



REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

**Real Strategy Market Outlook:
Q2 2019**

RealStrategy.com

Real Strategy Market Outlook: Q2 2019



Ottawa's office market continued to experience significant demand for office space across all sectors. Overall office availability fell to 8.5% from 8.9% the previous quarter. This represents six straight quarters of falling availability, a clear sign that the market is moving to favour landlords over tenants.

Real Strategy is predicting availability to continue falling for the balance of the year until such time as the results of the Federal election are known.

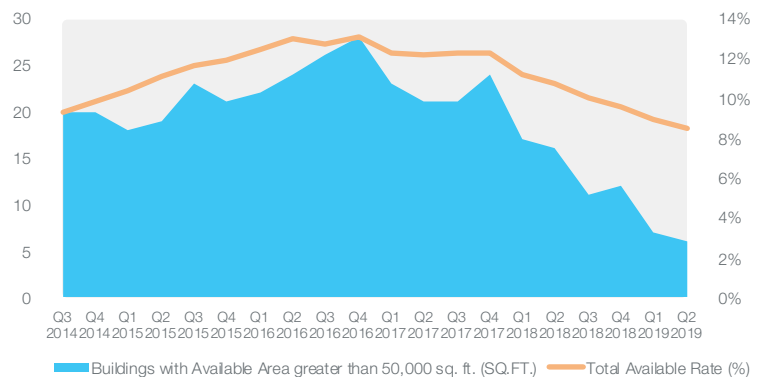
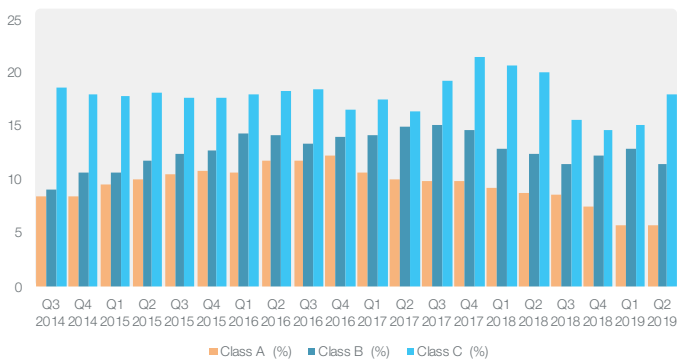
DOWNTOWN SUBMARKET ANALYSIS

Available space in Class B and Class C buildings continued to increase sharply as the Federal Government continued its exodus from older properties in favour of National Defence's new headquarters in Bells Corners and new product downtown. Class A availability remains stable indicating that demand may have levelled off for top tier properties. Real Strategy is predicting significant price reduction in older Class B and Class C buildings over the course of the remainder of 2019, while Class A rents should remain stable.

Downtown Available Rate by Class



Greater Ottawa Availability



Largest Downtown Vacancies



Total Available Rate:

99%

25%

25%

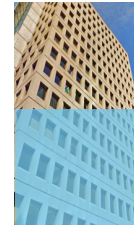
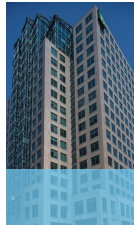
36%

14%

52%

30%

13%



Building Name	Export Building	45 O'Connor Street	Place De Ville (B)	350 Sparks Street Office	Constitution Square (III)	85 Albert Street	Vanguard Building	Manulife Place
Total Office Area (sq. ft.)	184,795	414,516	303,318	174,148	330,000	89,339	147,265	327,024
Office Class	Class B	Class A	Class B	Class B	Class A	Class C	Class B	Class A
Total Available Area (sq. ft.)	183,300	102,666	75,900	63,095	47,563	45,994	44,559	42,138
Total Available Rate (%)	99	25	25	36	14	52	30	13

EAST END SUBMARKET ANALYSIS



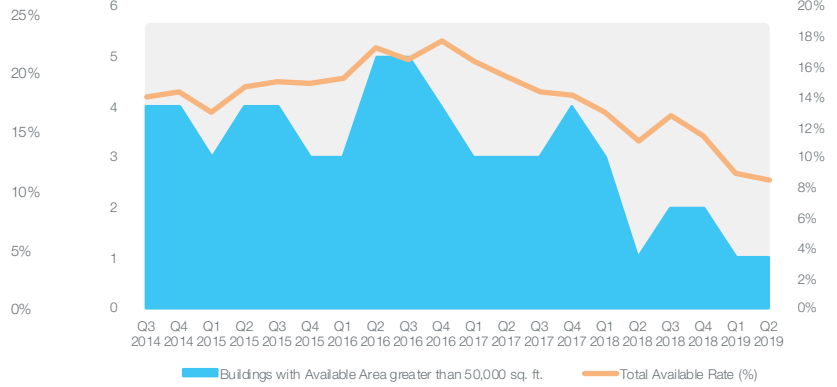
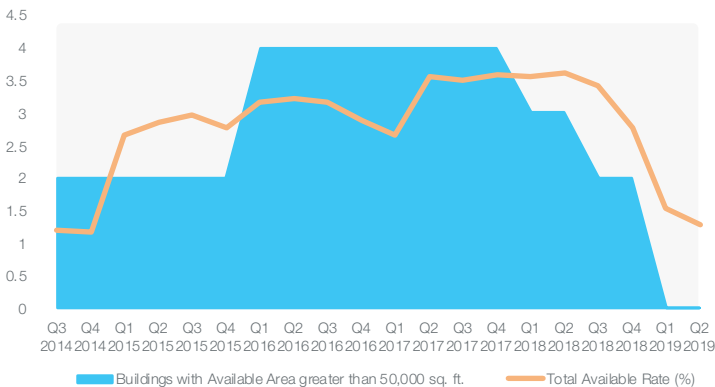
The east end of Ottawa continued its rapid improvement. It's important for readers to remember that this is a relatively small submarket and that one or two large deals by the Federal Government can significantly alter the statistics. That being said, it's remarkable things have improved. Overall availability now stands at 7.1% down from 20.1% this time last year!

Real Strategy predicts this market has now stabilized and will remain stable for the next 12-18 months.

Available for Lease Ottawa East



Available for Lease Kanata



Notable Lease Transactions



Average Basic Rental Rates

Quarter / Year	Tenant	Area (sq. ft.)	Deal Type	Building Address
2019 Q2	Federal Government of Canada	166,189	New Tenant	6 Booth Street
2019 Q2	Kiewit	21,587	New Tenant	2440 Don Reid Drive
2019 Q2	Not disclosed	17,935	New Tenant	2936 Baseline Road
2019 Q2	International Datacasting Corporation	9,937	New Tenant	10 Brewer Hunt Way
2019 Q2	Prevalent Inc	6,440	New Tenant	436 Hazeldean Road
2019 Q1	Skyworks	49,000	New Tenant	1135 Innovation Drive
2019 Q1	Amdocs	40,000	Renewal	303 Terry Fox Drive
2019 Q1	Ericsson	25,490	Expansion	349 Terry Fox Drive
2019 Q1	MNP	25,000	New Tenant	7 Hinton Avenue North
2019 Q1	You.i TV	20,000	Expansion	307 Legget Drive
2019 Q1	Not disclosed	16,963	Renewal	80 Hines Road
2019 Q1	Canadian Medical Association	14,805	New Tenant	1410 Blair Place
2019 Q1	Not disclosed	14,178	Renewal	55 Metcalfe Street
2019 Q1	Not disclosed	14,000	New Tenant	99 Metcalfe Street
2019 Q1	Not disclosed	13,900	Sublet	1145 Hunt Club Road
2019 Q1	Not disclosed	13,259	New Tenant	171 Slater Street
2019 Q1	Field Effect Software	13,237	New Tenant	979 Bank Street
2019 Q1	Huawei	10,225	New Tenant	303 Terry Fox Drive
2019 Q1	A49 Architects	10,000	New Tenant	150 Isabella Street
2019 Q1	Public Works and Government Services	8,000	New Tenant	427 Laurier Avenue West
2019 Q1	Cardel	7,000	Renewal	301 Moodie Drive
2019 Q1	Not disclosed	6,959	New Tenant	495 Richmond Road
2019 Q1	Not disclosed	6,099	New Tenant	245 Cooper Street

Market	Avg Rent PSF Q2	Avg Rent PSF Q1	Margin \$
Greater Ottawa - Overall	\$ 14.36	\$ 14.62	\$ (0.26)
Greater Ottawa - Class A	\$ 16.47	\$ 17.67	\$ (1.20)
Greater Ottawa - Class B	\$ 13.91	\$ 13.95	\$ (0.04)
Downtown Core - Overall	\$ 17.06	\$ 17.80	\$ (0.74)
Downtown Core - Class A	\$ 22.33	\$ 22.43	\$ (0.10)
Downtown Core - Class B	\$ 16.89	\$ 16.50	\$ 0.39
Gatineau - Overall	\$ 12.33	\$ 12.00	\$ 0.33
Gatineau - Class A	nd *	nd *	
Gatineau - Class B	\$ 11.00	\$ 9.00	\$ 2.00
Suburban East - Overall	\$ 13.42	\$ 13.43	\$ (0.01)
Suburban East - Class A	\$ 15.29	\$ 15.29	\$ -
Suburban East - Class B	\$ 12.87	\$ 12.91	\$ (0.04)
Suburban West - Overall	\$ 13.66	\$ 13.77	\$ (0.11)
Suburban West - Class A	\$ 14.75	\$ 15.00	\$ (0.25)
Suburban West - Class B	\$ 13.39	\$ 13.57	\$ (0.18)

* Insufficient number of buildings to provide adequate statistics.

Kanata's office availability fell to 8.5% down from 11.1% in Q2 2018. Demand for quality office space from local tenants continues to increase which is placing pressure on local developers to start construction on new product. However, the cost of a brand new building necessitates rents 15-25% higher than rents for existing properties. This financial bottleneck is creating fierce competition for medium to large pockets of space.

Real Strategy has observed rents are increasing in Kanata and will continue to do so until the end of the year.

Email Us:
info@realstrategy.com



RealStrategy.com