

RS

REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

Q1
2020

OTTAWA
MARKET
REPORT

WELCOME

You may have noticed our new look! In our continued effort to bring you the latest and most relevant Commercial Real Estate statistics, we have switched our data provider to CoStar Realty Information Inc. and created a new, easy-to-read layout for our clients, partners and community.



About CoStar

At CoStar, we're in the business of equipping our clients with what they need to succeed.

We create opportunity through a combination of reliable tools, resources, and deep understanding on over 5 million commercial real estate properties in today's market. Find relevant information, meet the right people, and make the deals that are critical to your success.

Whatever your business, we're here to help you reach your goals, and keep you moving ahead with confidence.



SUMMARY

Note to reader: This publication was delayed due to the onset of COVID-19, therefore some of the commentary and analysis will be updated in next quarter's report.

In the first quarter of 2020, all aspects of local and global economies were profoundly affected due to the advent of COVID-19. Since the beginning of the pandemic status issuance, a steep decrease in oil prices, lowered interest rates, and historic government stimulus actions have all been observed. With this somewhat uncertain forecast acknowledged, Ottawa's economic situation is actually fairly encouraging.

Ontario may have witnessed a slow end to 2019 and the anticipated benefits from investment in infrastructure projects have now been delayed. The Ottawa-Gatineau economy however, is set to see employment growth around 2% as the region's public service, high tech, construction, and retail/distribution sectors expand. Building off a 2019 GDP of 2.1% and employment growth of 1.3%, Real Strategy Advisors expects the Ottawa-Gatineau market to be less affected by the larger economic uncertainty abound.



I can't take it, I'm leaving...



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?

Improve attraction and retention of top talent with Real Strategy. We help you create modern and professional work environments to increase employee productivity, satisfaction, and engagement at a price you can afford. We'd be happy to add you to our long list of satisfied customers.

RealStrategy.com

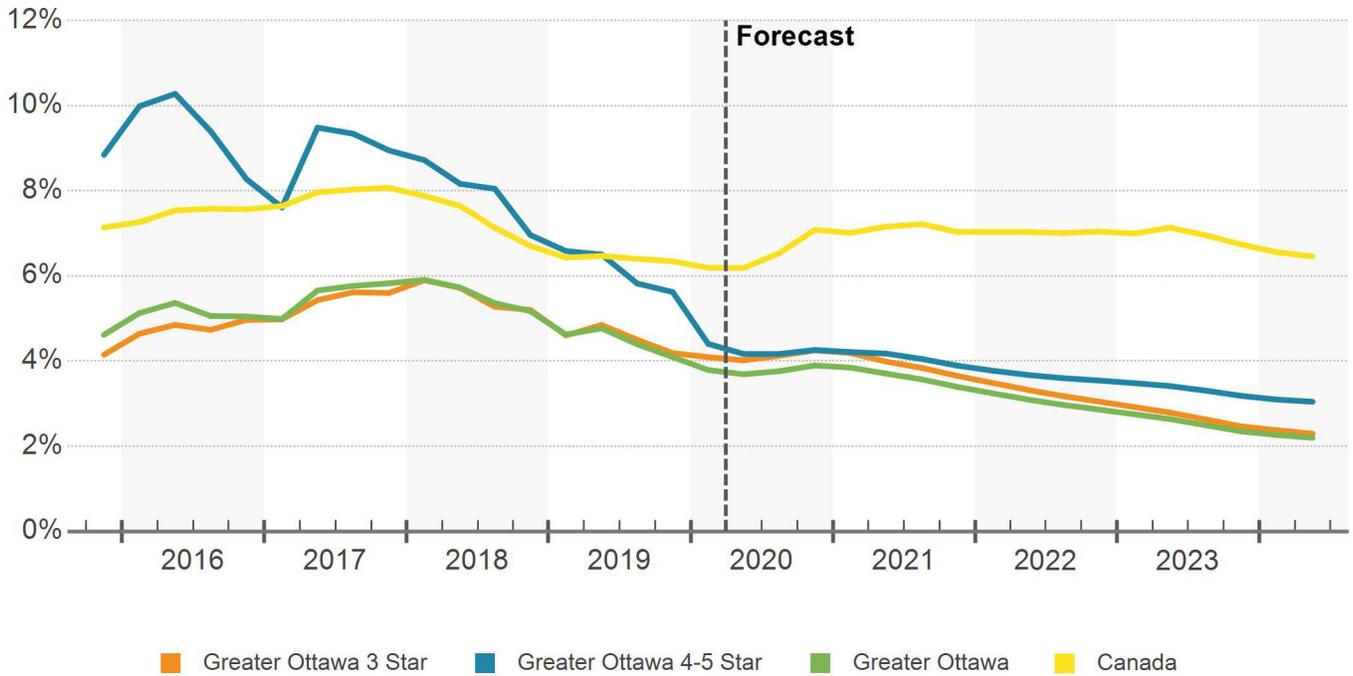


The historic trend concerning the Ottawa office market has been of high-occupancy and decreasing vacancies. Although the Federal government has been recently opting for suburban office locations, downtown's vacancy rate has been tempered by high-tech companies looking to attract talent with urban locations and amenities. We had expected to see the decreasing vacancy rate trajectory continuing, simply at a more gradual pace. However the impact of COVID-19 will likely create more vacancy and put downward pressure on rental rates for the remainder of the year.

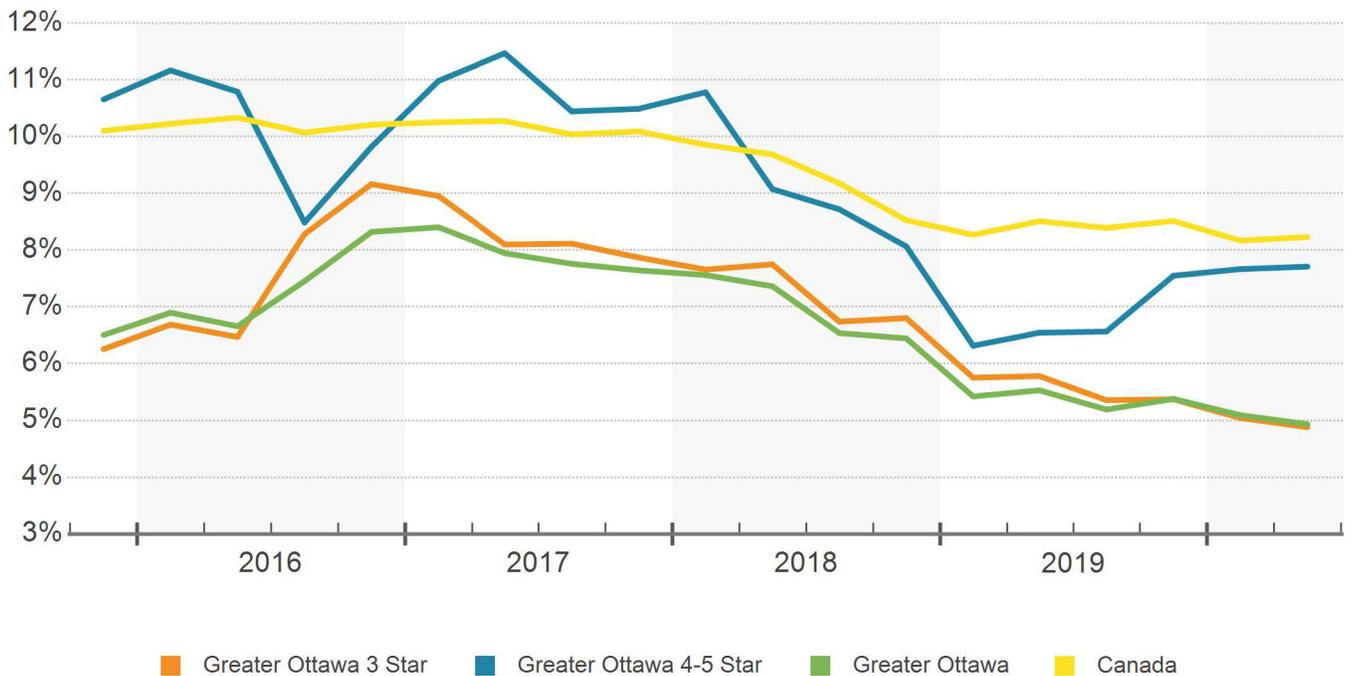
Vacancy for 3 Star properties has closely mirrored the overall vacancy rate, for Ottawa, but it's the 4 and 5 Star properties that are more intriguing. Vacancy for these properties are generally peak at the start with the new supply and then gradually leased. For example, we've watched the vacancy rate on these properties decrease from 9.2% in 17Q2 to 6.7% in 19Q4. Notable tech players helping shift this vacancy dynamic are Shopify and Telesat who occupy approximately 320,000 SF and 76,800 SF of office space respectively.

LEASING

VACANCY RATE



AVAILABILITY RATE



* Images provided by CoStar

NOTABLE LEASES

TOP OFFICE LEASES PAST 12 MONTHS

Building Name/Address	Submarket	Leased SF	Tenant Name
66 Slater St	CBD	35,003	FCM
G Best Building	Kanata	29,221	N/A
53 Auriga Dr	Colonnade/ Rideau Heights	21,894	N/A
Northtech Campus	Kanata	18,020	N/A
495 March Rd	Kanata	17,936	N/A
Kanata Northtech Campus	Kanata	15,469	N/A
Kanata Northtech Campus	Kanata	15,469	N/A
161 Greenbank Rd	Centrepont/ Qualicum	14,812	N/A
505 March Rd	Kanata	14,684	N/A
World Exchange Plaza	CBD	11,867	N/A
84 Jean Proulx St	Gatineau	11,544	Prévimed
84 Jean Proulx St	Gatineau	11,544	Prévimed
309 Legget Dr	Kanata	10,891	N/A



I'm in over my head...



Brokerage

Are you considering a commercial real estate lease or purchase?

Negotiating a commercial real estate transaction is a long, complex process and there are many ways you can find yourself at a disadvantage.

Whether renewing or relocating, a lease, or purchasing a property, our commercial real estate advisors are available to help you maximize your results and save money.

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RENT

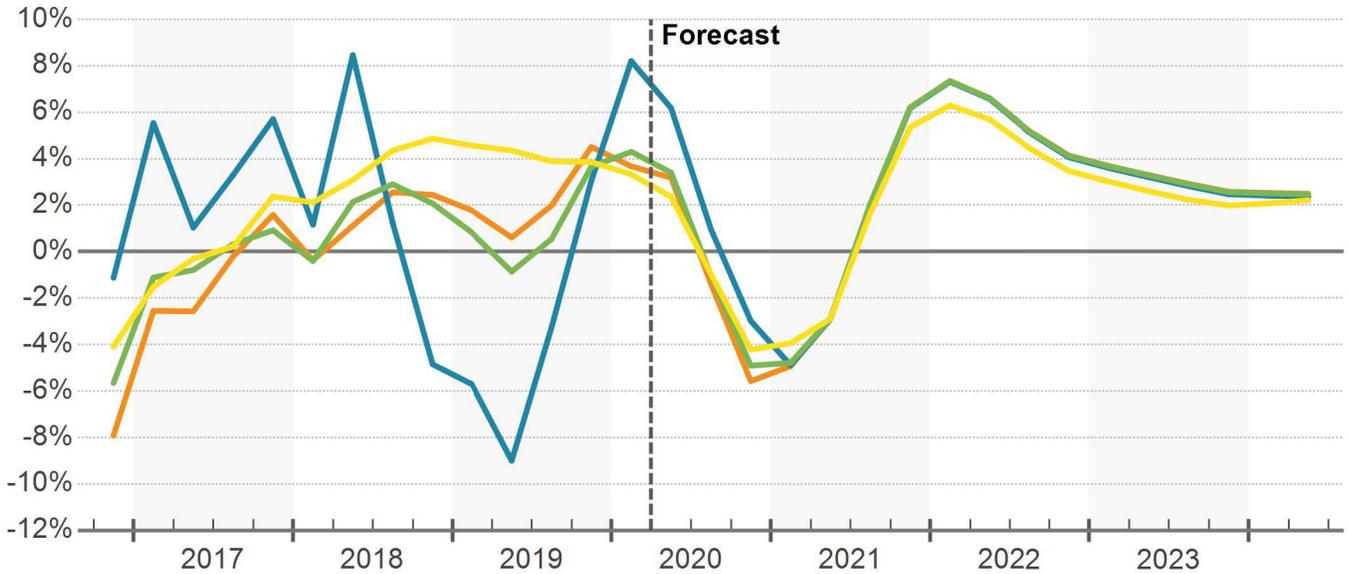
The Ottawa-Gatineau market experienced demand downtown and in suburban markets from high-tech companies, alongside continued demand in the suburbs from the Federal government. Despite the renewed demand and shifting market players, rents remained quite stable and Real Strategy (would have expected) slow but steady growth in this respect. Something interesting to look out for will be the success of the public/private tenant mix in some of the buildings that were exclusively

government before. Although location is key, tech tenants are more inclined to start with a blank canvas than adopt spaces with heavy government branding or association.

- Net asking rents rose less than 1% year-over-year in 19Q3 to reach \$31/SF
- 3 Star properties asking rent growth came in at 2% at the end of 2019
- 4 and 5 Star properties experienced the strongest rent growth early in 19Q2 at 11.3%, but then weakened and ultimately finished down 2.5% year-over-year

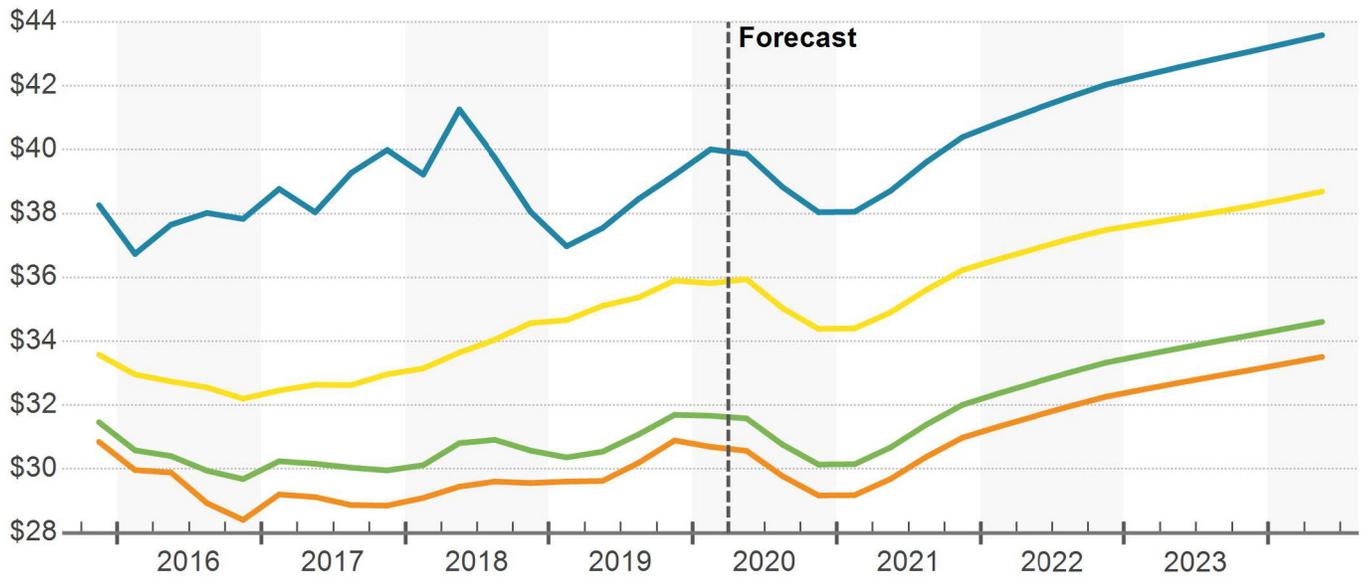
RENT

MARKET RENT GROWTH (YOY)



■ Greater Ottawa 3 Star
 ■ Greater Ottawa 4-5 Star
 ■ Greater Ottawa
 ■ Canada

MARKET RENT PER SQUARE FEET



■ Greater Ottawa 3 Star
 ■ Greater Ottawa 4-5 Star
 ■ Greater Ottawa
 ■ Canada

* Images provided by CoStar



*I can't
concentrate, it's
driving me crazy...*



Workplace Strategy

Is the layout of your office optimized for staff productivity, happiness, performance, and retention?

Developing a plan will have a considerable impact on your business and ensure you're getting the most out of your workspace. Our commercial real estate advisors can engage with your team and conduct on-site research to help foster productive, happy and long term employees — all within your budget.

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SALES

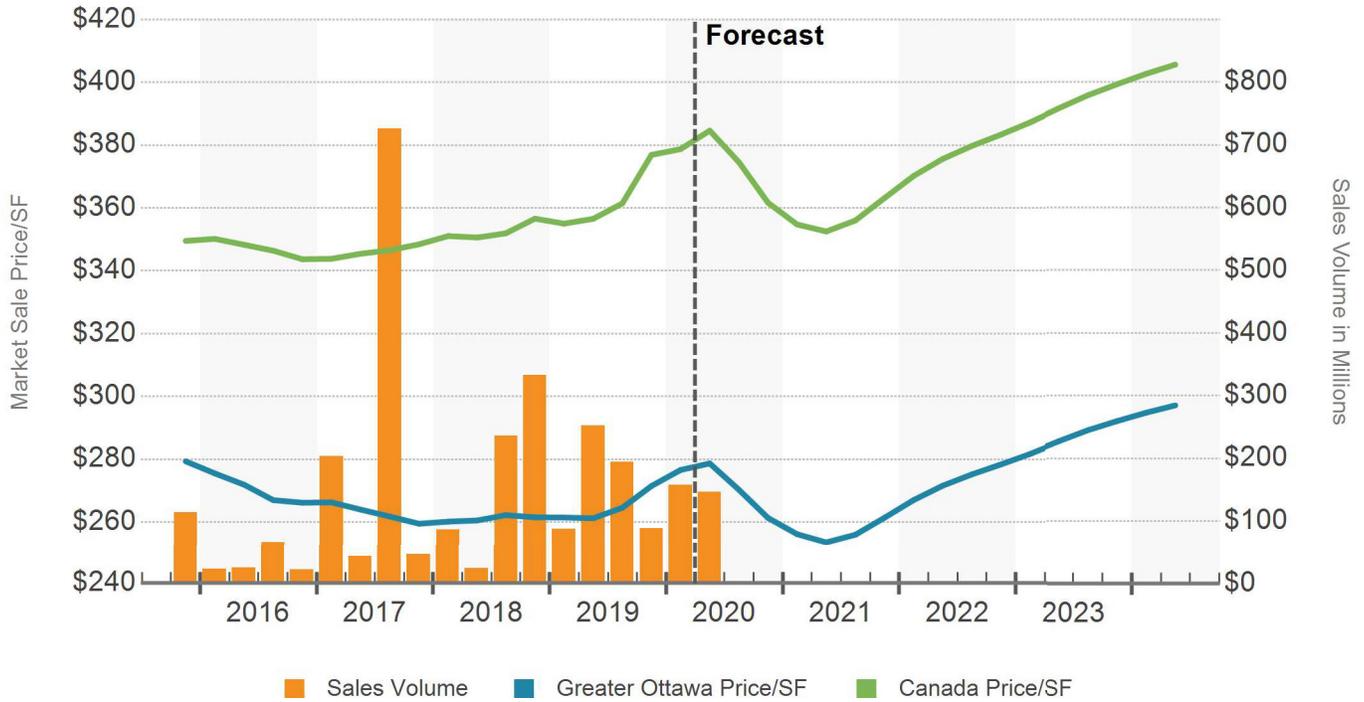
Historically, Ottawa's office assets cap rates have ranged from 5.5%-7.5%. Last year, cap rates averaged 6.5% with quality downtown assets traded between 4%-6% and suburban ones traded between 6%-8%. In terms of price per square foot, assets are trading at a 12 month average of about \$130/SF — below the typical \$220/SF-\$250/SF range.

A noteworthy transaction from last year:

- Dream Office REIT sold 150 Metcalfe St. (147,000 SF office tower in Centretown) to Northam Realty Advisors for \$40.5 million at a 6.1% cap rate
- Buyer interest stemmed primarily from a favourable mix of tenants, parking ratio (approximately 0.6/thousand SF), and being well suited to their investment requirements
- Majority of the space is being leased by embassies and law-firms with only one government tenant at 5,900 SF

SALES

SALES VOLUME & MARKET SALE PRICE PER SF



* Images provided by CoStar



This is more than I bargained for...



Project Management

Does the idea of being responsible for a significant commercial real estate project fill you with dread?

Our commercial real estate advisors provide executive level consulting designed to take the burden off you and your team while you focus on your business.

We help you assemble a team of best-in-class commercial real estate consultants, vendors, and project managers while also providing executive level oversight and accountability for the entire process.

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SUBMARKETS

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Alta Vista	\$30.58	14	4.4%	10	2.3%	19
2	Barrhaven	\$32.41	6	10.0%	1	4.1%	4
3	Belfast/Sheffield	\$30.53	15	5.4%	4	2.2%	20
4	Bells Corners/Crystal Beac	\$29.12	19	4.4%	12	-0.8%	23
5	Blair/Ogilvie	\$30.24	16	3.6%	18	3.4%	7
6	CBD	\$37.69	1	5.0%	5	2.5%	16
7	Centrepont/Qualicum	\$31.86	8	3.9%	14	2.7%	13
8	Centretown	\$33.46	3	4.3%	13	2.6%	15
9	Colonnade/Rideau Heights	\$27.11	23	3.5%	19	4.1%	3
10	East Outer Ottawa	\$28.63	21	3.8%	16	3.2%	8
11	Gatineau	\$26.86	24	3.1%	22	3.5%	6
12	Glebe	\$32.81	4	3.5%	20	5.0%	2
13	Goulbourn/West Carleton	\$31.28	10	4.7%	7	-6.4%	24
14	Heron/Riverside	\$32.46	5	6.7%	2	3.1%	9
15	Hunt Club/Walkley	\$28.06	22	3.7%	17	2.4%	17
16	Kanata	\$29.81	17	4.8%	6	4.0%	5
17	Lowertown	\$33.51	2	3.4%	21	1.7%	21
18	Merivale	\$30.77	13	4.6%	8	2.8%	12
19	Montreal Road	\$30.93	12	3.8%	15	2.9%	11
20	NW Outer Ottawa	\$28.77	20	2.6%	23	5.8%	1
21	Orleans	\$31.59	9	5.8%	3	1.4%	22
22	Queensview/Morrison	\$29.32	18	2.2%	24	2.4%	18
23	Tunney's Pasture	\$31.16	11	4.6%	9	3.0%	10
24	Woodward/Carling	\$31.86	7	4.4%	11	2.7%	14

* Statistics provided by CoStar

SUBMARKETS

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Alta Vista	68,005	5.9%	18	(24,402)	-2.1%	24	-
2	Barrhaven	2,751	0.2%	1	3,233	0.3%	16	-
3	Belfast/Sheffield	102,099	4.9%	16	289,636	13.8%	1	-
4	Bells Corners/Crystal Beac	39,864	2.8%	10	50,555	3.6%	5	-
5	Blair/Ogilvie	108,131	4.3%	15	51,264	2.0%	4	-
6	CBD	1,009,618	5.9%	19	8,859	0.1%	12	-
7	Centrepont/Qualicum	23,613	1.7%	5	48,280	3.5%	6	-
8	Centretown	275,638	3.7%	14	44,963	0.6%	7	-
9	Colonnade/Rideau Heights	155,917	5.3%	17	(19,437)	-0.7%	23	-
10	East Outer Ottawa	2,553	1.8%	6	4,654	3.3%	15	-
11	Gatineau	162,079	1.2%	2	67,090	0.5%	2	0.2
12	Glebe	60,139	8.8%	22	8,213	1.2%	13	-
13	Goulbourn/West Carleton	15,213	3.2%	11	(1,084)	-0.2%	20	-
14	Heron/Riverside	49,391	2.3%	8	8,006	0.4%	14	-
15	Hunt Club/Walkley	264,439	9.5%	23	1,352	0%	18	16.6
16	Kanata	512,879	7.1%	21	60,046	0.8%	3	-
17	Lowertown	128,195	2.3%	9	(4,773)	-0.1%	21	-
18	Merivale	8,848	7.1%	20	2,495	2.0%	17	-
19	Montreal Road	55,815	1.8%	7	32,164	1.0%	9	-
20	NW Outer Ottawa	-	-	-	0	0%	-	-
21	Orleans	16,974	3.4%	12	23,259	4.7%	11	-
22	Queensview/Morrison	21,179	1.7%	4	27,517	2.2%	10	-
23	Tunney's Pasture	98,668	1.4%	3	(9,370)	-0.1%	22	-
24	Woodward/Carling	127,045	3.7%	13	43,989	1.3%	8	-

* Statistics provided by CoStar