

# Green Space

2nd Quarter 2014 Ottawa Green Office Market Report



**JJMcNEIL**  
commercial inc.



## Market Commentary

As reported by market watchers we are at a period where Ottawa is seeing vacancy levels that we haven't seen in over 10 years. Truth be known the market seems to be stabilizing with the last three quarters vacancy fluctuating around 10 percent with this quarter finishing at around 10.8 percent. Yes the Federal government continues to move and consolidate which is having a negative impact on office vacancy particular in the downtown but this negative impact seems to be balanced out by some positive growth in the knowledge sector. Landlords are reporting a sharp increase in market activity during this last quarter. We will need to wait and see if organizations are out there kicking tires or if this activity translates into positive absorption over the next couple quarters.

All things being equal considering the six new office buildings that the Feds have occupied or will occupy this year, at 3,000,000 square feet equals 5% of the National Capital Region's total office inventory. Add to this at least four new private sector buildings coming on stream in the last two years adding another 750,000 square feet of new buildings, which includes Bona's 1625 Vanier Parkway for which construction was completed in Q2-2014 bringing 291,000 square feet of vacant space on the market.

When you take everything into account, Ottawa's office market is in pretty good shape and contributing nicely to the health of our local economy particularly through plenty of construction and consulting jobs.

From an investment standpoint it's probably a good time to invest in Ottawa. On one level there is some insecurity brought on by rising vacancy, but when you start to peel back the layers you will see that this increase is largely due to positive changes in the accommodations strategy of the federal government. And yes we do predict that the vacancy rate in Ottawa will continue to increase over the course of 2014 and into the beginning of 2015. But we will start to see improvements particularly in the downtown office market as more of the condo developments reach completion, placing more people closer to their work place, the Ottawa Centre Ecodistrict becomes more entrenched and rolls out its programs, older B and C class office buildings are repurposed and/or renovated and of course when light rail becomes part of the vocabulary of tenants. We believe once these factors take hold we will start to see improvements in the downtown.

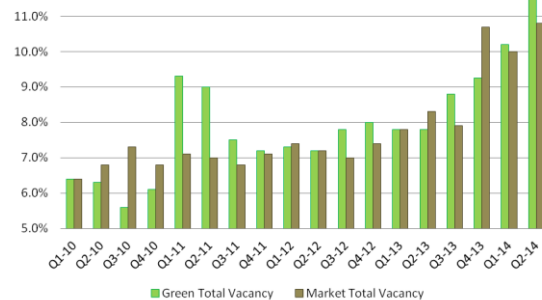
## Overall Market Trends

Trend	Q2 2014
Vacancy	▲
Asking Rents	▼
Activity	▲

## Federal Gov't Projects

- 73 Leikin Drive 785,765 sf 2012
- 455 de la Carriere 394,791 sf 2012
- Train Yards 269,100 sf 2013
- 22 Eddy Street 450,706 sf 2013
- 30 rue Victoria 450,706 sf 2013
- 90 Elgin Street 646,000 sf 2014
- CSEC Campus 775,000 sf 2014
- Nortel Campus 2,200,000 sf 2015/16
- Tremblay Road Site 2,152,782 sf 2016/18  
8,124,850 sf

## Overall Vacancy



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Green Office Market

## Green Office Market

In the Green Office Market the 5 quarter trend of higher occupancy levels was broken with a 170 basis point increase in vacancy landing at 11.90 % for the close of the second quarter. In the downtown we added over 100,000 square feet of available green office space.

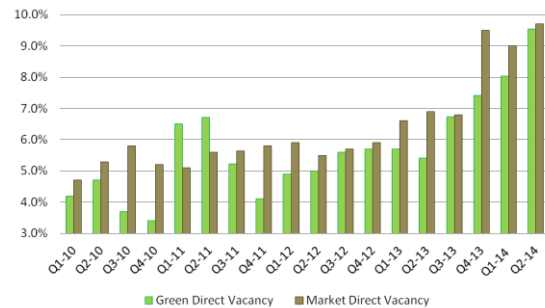
The total green inventory remained relatively constant this quarter at 10,252,173 square feet down slightly from the 1<sup>st</sup> quarter total of 10,269,389.

Two large downtown BOMA BEST 3 level buildings that equal over 500,000 square feet combined dropped off our list of certified green buildings. BOMA BEST certifications are only valid for 3 years.

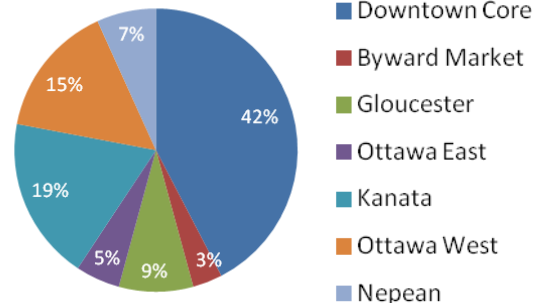
The loss of these 2 buildings was offset by the addition of three BOMA BEST 2 level buildings in Kanata at 2500 Solandt, 411 Legget and 303 Terry Fox all of which are managed by Kanata Research Park Corporation.

And the highlight of the second quarter was GWL's 255 Albert Street receiving LEED Gold EB-OM. This 210,000 square foot office tower joins the elite group of 9 buildings that have dual certifications of BOMA BEST and LEED. 255 Albert is also a BOMA BEST level 2.

## Direct Vacancy



## Green by Submarket



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### Green inventory by submarket

SUBMARKET	NO. OF BUILDINGS	INVENTORY (SF)	TOTAL VACANCY RATE	DIRECT VACANCY RATE
Downtown Core	25	6,685,461	11.8%	9.5%
Byward Market	2	254,051	2.5%	2.5%
Gloucester	5	513,958	12.4%	11.4%
Ottawa East	3	467,418	3.5%	3.5%
Kanata	11	1,183,139	16.8%	13.3%
Ottawa West	9	782,442	14.3%	13.7%
Nepean	4	365,704	9.8%	0.0%
<b>Total</b>	<b>59</b>	<b>10,252,173</b>	<b>11.9%</b>	<b>9.6%</b>

### Green inventory by certification

LEVEL	AREA BY LEVEL (SF)	DUAL CERTIFIED	GREEN INVENTORY (SF)	NO BLD	TOTAL VACANCY RATE	DIRECT VACANCY RATE
BESt 2	4,124,735	(3)929,877	3,194,858	31	8.9%	7.77 %
BESt 3	3,725,923	(4)1,532,180	2,193,743	18	14.1%	12.43 %
BESt 4	776,000	(2)459,000	317,000	3	2.8%	.94%
Certified	156,000		156,000	1	22.9%	-
Silver	293,317		293,317	2	44.72%	44.72%
Gold	3,742,255	9 buildings	3,742,255	12	13.9%	9.83 %
Platinum	355,000		355,000	1	0.6%	0.60%
<b>Totals</b>	<b>13,173,230</b>	<b>2,921,057</b>	<b>10,252,173</b>	<b>59</b>	<b>11.9%</b>	<b>9.6%</b>



## About James McNeil

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James McNeil is the Founder and Managing Principal at JJMcNeil Commercial Inc., which provides the full spectrum of commercial real estate advisory services. With 25 years experience, James is one of the most knowledgeable and effective commercial real estate professionals in Ottawa. He is recognized internationally as a leading expert in green buildings and sustainable workplaces. James specializes in tenant representation for office, industrial and retail clients and has successfully sourced commercial space and negotiated hundreds of leases for private and public sector corporations. He has represented landlords and tenants alike.

James has received the Leadership in Business Award from Earth Day Ottawa for his commitment to the environment and was nominated as Corporate Citizen of the Year by the Kanata Chamber of Commerce. He has lectured on green buildings, leasing and market-related topics to industry stakeholders and holds the designation of Real Property Administrator (RPA) and is a LEED Accredited Professional (LEED AP).

James has held senior positions with major investors, institutional and government real estate organizations. He creates value for his clients from his direct experience and in-depth knowledge of industrial, office and retail markets, extensive experience in administration, leasing, accommodations strategies, portfolio management, building systems, maintenance, design and construction, building retrofits, leasehold improvements, development, property law, contracts, green buildings and sustainable workplaces.

Prior to forming JJMcNeil Commercial Inc., James held a senior position at an international real estate services firm as a Broker, Vice President & Ottawa Green Real Estate Practice Lead. He is a Co-Founder, Co-Host and Presenter at Ottawa Better Buildings Breakfast Series and the Founder and Board President at Ottawa Centre Eco-District – Greening the core, advancing the economy.



## JJMcNeil Commercial Inc.

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Most Real Estate brokerages are sales centric organizations putting sales, prospecting and the related training above the fundamentals and complexities of real estate. Twenty years experience or one year experience twenty times? At JJMcNeil our experience is rooted in commercial real estate, our principals have extensive experience in portfolio management, major developments, transaction management for institutional investors and corporate occupiers and have been directly responsible for lease negotiations for both the Landlord and for the Tenant.

We use this extensive experience to effectively counter the strong position that landlords have in the market to put Tenants on an equal footing and negotiate lower real estate costs, minimized real estate occupancy risks, improve flexibility and occupancy control, and create more productive work environments for Office, Retail and Industrial clients.

Additionally JJMcNEIL is the market leader in Green Buildings and Sustainable Workplaces. We integrate sustainability into the traditional leasing process. We track all of Ottawa's green buildings, the availability of leased space in these buildings and the overall growth of the green market, providing clients with qualitative and quantitative metrics of features that reduce operating costs, reduce tenants' capital requirements for both initial and ongoing leasehold improvements, as well as design features that specifically increase employee productivity and reduce absenteeism.

We provide the full range of real estate advisory services and have the knowledge and expertise to help your company in its quest for sustainability.

## The Better Building Breakfasts

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It's important to create a more sustainable Ottawa. JJMcNeil Commercial Inc. along with RENX.ca host the Better Buildings Breakfast Series which is an opportunity for stakeholders to learn about sustainable buildings and network with peers in the green real estate sector. The breakfasts serve an exciting line up of speakers, leaders in real estate, with informative presentations about how to create a sustainable built environment.



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