



# Ottawa, Ontario

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

## Overview

The first quarter was very quiet for Ottawa's office market. While lots of tenants and landlords are talking, very few deals of scale were finalized, but that is about to change. As this Tenant Guide goes to print, the federal government announced \$7 billion in discretionary spending cuts in the 2012 budget which surprised a great many analysts who, in light of some recent economic improvements, expected closer to \$4-5 billion to be trimmed. This will undoubtedly hasten the expected downsizing of Ottawa's public sector and should have a larger than expected impact on the amount of space the government is preparing to exit.

The biggest change is the downtown core's class A sector, where the average posted rental rate fell from \$25.73 to \$23.41, a change of \$2.32/SF. The vacancy rate in the downtown now stands at 6% which is a ten-year high, but within the CBD class A market it jumps to 7.7%. No doubt the fierce competition for large, well funded tenancies will continue.

In Kanata class A rates climbed by almost a full \$1.00/SF as the technology sector continues to slowly chew through the remaining options. Large pockets of space are now relatively hard to find and local landlords are noticing. This seemingly strong foundation could tip if someone like Research In Motion were to return any large pocket of class A space to the market. As RIM's market share continues to falter, it is increasingly unclear if they will maintain their large office foot print in Ottawa.

## Market Trends

- Kanata continues to move towards a balanced market.
- Downtown class A rates are falling fast

## Tenant's Perspective

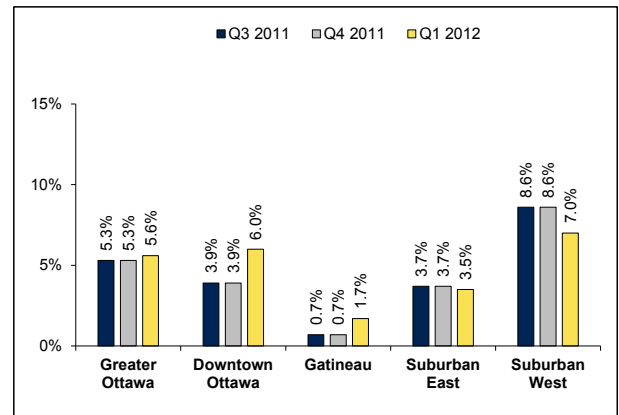
Tenants in the suburban markets need to do their homework—know the market and where your landlord (or prospective landlord) sits in the spectrum. Missing the mark could cost you your most preferred space or force you to pay a premium if you're left without options.

To any Downtown tenant, the race is on! Rental rates are falling and with no clear direction on when or where the federal public service will be downsizing, it is the perfect time to leverage your landlord's uncertainty to strike a hard bargain.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Paterson Group	20,700	New Lease	Lease
EWA Canada	31,000	New Lease	Lease
Hittite Microwave	7,200	Renewal	Lease
BDC Ottawa	16,628	Renewal	Lease
Desjardins Insurance	15,590	Renewal	Lease
IBM	19,370	Renewal	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$25.67	\$25.73	\$23.41
Class B Office	\$18.10	\$17.79	\$18.03
<b>Suburban</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>Q1 2012</b>
Class A Office	\$14.39	\$14.28	\$14.26
Class B Office	\$12.35	\$12.52	\$11.60
R&D	\$11.39	\$11.32	\$12.22

