

Green Space

Spring 2016 Ottawa Green Office Market Report



JJMcNEIL
commercial inc.
REAL ESTATE BROKERAGE



Market Commentary

“Hope is being able to see that there is a light despite all of the darkness.” (Desmond Tutu)

I keep hoping to see a quarter where our office vacancy rates go down. At the risk of sounding repetitive to our previous reports we are now in our 10th straight quarter of double digit office vacancy. We saw the overall office vacancy rate rise 80 basis points from the close of last year to finish the quarter at a flat 12% vacant. Year over year we saw a rise of 100 basis points as compared to the 1st quarter of 2015.

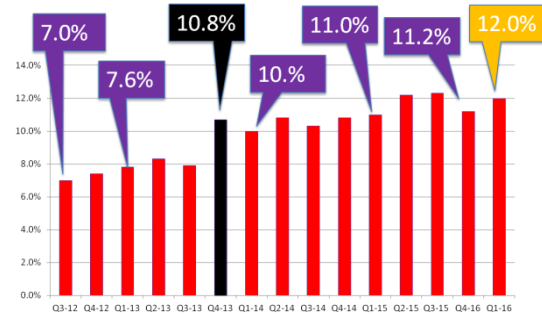
Downtown vacancy remained unchanged at 10.2%. The game of musical chairs continues.

Despite all the fabulous work being done to promote Kanata and our tech sector, office vacancy rose a full percentage point from the close of last year to finish the first quarter at 14% vacant. Kudos to the Kanata North Business Association for all of their fine work in helping Kanata return as the renowned hub of technology and innovation. If you have not done so already, I would strongly encourage you to attend one of their events. There is an amazing vibe of positive energy that they have created that would be great to harness for the betterment of all parts of the city.

Ottawa West continues to carry the highest vacancy of all Ottawa submarkets at 16% vacant.

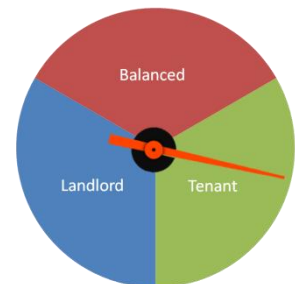
The eastern part of the city is proving to be the most interesting submarket to watch. With vacancy rates of 15% and a clear oversupply of office space, Controlex is moving dirt and has a tower crane on site at Terminal Avenue constructing a 9 storey 160,000 square foot office building. Hop across the Queensway and you will find 300,000 sq ft of brand new vacant office space at 1625 Vanier Parkway. Take a short walk east and you will find 87,000 square feet available at 250 Tremblay Road. I "hope" the light at the end of this darkness is on the train at the end of the tunnel.

Market Vacancy Trend



Overall Market Trends

Trend	Q1 2016	Forecast
Vacancy	▲	▲
Asking Rents	◄►	◄►
Activity	◄►	◄►



Outlook

Same old same old! Ottawa remains squarely a tenant's market, with an oversupply of office space. As we enter year 5 of the 7 year federal government's Workplace 2.0 implementation plan for the foreseeable future vacancy rates will continue to rise as supply will outpace demand.



Green Office Market

So far this year green inventory increased by 930,000 square feet bringing the total inventory to 11,338,199 square feet of 3rd party certified green space. This represents 28% of the total competitive office market being certified BOMA BEST or LEED. In Ottawa we have 62 buildings that have varying degrees of high performance design features that offer discerning companies a competitive advantage.

Vacancy remains stable for the first quarter of this year at 10.48% with virtually no change from the close of last year.

At about the same time that Janis Joplin was taking the stage at Woodstock, 66 Slater was opening its doors for the first time. Fast forward 47 years and "Oh Lord" you have Ottawa's newest LEED Gold EB: O&M certified office building. Owned by Kingsett Capital and managed by 20 Vic this 22 storey 240,000 sq. ft tower is a testament to what can be done to retrofit an older "B" class building to a modern green standard that operates to provide tenants a healthier and more efficient work environment.

In other LEED news, Minto Place has achieved LEED Silver EB: O&M. Minto Place spans a city block, extending west from Kent Street to Lyon Street and south from Slater Street to Laurier Avenue. The unique mixed-use complex includes four towers: three office and one residential, joined by a retail podium, making it the first of its kind to achieve this certification and the largest LEED certified complex in Ottawa.

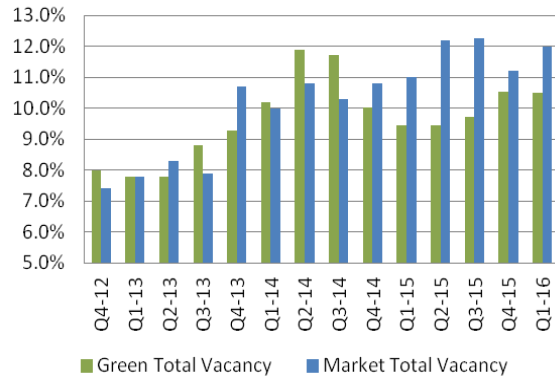
Morguard's Performance Court at 150 Elgin Street joins the elite group of six buildings in Ottawa that carry dual certifications. Originally certified LEED Gold Core and Shell (CS), Performance Court now carries the highest BOMA BEST certification of Platinum.

Times Square, another Morguard property located at 47 Clarence Street, was recertified BOMA BEST Silver.



BOMA BEST

Vacancy Trend



Ottawa Green Buildings

LEED

6,589,623 Square Feet*

Certified by the CaGBC, Platinum, Gold Silver or Certified

BOMA BEST

6,847,609 Square Feet*

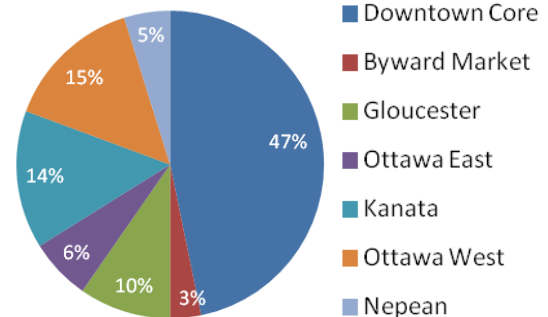
Certified by BOMA Canada, Level Silver or Greater

1,301,457 Square Feet

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

* 2,099,033 Square Feet carry dual certifications

Green By # of Buildings





GREEN BUILDING SHOWCASE

Photo Building Details Availability

Sixty-Six Slater



Building Address 66 Slater
 Office Class B
 Total Office Area 244,440 (sq. ft.)
 Number of Floors 22
 Typical Floor 10,700 (sq. ft.)
 Direct Available Area 46,000 (sq. ft.)
 Total Available Area 46,000,000 (sq. ft.)
 Largest Contiguous Available 23,000 (sq. ft.)

Suite	Area (SF)	Type
3 rd Floor	11,485	Office
4 th Floor	11,485	
11 th Floor	11,485	
12 th Floor	11,485	

LEED Gold EB: O&M



Minto Place



Building Address 180 Kent, 427 Laurier, 344 Slater
 Office Class A
 Total Office Area 859,466 (sq. ft.)
 Number of Floors 19, 14, 18
 Typical Floor 21,000, 17,250, 18,300 (sq. ft.)
 Largest Contiguous Available 20,793 (sq. ft.)

Suite	Area (SF)	Type
180 Kent 17 th Floor	20,793	Office
427 Laurier 5 th Floor	14,257	
9 th Floor	17,300	
344 Slater	Leased	

LEED Silver EB: O&M



Complex (silver)



180 Kent LEED Platinum CS

Times Square



Building Address 47 Clarence
 Office Class B
 Total Office Area 107,000 (sq. ft.)
 Number of Floors 8
 Typical Floor 14,000 (sq. ft.)
 Year Built 1983
 Largest Contiguous Available 14,401 (sq. ft.)

Suite	Area (SF)	Type
3 rd Floor	4,393	Office
4 th Floor	2,081	
4 th Floor	1,163	



SUBLEASE

BOMA BEST Silver



Green inventory by submarket

SUBMARKET	NO. OF BUILDINGS	INVENTORY (SF)	TOTAL VACANCY RATE	DIRECT VACANCY RATE
Downtown Core	29	7,723,042	10.3%	8.9%
Byward Market	2	283,601	2.7%	2.7%
Gloucester	6	711,197	26.6%	24.7%
Ottawa East	4	600,395	18.9.9%	18.9%
Kanata	9	923,418	9.0%	7.1%
Ottawa West	9	795,442	13.8%	12.8%
Nepean	3	301,104	0%	0%
Total	62	11,33,199	10.53%	10.1%

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	4,322,254	(2)602,853	3,719,401	31	9.1%	7.69%
BEST Gold	1,946,355	(2)917,180	1,029,175	12	19.5%	19.5%
BEST Platinum	924,598	(3)924,598	-	3	9.5%	-
LEED Certified	241,000		241,000	2	12.4%	12.4%
LEED Silver	812,283		812,283	4	15.4%	15.4%
LEED Gold	4,176,195	7 buildings	4,176,195	13	11.8%	9.6%
LEED Platinum	1,360,145		1,360,145	4	6.1%	6.1%
Totals	13,782,830	2,444,631	11,338,199	62	10.53%	10.1%

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 JMcNEIL 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 JMcNEIL 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



JMcNEIL 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 JMcNEIL 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 JMcNEIL 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. JMcNEIL 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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