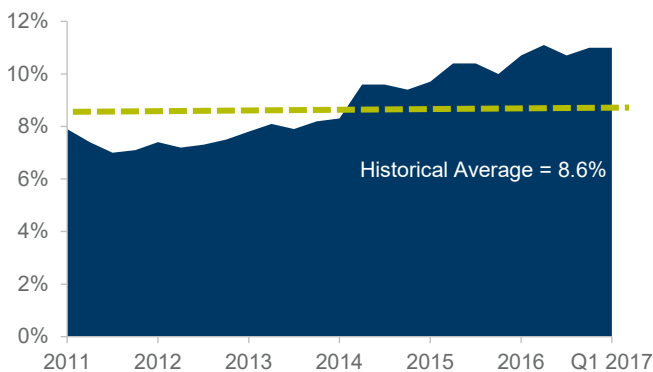
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

After years of spending freezes and job cuts, the number of public servants in the National Capital Region continues to grow. March marks the eighth straight month of federal government employment expansion and there are now 152,900 people in Ottawa-Gatineau working for the federal government, up 20% since July 2016. The news from the tech sector was also positive, adding 1,100 new jobs in March. The expansion of these two important employers in the region led to the unemployment rate declining to 5.1%, its lowest level in more than seven years.

Market Overview

Although the Ottawa office market has yet to pick up steam, the market was stable in Q1 2017. So stable in fact that overall vacancy was unchanged from Q4 2016, remaining at 11.0%, and demand slightly outpaced new availability with absorption figures at just over 23,000 square feet (sf). The downtown core had a strong quarter and improved substantially from the end of 2016. Vacancy declined across all asset classes, most significantly in the class A market, with vacancy declining to 5.7%. This improvement in the class A market was due to a combination of no new significant blocks of availability arriving on the market, and a few notable transactions including the Canadian Foundation for Healthcare Improvement at Constitution Square and the relocation, and expansion, of Klipfolio into World Exchange Plaza.

Vacancy within the overall Suburban market rose by 0.5 percentage points from last quarter to reach 12.6%. With vacancy in the western suburban market remaining unchanged at 11.3%, and absorption basically nil, it was the arrival of close to 100,000 sf of new availability in the Ottawa East class A market, more specifically 250 Tremblay Road that pushed the overall Suburban vacancy upwards.

Outlook

The market did not come crashing out of the gate in the first quarter of 2017; however, there are indications that the market will strengthen over the remainder of the year. The city's largest occupier of space, the federal government, appears to be back in expansion mode and with expansion will come the requirement for additional office space. In addition to this a recent report has listed many government owned buildings in the region that are in critical need of repairs and upgrades. When the work will begin, and on which buildings, is unknown but it is likely those departments will need to relocate while this work is occurring and will need a temporary home. Private sector tenants are also making headlines, the highlight being Shopify; which recently announced that they will be leasing approximately 325,000 sf of space at 234 Laurier Avenue, space that was going to be left vacant with the Bank of Canada moving back to their recently renovated premises.

MARKETBEAT

Ottawa, ON

Office Q1 2017



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	16,050,498	144,146	1,280,879	8.9%	107,495	107,495	221,437	0	\$42.08	\$47.90
Centretown	1,739,326	8,452	202,271	12.1%	24,425	24,425	22,161	0	\$29.20	n/a
Byward Market	842,861	10,949	41,132	6.2%	511	511	2,353	0	\$37.48	\$41.91
Central Area	18,632,685	163,547	1,524,282	9.1%	132,431	132,431	245,951	0	\$41.24	\$47.71
Kanata	6,005,497	132,301	672,580	13.4%	(25,852)	(25,852)	79,203	276,092	\$27.30	\$28.00
Ottawa West	3,939,145	29,351	353,902	9.7%	22,090	22,090	71,267	0	\$32.70	\$36.61
Nepean	5,516,988	14,599	543,400	10.1%	4,569	4,569	22,211	0	\$29.63	\$36.37
Ottawa East	4,666,638	86,644	677,539	16.4%	(107,958)	(107,958)	13,949	161,460	\$29.58	\$32.78
Gloucester	1,397,799	13,750	198,444	15.2%	(1,993)	(1,993)	3,302	0	\$36.71	\$36.71
Total Suburban Area	21,526,067	276,645	2,445,865	12.6%	(109,144)	(109,144)	189,932	437,552	\$31.17	\$34.18
OTTAWA TOTALS	40,158,752	440,192	3,970,147	11.0%	23,287	23,287	435,883	437,552	\$37.05	\$42.22

*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	25,613,028	394,456	2,162,610	10.0%	(4,678)	(4,678)	315,048	437,552	0	\$42.22
Class B	11,551,542	26,140	1,448,345	12.8%	7,909	7,909	109,724	0	0	\$30.03
Class C	2,994,182	19,596	359,192	12.7%	20,056	20,056	11,111	0	0	\$27.90

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
234 Laurier Ave. W.	325,000	Shopify	New Direct	Downtown Core
307 Legget Drive	40,000	you.i TV	New Direct	Kanata
160 Elgin Street	37,474	PWGSC	Renewal	Downtown Core
340 Albert Street	17,469	Canadian Foundation for Healthcare Improvement	New Direct	Downtown Core

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2191 Thurston Drive	27,594	CGG Canada Services Ltd. / Merkburn Holdings Ltd.	\$2,400,000 / \$87	Ottawa East

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