

MARKETBEAT

RETAIL SNAPSHOT



OTTAWA, ON

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Q2 2012



ECONOMIC OVERVIEW

After a fairly robust first quarter, the Ottawa-Gatineau region recorded flat job growth in May 2012, as both the number of people working and the number of people looking for work fell. There was no change in the number

of local jobs, holding at 716,600. Due to the 3,000 fewer people working, or currently looking for work, the unemployment rate edged down slightly from last month to 6.0%. At a national level, unemployment remained unchanged at 7.3%

As reported by the Conference Board of Canada (CMHC), sales of existing homes in Ottawa, along with the selling price of these homes, increased year-over-year in May 2012. Members of the Ottawa Real Estate Board sold 1,896 residential properties in May compared to 1,659 in May 2011, an increase of 14%. These sales included 364 condominiums. The average sale price across all residential properties rose by more than 3% to reach \$362,837, while condominium prices increased by 2.5% to \$268,831.

A significant upswing in condominium development propelled overall new housing construction starts for May 2012 to 1,595, an increase of approximately 500% from May 2011 when starts numbered only 266. CMHC stated that this condo boom will not last however, stating that slower growth is expected for the remainder of the year. While condos were being started at a rapid pace, other forms of multi-housing declined. Row houses fell by 41% to 57 starts, while semi-detached units fell about 31% to 22 starts. Singles climbed, however, by 20% to reach 147 starts this month. On a year-to-date basis, housing starts are up 75% compared to last year.

In its latest metropolitan release the Conference Board of Canada is anticipating that, as a result of declining public sector employment,

which accounts for one-quarter of Ottawa-Gatineau's overall economy, overall retail sales will slow this year to \$16.9 billion, although sales are still expected to increase by 2.8% compared to last year.

ECONOMIC INDICATORS

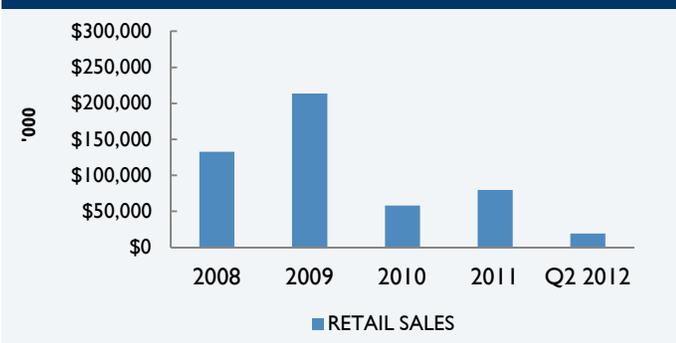
NATIONAL	2011	2012F	2013F
GDP Growth	2.3%	2.1%	2.9%
CPI Growth	2.9%	1.9%	2.2%
Retail Sales Growth	3.6%	4.9%	4.7%
REGIONAL	2011	2012F	2013F
Household Income	\$43,595	\$44,263	\$45,421
Population Growth	1.3%	0.9%	0.8%
Unemployment	5.8%	6.1%	5.9%

Source: Conference Board of Canada

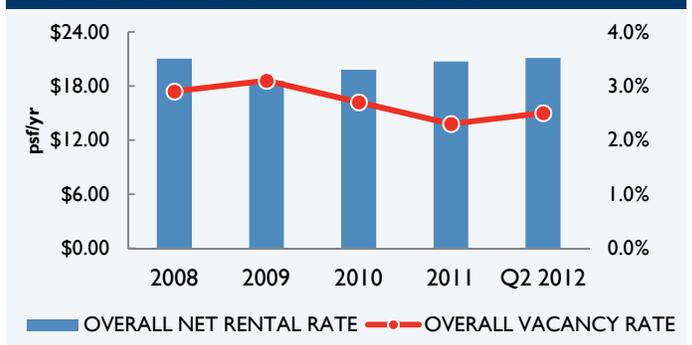
OTTAWA MARKET BREAKDOWN

	VACANCY	RENTAL RATES PSF/YR	MEDIAN SALES PRICE / SQUARE FOOT
Regional Malls	0.6%	N/A	N/A
Community Malls	2.4%	\$17.19	N/A
Core Office Tower	3.2%	\$25.00	N/A
Neighbourhood Malls	4.6%	\$20.72	\$205
TOTAL MARKET	2.5%	\$21.10	N/A

RETAIL SALES ACTIVITY



OVERALL RENTAL VS. VACANCY RATES



RETAIL MARKET OVERVIEW

Overall vacancy increased through the first half of 2012, climbing by 0.2 percentage points to reach 2.5%, the result of rising vacancy within the Neighbourhood Mall segment. Although there was a decline in the asking rents in both the Community and Neighbourhood Mall segments, the overall average asking rental rate increased slightly to \$21.10 per square foot (psf). This increase was the result of a posted rental rate of \$28.00 psf within the Regional Mall segment. Overall absorption remains strong, with absorption over the first half of the year at over 270,000 square feet (sf). Absorption was largely driven by a multitude of new construction completions; particularly within the Community Mall segment.

REGIONAL MALLS AND LARGE POWER CENTRES: OVER 375,000 SF

The vacancy rate within this segment was unchanged through the first half of the year, remaining at 0.6%. As was the case through the last half of 2011, the amount of available space has increased slightly. However there was no change in the vacancy rate, as approximately 35,000 sf was added to the inventory – the result of the Marshall's completion within the Ottawa Train Yards. The opening of this location marks the American chain's first foray into the Ottawa retail market. Although there were two new small pockets of space that became available, absorption for this category was 30,500 sf, which can be attributed to Marshall's. After reporting on Bayshore Shopping Centre's plans to expand in a previous report released during the last half of 2011, a groundbreaking ceremony for this project took place in late May. Over the course of the next 3.5 years, the expansion will add an additional 160,000 sf of retail space to the mall and will include a new five-level parking garage. Although it was confirmed that Target will open in its new space here in early 2015, no additional tenants have been formally announced (although there has been talk that the Apple Store will open a second Ottawa location here). Another significant development within this category was the announcement that Sears would be closing its 240,000-sf location in the Rideau Centre. This could prove to be a prime opportunity for both American and International retailers who may have been looking to open an Ottawa location but have not been able thus far to find the right location at the right time. At the same time, the largest Sears Home store in the country opened in late June at the Pinecrest Shopping Centre and is occupying 79,000 sf of the old IKEA store.

COMMUNITY MALLS AND SMALLER POWER CENTRES – 110,000 - 375,000 SF

Through 2011 and now through the first half of 2012, vacancy within this segment remained unchanged at 2.4%. The amount of vacant space grew slightly from the last half of 2011, with one of the largest pockets being the space left vacant by JYSK at RioCan Orleans. However, as there were significant amounts of new construction completed at both Grant Crossing in Kanata and RioCan Belcourt in Orleans, there was no change in the vacancy rate. Redevelopment is set to begin this summer at Herongate Mall, which will essentially be torn down to make way for larger retail stores along with providing opportunities for smaller tenants to lease space. The only current

tenant that is expected to remain open through this redevelopment is Food Basics. By the time the redevelopment is completed in the latter part of 2013, this new centre will be approximately 270,000 sf in size. Looking towards the remaining half of the year, this segment will continue to experience growth. Construction has commenced on Centrecorp's 185,000-sf development located at the corner of Hazeldean and Huntmar in Kanata. By the second half of 2012 an additional project, Findlay Creek in the south end of Ottawa, should have enough square footage completed to be included within this market segment.

NEIGHBOURHOOD MALLS: 10,000-110,000 SF

Vacancy within this segment continues to fluctuate and climbed back up from the last half of 2011 to 4.6%, up from 3.9%. In the majority of submarkets, vacancy fluctuated up or down by less than a percentage point from last year. Two submarkets, however, had more significant climbs in vacancy. One was in the Nepean/Other segment, where vacancy rose by close to three percentage points to 5.9%, as vacant space grew by over 20,000 sf – with 12,000 sf of that located in one plaza. Bell's Corners also had a jump in vacant space of close to 20,000 sf, causing vacancy to rise by just over four percentage points to 11.2%. As was the case with Nepean, the majority of the new vacant space was located within one plaza. Despite the increase in vacancy, absorption figures remained in the positive as new construction that was fully pre-leased was completed at multiple plazas, including Findlay Creek Shopping Plaza, the new Sobeys plaza at 1122 Carp Road, Barrhaven Village Square, and finally 2730 Iris Street.

CORE OFFICE TOWER: 10,000 SF AND OVER

Vacancy continued to decline over the first half of 2012, with exactly the same circumstances as the last half of 2011. Vacancy declined by another 0.8 percentage points, now sitting at 3.2%, and once again approximately 5,000 sf of space was removed from market. Now that 150 Elgin Street is officially underway we can expect at least 13,000 sf of retail space to be added to the inventory, although it will not be until early 2014. Recently it was announced that a pharmacy will be located within the remaining retail located at 150 Slater Street, joining Marcello's Market & Deli and Bridgehead. However, this retail space is not included in the survey as the total amount of retail within the building is under 10,000 sf.

OUTLOOK

As cuts to the public administration sector are anticipated to affect the entire local economy, the Conference Board of Canada has stated that the Ottawa-Gatineau region is expected to post the weakest economic growth among the 13 metropolitan economies covered in the Metropolitan Outlook, with GDP growth of 1.6%. Despite this pall of uncertainty that hangs over the area, retail conditions remain tight with continuing low vacancy expected through the last half of the year. New construction projects, such as Centrecorp's 185,000-sf development in Kanata, have recently gotten underway and in the coming year will see new retail going into the \$291-million redevelopment of Landsdowne Park.

OTTAWA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	VACANCY RATE MID-YEAR 2012	VACANCY RATE YEAR-END 2011	Q2 2012 ABSORPTION	YTD ABSORPTION	WTD AVERAGE NET RENT	WTD AVERAGE TAX & OP COSTS
Regional Malls & Larger Power Centres	7,031,819	0.6%	0.6%	30,531	30,531	N/A	N/A
Community Malls & Smaller Power Centres	6,821,677	2.4%	2.4%	167,049	167,049	\$17.19	\$11.70
Downtown Core	648,166	3.2%	4.0%	5,231	5,231	\$25.00	\$26.48
Ottawa East	480,083	1.4%	1.7%	1,564	1,564	\$20.85	\$9.24
Gloucester	304,994	8.7%	6.9%	(5,273)	(5,273)	\$14.43	\$11.32
Orleans	853,686	7.5%	6.3%	(18,096)	(18,096)	\$21.35	\$10.99
Ottawa South	1,083,134	3.3%	3.8%	77,294	77,294	\$20.71	\$9.99
Kanata/Stittsville	1,289,998	3.1%	3.7%	18,357	18,357	\$21.47	\$10.57
Bell's Corners	334,640	11.2%	5.8%	(18,147)	(18,147)	\$18.09	\$10.42
Nepean (Merivale)	657,301	2.1%	3.4%	8,465	8,465	\$24.15	\$11.21
Nepean (Other)	638,365	5.9%	3.2%	2,191	2,191	\$18.89	\$10.31
Ottawa West	680,736	3.2%	1.8%	1,201	1,201	\$25.32	\$13.92
Neighbourhood Malls	6,172,222	4.6%	3.9%	67,546	67,546	\$20.72	\$11.05
TOTAL MARKET	20,824,599	2.5%	2.3%	270,357	270,357	\$21.10	\$11.88

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q2 2012 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Innes Road Plaza	Community Malls	XS Cargo	Power Centre	8,083
City View Plaza	Nepean(Merivale)	Fit Shop	Neighbourhood Mall	5,797
Significant Q2 2012 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
500 Eagleson Road	Neighbourhood Malls - Kanata	2321324 Ontario Inc.	\$7,600,000	25,944
261 Centrepointe Drive	Neighbourhood Malls – Nepean	2311251 Ontario Inc.	\$3,325,000	14,613
Significant Q2 2012 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
RioCan Belcourt	Community Mall	Various	First Half 2012	91,500
Grant Crossing	Community Mall	Various	First Half 2012	84,500
Findlay Creek Shopping Plaza	Neighbourhood Mall	Freshco	First Half 2012	75,000
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Centrecorp – Hazeldean & Huntmar	Community Mall	Food Basics	2012/2013	Upon Completion – 185,000 sf
Smart Centres – Terry Fox & Fernbank	Community Mall	Wal-Mart	2012/2013	Upon Completion – 195,754 sf