



REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

**Real Strategy Market Outlook:
Q4 2018**

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Ottawa's office market continued to surge throughout 2018 as the Federal Government and Ottawa's technology sector maintained their strong appetite for quality office space.

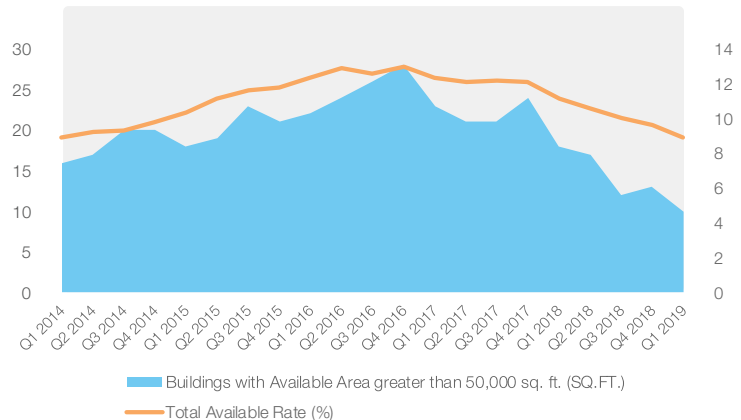
Greater Ottawa's overall office availability fell from 12.1% in Q4 2017 to 9.6% at end of 2018, a remarkable change in just 12 months. Especially interesting is that occupancy in Ottawa's older downtown properties have begun to bounce back as they've been renovated and the desirability of a downtown address continues to drive local HR strategies.

Downtown Class C Availability fell most sharply from 24.9% at the end of 2017 to end the year at 19.6%. This marks the first time since 2014 that Class C space downtown has fallen below 20% availability. Class A Availability remained relatively flat at 5.2%, while Class B Availability dropped from 16.1% as of Q4 2017, to close 2018 at 11.1%. Real Strategy is predicting that 2019 will continue the trend of decreasing availability with Class B and C buildings likely to stabilize at an availability rate of close to 10%.

Downtown Available Rate by Class



Greater Ottawa Availability



Largest Downtown Vacancies



Total Available Rate:

21%

45%

32%

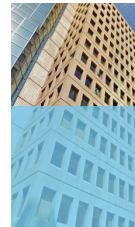
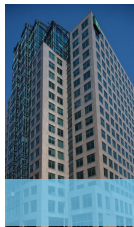
18%

54%

29%

14%

15%



Building Name	World Exchange Plaza (I)	473 Albert Street	350 Sparks Street Office	Constitution Square (I)	85 Albert Street	222-230 Queen	Constitution Square (III)	Place De Ville (B)
Total Office Area (sq. ft.)	414,516	132,000	174,148	306,011	89,339	164,320	330,000	303,318
Office Class	Class A	Class B	Class B	Class A	Class C	Class B	Class A	Class B
Total Available Area (sq. ft.)	86,607	58,738	56,508	56,307	48,243	48,184	47,563	45,628
Total Available Rate (%)	21	45	32	18	54	29	14	15

SUBMARKET ANALYSIS

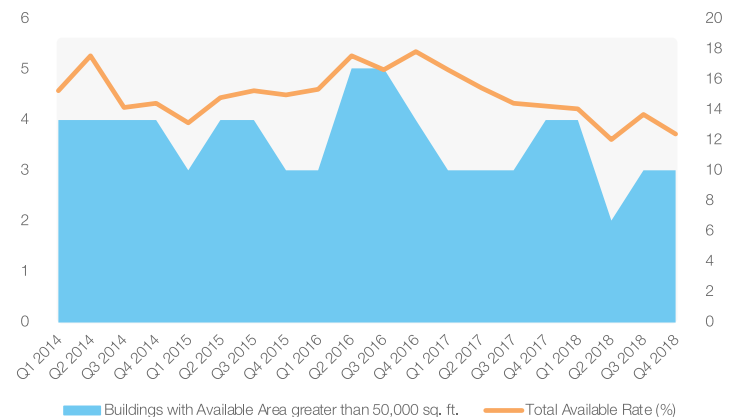
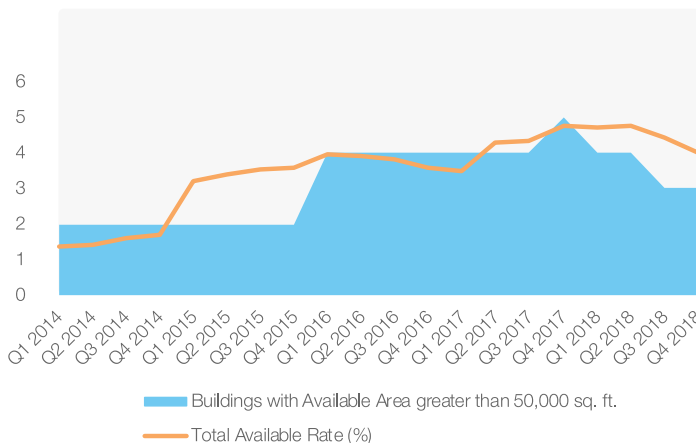


The biggest news in the **East end of Ottawa** was that the Federal Government concluded a 180,000 sq. ft. transaction for six floors at BONA's 1625 Vanier Parkway. Though four floors remain vacant, this deal goes a long way to solving the chronic vacancy issues at this property. Ottawa East availability fell from 19.8% one year ago to end 2018 at 16.7%. It is expected that this market will continue to rebound in part from an expected large government lease at Controllex's Trainyards facility where preparations for even more office development are already underway.

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
2018 Q4	Undisclosed	12,190	New Tenant	55 Metcalfe Street
2018 Q4	PWGSC	11,204	New Tenant	160 Elgin Street
2018 Q4	Undisclosed	8,690	New Tenant	220 Laurier Avenue West
2018 Q4	S. Sullivan and Son Limited	8,602	Expansion	770 Palladium Drive
2018 Q3	Undisclosed	44,000	Expansion	411 Legget Drive
2018 Q3	PWGSC	180,000	New Tenant	1625 Vanier Parkway

Market	Avg Rent PSF Q4	Avg Rent PSF Q3	Margin \$
Greater Ottawa - Overall	\$ 15.24	\$ 15.42	\$ (0.18)
Greater Ottawa - Class A	\$ 18.39	\$ 18.69	\$ (0.30)
Greater Ottawa - Class B	\$ 13.95	\$ 13.95	\$ -
Downtown Core - Overall	\$ 18.47	\$ 19.89	\$ (1.42)
Downtown Core - Class A	\$ 22.71	\$ 23.50	\$ (0.79)
Downtown Core - Class B	\$ 16.40	\$ 17.83	\$ (1.43)
Gatineau - Overall	\$ 16.63	\$ 15.30	\$ 1.33
Gatineau - Class A	\$ 25.00	\$ 25.00	\$ -
Gatineau - Class B	\$ 13.25	\$ 13.25	\$ -
Suburban East - Overall	\$ 13.99	\$ 14.12	\$ (0.13)
Suburban East - Class A	\$ 16.42	\$ 16.42	\$ -
Suburban East - Class B	\$ 12.67	\$ 12.92	\$ (0.25)
Suburban West - Overall	\$ 14.26	\$ 13.76	\$ 0.50
Suburban West - Class A	\$ 16.09	\$ 15.09	\$ 1.00
Suburban West - Class B	\$ 13.84	\$ 13.43	\$ 0.41

Kanata's office market continued its trend of falling vacancy and rising rental rates fueled by a combination of decreasing space availability and the influence of KRP Properties' consolidation of ownership since their acquisition of the portfolios formerly managed by Colonnade Bridgeport and Dream Properties.

Large expansions from tech firms like Ford, Google and Calian are just examples of the strong and steady growth occurring in Ottawa's West end technology parks.

Yet as maintenance costs continue to trend upwards in Kanata properties now approaching 20 years of age, Total Occupancy Costs for quality space near March Road now exceeds \$30.00 per square foot which is comparable to many downtown buildings. This is a marked change for Kanata which has always been touted as a low cost alternative to more centrally located properties with paid parking. Though Kanata is still blessed with abundant and often free parking, as Ottawa's Light Rail Transit system comes on-line in 2019, more tenants may choose to locate more centrally if parking costs become less of a factor. However due to a deep pool of experienced engineering talent, Real Strategy predicts that demand for quality Class A & B suburban product in Kanata will remain strong throughout 2019.

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