

Green Space

4th Quarter 2014 Ottawa Green Office Market Report



JJMcNEIL
commercial inc.

Market Commentary

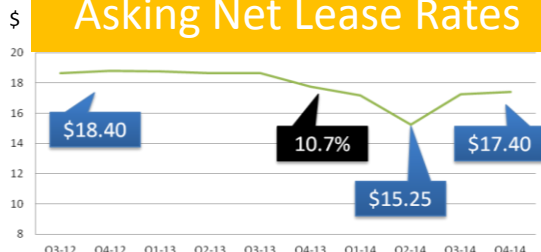
Most industry watchers would say that 2014 is the year that we would like to forget. The truth is the office market in Ottawa's Black Friday was in the last quarter of 2013, where we saw a 200 basis point increase in vacancy from one quarter to the next, after which we never really recovered and vacancy remained in the 10% range for the entire year closing at 10.8% vacant. If office asking rates are the benchmark to the real estate economy then the 2nd quarter of last year was the low point in the market at an average asking of \$15.25 net for all buildings in the City, as compared to \$17.40 at the end of the year.

In the downtown the market is still deeply concerned about the actions of our largest occupier and employer, the Federal government. That being said, in December the feds hosted an envelope opening party for an RFP of over 100,000 square feet of downtown office space. The unique thing about this tender is that it was open to all buildings, existing and new construction, class A, B and C, provided the building could meet the criteria on time and the landlord for an existing building would commit to a minimum standard of LEED Silver version 4. What was interesting was contenders really could not predict with any kind of certainty who would be submitting a bid. Ottawa's a pretty small market. It's one thing to look out over the city and say who could accommodate or build 100,000 sq ft of office space, it's another to know which buildings will be vacated by the likes of DND or other departments that could be retrofitted and meet the required time lines. I must congratulate PWGSC on two fronts: 1, the new commitment to existing buildings being green buildings and 2, a brilliantly executed strategy which resulted in some of the most aggressive pricing we have seen in years.

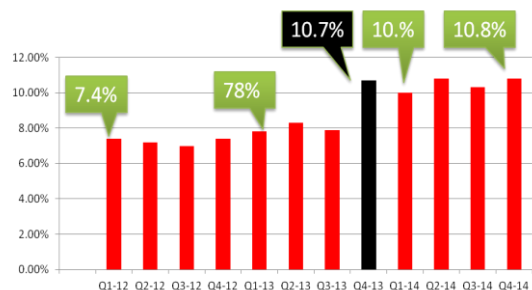
Getting back to the private sector, some of the downtown class A office owners had a good 4th quarter with some large blocks of space coming off the market such as Constitution Square Tower II who cut their vacancy rate almost in half by leasing close to 40,000 square feet and Performance Court who was able to drop their vacancy rate from 14.5% at the end of the 3rd quarter to finish the year up at 4.9%. That being said, overall downtown finished the year with 120 basis point improvements from the beginning of the year with vacancy at the end of the 4th quarter at 9.8%.

Looking forward, the advantage enjoyed by tenants during 2014 will start to erode during 2015 and into the beginning of 2016 as the office market starts to move to a more balanced market and potentially back to an office market that favours landlords again. It's looking very bright for investors as Ottawa moves through some fundamental changes and occupancy levels increase.

Asking Net Lease Rates



Market Vacancy Trend



Overall Market Trends

Trend	Q4 2014
Vacancy	▼
Asking Rents	▲
Activity	▲



Green Office Market

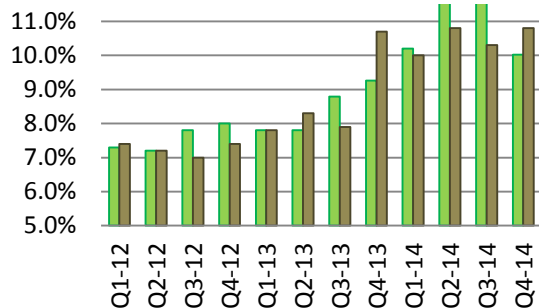
The vacancy in Green buildings improved slightly finishing the year off at 10.02%. This modest improvement at the end of quarter gave green buildings a slight advantage to landlords with slightly higher occupancy levels as compared to the rest of the market.

333 Laurier Avenue west was the only new addition to the green inventory. This 211,703 square foot tower is 99% occupied and was recertified BOMA BEST level 2.

Both Manulife's 55 Metcalfe and Morguard's Telus Building at 215 Slater BOMA BEST certification lapsed. These 2 buildings are both certified LEED Gold and were part of the few buildings that were carrying dual certification. Currently there are 6 office buildings that have committed to both BOMA BEST and LEED.

The guerilla in the Ottawa office is the federal government who occupy 60% of the office inventory in the national capital region. Looking forward, we are expecting a major increase in the number of LEED Certified buildings over the next 12 to 24 months as PWGSC policy of a minimum standard of LEED V4 Silver becomes the universal requirement to maintain their tenancy.

Vacancy



■ Green Total Vacancy ■ Market Total Vacancy

GREEN OFFICE SPACE IN OTTAWA

LEED

4,546,572 Square Feet*

Certified by the CaGBC, Platinum, Gold Silver or Certified

BOMA BEST

7,109,302 Square Feet*

Certified by BOMA Canada, Level 2 or Greater

954,144 Square Feet

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

* 2,135,033 Square Feet carry dual certifications

One Nicholas Street Ottawa

Awesome Office Space with amazing views for sub-lease

Sub-Lease



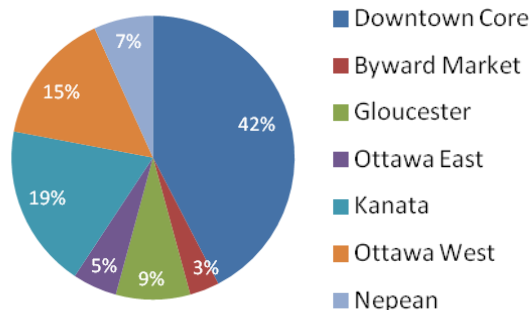
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JJMcNEIL
commercial inc.

www.jjmcneil.ca

Green by Submarket





**LEASE TO OWN YOUR OFFICE SPACE IN DOWNTOWN OTTAWA.
PRIME LOCATION. PRIME RETURNS.**



Want to keep your cash and own your office space in downtown Ottawa?

Now you can with the new Lease To Own Program. Cathedral Hill's Executive Office Condos is now giving you the opportunity to put your annual rent toward your down payment to purchase your downtown Ottawa office space.

How It works:

With the Lease To Own Program, \$10*/sq. ft./ year of your annual rent payment at Cathedral Hill Executive Office Condos will go toward your purchase price for a maximum of five years. This effectively means you build up your down payment over time, without requiring a lump sum investment up-front. At the end of five years, you have \$50*/sq. ft. to put towards the purchase price of your office space at Cathedral Hill Executive Office Condos.

TYPICAL CLASS 'A' LEASE

Floor	6
Area	1268 sq. ft.
Lease Rate	\$24 / sq. ft.
Annual Payment	\$30,432
Equity	\$0

* Min. \$24 / sq. ft. lease rate

LEASE TO OWN PROGRAM

Floor	6
Area	1268 sq. ft.
Lease Rate	\$24 / sq. ft.*
• Investment or down payment	\$10 / sq. ft.
• Effective Rent	\$14 / sq. ft.
Annual Payments	\$30,432
Equity Towards Purchase	\$63,400
(After 5 years)	

Take advantage of the new Lease To Own Program at Cathedral Hill Executive Office Condos, 412 Sparks Street, Ottawa. This is a unique opportunity to invest in downtown Ottawa real estate, and in your company's future.

Call 613.668.7738 now to book your Executive Office Condo Presentation. www.whylease.ca

Announcement

JJMcNEIL Commercial is please to announce that Karina Benditkis and Marc Paquette have joined our team as Commercial Leasing Representative.



Karina Benditkis
Sales Representative
karina@jjmcneil.ca
613.371.6825

Karina Benditkis has over 10 years of experience in the real estate industry working with private and public sector clients. Karina possesses extensive knowledge and experience working with local and international clients; including but not limited to managing new site selection, lease negotiations, disposals and acquisitions. Karina is proficient in developing and implementing strategic solutions, identifying and realizing opportunities for savings and providing recommendations to senior management on various realty transactions.



Marc Paquette
Sales Representative
marc@jjmcneil.ca
613.794.6825

Marc Paquette has been a licensed Real Estate Sales Representative since 2012. With experience in project management, construction and environmental assessment, Marc offers know-how and the strategic planning that helps business owners/investors make better decisions. Marc is proficient in managing and coordinating multiple projects with conflicting requirements and priorities, and has experience in working with a variety of subject matter experts in the fields of architecture, engineering, security, construction and procurement. Marc also has the ability to manage various leasing transactions on behalf of client's, such as; sourcing attractive opportunities, gather market information, provide NPV analysis and perform negotiations for a variety of real estate projects.



Green inventory by submarket

SUBMARKET	NO. OF BUILDINGS	INVENTORY (SF)	TOTAL VACANCY RATE	DIRECT VACANCY RATE
Downtown Core	21	5,969,030	9.8.%	7.6.%
Byward Market	2	254,051	3.0%	3.0%
Gloucester	5	513,958	10.6%	9.6%
Ottawa East	3	452,517	7.5%	7.5%
Kanata	11	1,183,139	10.5%	9.3%
Ottawa West	9	782,442	14.3%	13.7%
Nepean	4	365,704	13.6%	3.8%
Total	55	9,520,841	10.0%	8.1%

Green inventory by certification

LEVEL	AREA BY LEVEL (SF)	DUAL CERTIFIED	GREEN INVENTORY (SF)	NO BLD	TOTAL VACANCY RATE	DIRECT VACANCY RATE
BES 2	3,540,041	(2)602,853	2,937,188	28	5.2%	5.31 %
BES 3	3,252,261	(4)1,532,180	1,729,081	16	13.6%	12.3 %
BES 4	317,000		317,000	1	9.0%	9.0 %
Certified	156,000		156,000	1	22.9%	-
Silver	379,817		379,817	3	32.8%	35.9%
Gold	3,655,755	6 buildings	3,655,755	11	11.0%	7.45 %
Platinum	355,000		355,000	1	0.6%	0.6%
Totals	11,655,874	2,135,033	9,520,841	55	10.0%	8.1%



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.



**The Better
Buildings
Breakfast**



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. hosts 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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