



REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

**Real Strategy Market Outlook:
Q4 2019**

RealStrategy.com

Real Strategy Market Outlook: Q4 2019



The final quarter of 2019 in Ottawa's office market saw a slight rise in overall office availability, as over 180K SF of primarily surplus government space came back into the marketplace. In the 12 months since Q4 2018, greater Ottawa's office availability fell 0.6% to 8.9%.

If there was a theme for 2019, it was marked by high demand by our local high tech sector, especially in Kanata. Looking forward to 2020, Real Strategy expects demand for quality office space to be very strong.

DOWNTOWN SUBMARKET ANALYSIS

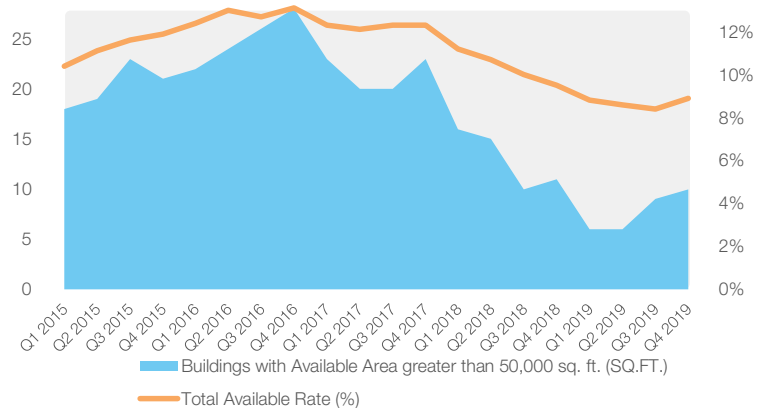
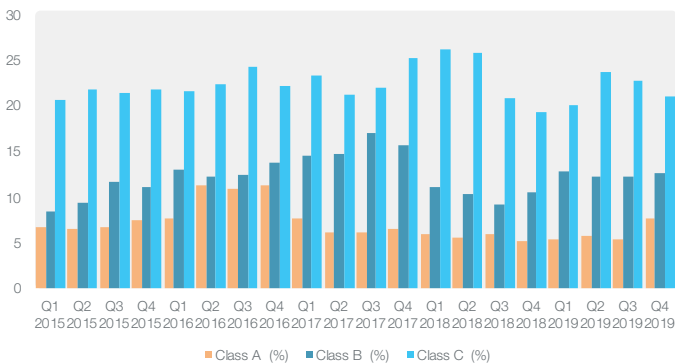
Downtown office availability fell from 22.7% to 21% primarily as a result of a couple older Class C buildings going through a renovation process. We expect these buildings to re-enter the inventory as available Class A or B properties in late 2020 or early 2021.

Real Strategy expects that as Ottawa's new light rail service becomes more reliable and the conversion of outdated space continues, that tenant demand for downtown space will increase.

Downtown Available Rate by Class



Greater Ottawa Availability



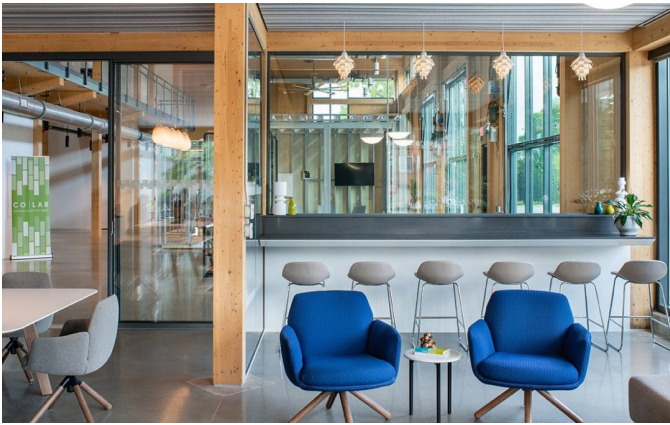


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How to retain top talent by effectively using **workpoints** in your office

A workpoint can be anything from a desk to a meeting room or even a kitchen/lounge. It's any place where work happens.

We're going to break down workpoints into three categories; **individual**, **collaborative** and **support/special purpose**.

The autonomous profile fits those who thrive on focused, independent and self-driven work and therefore requires more individual seats. The most common tasks which require focus and privacy, such as reading, heavy computing, and creative thinking, are generally completed in primary individual workpoints. Visual and acoustic shields are created using optional low dividing panels, as well as semi-enclosed furniture. Typically, more privacy equals a better environment for highly focused work. Activities that may occur for shorter periods throughout the day and contribute to the health/well-being of employees are completed in secondary individual workpoints.

Primary individual open workpoints include:

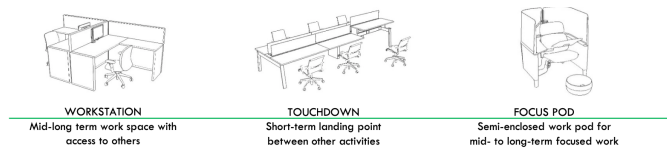


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TRANSFORMING THE WORKPLACE EXPERIENCE

Primary individual enclosed workpoints include:

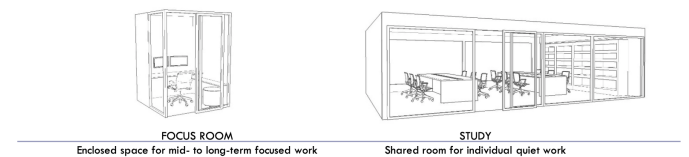
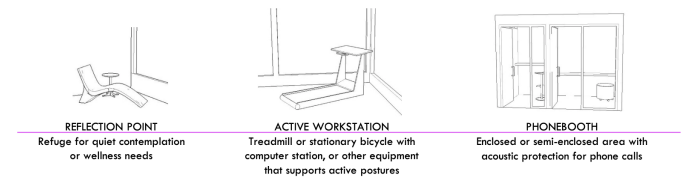


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Secondary individual workpoints include:



Consulting

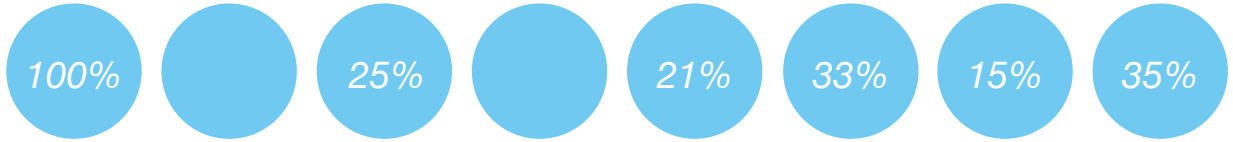
Are you tired of spending thousands of dollars to recruit and train top people only to watch them leave because your space isn't up to par with the competition?

1.833.216.0130 info@realstrategy.com

Largest Downtown Vacancies



Total Available Rate:



Building Name	Export Building	Constitution Square Tower II	World Exchange Plaza Tower 1	Constitution Square Tower I	Place De Ville (B)	350 Sparks Street Office	Constitution Square Tower III	One Nicholas
Total Office Area (sq. ft.)	193,021	392,575	414,516	306,011	307,000	174,148	330,000	144,256
Office Class	Class B	Class A	Class A	Class A	Class B	Class B	Class A	Class B
Total Available Area (sq. ft.)	193,021	151,054	104,327	68,139	64,654	57,497	50,153	49,842
Total Available Rate (%)	100	39	25	22	21	33	15	35

EAST END SUBMARKET ANALYSIS



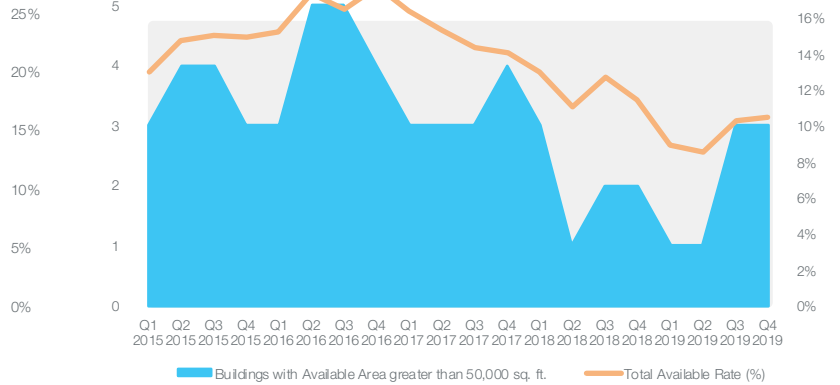
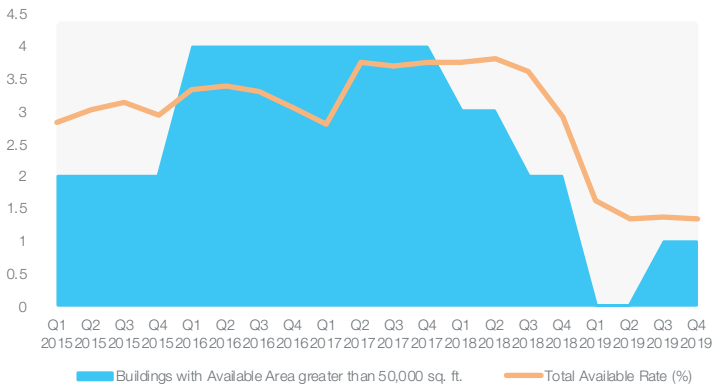
East end availability remained relatively unchanged quarter to quarter for all of 2019. The largest current vacancy remains the 117K SF located at 1601 Telesat Court. This space is a likely target for the Federal Government. Once this building is off the market, Real Strategy predicts the East end will return to a balanced availability of 5% in contrast to the current rate of 7.5%. This is a significant change from the availability rate of 16.2% in Q4 2018.

Real Strategy would remind readers that the East end inventory is relatively small in actual square footage and one or two large vacancies can significantly skew availability rates.

Available for Lease Ottawa East



Available for Lease Kanata



The interactive profile fits those who rely on frequent or exclusive collaboration and therefore requires more **collaborative workpoints** both open and enclosed. Formal meetings or presentations, group strategizing and co-creation, one-on-one conversations or informal social interaction all take place in collaborative workpoints. Collaborative environments utilize tools such as shared monitors and smart screens, writeable surfaces and reconfigurable furnishings. Spontaneous interaction and sharing of ideas, as well as planned collaborative activities, are made possible in collaborative workpoints.

Collaborative open workpoints include:

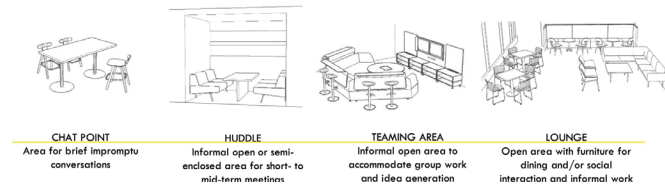


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Collaborative enclosed workpoints include:

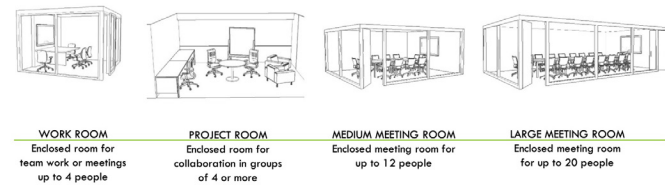


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In addition to understanding the ratio of requirements for autonomous, interactive or balanced activity profiles, there is an additional set of support/special purpose spaces necessary for any team. Kitchenettes, equipment areas, telecommunications rooms, lockers and shared storage are just as important as workstations and chat points for the success of your office. Productivity and employee health/wellness all benefit from these auxiliary spaces.

Support/special purpose spaces include:

- Kitchenette: Kitchen millwork and appliances only – to be combined with a lounge for seating
- Equipment: Business centre and printers
- Lockers: Individual storage lockers in centralized areas
- Fitness Centre & Bicycle Storage: Designated areas to support active lifestyles
- Shared Storage: Open or enclosed space for shared resources or coat storage
- Telecommunications Room: Enclosed room for telecommunications systems to be accessible from outside secure zone off the elevator



Brokerage

Are you considering a commercial real estate lease or purchase?

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Notable Lease Transactions



Quarter / Year	Tenant	Area (sq. ft.)	Deal Type	Building Address
2019 Q4	Kinaxis	153,000	New Tenant	Kanata West
2019 Q4	Canada Post	29,000	New Tenant	9 Auriga Drive
2019 Q4	Spaces	29,000	New Tenant	3 Eddy Street
2019 Q4	Public Services and Procurement Canada	26,104	New Tenant	160 Elgin Street
2019 Q4	City Of Ottawa	15,000	New Tenant	141 Laurier Avenue West
2019 Q4	Undisclosed	14,684	Expansion	505 March Road
2019 Q4	City Of Ottawa	11,500	New Tenant	141 Laurier Avenue West
2019 Q4	London Life	11,246	New Tenant	112 Kent Street
2019 Q4	Cariere	10,495	Expansion	1155 Lola Street
2019 Q4	Synopsys Canada ULC	10,265	New Tenant	84 Hines Road
2019 Q4	Turnstone Biologics	9,423	New Tenant	12-18 York Street
2019 Q4	Rogue Wave	8,406	New Tenant	301 Moodie Drive
2019 Q4	Maxboutv ULC	7,814	New Tenant	1730 St. Laurent Boulevard
2019 Q4	Gartner	7,438	Expansion	1565 Carling Avenue
2019 Q4	Folenn	7,318	New Tenant	396 Cooper Street
2019 Q4	Undisclosed	6,596	Expansion	80 Hines Road
2019 Q4	Undisclosed	6,151	New Tenant	885 Meadowlands Drive
2019 Q4	Undisclosed	6100	New Tenant	885 Meadowlands Drive
2019 Q4	Accenture	5504	New Tenant	250 Tremblay Road

Average Basic Rental Rates

Market	Avg Rent PSF Q4	Avg Rent PSF Q3	Margin \$
Greater Ottawa - Overall	\$ 15.22	\$ 15.00	\$ 0.22
Greater Ottawa - Class A	\$ 18.71	\$ 17.99	\$ 0.72
Greater Ottawa - Class B	\$ 14.29	\$ 14.09	\$ 0.20
Downtown Core - Overall	\$ 18.14	\$ 18.36	\$ (0.22)
Downtown Core - Class A	\$ 23.60	\$ 22.63	\$ 0.97
Downtown Core - Class B	\$ 17.40	\$ 17.18	\$ 0.22
Gatineau - Overall	\$ 19.00	\$ 11.00	\$ 8.00
Gatineau - Class A	\$ 25.00	nd *	
Gatineau - Class B	\$ 13.00	\$ 11.00	\$ 2.00
Suburban East - Overall	\$ 14.32	\$ 13.56	\$ 0.76
Suburban East - Class A	\$ 16.68	\$ 15.39	\$ 1.29
Suburban East - Class B	\$ 13.50	\$ 12.77	\$ 0.73
Suburban West - Overall	\$ 14.03	\$ 13.91	\$ 0.12
Suburban West - Class A	\$ 16.28	\$ 15.83	\$ 0.45
Suburban West - Class B	\$ 13.62	\$ 13.39	\$ 0.23

* Insufficient number of buildings to provide adequate statistics.

Availability of office space in Kanata remained relatively unchanged moving slightly upwards from 10.3% at the end of Q3 to 10.5% at year's end. A few large pockets of space persist; specifically the current Entrust HQ at 1000 Innovation Dr. (127K SF), HP's space at 2500 Solandt Rd. (49K SF), and the last two floors of Mitel's former headquarters at 350 Leggett Dr. (90K SF).

Local tech firm Kinaxis announced mid December that it would take possession of a 153K SF new HQ to be constructed on Taggart's Kanata West Development lands located near the Tanger outlet mall. Significant traffic issues on March Rd. were quoted as a major contributing factor to their decision to leave Kanata North. Real Strategy expects that lack of availability of large pockets of space will lead to more new construction.

Email Us:
info@realstrategy.com

