Ottawa, Ontario

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

Ottawa's office market came to a close in 2011 amidst a flurry of activity defined mainly by some big federal public sector leases in the downtown core. Landlords with properties in the Central Business District are keenly aware that there is almost 4,000,000 SF of new government-backed construction is coming on stream over the next 24 months. They are doing their best to renew their large tenants well in advance of any potential spike in CBD vacancy.

The vacancy rate in the downtown core rose from 3% at Q3 2011 to 6.2% largely due to the long awaited inclusion of 337,300 SF of new vacancy at 234 Laurier Ave. West, the former headquarters of Export Development Canada. The space is being advertised as available in January of 2013 following a $25 million refurbishment program.

As bidding for top tenancies intensifies, there has been plenty of evidence that larger tenants in class A buildings are completing deals well below the advertised rents. This will likely continue to escalate throughout 2012.

The general feeling in Kanata is of a slow but steady push towards a balanced market which has been driven by a solid volume of completed deals. However the vacancy rate continues to increase as companies "right size" their way to savings. So even as the nicest space is being taken up, the tenants moving to new space often leave larger pockets of older space behind them, and the vacancy rate rises.

Market Trends

- Kanata rents are increasing even as vacancy creeps upwards.
- Competition for large AAA tenancies grows fierce in the CBD.

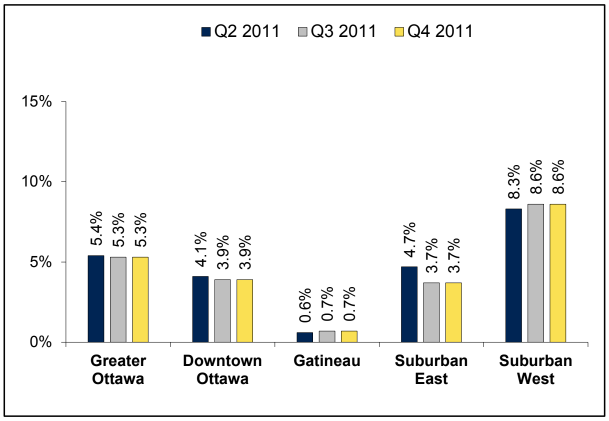
Tenant's Perspective

West end tenants should do their best to take a long view on their real estate planning. Short of a major failure by a company like RIM or Mitel, there is a very real possibility that the Kanata market could tighten rapidly with only a few more decent sized transactions. For larger tenants in the downtown core, now is the time to make strong inroads on rents that have risen steadily for the past fifteen years, but it will take a determined effort on the part of the first few tenants through the door to make it happen.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
PWGSC	380,000	Renewal	Lease
PWGSC	90,000	Renewal	Lease
PWGSC - Justice	60,000	New Lease	Lease
PWGSC	66,257	Renewal	Lease
Allen Vanguard	31,033	Renewal	Lease
Mobile Knowledge	15,000	New Lease	Lease
BDO Financial	10,000	New Lease	Lease
Can. Construction Assoc.	8,800	New Lease	Lease
CBC Pension Fund	8,000	Renewal	Lease
Canada News Wire	6,000	New Lease	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	$24.85	$25.67	$25.73
Class B Office	$17.14	$18.10	$17.79

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	$14.09	$14.39	$14.28
Class B Office	$12.21	$12.35	$12.52
R&D	$11.06	$11.39	$11.32

Partners in Global Real Estate

Prepared By Cresa Ottawa
85 Albert Street, Suite 502
Ottawa, ON K1P 6A4, Canada
613.688.7200 | www.cresa.com