

Green Space

4th Quarter 2015 Ottawa Green Office Market Report



JMcNEIL
commercial inc.
REAL ESTATE BROKERAGE



Market Commentary

Ottawa's office market finished the year pretty much at the same place that we started the year. City wide Ottawa vacancy at the close of 2014 was 10.8% as compared to 11.2% for the close of 2015. Not a dramatic change but still trending in the wrong direction. Still this was a marked improvement from the end of the 3rd quarter where overall vacancy was reported at a flat 12%.

The speculators and the rumour mill seem to have had it right this time with California-based tech giant Apple establishing a presence in Kanata. No public announcement has been made as of yet but a quick Google search shows Apple is actively recruiting for the Kanata market. Suite 300 at KRP's G. Best building (411 Legget) with 22,099 sq.ft. has been leased and removed from their available inventory. Even with all of this excitement in Kanata we still are not seeing any meaningful changes in our office availability which still stands at 13% vacant at the close of 2015 as compared to 13.25% at the beginning of the year.

In the late 90's and into the early 2000's, Kanata was known as Silicon Valley North. Since then many of the big tech companies have left or disappeared altogether. Connect Apple's new Kanata's research development facility with BlackBerry's automotive headquarters QNX Software Systems, could we be witnessing the beginnings of a major hub focused on car technology?

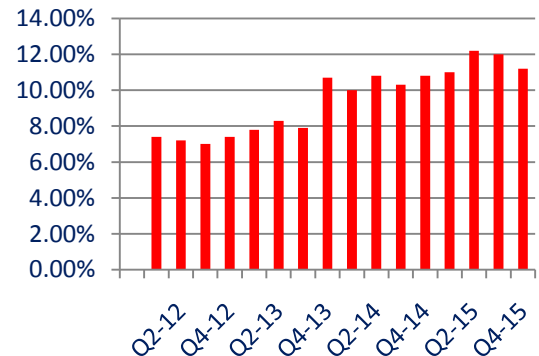
The activity that we are seeing in our downtown is not translating into space absorption. We started the year with 10.2% vacancy rate and we finished the year at exactly the same spot. For every square foot of space that gets leased in a building there is a square foot that becomes vacant elsewhere. We are for the most part still playing musical chairs.

Outlook

Looking towards the end of 2016 it would appear that there will be no dramatic improvement in the Ottawa office market. The game of musical chairs will continue as landlords work hard to lure tenants to their buildings. Simply stated, we are in an oversupply situation primarily brought on by new supply of over 4.5 million sq.ft of office space which came to market over the last 36 months.

For organizations that participate in profit and from the green economy and for landlords that have demonstrated a commitment to saving energy and cutting their greenhouse emissions, there is clearly a renewed sense of optimism as we are witnessing an alignment of all 3 levels of government in their commitment to fight climate change.

Market Vacancy Trend



With the trend of creating more collaborative workplaces which tends to have a smaller footprint and the continuing downsizing of the public sector, we are just not seeing any meaningful growth in our downtown.

This situation is having an impact on the city's tax base when we moved to a 2013 based Commercial Value Assessment (CVA) and the City has accepted the fact that market rates were lower in 2012-2013 than they were in 2009 – hence our assessed taxes have been reduced.

Ottawa is and probably will remain for the balance of 2016 a market favouring tenants with most landlords providing aggressive rental rates and attractive inducements in attempts to fill their buildings.

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Green Office Market

In the subset of 57 buildings that carry green certifications, occupancy levels are higher than the rest of the market. For the 6th quarter in a row vacancy rates have beat the market and finished the year at 10.53%.

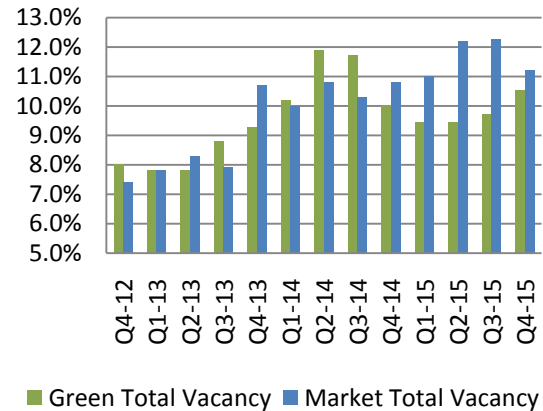
Over the course of last year the inventory of green buildings increased by approximately 900,000 square feet finishing 2015 with 10,408,000 square feet, which represents 27% of the total office market.

Holland Cross, one of Ottawa's only podium designed office complexes with its two office towers at 11 Holland Avenue and 1600 Scott Street, were certified LEED EB: O&M. This 276,000 square foot complex, managed by Colonnade Bridgeport, is located almost right across the street from the future Tunney's Pasture LRT station.

TELUS House located at 215 Slater and the EDC Headquarters located at 150 Slater were both certified BOMA BEST Platinum (formally level 4). These buildings join the club of only 6 buildings that carry dual certifications. TELUS House, managed by Morguard, was Ottawa's first office building to be certified LEED for New Construction (NC). The EDC building managed by Manulife is certified LEED Gold Core and Shell (CS).

Speaking of BOMA BEST, Telsat Court and 350 Sparks Street both managed by Morguard were recertified BOMA BEST Silver (formally level 2).

Vacancy Trend



Ottawa Green Buildings

LEED

5,840,717 Square Feet*

Certified by the CaGBC, Platinum, Gold Silver or Certified

BOMA BEST

6,666,422 Square Feet*

Certified by BOMA Canada, Level Silver or Greater

1,098,835 Square Feet

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

* 2,099,033 Square Feet carry dual certifications

2611 Queensview Drive Ottawa

Awesome Green Office Space For Lease

Price Reduced



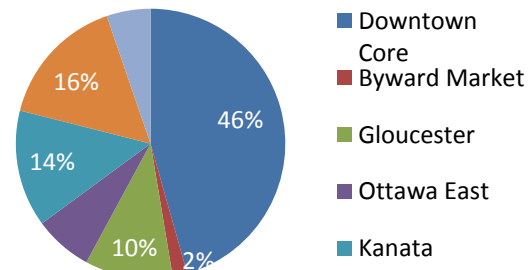
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Green By # of Buildings



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GREEN BUILDING SHOWCASE

Photo	Building Details		Availability		
<div>Holland Cross</div> 	Building Address	11 Holland & 1600 Scott			
	Office Class	B +			
	Total Office Area	276,000 (sq. ft.)			
	Number of Floors	7			
	Typical Floor	16,000 (sq. ft.)			
	Direct Available Area	10,000 (sq. ft.)			
	Total Available Area	33,000 (sq. ft.)			
	Largest Contiguous Available	16,216 (sq. ft.)			
	LEED Gold EBOM				
<div>EDC Headquarters</div> 	Building Address	150 Slater			
	Office Class	A			
	Total Office Area	452,562 (sq. ft.)			
	Number of Floors	18			
	Typical Floor	26,500 (sq. ft.)			
	Year Built	2011			
	Sublet Available Area	74,076 (sq. ft.)			
	Largest Contiguous Available	74,076 (sq. ft.)			
	LEED Gold CS & BOMA BEST GOLD		 		
<div>TELUS House</div> 	Building Address	215 Slater			
	Office Class	A			
	Total Office Area	107,000 (sq. ft.)			
	Number of Floors	8			
	Typical Floor	14,062 (sq. ft.)			
	Year Built	2007			
	Sublet Available Area	14,401 (sq. ft.)			
	Largest Contiguous Available	14,401 (sq. ft.)			
	LEED Gold NC & BOMA BEST Gold		 		



Green inventory by submarket

SUBMARKET	NO. OF BUILDINGS	INVENTORY (SF)	TOTAL VACANCY RATE	DIRECT VACANCY RATE
Downtown Core	26	6,974,135	10.01%	8.5%
Byward Market	1	172,976	0%	0%
Gloucester	6	711,197	26.6%	34.7%
Ottawa East	4	600,395	4.9%	4.9%
Kanata	8	852,856	11.5%	9.4%
Ottawa West	9	795,442	13.7%	12.7%
Nepean	3	301,104	0%	0%
Total	57	10,408,106	10.53%	9.13%

Green inventory by certification

LEVEL	AREA BY LEVEL (SF)	DUAL CERTIFIED	GREEN INVENTORY (SF)	NO. OF BLDGS	TOTAL VACANCY RATE	DIRECT VACANCY RATE
BEST Silver	4,141,067	(2)602,853	3,538,214	29	7.2%	5.91 %
BEST Gold	1,946,355	(2)917,180	1,029,175	12	20.9%	20.9%
BEST Platinum	579,000	(2)579,000	-	2	10.3%	-
LEED Certified	241,000		241,000	2	12.4%	12.4%
LEED Silver	307,817		307,817	2	30.1%	30.1%
LEED Gold	3,931,755	6 buildings	3,931,755	12	11.5%	9.20%
LEED Platinum	1,360,145		1,360,145	4	4.6%	4.6%
Totals	12,507,139	2,099,033	10,408,106	57	10.53%	9.13%

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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