

OTTAWA OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Ottawa Employment	552k	555k	▲
Ottawa Unemployment	5.1%	5.0%	▲
Canada Unemployment	5.8%	5.8%	▲

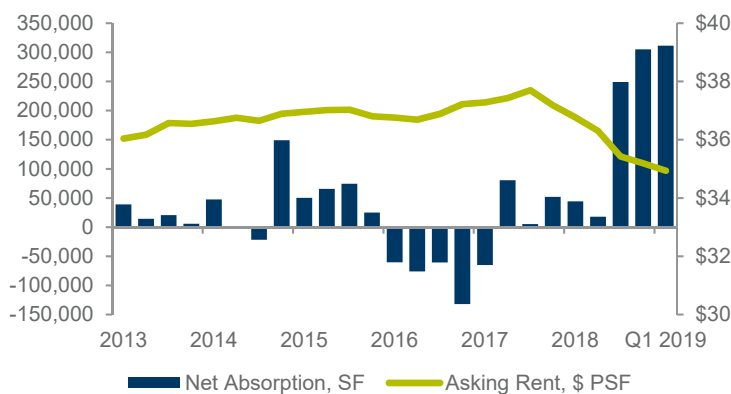
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	11.6%	7.6%	▼
Net Absorption (sf)	-7,739	16,826	▲
Under Construction (sf)	0	100,000	▲
Average Asking Rent*	\$35.38	\$34.38	▲

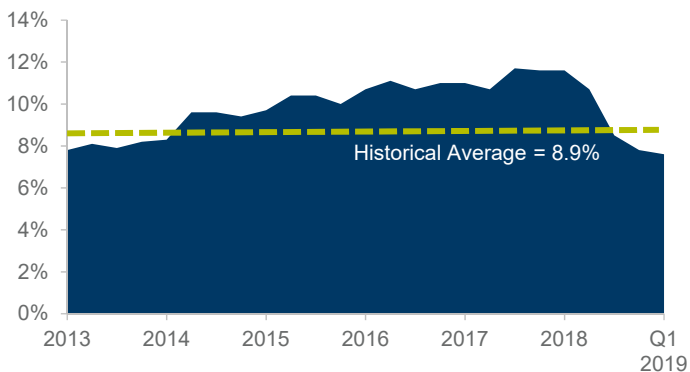
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

The unemployment rate in Ottawa declined to 5.0% in February 2019 as 8,100 new workers were added. Although the unemployment rate is anticipated to climb slightly to 5.2% through the remainder of 2019 and into 2020, the region will continue to experience tight market conditions. Although this is positive news for job seekers, it could act as a hindrance on growth due to potential labour shortages. The public administration sector accounts for almost 30% of the National Capital Region's total GDP and approximately a fifth of its total employment. It is expected however that hiring in the sector will slow in 2019, and that outlook is reflected in the projected GDP growth for the region which is forecasted to contract slightly to 1.9% in 2019 and 2020. With government spending cooling down, other industries are expected to step up. The technology sector is set to see a surge of activity, particularly in Kanata, which will help offset the decline in federal government employment.

Market Overview

The Ottawa office market began 2019 with availability slightly declining to 7.6%, down 0.2 percentage points from fourth quarter of 2018. What is more impressive is that overall availability has declined an impressive 400 basis points year-over-year. While the Central market experienced a slight increase in vacancy of 30 basis points in the first quarter of 2019 to reach 6.7%, availability in the Suburban market continues to decline and now sits at 8.3%.

The Downtown Core continues to experience an ever-dwindling amount of available space, with the availability rate declining from 6.5% in the fourth quarter of 2018 to reach 6.2%. While availability in the coveted Class A market saw no change quarter-over-quarter remaining at 4.1%, this rate marks the lowest availability has been in 10 years.

The Class B market also had a strong quarter with absorption of close to 62,000 square feet (sf). A significant contributing factor of this was approximately 41,000 sf of space that was removed from the market as 473 Albert Street is potentially being converted into a residential property. It is anticipated that in the lead up to the opening of the new Light Rail Transit (LRT) in early summer of this year, will result in further tightening of the office market as space near the LRT line will be in high demand. In terms of demand, Kanata lead all submarkets this quarter with close to 58,000 sf of positive absorption, as the technology sector continues to thrive. Tech companies such as Ericsson and You.i are expanding as well as newcomers like Huawei are generating activity within Kanata. Cominar's new building at 800 Palladium Drive, located in Kanata is already approximately 85% preleased, with the majority of space preleased to Ford as they expand their research and development department.

Outlook

With availability rates continuing to decline and the LRT line close to completion, it is likely that there will be a heightened need for new construction. Despite this pressure, developers will be unlikely to break ground until after the federal election. It is anticipated that these two variables will be key in influencing future development plans. One of these projects includes the redevelopment of Lebreton Flats. Following the collapse of the National Capital Commission's (NCC) first-choice partnership between Trinity Development Group and Capital Sports Management, the Ottawa Board of Trade is urging the NCC to return to negotiations with previous bidders to salvage the vacant land.

MARKETBEAT

Ottawa, ON

Office Q1 2019



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	60,170	942,328	6.2%	48,990	48,990	194,635	0	\$40.21	\$48.25
Centretown	1,739,326	0	166,112	9.6%	3,677	3,677	20,730	0	\$29.08	N/A
Byward Market	842,861	3,916	79,510	9.9%	-13,957	-13,957	10,087	0	\$39.22	\$44.44
Central Area	18,636,932	64,086	1,187,950	6.7%	38,710	38,710	225,452	0	\$39.12	\$47.94
Kanata	6,473,931	4,393	484,210	7.5%	50,652	50,652	117,352	100,000	\$25.97	\$25.83
Ottawa West	3,972,145	5,101	251,521	6.5%	8,046	8,046	41,278	0	\$31.53	\$34.84
Nepean	5,564,522	1,333	381,416	6.9%	-1,104	-1,104	40,511	0	\$27.69	\$31.91
Ottawa East	4,961,482	22,981	469,497	9.9%	9,870	9,870	12,618	0	\$29.87	\$32.40
Gloucester	1,422,201	5,780	236,079	17.0%	-89,348	-89,348	17,846	0	\$35.06	\$36.03
Total Suburban Area	22,394,281	39,588	1,822,723	8.3%	-21,884	-21,884	229,605	100,000	\$29.55	\$32.46
OTTAWA TOTALS	41,031,213	103,674	3,010,673	7.6%	16,826	16,826	455,057	100,000	\$34.38	\$39.54

*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	26,237,436	61,131	1,356,303	5.4%	-23,630	-23,630	177,026	100,000	0	\$39.54
Class B	12,092,667	12,206	1,374,586	11.5%	28,024	28,024	235,537	0	0	\$30.38
Class C	2,701,110	30,337	279,784	11.5%	12,432	12,432	42,494	0	0	\$25.45

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
349 Terry Fox Drive	25,490	Ericsson	Expansion	Kanata
7 Hinton Avenue	23,254	MNP	New Direct	Ottawa West
307 Legget Drive	21,527	You.i	Expansion	Kanata
770 Palladium Drive	21,163	Ford	New Direct	Kanata
1410 Blair Place	14,805	Canadian Medical Association	New Direct	Gloucester
303 Terry Fox Drive	10,225	Huawei	New Direct	Kanata

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
572 Manor Avenue	11,000	Richcraft Properties Ltd. / Government of the Republic of Cameroon	\$6,150,000 / \$559	Vanier
329 Churchill Avenue North	5,640	329 Churchill Avenue Ottawa Inc.	\$1,612,500 / \$286	Ottawa West
289-291 Olmstead Street	3,020	291 Olmstead Corp. / Anbara and Sons Ltd.	\$1,050,000 / \$348	Vanier

*portfolio sale

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