

Real Strategy Market Outlook:

Q3 2018



The 3rd Quarter of 2018 saw a significant amount of leasing activity in Ottawa by the Federal Government. Showing clear signs that public purse strings have been loosened, the public service has returned to the market place in force while steady demand from the private sector places Ottawa on a path to a balanced market.

Greater Ottawa's overall office availability fell from 10.7% in Q2 2018 to 10.1% continuing a downward trend that started this time last year.

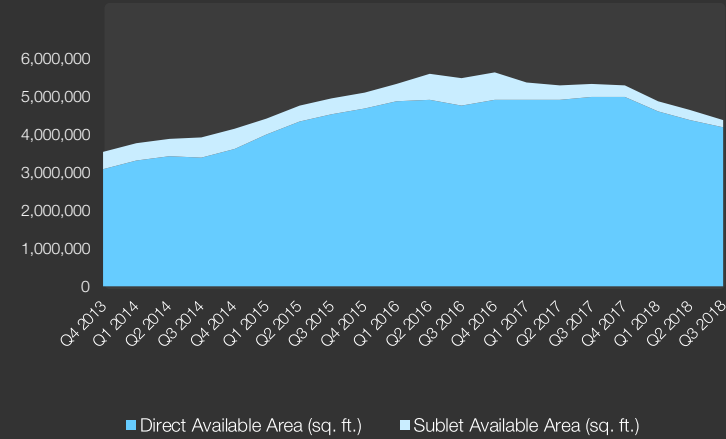
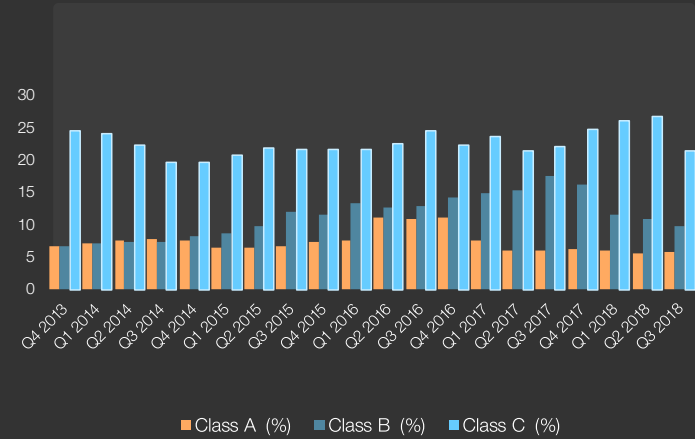
Downtown Class C Availability fell sharply by 5.3% due primarily from Nav Canada's committing to lease all 133,000 sq. ft. of 151 Slater Street last quarter. Class A Availability remained relatively flat at 5.9%, while Class B Availability dropped from 11% to 9.8%; a 4th consecutive quarter of shrinking inventory.

Real Strategy understands that significant additional government demand is still to come and expects the A and B Class downtown office space to continue to be absorbed at an increasing pace until the next Federal election expected in the fall of 2019.

Downtown Available Rate by Class



Greater Ottawa Availability



Largest Downtown Vacancies



Total Available Rate:

18%

44%

19%

38%

40%

31%

55%

14%

Address	45 O'Connor Street	110 O'Connor Street	Constitution Square (I)	Killeany Place	473 Albert Street	222-230 Queen	85 Albert Street	Constitution Square (III)
Total Office Area (sq. ft.)	414,516	147,265	306,011	151,129	132,000	164,320	89,339	330,000
Office Class	Class A	Class B	Class A	Class B	Class B	Class B	Class C	Class A
Total Available Area (sq. ft.)	76,231	65,424	58,363	57,751	52,273	50,295	49,063	47,509
Total Available Rate (%)	18	44	19	38	40	31	55	14

SUBMARKET ANALYSIS

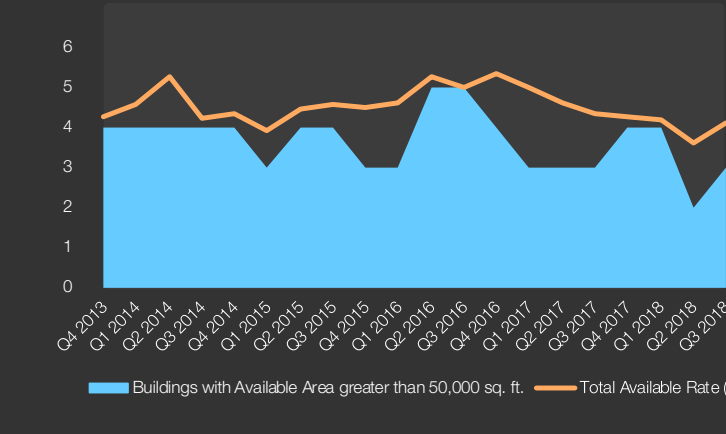
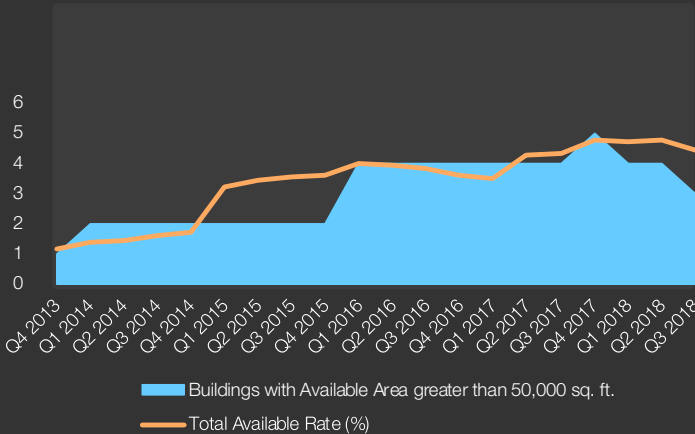


Ottawa's Suburban East saw significant Federal Government leasing activity concentrated chiefly at 250 Tremblay Road and Quadreal's Place du Commerce located on Blair Road. In addition, it is widely rumoured that the two long time vacancies at BONA's 1625 Vanier Parkway and Controllex's 405 Terminal Avenue (located at the Ottawa Trainyards) are also expecting to announce large government tenancies. Ottawa East availability fell from 19.9% to 18.5%, marking the first time in a decade that space availability in this sub-market has fallen and is likely continue to do so sharply over the next 2 quarters.

Available for Lease Ottawa East



Available for Lease Kanata



Notable Lease Transactions



Average Basic Rental Rates

Quarter / Year	Tenant	Area (sq. ft.)	Deal Type	Building Address
2018 Q3	PWGSC	14,211	New Tenant	410 Laurier Avenue West
2018 Q3	PWGSC	13,469	New Tenant	160 Elgin Street
2018 Q3	CH2M Hill Canada	10,384	New Tenant	1565 Carling Avenue
2018 Q3	NA	8,376	Renewal	1420 Blair Place
2018 Q3	CPM	7,000	New Tenant	1770 Woodward Drive
2018 Q3	Plan Group	5,919	New Tenant	10-40 Camelot Drive
2018 Q3	NA	5,194	New Tenant	81 Metcalfe Street
2018 Q3	PWGSC	45,000	New Tenant	250 Tremblay Road
2018 Q3	Intact Insurance	32,000	New Tenant	1200 St. Laurent Blvd

Market	Avg Rent PSF Q3	Avg Rent PSF Q2	Change Margin %
Greater Ottawa - Overall	\$ 15.42	\$ 15.18	\$ 0.24
Greater Ottawa - Class A	\$ 18.69	\$ 18.78	\$ (0.09)
Greater Ottawa - Class B	\$ 13.95	\$ 13.67	\$ 0.28
Downtown Ottawa - Overall	\$ 18.86	\$ 18.39	\$ 0.47
Downtown Core - Class A	\$ 23.17	\$ 23.17	\$ -
Downtown Core - Class B	\$ 16.55	\$ 16.55	\$ -
Gatineau - Overall	\$ 15.30	\$ 16.88	\$ (1.58)
Gatineau - Class A	\$ 25.00	\$ 25.00	\$ -
Gatineau - Class B	\$ 13.25	\$ 13.75	\$ (0.50)
Suburban East - Overall	\$ 14.12	\$ 14.20	\$ (0.08)
Suburban East - Class A	\$ 16.42	\$ 16.48	\$ (0.06)
Suburban East - Class B	\$ 12.92	\$ 12.83	\$ 0.09
Suburban West - Overall	\$ 13.76	\$ 13.39	\$ 0.37
Suburban West - Class A	\$ 15.09	\$ 15.20	\$ (0.11)
Suburban West - Class B	\$ 13.43	\$ 12.98	\$ 0.45

Kanata's sub-market continues to exhibit strong private sector demand and leasing activity is steady. Overall Office Availability increased due to the inclusion of 155,000 sq. ft. of Class A space at 4000 Innovation Drive owned by Spear Street Capital. This building, developed for Cisco Systems, and more recently occupied by Blackberry, will likely generate significant attention as it is the largest concentration of quality Class A space in Kanata.

Real Strategy expects robust demand in the far west to continue and expects Kanata's office availability to continue in a downward trend for the next four quarters.

Over the long term, the continued migration of an estimated 8,000 employees of the Department of National Defence (DND) to the former Nortel Campus in Bells Corners will only serve to reinforce the stability of what is now a mature marketplace in Kanata.

