

## Q4 2009

## Contents

Map	2
Ottawa	3
Downtown	4
Suburban East	7
Suburban West	9

## Contacts

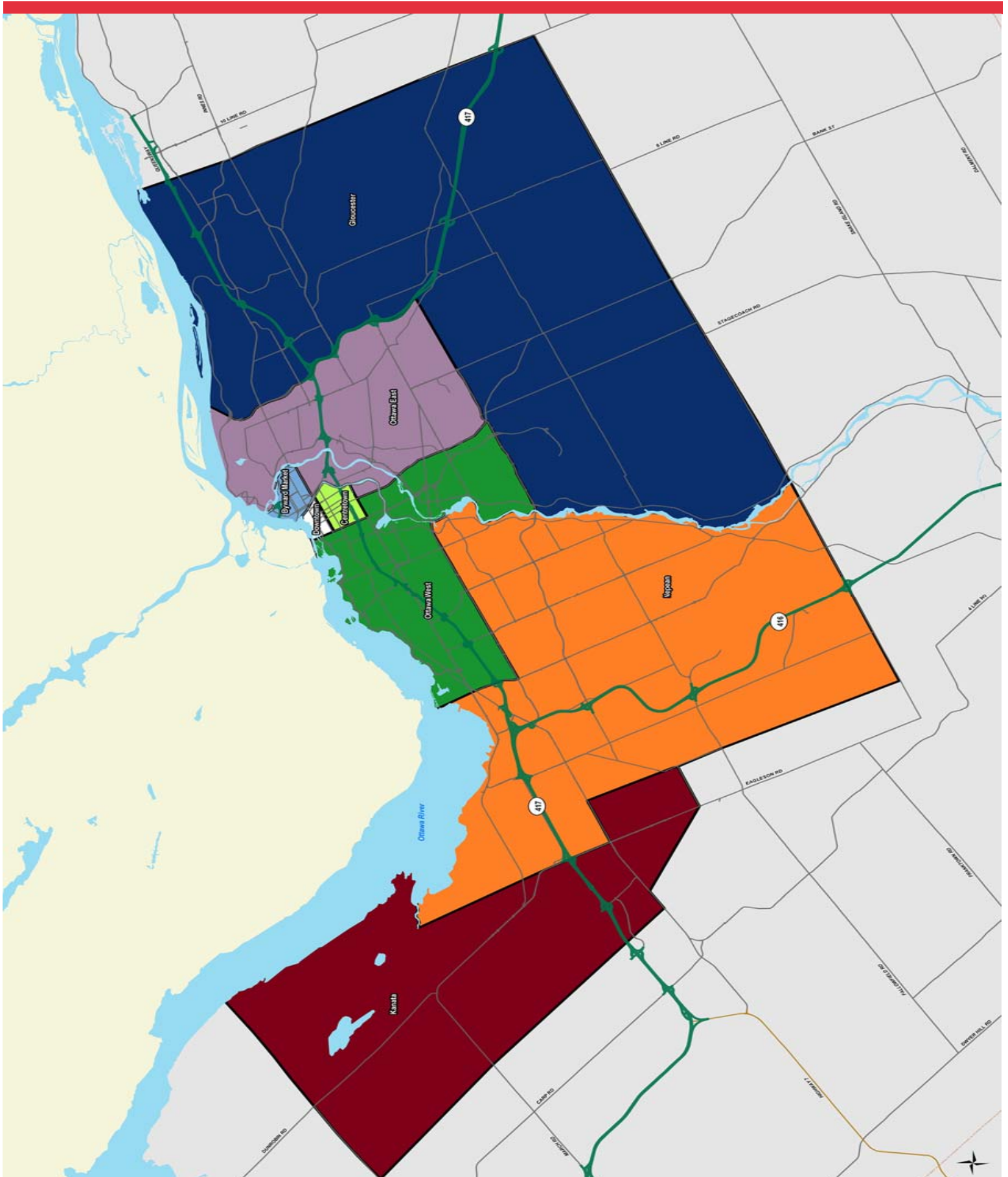
**Paul Mullin**  
Research Coordinator  
+1 613 563 5231  
paul.mullin@dtzbarnicke.com

**DTZ Barnicke**  
1300-340 Albert Street  
Ottawa, Ontario, Canada, K1R 7Y6

**Tel:** +1 613 232 1215  
**Fax:** +1 613 232 2136

## Executive Summary

- Demand for office space in Ottawa was flat in 2009. Ottawa's overall office market vacancy rate held steady in the fourth quarter at 7.2%. On a year to date basis Ottawa recorded 194,526 sq ft of net absorption.
- Construction activity was limited in 2009, with Minto Place Tower 4 at 180 Kent Street (383,000 sq ft) being the only completion. At year end there is 595,000 square feet of office inventory under construction in Ottawa: 535,000 square feet Downtown (EDC's new headquarters at 150 Slater), and 60,000 square feet in Ottawa East (Accreditation Canada's new headquarters at 1150 Cyrville Road). Scheduled completions for the new inventory fall between Q2 2010 and Q3 2011.
- Ottawa's overall average net rental rates was stable in 2009 at \$17.75 per square foot, while the average additional rent increased by 7% from \$14.20 to \$15.24 per square foot. Overall net rents are expected to remain stable in 2010, while additional rents are expected to continue to rise. However net rental rates in Kanata and Nepean will continue to experience downward pressure as vacancy rates remain in double digits in 2010.
- Ottawa's Downtown market continues to be one of the tightest markets in North America. The vacancy rate increased by 3 basis points in Q4 2009 to 3.3%, a year to date increase of 129 basis points from 2.0%. Occupied space decreased by 4,881 square feet in Q4, however increased by 216,163 square feet in 2009. As of Q4 2009 there were only 11 options immediately available greater than 10,000 sq ft, 1 of which was greater than 50,000 square feet.
- The Kanata market continued to soften, albeit at a slower pace than in recent quarters, as occupied space decreased by 14,000 square feet. Overall vacancy increased by 29 basis points to 17.8% in Q4 2009, a year to date increase 274 basis points from 15.1%. The high tech sector was weighed down by the global economic slowdown and the rising Canadian dollar in 2009.
- The federal government presence in the Nation's Capital continues to be a stabilizing factor on the local economy. In the next five years, the federal government anticipates the need for an additional 4.1 million square feet of office space in the Ottawa region. This demand for space is driven by aging crown-owned assets, expiration of leases, space consolidation, obsolescence of assets, and client programs and priorities.

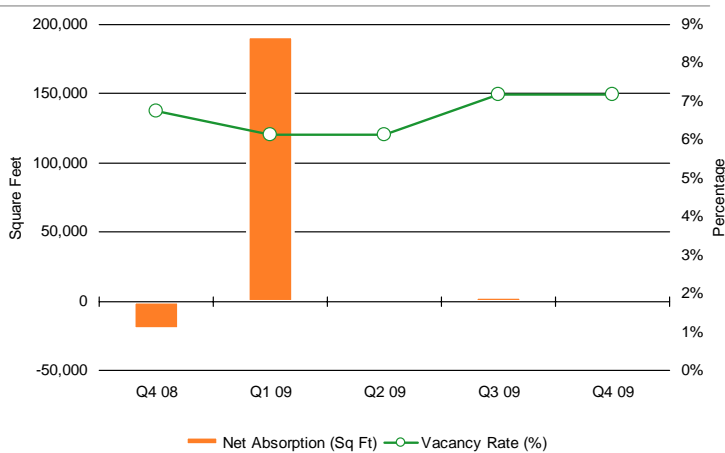


Market Summary

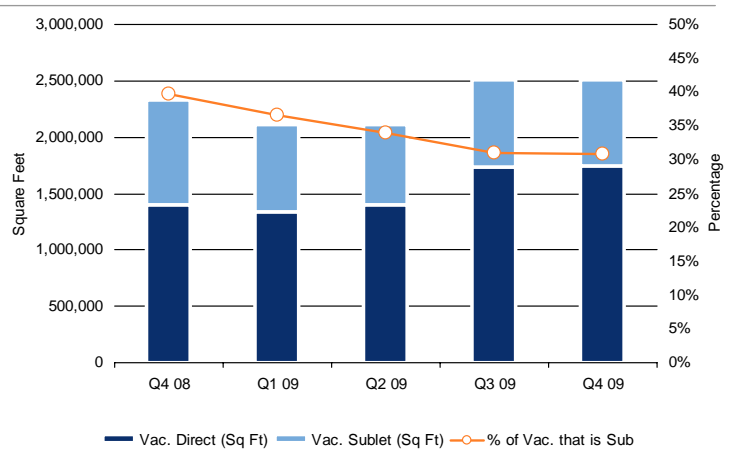
Market Area	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
Downtown	17,305,240	3.7%	86.8%	13.25%	\$21.57	\$17.86	535,000
Suburban East	4,913,652	2.7%	80.5%	19.5%	\$14.05	\$13.15	60,000
Suburban West	12,757,876	13.6%	61.9%	38.1%	\$14.00	\$12.51	0
<b>OTTAWA</b>	<b>34,976,768</b>	<b>7.2%</b>	<b>69.2%</b>	<b>30.8%</b>	<b>\$17.75</b>	<b>\$15.24</b>	<b>595,000</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

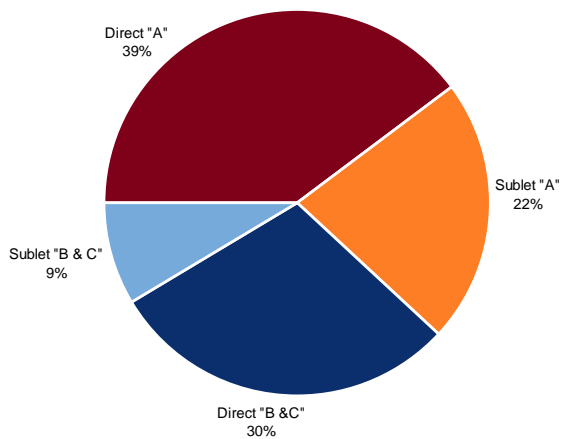
Absorption & Vacancy



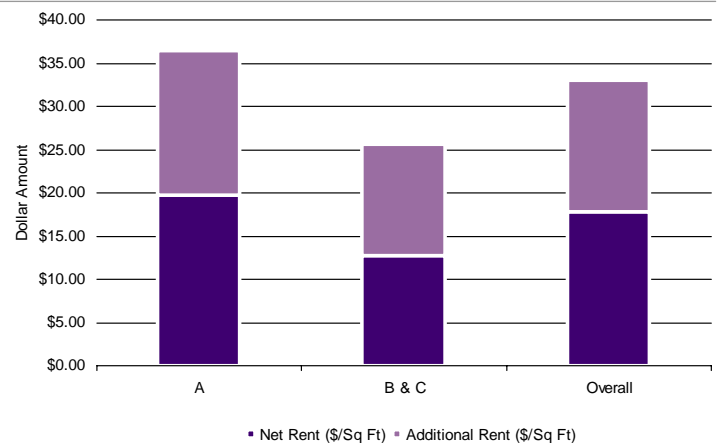
Direct & Sublet Vacancies



Vacancies by Class & Type

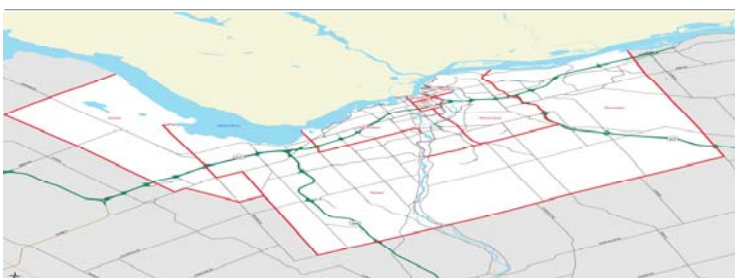


Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area



Notable Points

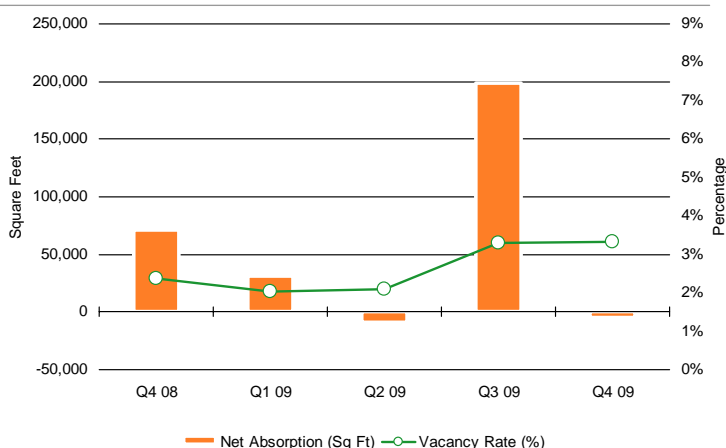
- The Ottawa office market was flat in the fourth quarter, with year-to-date net absorption of 194,526 sq ft.
- The vacancy rate stabilized in Q4 2009 at 7.2%, a year to date increase of 106 basis points from 6.1%.
- Average net asking rental rates decreased \$0.05 in Q4 2009 to \$17.75, a year to date decrease of \$0.01 from \$17.76.
- Average additional rental rates increased on a year to date basis \$1.04 to \$15.24.
- There are 2 office buildings currently under construction in Ottawa
- There are four opportunities for 100,000 square feet and greater spaces

Market Summary

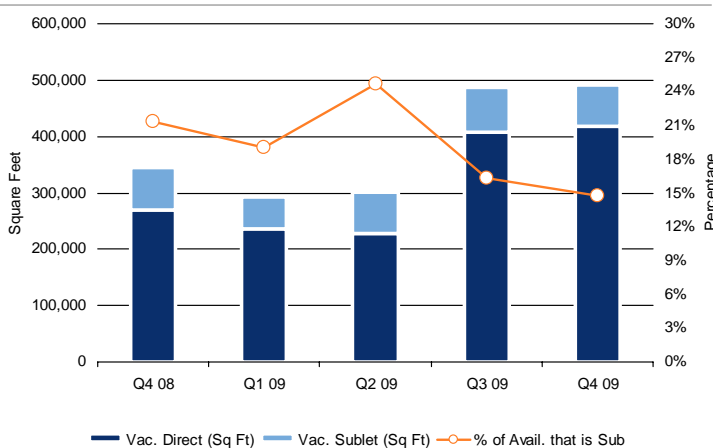
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	9,189,726	3.0%	86.4%	13.6%	\$25.88	\$20.71	535,000
B	4,358,224	2.7%	76.4%	23.6%	\$17.87	\$16.44	0
C	1,265,596	7.4%	93.0%	7.0%	\$16.28	\$11.11	0
<b>CBD</b>	<b>14,813,546</b>	<b>3.3%</b>	<b>85.2%</b>	<b>14.8%</b>	<b>\$22.70</b>	<b>\$18.63</b>	<b>535,000</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

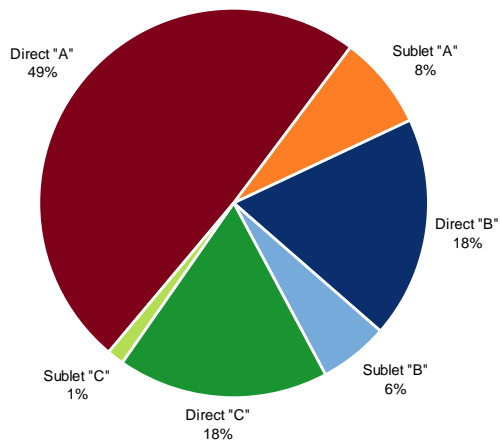
Absorption & Vacancy



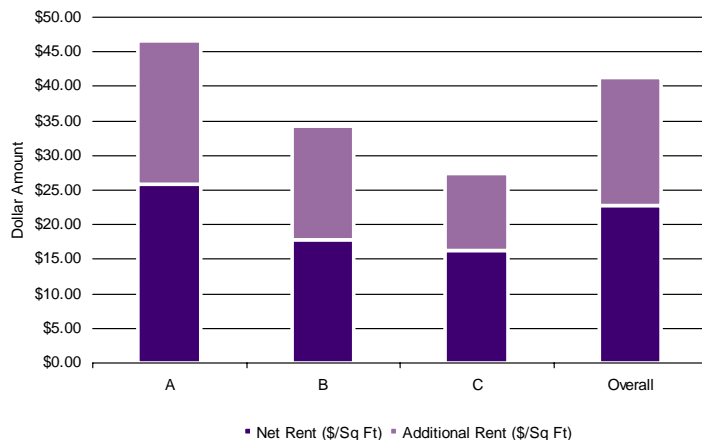
Direct & Sublet Vacancies



Vacancies by Class & Type

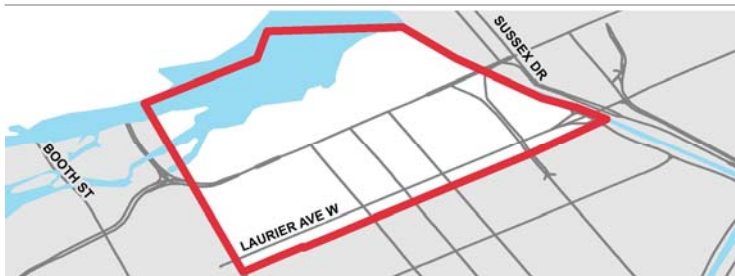


Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area



Notable Points

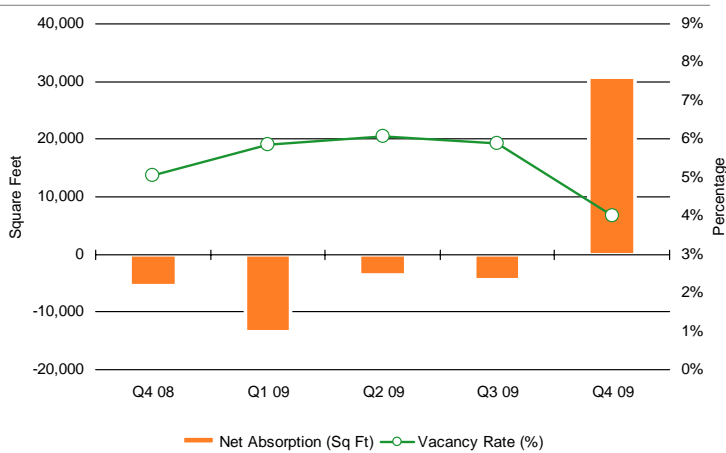
- The Downtown (CBD) market node experienced negative net absorption of 4,881 sq ft in Q4 2009, pulling year to date net absorption down to 216,163 sq ft.
- The vacancy rate increased by 3 basis points in Q4 2009 to 3.3%, a year to date increase of 129 basis points from 2.0%.
- The average net asking rental rates increased on a year to date basis by \$0.13 to \$22.70.
- There is one office building currently under construction in the Central Business District market – EDC's new 535,000 sq ft headquarters at 150 Slater Street.
- As of Q4 2009, there was one space of 50,000 square feet and greater space immediately available, with one additional space coming onto the market in Q1 2010.

## Market Summary

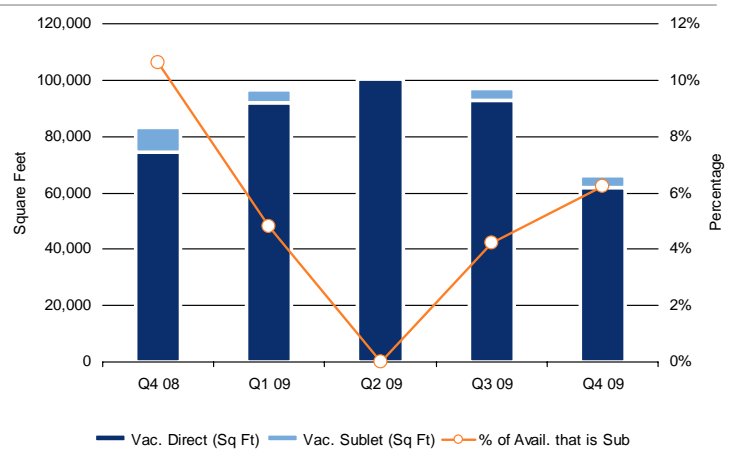
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
B	943,513	3.2%	100.0%	0.0%	\$16.55	\$14.09	0
C	703,908	5.0%	88.4%	11.6%	\$10.83	\$11.50	0
<b>Centretown</b>	<b>1,647,421</b>	<b>4.0%</b>	<b>93.8%</b>	<b>6.2%</b>	<b>\$14.10</b>	<b>\$12.98</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

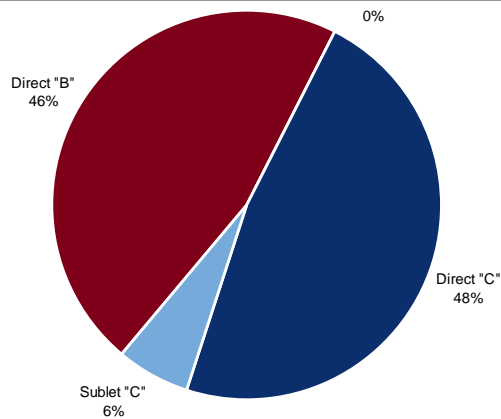
## Absorption & Vacancy



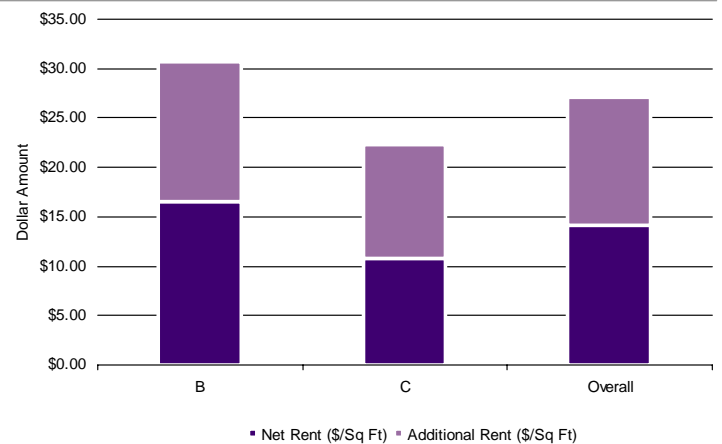
## Direct & Sublet Vacancies



## Vacancies by Class & Type



## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

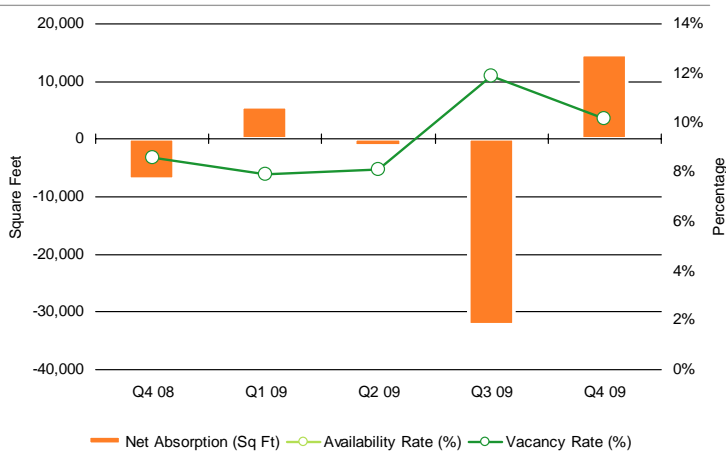
- The Centretown market experienced positive net absorption of 30,699 sq ft in Q4 2009 as a result of space coming off the market at 340 McLeod which will be redeveloped as residential condos. This resulted in year to date net absorption of 9,152 sq ft.
- The vacancy rate decreased by 187 basis points to 4.0% in Q4 2009, a year to date decrease of 186 basis points from 5.9%.
- The average net asking rental rates decreased on a year to date basis by \$0.69 to \$14.10.
- There are no opportunities for 10,000 square feet and greater spaces.

## Market Summary

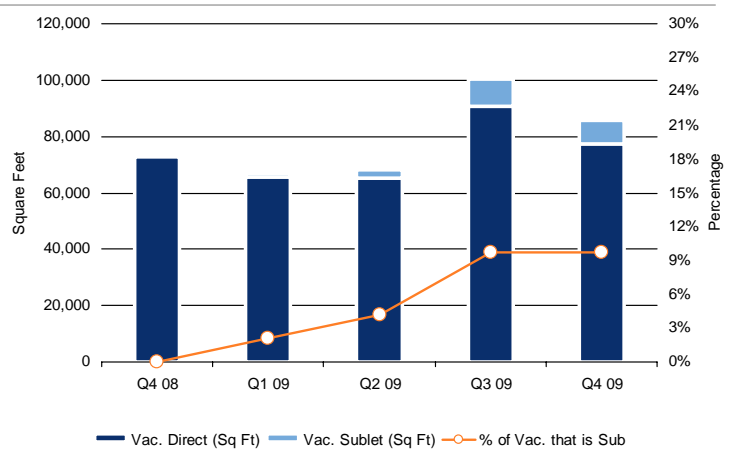
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	335,217	5.6%	100.0%	0.0%	\$16.96	\$16.32	0
B & C	509,056	13.2%	87.5%	12.5%	\$15.72	\$12.17	0
<b>Byward Market</b>	<b>844,273</b>	<b>10.2%</b>	<b>90.3%</b>	<b>9.7%</b>	<b>\$16.21</b>	<b>\$13.82</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

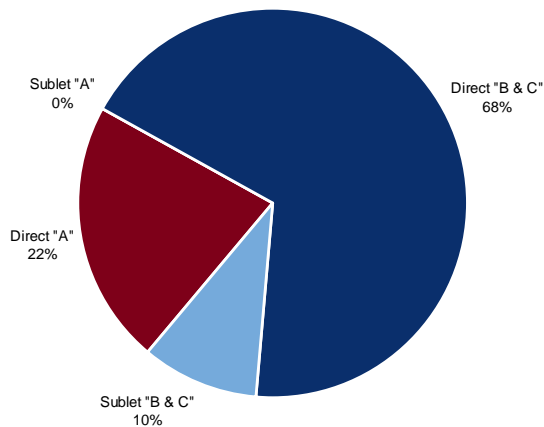
## Absorption & Vacancy



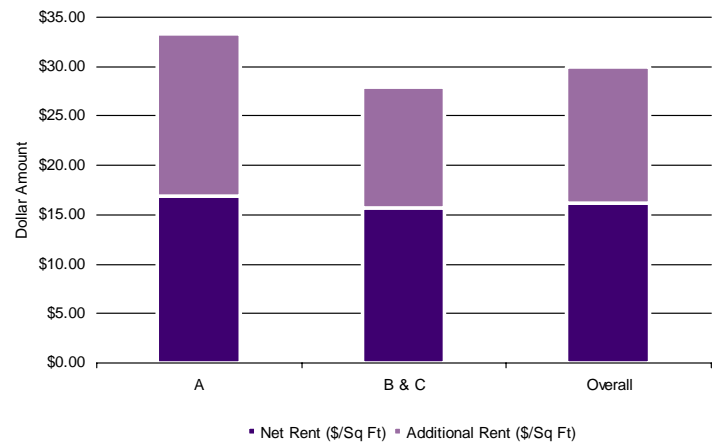
## Direct & Sublet Vacancies



## Vacancies by Class & Type



## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

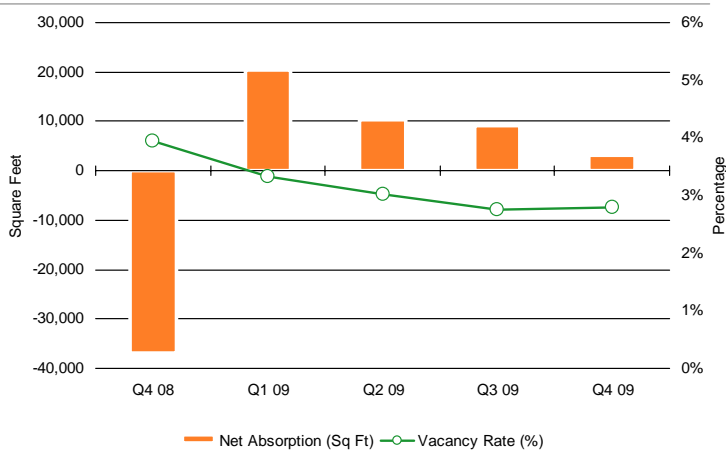
- The Byward Market experienced positive net absorption of 14,650 square feet in the fourth quarter, resulting in year to date net absorption of -13,162 sq ft.
- The vacancy rate decreased by 173 basis points in Q4 2009 to 10.2%, however on a year to date basis increased by 223 basis points from 7.93%.
- The average net asking rental rates decreased on a year to date basis by \$1.36 to \$16.21.
- There are two opportunities for 10,000 square feet and greater spaces.

## Market Summary

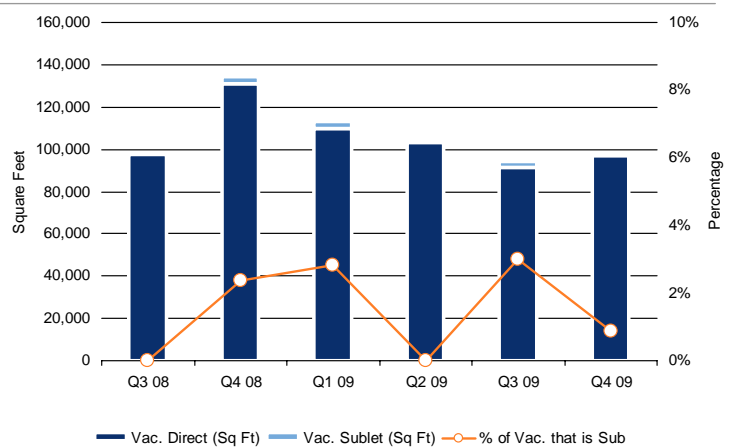
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,489,981	0.9%	93.7%	6.3%	\$13.57	\$13.01	60,000
B & C	2,028,066	4.2%	100.0%	0.0%	\$12.87	\$11.07	0
<b>Ottawa East</b>	<b>3,518,047</b>	<b>2.8%</b>	<b>99.1%</b>	<b>0.9%</b>	<b>\$13.17</b>	<b>\$11.89</b>	<b>60,000</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

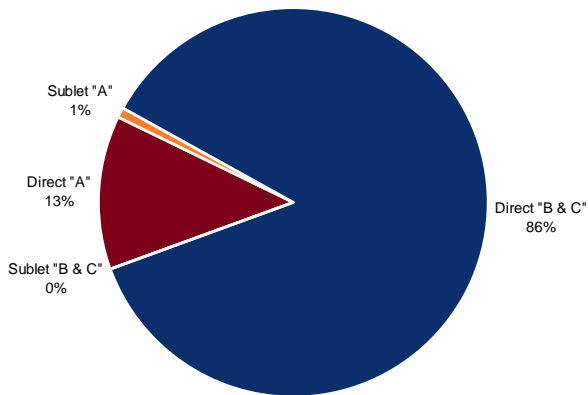
## Absorption & Vacancy



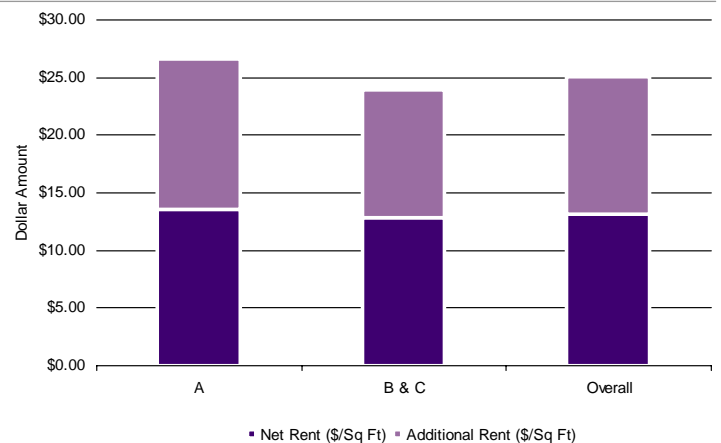
## Direct & Sublet Vacancies



## Vacancies by Class & Type



## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

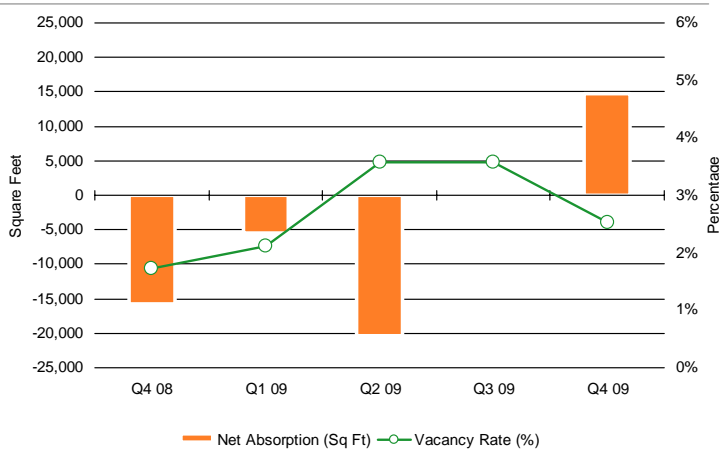
- The Ottawa East market experienced positive absorption for the fourth consecutive quarter, resulting in year to date net absorption of 42,965 sq ft.
- The vacancy rate remained unchanged at 2.8% in Q4 2009, a year to date decrease of 53 basis points from 3.3%.
- The average net asking rates decreased on a year to date basis \$0.17 to \$13.17.
- There is currently one office building under construction in Ottawa East – Accreditation Canada's new headquarters at 1150 Cyrville Road
- There are no opportunities for 10,000 square feet and greater spaces.

## Market Summary

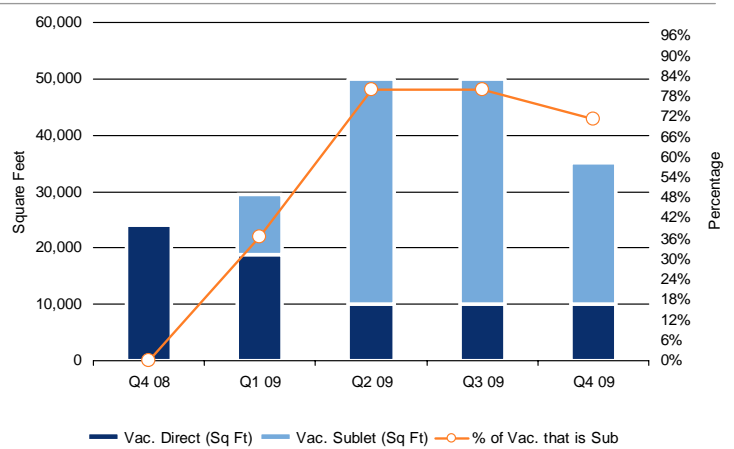
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,274,823	2.7%	26.3%	73.7%	\$16.71	\$16.91	0
B & C	120,782	0.8%	100.0%	0.0%	\$11.79	\$10.09	0
<b>Gloucester</b>	<b>1,395,605</b>	<b>2.5%</b>	<b>28.4%</b>	<b>71.6%</b>	<b>\$16.28</b>	<b>\$16.32</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

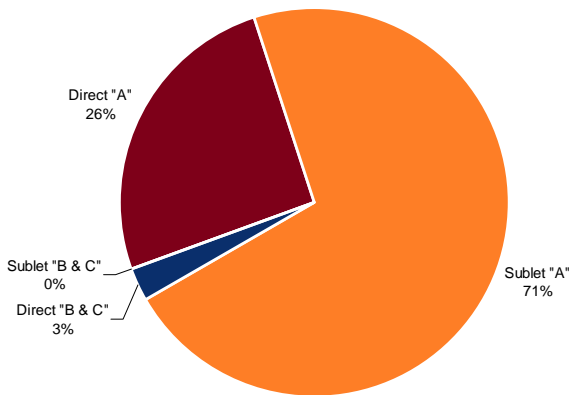
## Absorption & Vacancy



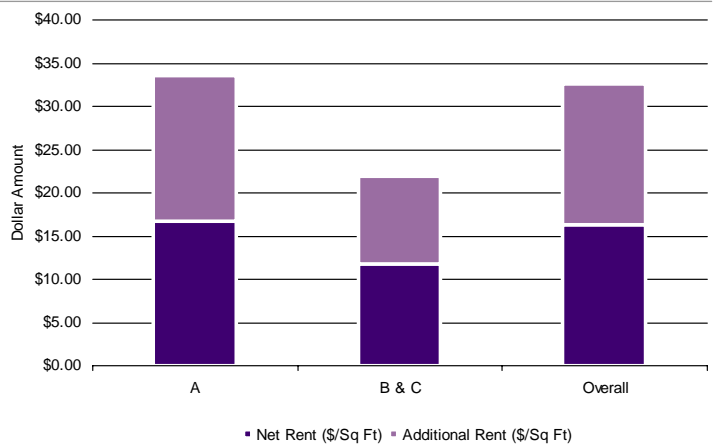
## Direct & Sublet Vacancies



## Availabilities by Class & Type



## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

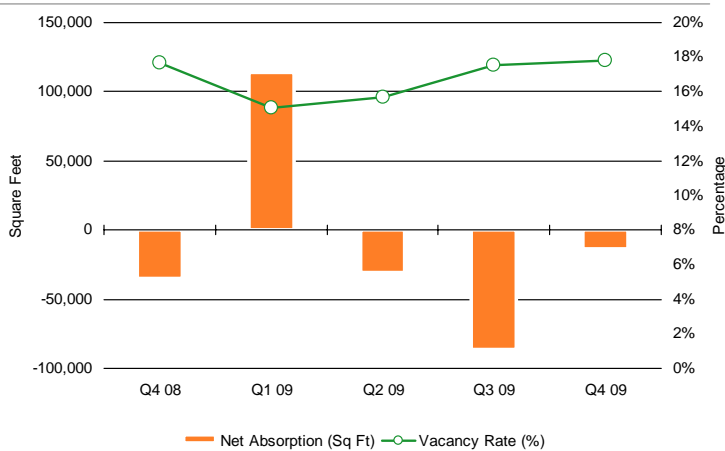
- The Gloucester market area experienced positive net absorption in the fourth quarter for the first time in five quarters, resulting in net absorption of -11,069 sq ft.
- The vacancy rate decreased by 106 basis points in Q4 2009 to 2.5%, a year to date increase by 40 basis points from 2.12%.
- The average net asking rental rates decreased on a year to date basis \$0.02 to \$16.28.
- There are two opportunities for 10,000 square feet and greater spaces

## Market Summary

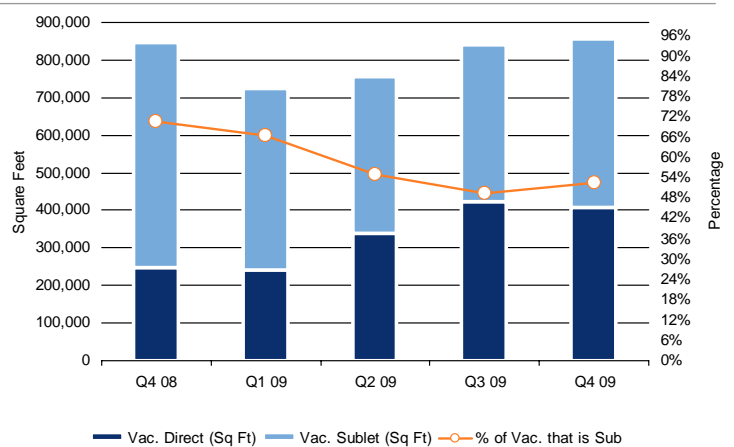
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	3,981,474	18.6%	41.3%	58.7%	\$12.71	\$12.38	0
B & C	821,059	13.8%	87.7%	12.3%	\$10.03	\$10.18	0
<b>Kanata</b>	<b>4,802,533</b>	<b>17.8%</b>	<b>47.5%</b>	<b>52.5%</b>	<b>\$12.25</b>	<b>\$12.00</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

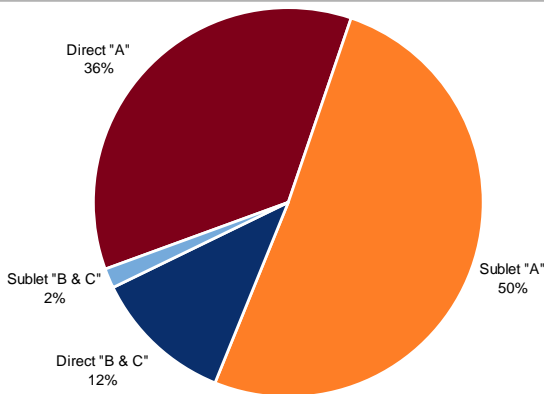
## Absorption & Vacancy



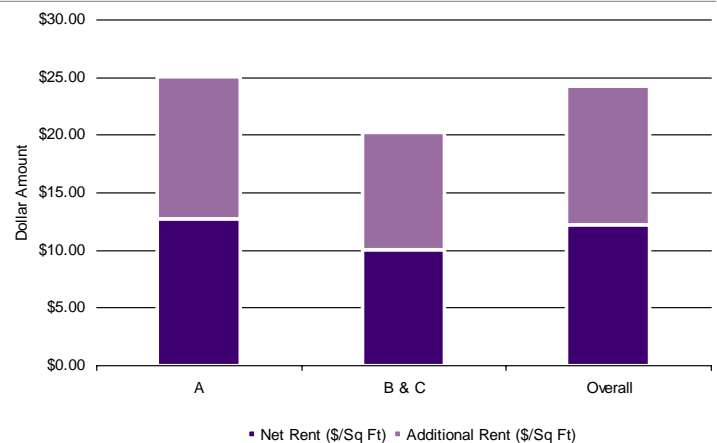
## Direct & Sublet Vacancies



## Vacancies by Class & Type

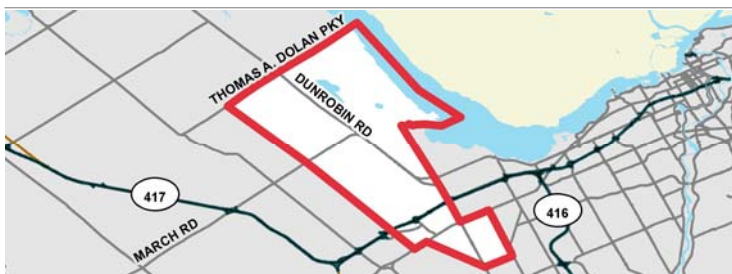


## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

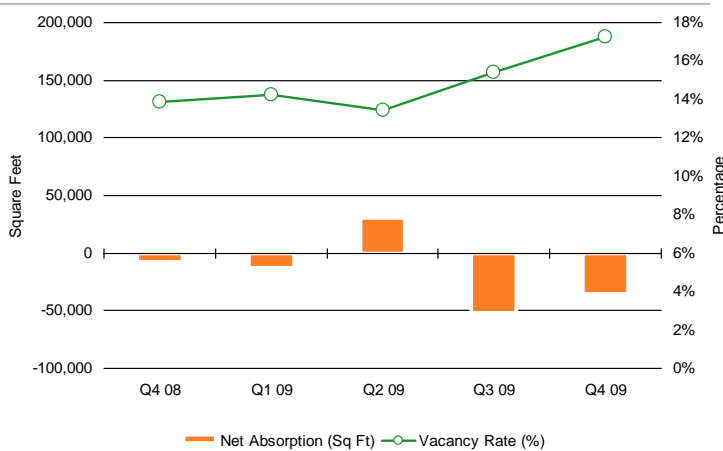
- The Kanata market experienced negative absorption for the third consecutive quarter, resulting in year to date net absorption of -16,867 sq ft.
- The vacancy rate increased by 29 basis points to 17.8% in Q4 2009, a year to date increase 274 basis points from 15.1%.
- The two former Dell buildings account for 70% of all sublet space in Kanata, and 40% of all sublet space in the entire Ottawa market
- The average net asking rental rate held steady at \$12.25 per square foot in 2009.
- There are three opportunities for 50,000 square feet and greater spaces.

## Market Summary

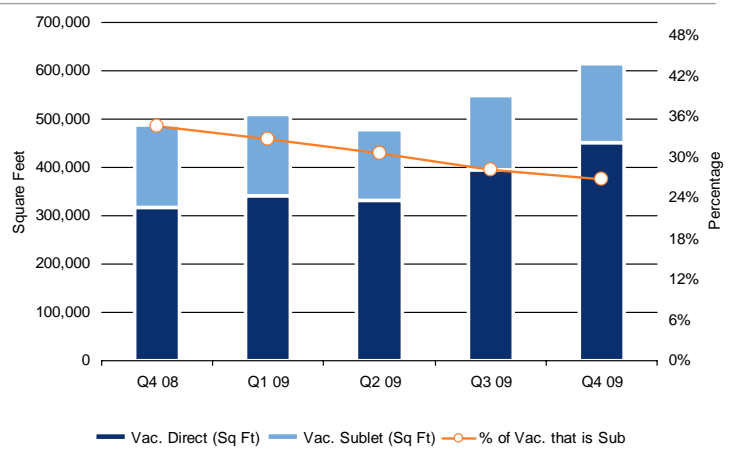
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,948,937	16.9%	94.4%	5.6%	\$14.67	\$11.89	0
B & C	1,620,953	17.6%	48.8%	51.2%	\$12.05	\$9.36	0
<b>Nepean</b>	<b>3,569,890</b>	<b>17.3%</b>	<b>73.2%</b>	<b>26.8%</b>	<b>\$13.48</b>	<b>\$10.74</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

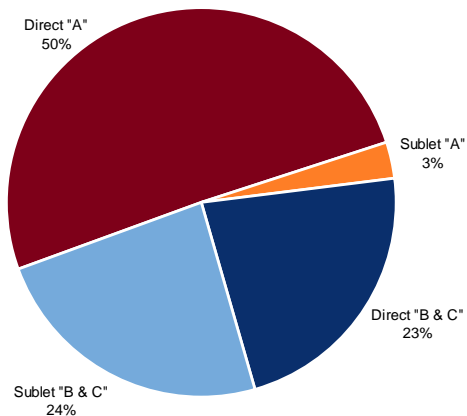
## Absorption & Vacancy



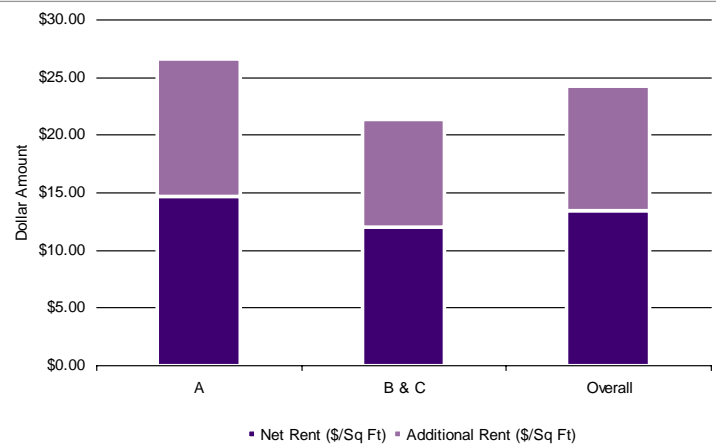
## Direct & Sublet Vacancies



## Vacancies by Class & Type

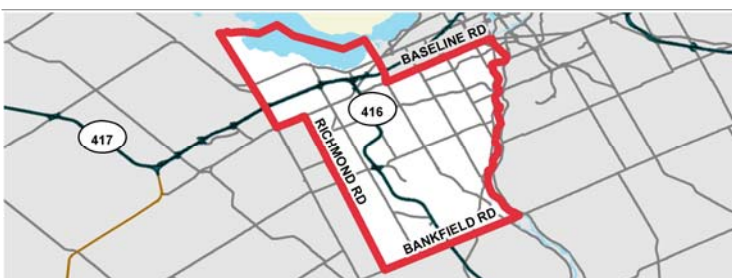


## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

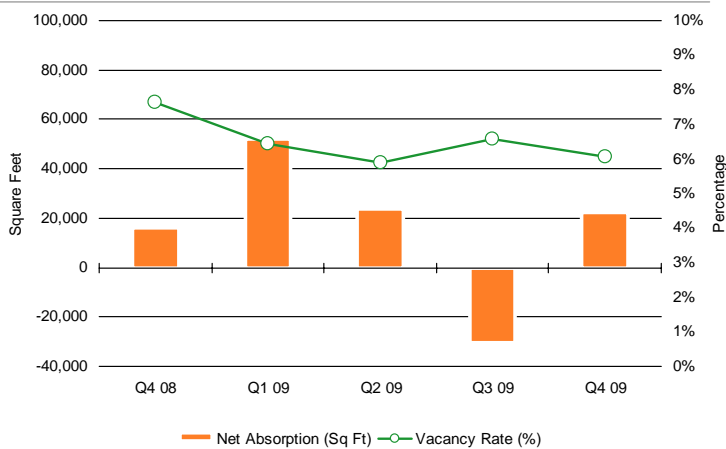
- The Nepean market area experienced its second consecutive quarter of negative absorption Q4 2009, resulting in year to date net absorption of -100,198 sq ft.
- The vacancy rate increased by 186 basis points in Q4 2009 to 17.3%, a year to date increase of 298 basis points from 14.3%.
- Average net asking rental rate decreased on a year to date basis \$0.07 to \$13.48.
- There are two opportunities for 50,000 square feet and greater spaces

## Market Summary

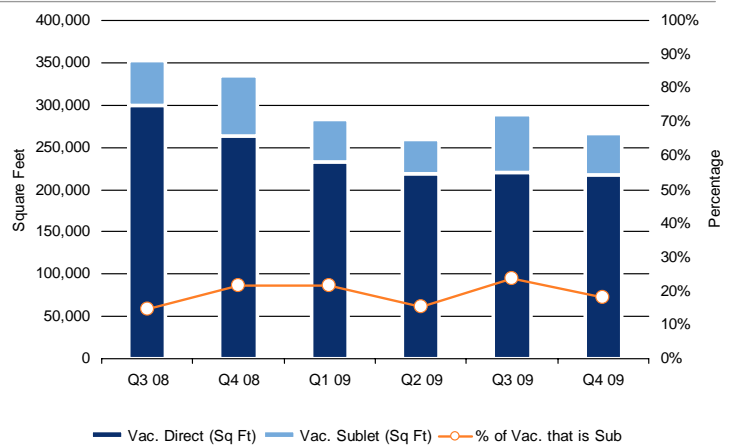
Class	Inventory	Vacancy Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	2,850,465	5.0%	72.7%	27.3%	\$17.94	\$15.66	0
B & C	1,534,988	8.0%	92.9%	7.1%	\$13.37	\$12.34	0
<b>Ottawa West</b>	<b>4,385,453</b>	<b>6.1%</b>	<b>82.0%</b>	<b>18.0%</b>	<b>\$16.34</b>	<b>\$14.50</b>	<b>0</b>

\* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

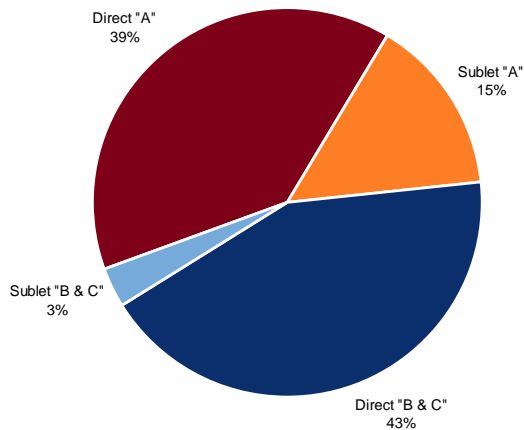
## Absorption & Vacancy



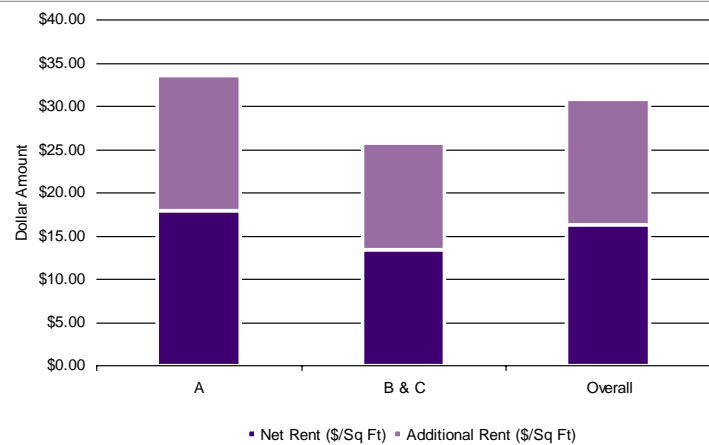
## Direct & Sublet Vacancies



## Vacancies by Class & Type

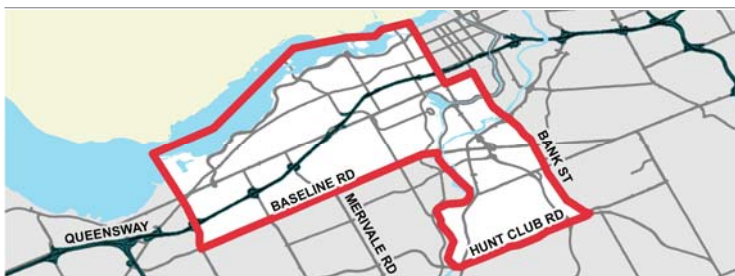


## Weighted Average Asking Rates & Additional Rents



\* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

## Map of Market Area



## Notable Points

- The Ottawa West market area experienced positive absorption in the fourth quarter, resulting in year to date net absorption of 67,542 sq ft.
- The vacancy rate decreased by basis points 51 in Q4 2009 to 6.1%, a year to date decrease of 38 basis points from 6.4%.
- Average net asking rental rates decreased on a year to date basis \$0.08 tot \$16.34.
- There is one opportunity for 25,000 square feet and greater spaces

## Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ Barnicke can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ Barnicke.

© DTZ Barnicke Limited, Real Estate Brokerage 2009