



OTTAWA OFFICE

Economic Indicators

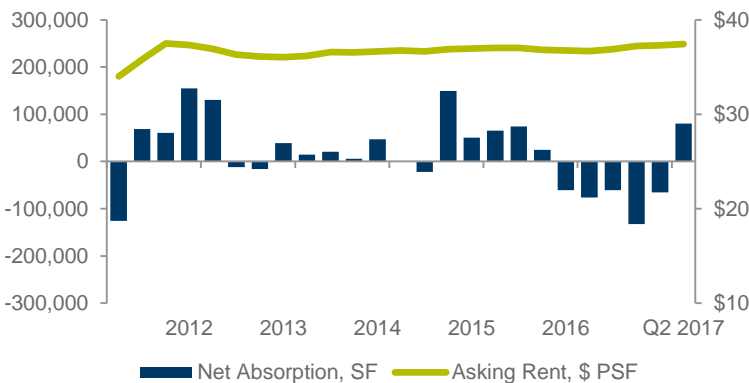
	Q2 16	Q2 17	12-Month Forecast
Ottawa Employment	542K	579K	▲
Ottawa Unemployment	6.8%	5.7%	▼
Canada Unemployment	6.9%	6.6%	▼

Market Indicators (Overall, All Classes)

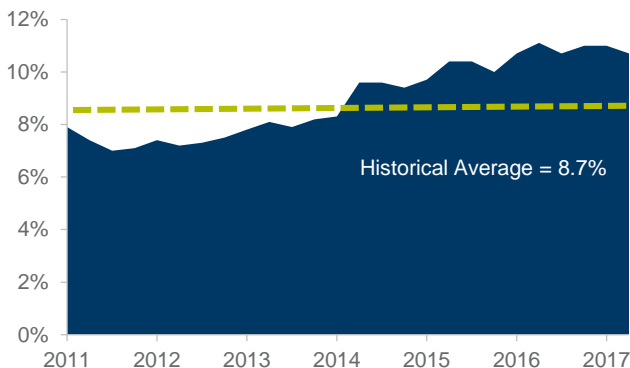
	Q2 16	Q2 17	12-Month Forecast
Overall Vacancy	11.1%	10.7%	▼
Net Absorption (sf)	-227,363	354,846	▲
Under Construction (sf)	463,552	161,460	▼
Average Asking Rent*	\$36.69	\$37.29	▲

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

Overall Net Absorption/Overall Asking Rent  
4Q TRAILING AVERAGE



Overall Vacancy



Economy

Ottawa has an unique distinction in the country in that it has been ranked by Money Sense magazine as *Canada's Best Place to Live* two years in a row. On July 1, 2017 Canada's 150<sup>th</sup> birthday was celebrated and according to the Conference Board of Canada, the surge in tourism related to activities surrounding this year-long celebration was projected to increase the region's GDP to over 2% in 2017 for the first time since 2011. From the first quarter 2017, the Canadian unemployment rate decreased by only 0.1% to 6.6% in contrast to Ottawa's unemployment rate which increased by 0.6% to 5.7% from last quarter; likely a result of contraction in the construction and health care industries. Although there are ongoing projects within the construction sector such as the Light Rail Transit system and the rehabilitation of the Parliament buildings, there was a decrease in building permits issued in May 2017 for commercial, industrial and recreational facilities. Earlier this year the Federal Government was on a hiring spree; however the pace of hiring has slowed as only 300 government jobs were created in the National Capital Region from April to May 2017.

Market Overview

The Class A Central Business District (CBD) submarket is beginning to pick up steam as strong demand pushed vacancy downwards to 4.9% from 5.7% in the first quarter of 2017. As the Class A market tightens, the Class B CBD market is heading in the opposite direction with vacancy climbing to 15.6% in the second quarter 2017, its highest point in two decades. Pushing vacancy upwards this quarter was approximately 100,000 square feet (sf) coming to the market within 200 & 219 Laurier Avenue West. Looking ahead, further softening is anticipated in the Class B market as the Department of National Defense (DND) continues to slowly relocate to its new headquarters. This strengthening of the Class A market, in combination with a weaker Class B market, kept the overall CBD vacancy rate unchanged at 8.9%. The Ottawa East submarket continues to experience a high volume of vacant space located in a number of quality buildings, with vacancy sitting at 16%. By the end of the year an additional 161,000-square-foot building that is currently under construction will be completed, and will conceivably continue to push vacancy upwards as there are no pre-leasing commitments in place.

Outlook

Up until late last year, CBD landlords were likely taking into account the looming Bank of Canada swing space at 234 Laurier Avenue West that was set to return to the market in July 2017 when negotiating leases of premium office space. However with Shopify leasing the entire 325,000 sf, in combination with a now declining Class A vacancy rate, the general consensus is the market will begin to see higher asking rents and a reduction in the tenant inducement packages than what have been offered in recent years.

The recent Expression of Interest (EOI) that was sent out by the Federal Government in search of close to 100,000 sf with a lease commencement date of September 2020 may also influence the market in the coming months. Due to the geographic boundaries laid out in the document, this may or may not be a CBD/Centretown story.

## MARKETBEAT

## Ottawa, ON

Office Q2 2017


**CUSHMAN &  
WAKEFIELD**  
Ottawa

**CELEBRATING  
100  
YEARS**

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	59,681	1,373,074	8.9%	-7,730	99,765	709,291	0	\$43.10	\$47.94
Centretown	1,739,326	7,175	185,534	11.1%	18,014	42,439	79,845	0	\$30.79	N/A
Byward Market	842,861	10,000	48,802	7.0%	-6,721	-6,210	4,032	0	\$37.57	\$41.91
<b>Central Area</b>	<b>18,636,932</b>	<b>76,856</b>	<b>1,607,410</b>	<b>9.0%</b>	<b>3,563</b>	<b>135,994</b>	<b>793,168</b>	<b>0</b>	<b>\$42.14</b>	<b>\$47.68</b>
Kanata	6,281,589	132,301	685,272	13.0%	263,400	237,548	157,049	0	\$26.55	\$27.22
Ottawa West	3,939,145	32,356	325,358	9.1%	25,548	47,638	96,461	0	\$30.95	\$33.71
Nepean	5,519,710	0	520,390	9.4%	40,632	45,201	35,604	0	\$29.45	\$35.97
Ottawa East	4,692,016	84,649	665,801	16.0%	13,733	-94,225	19,244	161,460	\$29.93	\$32.52
Gloucester	1,397,799	5,780	198,444	14.6%	7,970	5,977	3,302	0	\$37.86	\$37.86
<b>Total Suburban Area</b>	<b>21,830,259</b>	<b>255,086</b>	<b>2,395,265</b>	<b>12.1%</b>	<b>351,283</b>	<b>242,139</b>	<b>311,660</b>	<b>161,460</b>	<b>\$30.64</b>	<b>\$33.11</b>
<b>OTTAWA TOTALS</b>	<b>40,467,191</b>	<b>331,942</b>	<b>4,002,675</b>	<b>10.7%</b>	<b>354,846</b>	<b>378,113</b>	<b>1,104,828</b>	<b>161,460</b>	<b>\$37.29</b>	<b>\$41.60</b>

\*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	25,913,998	281,999	2,187,519	9.5%	363,340	358,962	852,679	161,460	276,092	\$41.60
Class B	11,559,011	30,347	1,468,061	13.0%	-20,891	-12,982	220,809	0	0	\$30.67
Class C	2,994,182	19,596	347,095	12.2%	12,097	32,153	31,340	0	0	\$28.15

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

## Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
150 Slater Street	73,656	EDC PWGSC	Sublease	CBD
50 O'Connor Street	100,000	House of Commons	Renewal	CBD
80 Aberdeen Street	14,580	Brookfield Relocation Services	New Direct	Ottawa West

## Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
61 Bill Leatham Drive	280,962 (6.45 Acres)	Minto/ True North Commercial REIT	\$31,500,000 / \$112	Nepean
344 Slater Street & 427 Laurier Avenue West	501,300	Minto/ I.G. Investment Management Ltd.	\$103,400,000 / \$206	CBD
180 Kent Street	385,300	Minto (Kent St) Inc/ IG Investment Management Ltd.	\$84,600,000 / \$220	CBD

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