

Green Space

1st Quarter 2015 Ottawa Green Office Market Report



JJMcNEIL
commercial inc.
REAL ESTATE BROKERAGE



Market Commentary

Another lackluster quarter has come and gone being the fifth straight quarter where overall vacancy has been in the double digits. The relative small increases of 20 basis points pushed the overall vacancy to 11%. This unremarkable rise from one quarter to the next by all accounts set a new high water mark for the highest vacancy in well over ten years.

Downtown remained relatively unchanged from last quarter finishing the first quarter at a flat 10% vacant. Class "A" office saw a slight improvement of about 50 basis points finishing at 7%. It's not a big change but when we continue to see "B" and "C" vacancy rise it's clear we are witnessing a flight to quality as tenants seek to increase their competitive advantage through a defined improvement in their workplace.

The most interesting news for downtown is the announcement by the federal government that 219 Laurier is officially the winning bid for 130,000 square feet of office space to be occupied in early 2017. From a pure market statistical point of view this transaction will have little impact on occupancy levels in the downtown, as we will be trading one federal government deal for another. The good news story here is 219 Laurier, built in 1965, will be substantially modernised and renovated to meet the new federal government's standard for accommodations including a minimum certification of LEED V4 Silver.

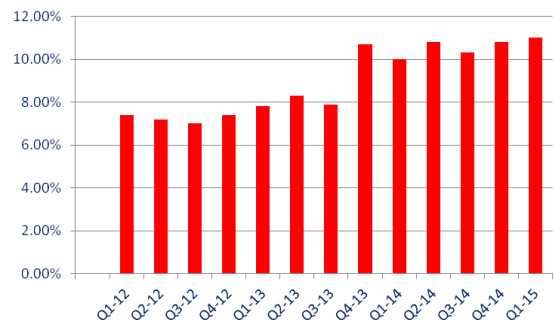
Ottawa East has now taken the top spot for the highest vacancy levels in the city at 15%. Double the vacancy in Q1-14 when the eastern suburbs held the bragging rights as the lowest vacancy in the City at 7.2%. Sometimes raw statistics paint a much different picture than the truth. In large part this rise can be attributed to BONA's new building at 1625 Vanier Parkway bringing nearly 300,000 square feet of vacant office space to market.

We had some confidence building in the western submarkets when we finished last year with a combined vacancy rate of 11%. For the West this was an indication that we were moving towards a more balanced market. This was a marked improvement from the beginning of 2014 where we reported vacancy at 13.50%. All of the improvements we saw last year evaporated in the first quarter of this year finishing at 13.25% a mirror 25 basis points improvement from one year earlier.

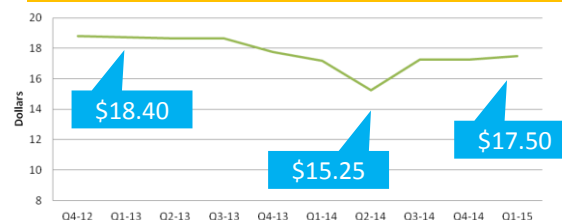
From a real estate broker's perspective we seem to be seeing a lot of activity in the market; however it's a bit disconcerting that this does not seem to be translating into any meaningful growth in the economy.

Vacancy	Q1-15	Q4-14	Q1-14
City Wide	11%	10.8%	10.2%
Overall DT	10%	10.2%	8.5%
DT "A"	7%	7.5%	6.2%
DT "B"	10%	10%	8%
DT "C"	27%	26.2%	20%

Market Vacancy Trend



Asking Net Lease Rates





Green Office Market

Vacancy in the Green submarket seems to be trending downward for the second straight quarter where green office buildings are showing higher occupancy levels than the rest of the market. Contrary to the rest of the market the green vacancy level has decreased for the third straight quarter finishing at the end of Q1-2015 at 9.4% which is 160 basis points below the rest of the office market.

The really big news for the last quarter was that Ottawa has its first certified LEED Platinum for Existing Buildings: Operations and Maintenance (EBOM) building. Oxford Properties' Constitution Square complex now carries the highest available LEED certification in the City. Constitution Square is a three-tower office complex, located in downtown Ottawa, at 340, 350 and 360 Albert Street. This million square foot complex was built in 3 phases, 2007, 1992 and 1996 respectively.

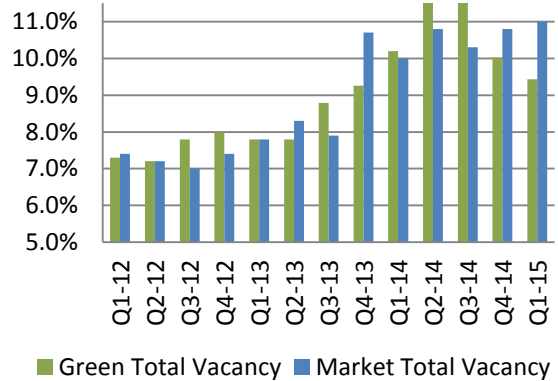
The 3 floors of retail at the C.D. Howe Building (240 Sparks) were certified LEED for Commercial Interiors (CI) Gold level—again, another first for Ottawa. Another point of interest, this building was one of Ottawa's first buildings to be retrofitted with a green roof. The C.D Howe green roof project was such a success that the PWGSC project team recently won the *Best Practices – Environmental Award* from the Real Property Institute of Canada for their work in setting a high standard and contributing to the real property field through innovation, achievement, quality, and leadership.

150 Elgin, Ottawa's newest class "A" office building, was Certified LEED Gold Core and Shell in April. This 346,000 square foot office is managed by Morguard.

Heritage Place, located at 155 Queen, another Morguard managed building, was recertified BOMA BEST level 2.

Overall, it's nice to see that the trend in the green building subset is moving in a positive direction. From the Landlord's perspective green is a good way to future proofing your investment and it's clear that green buildings have demonstrated higher occupancy levels. From the Tenant's perspective, better day lighting, better ventilation and air quality leads to a healthier, happier work force which leads to higher productivity and contributes to the top line and bottom line of the organization.

Vacancy



GREEN OFFICE SPACE IN OTTAWA

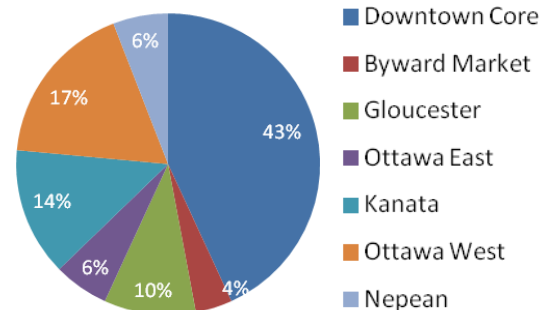
LEED
5,559,717 Square Feet*
Certified by the CaGBC, Platinum, Gold Silver or Certified

BOMA BEST
5,785,775 Square Feet*
Certified by BOMA Canada, Level 2 or Greater

868,870 Square Feet
Of Certified Green Space available for lease or sublease in all parts of Ottawa

* 2,135,033 Square Feet carry dual certifications

Green by Submarket





GREEN BUILDING SHOWCASE

Photo

Building Details

Availability

Constitution Square



Building Address	340 /350/360 Albert
Office Class	A
Total Office Area	1,028,586 (sq. ft.)
Number of Floors	19/21/18
Typical Floor(sq. ft.)	17,800/20,000/17,000
Year Built	2007/1992/1986
Parking Ratio (1 per	1,750 (sq. ft.)
Total Available Area	71,306 (sq. ft.)
Largest Contiguous Available	21,343 (sq. ft.)

Suite	Area (SF)	Type
910 (340) 1250 1300	5,145 5,258 17,851	Office
720 (350) 1200 1720	9,572 21,343 2,068	
510 (360) 730 810	3,807 3,452 2,810	

Green Certification LEED Platinum EBOM



Performance Court



Building Address	150 Elgin
Office Class	A
Total Office Area	345,598 (sq. ft.)
Number of Floors	21
Typical Floor	16,000 (sq. ft.)
Year Built	2014
Total Available Area	16,484 (sq. ft.)
Largest Contiguous Available	11,242 (sq. ft.)

Suite	Area (SF)	Type
00510 01410	11,242 5,242	Office

Green Certification LEED Gold CS



Sun Life Financial



Building Address	99 Bank/ 50 O'Connor
Office Class	A
Total Office Area	916,984 (sq. ft.)
Number of Floors	15
Typical Floor	27,523/33,595 (sq. ft.)
Year Built	1978/1984
Parking Ratio (1 per	2,500 (sq. ft.)
Total Available Area	171,746 (sq. ft.)
Largest Contiguous Available	33,058 (sq. ft.)

Suite	Area (SF)	Type
200 (99) 415 727 900 1005	16,837 5,988 7,427 12,213 13,379	Office
605 (50) 700 800 1100	19,958 21,161 33,058 21,885	

LEED Gold EBOM & BOMA BEST 3





Green inventory by submarket

SUBMARKET	NO. OF BUILDINGS	INVENTORY (SF)	TOTAL VACANCY RATE	DIRECT VACANCY RATE
Downtown Core	22	6,214,888	9.8.%	8.2.%
Byward Market	2	254,051	3.0%	3.0%
Gloucester	5	513,958	11.6%	10.6%
Ottawa East	3	452,517	7.5%	7.5%
Kanata	7	683,499	7.8%	6.8%
Ottawa West	9	782,442	11.3%	11.3%
Nepean	3	365,704	9.3%	0%
Total	51	9,202,459	9.4%	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 ^t 2	3,221,659	(2)602,853	2,618,806	24	4.0%	3.7 %
BES ^t 3	2,564,116	(4)1,532,180	1,031,936	14	14.7%	14.3 %
BES ^t 4	-		-	-	-	-
Certified	156,000		156,000	1	18.0%	-
Silver	387,817		387,817	3	30.6%	33.6%
Gold	3,655,755	6 buildings	3,655,755	11	11.7%	9.2 %
Platinum	1,360,145		1,360,145	4	5.6%	5.35%
Totals	11,655,874	2,135,033	9,210,489	51	9.4%	8.1%

Total Vacancy includes sublet space –Direct vacancy is space direct from the landlord



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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