

Green Space

3rd Quarter 2014 Ottawa Green Office Market Report



JJMcNEIL
commercial inc.



Market Commentary

It's a very interesting period in the history of Ottawa to be in business. We are living through a period of change that will be setting the tone for the growth of the economy and what this city will look like in future. Unemployment has been rising marginally over the last few quarters and at the close of the 3rd quarter sat at 6.9%. Give or take a few basis points this has held relatively steady since the 2nd quarter of 2012. The reality check is that the Canadian jobless rate fell to 6.5 percent in October of 2014 from 6.8 percent in September. This is the lowest rate for Canada since November of 2008. Looking back at October 2013 unemployment in Ottawa was 6.4% as compared to 6.7% this October. In relative terms Ottawa has held pretty steady near the record lows for the country despite a major downsizing of our primary employer. Clearly the private sector is stepping up to fill any void being left by the Feds.

Office Vacancy has remained relatively unchanged for 4 quarters straight and now sits at 10.3% city wide. The downtown decreased slightly to 10% vacant with the majority of space coming available in the B and C class buildings. We are seeing a flight to quality as private sector tenants are taking advantage of the lower lease rates and the trend of smaller footprint per employee which is facilitating a move to smaller spaces in better (greener) buildings.

I can't recall a better time in Ottawa to move or invest than now. Overall most indicators we have indicate the city is healthy economically; we have some amazing companies emerging in the SMB's. The increase in vacancy which is making office space in good buildings affordable is largely due to positive changes/consolidations by the federal government including a substantial amount of new construction.

In 3 to 5 years from now Ottawa will be a dramatically different city particularly the downtown:

- Light rail is coming and according to City Hall, properties close to a station should see a lift in values in the 6-14% range.
- Windmills Isles project will be well underway. This will be a world class showcase mixed use EcoDistrict. A place where we can have a beer under an umbrella by the water.
- The creation of a world-class destination, an inspirational place that will demonstrate design excellence and innovation, an attractive place for Canadians and visitors alike. This 21.6 hectare site at LeBreton flats will link the Ottawa Centre EcoDistrict and the Isles project.
- The urbanization of the technology industry will facilitate the renovations of many of Ottawa's older office buildings.
- A lot more people will be living downtown as the condo buildings that are under construction reach completion and when we see development on the Oblate lands.

Overall Market Trends

Trend	Q3 2014
Vacancy	▼
Asking Rents	▲
Activity	◀ ▶

Overall Vacancy



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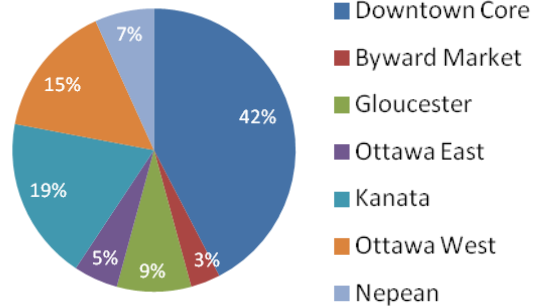
In the Green Office Market we saw a very slight improvement in overall vacancy from the second quarter to the third from 11.90% to 11.73% respectively. Direct Vacancy (not including sublet space) finished the quarter at 9.78%.

Right now vacancy levels in the Green Office Market are tracking relatively close to the rest of the market. Tenants can choose from over 1,200,000 square feet of available certified sustainable green office space with no additional cost premium as compared to the rest of the office market.

The overall inventory of green buildings has remained virtually unchanged for the last 4 quarters and finish the 3rd quarter at 10,237,273.

1400 St. Laurent, the 90,000 square foot gold glassed office building visible from the Queensway received BOMA BEST level 2. From an inventory standpoint this was offset by the lapsing of the BOMA BEST certification at 1730 St. Laurent. 1331 Clyde Avenue, the new home of Stantec's Ottawa office, received their LEED Silver plaque.

Green by Submarket



GREEN OFFICE SPACE IN OTTAWA

LEED

4,546,572 Square Feet*

Certified by the CaGBC, Platinum, Gold Silver or Certified

BOMA BEST

8,256,757 Square Feet*

Certified by BOMA Canada, Level 2 or Greater

1,200,748 Square Feet

Of Certified Green Space available for lease or sublease in all parts of Ottawa

* 2,566,057 Square Feet carry dual certifications

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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	12.0%	10.0%
Byward Market	2	254,051	2.5%	2.5%
Gloucester	5	513,958	11.1%	10.1%
Ottawa East	3	452,517	7.5%	7.5%
Kanata	11	1,183,139	13.5%	10.6%
Ottawa West	9	782,442	14.6%	13.9%
Nepean	4	365,704	11.1%	1.3%
Total	59	10,237,272	11.9%	9.8%

Green inventory by certification

LEVEL	AREA BY LEVEL (SF)	DUAL CERTIFIED	GREEN INVENTORY (SF)	NO BLD	TOTAL VACANCY RATE	DIRECT VACANCY RATE
BESt 2	4,109,834	(3)929,877	3,179,957	31	8.8%	7.9 %
BESt 3	3,725,923	(4)1,532,180	2,193,743	18	13.6%	12.3 %
BESt 4	421,000	(1)104,000	317,000	2	10.5%	7. %
Certified	156,000		156,000	1	22.9%	-
Silver	379,817		379,817	3	32.8%	35.9%
Gold	3,655,755	9 buildings	3,655,755	11	13.4%	9.9 %
Platinum	355,000		355,000	1	0.6%	0.60%
Totals	12,803,329	2,566,057	10,237,272	59	11.9%	9.8%



About James McNeil

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.

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

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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