

OTTAWA OFFICE

Economic Indicators

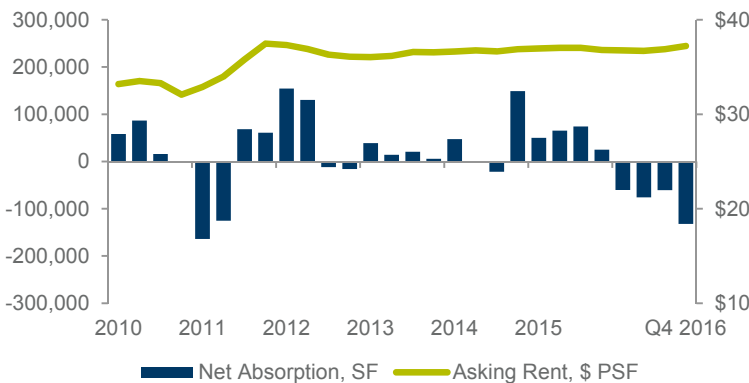
	Q4 15	Q4 16	12-Month Forecast
Ottawa Employment	530k	546k	▲
Ottawa Unemployment	6.3%	6.0%	■
Canada Unemployment	7.1%	6.8%	▼

Market Indicators (Overall, All Classes)

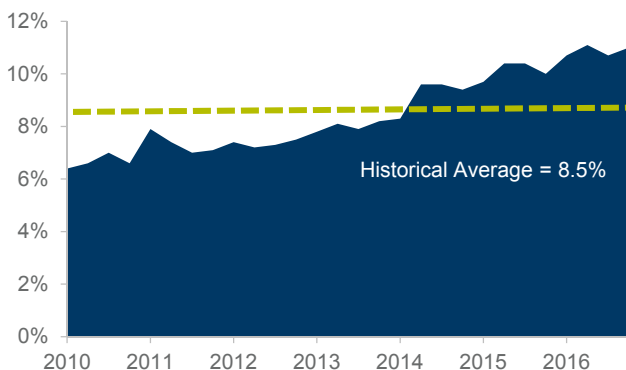
	Q4 15	Q4 16	12-Month Forecast
Overall Vacancy	10.1%	11.0%	▲
Net Absorption (sf)	(96,556)	(123,940)	▼
Under Construction (sf)	391,092	437,552	■
Average Asking Rent*	\$36.36	\$37.70	■

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent
4Q TRAILING AVERAGE



Overall Vacancy



Economy

Statistics Canada reported that there were 400 net new jobs created in Ottawa in November 2016, but with the size of the labour force increasing by approximately 1,200, the unemployment rate rose slightly to 6.0%. The public administration sector saw the largest gains in November, adding approximately 4,900 jobs in the Ottawa-Gatineau region. Nearly all of these jobs were within the federal government and employment now sits at 139,200; the highest level since mid-2012. The Conference Board of Canada is projecting GDP growth of 1.7% in 2016; accelerating to 2.2% in 2017. In the new year the region's economy is anticipated to benefit from a few different factors – an expansion of the public administration sector, a strong non-residential construction sector, and a boost in tourism due to Canada's 150th birthday celebrations.

Market Overview

The overall office market vacancy has fluctuated throughout 2016; slightly rising or falling every quarter. In the last quarter of 2016 vacancy was on the upswing, rising to 11.0%. The climb this quarter can largely be attributed to the arrival of sizeable pockets of new availability in the Central area, in the both the Downtown Core and Centretown submarkets, within all asset classes. With demand yet to ramp back up, this new availability generated negative absorption in virtually all of the Central Area and pushed vacancy upwards to 9.8%.

The Suburban markets fared better this quarter, with vacancy declining in almost all submarkets. Although the positive absorption that was generated was for the most part the result of just a few notable transactions, overall demand was sufficient enough to push the overall Suburban vacancy rate down slightly to 12.1%.

Outlook

Although there have been exceptions, in recent years many private sector tenants in the city have been conservative with their space requirements, either deciding to renew and remain in their existing space. If the tenant does decide to relocate the space has generally been the same square footage if not smaller than the premises they were vacating. The market has also seen consolidations of companies which has resulted in additional space coming on the market. It is hoped that with federal governmental departments now beginning to emerge on the other side of the cost-cutting measures that had been in place in recent years, the pace of requirements for space from the public sector will begin to accelerate and generally speaking the private sector, particularly companies within the downtown core, will follow suit. It is also worth noting that the office market is not driven solely by the federal government. The high-tech services sector has experienced healthy gains this year, with growth anticipated to continue in 2017. This should also help drive demand for space; particularly in the high-tech hub of Kanata.

MARKETBEAT

Ottawa, ON

Office Q4 2016



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	140,654	1,391,866	9.5%	(146,505)	(179,245)	487,601	0	\$43.12	\$48.88
Centretown	1,739,326	8,452	226,696	13.5%	(59,235)	(77,323)	47,076	0	\$28.72	n/a
Byward Market	842,861	10,949	41,643	6.2%	9,510	1,295	29,637	0	\$37.14	\$41.59
Central Area	18,632,685	160,055	1,660,205	9.8%	(196,230)	(255,273)	564,314	0	\$41.98	\$48.66
Kanata	6,005,497	106,073	672,956	13.0%	16,105	527	399,280	276,092	\$26.26	\$27.14
Ottawa West	3,939,145	10,055	395,288	10.3%	(6,405)	18,196	237,137	0	\$30.98	\$34.49
Nepean	5,541,988	14,039	548,529	10.2%	35,153	(205,166)	120,615	0	\$29.74	\$33.70
Ottawa East	4,666,638	89,161	567,064	14.1%	30,072	4,998	152,567	161,460	\$29.55	\$32.66
Gloucester	1,397,799	13,750	196,451	15.0%	(2,635)	(93,161)	50,780	0	\$37.81	\$37.81
Total Suburban Area	21,551,067	233,078	2,380,288	12.1%	72,290	(274,606)	960,379	437,552	\$30.81	\$33.90
OTTAWA TOTALS	40,183,752	393,133	4,040,493	11.0%	(123,940)	(529,879)	1,524,593	437,552	\$37.70	\$43.11

*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	25,638,028	364,446	2,187,942	10.0%	(47,470)	(419,913)	938,676	437,552	26,000	\$43.11
Class B	11,551,542	9,091	1,473,303	12.8%	(35,034)	(35,768)	456,817	0	0	\$30.37
Class C	2,994,182	19,596	379,248	13.3%	(41,436)	(74,198)	129,200	0	0	\$27.73

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1223 Michael Street	14,528	GWL Realty Advisors	Renewal	Ottawa East
279 Laurier Ave. W.	4,588	CSDC Systems Inc.	Renewal	Downtown Core
360 Albert Street	3,838	PAL Aerospace	New Lease	Downtown Core
450 March Road	2,928	Prometric Testing Centre	New Lease	Kanata

Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
150 Katimavik Road	125,000	1310053 Ontario Inc. / 150 Katimavik Inc.	\$10,250,000 / \$82	Kanata
326 Moodie Drive	25,137	Westeinde (326M) Inc. / Fortinet Technologies (Canada)	\$4,500,000 / \$179	Nepean

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