



REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

**Real Strategy Market Outlook:
Q4 2017**

RealStrategy.com

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Greater Ottawa's office market finished the year much as it began with total market availability remaining virtually unchanged at 12.2%, and though 2017 saw significant leasing activity, for every square foot that got leased another went vacant. The market appears to be on the path to stabilization as much of the space shed by the shrinking federal public service has been absorbed, especially in the **Downtown Core**.

However the flight to quality goes on as tenants continue the trend of trading outdated and inefficient older space for refreshed environments and smaller employee footprints.

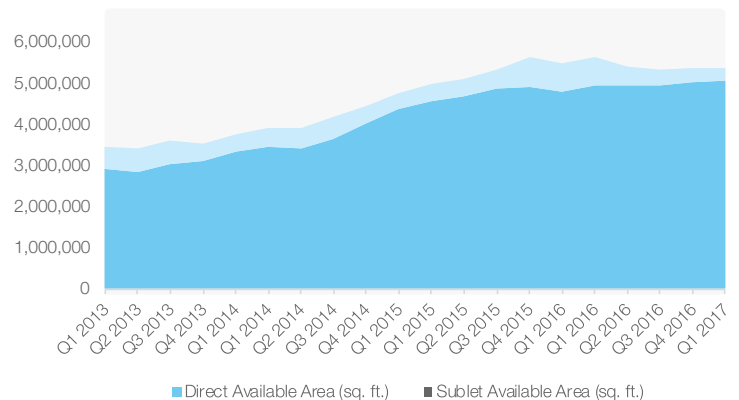
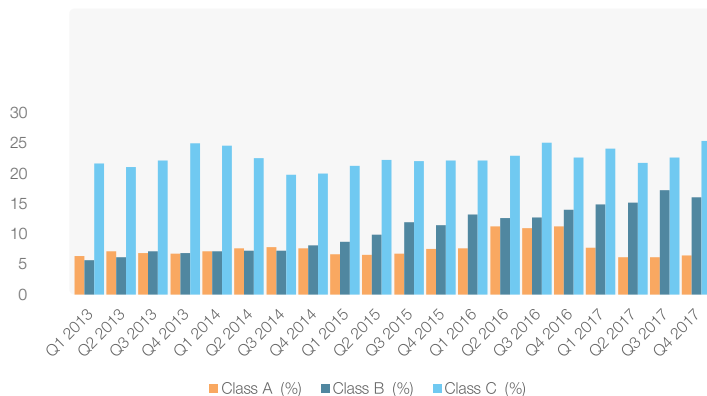
This curious effect is most obvious in the Downtown Core where Class A space is disappearing while older Class B and C properties sit at historically high vacancy.

Competition for downtown tenants is still very fierce, but the battlegrounds have shifted to middle and lower priced buildings.

Downtown Available Rate by Class



Greater Ottawa Availability



Largest Downtown Vacancies



Total Available Rate:

26.9%

29.6%

19.7%

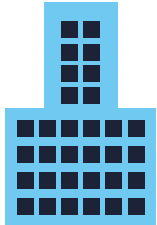
40.7%

9.2%

50.1%

97%

26.2%



Address

130 Albert Street

255 Albert Street

360 Albert Street

473 Albert Street

160 Elgin Street

150 Isabella Street

200 Laurier Ave. W.

55 Metcalfe Street

Total Area (sq. ft.)

207,656

210,305

306,011

132,000

933,662

151,129

66,247

327,024

Building Class

Class B

Class B

Class A

Class B

Class A

Class B

Class B

Class A

Total Available Area (sq. ft.)

55,840

62,205

60,423

53,776

86,027

75,743

64,247

85,840

Total Available Rate (%)

26.9

29.6

19.7

40.7

9.2

50.1

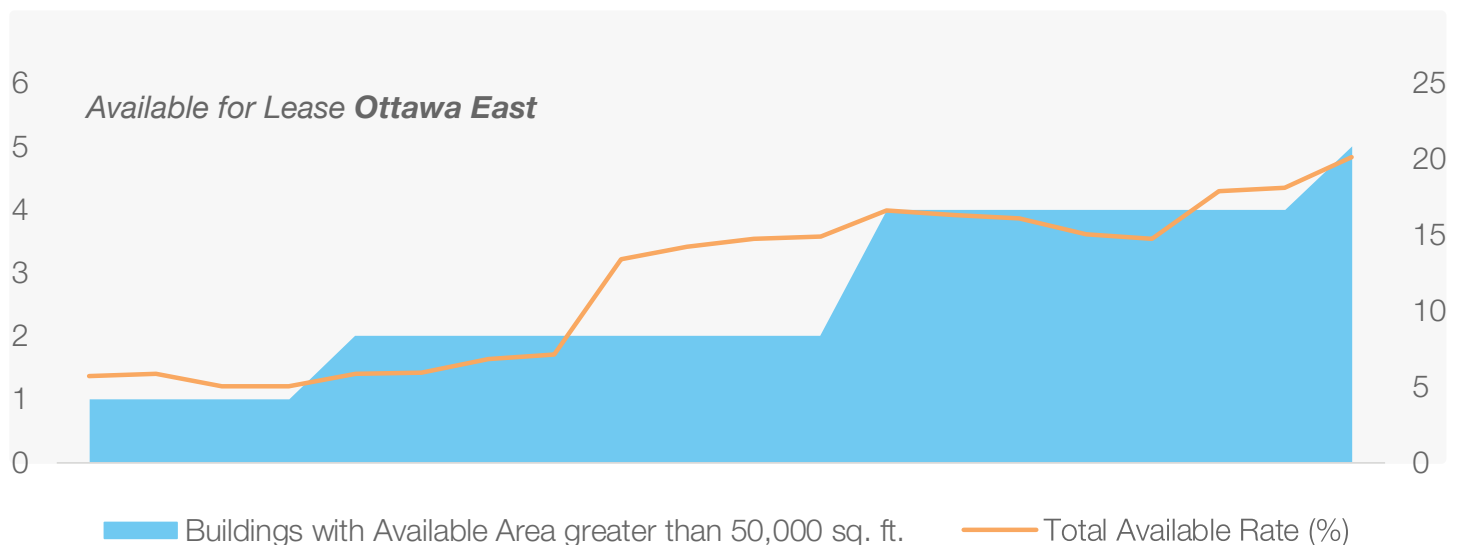
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26.2

SUBMARKET ANALYSIS



Ottawa's **Suburban East** availability continued a stead trend of increasing availability as 1223 Michael Street was returned to the market vacant. This market has been critically weakened by tenant demand to be closer to the **Downtown Core**. Real Strategy Advisors estimates that this submarket will remain weak until at least 2019 until we have a better appreciation of the impact of Ottawa's Light Rail Transit system on leasing.



Notable Lease Transactions



Average Basic Rental Rates

| Quarter / Year | Tenant | Area (sq. ft.) | Deal Type | Building Address |
|----------------|--------------------------------------|----------------|------------|-----------------------|
| 2017 Q4 | Dr. Richard Bergeron | 7,000 | New Tenant | 1600 Carling Avenue |
| 2017 Q3 | CRA | 68,651 | Renewal | 25 Fitzgerald Road |
| 2017 Q3 | Calian Group | 42,000 | New Tenant | 770 Palladium Drive |
| 2017 Q3 | Titus Labs | 40,000 | Expansion | 343 Preston Street |
| 2017 Q3 | You.i TV | 40,000 | New Tenant | 307 Legget Drive |
| 2017 Q3 | House of Commons | 33,000 | New Tenant | 50 O'Connor Street |
| 2017 Q3 | House of Commons | 33,000 | Expansion | 50 O'Connor Street |
| 2017 Q3 | Canada Foundation for Innovation | 23,667 | New Tenant | 55 Metcalfe Street |
| 2017 Q3 | Powersports Canada Inc. | 22,755 | Renewal | 1 Laser Street |
| 2017 Q3 | MMM | 14,771 | Sublet | 1145 Hunt Club Road |
| 2017 Q3 | Jaeck Management Limited Partnership | 11,651 | Expansion | 11 Holland Avenue |
| 2017 Q3 | Canada Foundation for Innovation | 11,157 | New Tenant | 50 O'Connor Street |
| 2017 Q3 | Altus Group | 8,600 | New Tenant | 1545 Carling Avenue |
| 2017 Q3 | City of Ottawa | 7,781 | New Tenant | 2625 Queensview Drive |
| 2017 Q3 | Impact Public Affairs | 6,442 | New Tenant | 222-230 Queen Street |

| Market | Avg Rent PSF |
|---------------------------------|-----------------|
| Greater Ottawa - Overall | \$ 15.34 |
| Greater Ottawa - Class A | \$ 18.42 |
| Greater Ottawa - Class B | \$ 12.04 |
| Downtown Core - Overall | \$ 18.21 |
| Downtown Core - Class A | \$ 23.27 |
| Downtown Core - Class B | \$ 16.69 |
| Gatineau - Overall | \$ 16.88 |
| Gatineau - Class A | \$ 25.00 |
| Gatineau - Class B | \$ 13.75 |
| Suburban East - Overall | \$ 14.32 |
| Suburban East - Class A | \$ 16.10 |
| Suburban East - Class B | \$ 12.77 |
| Suburban West - Overall | \$ 15.20 |
| Suburban West - Class A | \$ 13.73 |
| Suburban West - Class B | \$ 12.00 |

The **submarket of Kanata** has been very strong for the past two years as Ottawa's technology sector strengthens. Notable recent deals include Calian's decision to leave Kanata North and relocate to 770 Palladium Drive. This will create a 27,000 square foot vacancy when they depart their current location in the Mitel complex at 340 Legget Drive. You.i.TV took advantage of two full floors made vacant by the departure of Ciena from 307 Legget Drive. Formerly the home of Catena Networks, this building offered a significant upgrade in street side image and presence to one of Ottawa's fastest growing startups.

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