



REAL STRATEGY

Commercial Real Estate Strategy
& Implementation Solutions

Q1
2021

OTTAWA MARKET REPORT



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

ECONOMY

As we wrapped up the first quarter of 2021, the onset of a third wave in tandem with a vaccination rollout is certainly top of mind for many. From an economic perspective, although 2020 finished as one of the worst years on record for Canada, the year also closed on a strong note that has now continued into 2021. Nationally speaking, according to Statistics Canada, the Canadian economy experienced an annualized growth rate of almost 10% in 20Q4.

Even though the country may have had a stronger finish to the year than expected, a 9.6% annualized growth rate is still a far cry away from the 40.6% Canada was experiencing prior to the first lockdown last spring. Statistics Canada has reported that GDP fell by 5.4% in 2020 which was the worst decline on record but also indicated that emergency federal spending largely helped cushion this decline. In low-income households particularly, government aid has been able to buffer lost income and (because spending on travel or leisure was reduced) personal savings have actually increased for many.

Recent news that safe and effective COVID-19 vaccines have started to be distributed on a larger scale, has provided hope and optimism moving forward which will be inextricably tied to overall economic recovery. That said,

COVID-19 variants are on the rise in Ontario with Ottawa recently slipping back into the red zone and stringent restrictions are once again in place for public safety that come at the cost of economic growth. Successful vaccine rollouts in tandem with hundreds of billions in federal government stimulus measures over the coming years will (hopefully) not only stunt the decline in growth but actually get the Canadian economy back to where it needs to be.

For office users, it will likely take until the latter half of 2021 before we start to observe anything that resembles stabilization in the market since we are still very much in the midst of record-low tenant demand due to the pandemic impact on remote work — or digital by design rather as Shopify puts it! In the National Capital Region, many organizations are still figuring out their plans for office re-entry and a more permanent workplace reoccupation. Hybrid work and activity based workplace flexibility will be permanent pillars in moving forward.

Finally, senior leaders must remember that traditional socialization and collaboration in the context of teamwork and business dealings is certainly being felt and missed... providing activities and tools to meet these needs are essential components of amazing space!



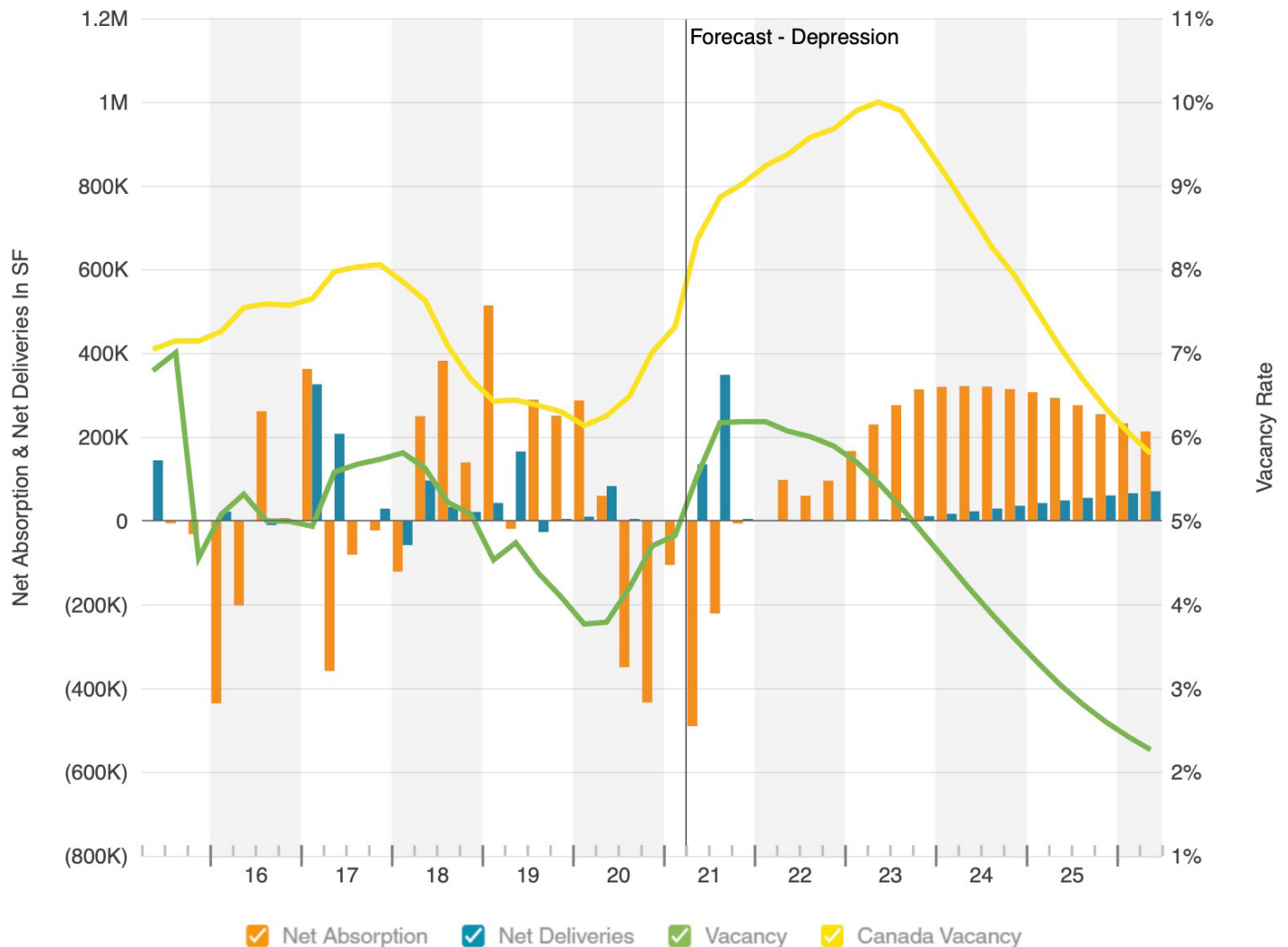
LEASING

On the leasing front in Ottawa, increasing vacancy is set to continue throughout 2021. The commercial real estate market finished 2020 with an unprecedented negative net absorption (meaning more space came back onto the market than what was snapped up by tenants) which has continued into this year. Unless the federal government begins to significantly exit from its private sector leases, we'll likely see net absorption begin to level out in the final quarter of this year. However, until we achieve widespread vaccination, supporting a large scale return to the office, Real Strategy believes there'll be more office space coming onto the market for the time being than there will being leased and occupied.

Market net rents will also continue to decline coinciding with increasing vacancy. Although landlords and building management companies are still hesitant to lower their posted rental rates, inducements like free rent, financed construction, and other ways of incentivizing tenants are now becoming commonplace in office leasing negotiations. This pattern will continue at least into mid-2022 before we start to see rental rates start to recover. Likewise, vacancy is expected to increase (especially in the downtown core) in 2021 before levelling off towards the end of the year.

LEASING

NET ABSORPTION, NET DELIVERIES & VACANCY

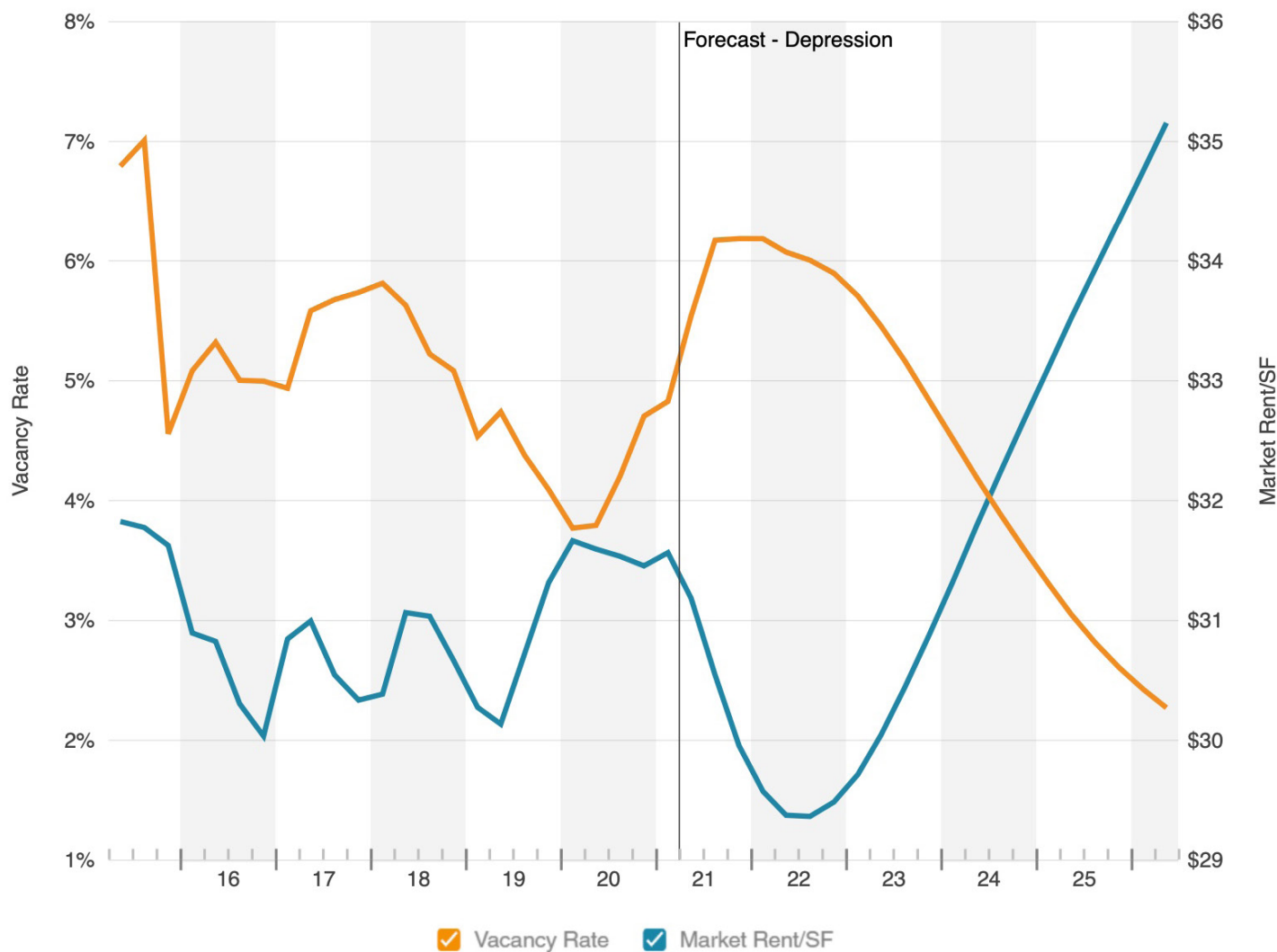


* Images provided by CoStar

Although market rental rates are decreasing across the country, Ottawa is still cheaper than the national average by about \$4/SF. Vacancy and availability rates are increasing nationally but Ottawa is fairing better off with 4.8% versus 7.4% for vacancy and 6.3% versus 10.5% in terms of availability statistics. On the whole, Ottawa's vacancy SF total represents about 8.5% of what's seen on the national level and represents about 7.7% of the national availability SF total. Ottawa's sublet SF total also compares well nationally (and to other major cities) representing about 4.9% of the total SF available for sublease in the country.

LEASING

VACANCY & MARKET RENT PER SF




* Images provided by CoStar

NOTABLE LEASES

TOP OFFICE LEASES PAST QUARTER

Building Name/Address	Submarket	Leased SF	Tenant Name
Phase 1	Kanata	17,073	N/A
Baxter Centre	West	16,344	N/A
Sir Richard Scott Building	CBD	13,450	N/A
60 George St.	Lowertown	13,344	Institute On Governance
Heritage Place	CBD	12,673	N/A
Heritage Place	CBD	12,059	N/A
Constitution Square Tower III	CBD	9,993	N/A
Heritage Place	CBD	8,452	N/A
955 Green Valley Cres.	Heron/Riverside	8,064	N/A
99 Metcalfe St.	CBD	7,701	N/A
1150 Morrison Dr.	Queensview/Morrison	7,032	Jp2g Consultants Inc.
Park of Commerce	Blair/Ogilvie	6,392	N/A
955 Green Valley Cres.	Heron/Riverside	6,297	N/A
Constitution Square Tower III	CBD	6,198	N/A
Constitution Square Tower III	CBD	9,993	N/A
CDTI de Hull	Gatineau	5,176	N/A

* Statistics 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.

RealStrategy.com



RENT

Rent growth in the National Capital Region's office market continued to contract in 21Q1 and will continue to shrink until later in the year. In terms of properties, Class A buildings are currently the most affected and are predicted to dip into negative growth.

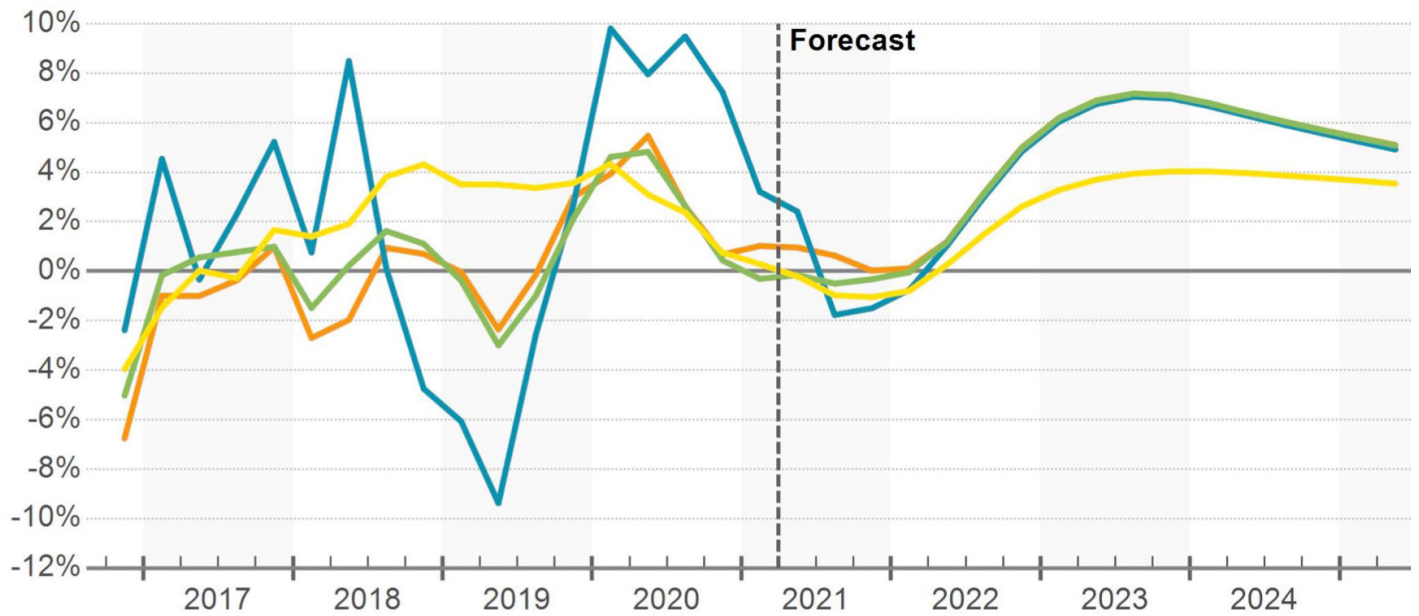
The implication here being that the expected trend for market rental rates is for them to start falling (in addition to overall net rent). Later in the year when this occurs, we may actually see tenants from Class B or Class C properties upgrade to some of the, now cheaper, quality office space.

Therefore, the higher quality buildings are expected to have a V-shaped trend — reflecting a quicker downfall AND recovery — whereas the lower quality spaces will experience a longer U-shaped trend. If this projected scenario were to occur, owners and operators of the older and lower quality buildings will likely have to perform renovations, construction, and upgrades to become more marketable.

Real Strategy's forecast for 2021 still calls for rents to fall across the region as both private and public sector organizations try to balance safety and productivity. Successful vaccination is the main variable that will either hasten or extend the timeline for large scale office re-occupancy.

RENT

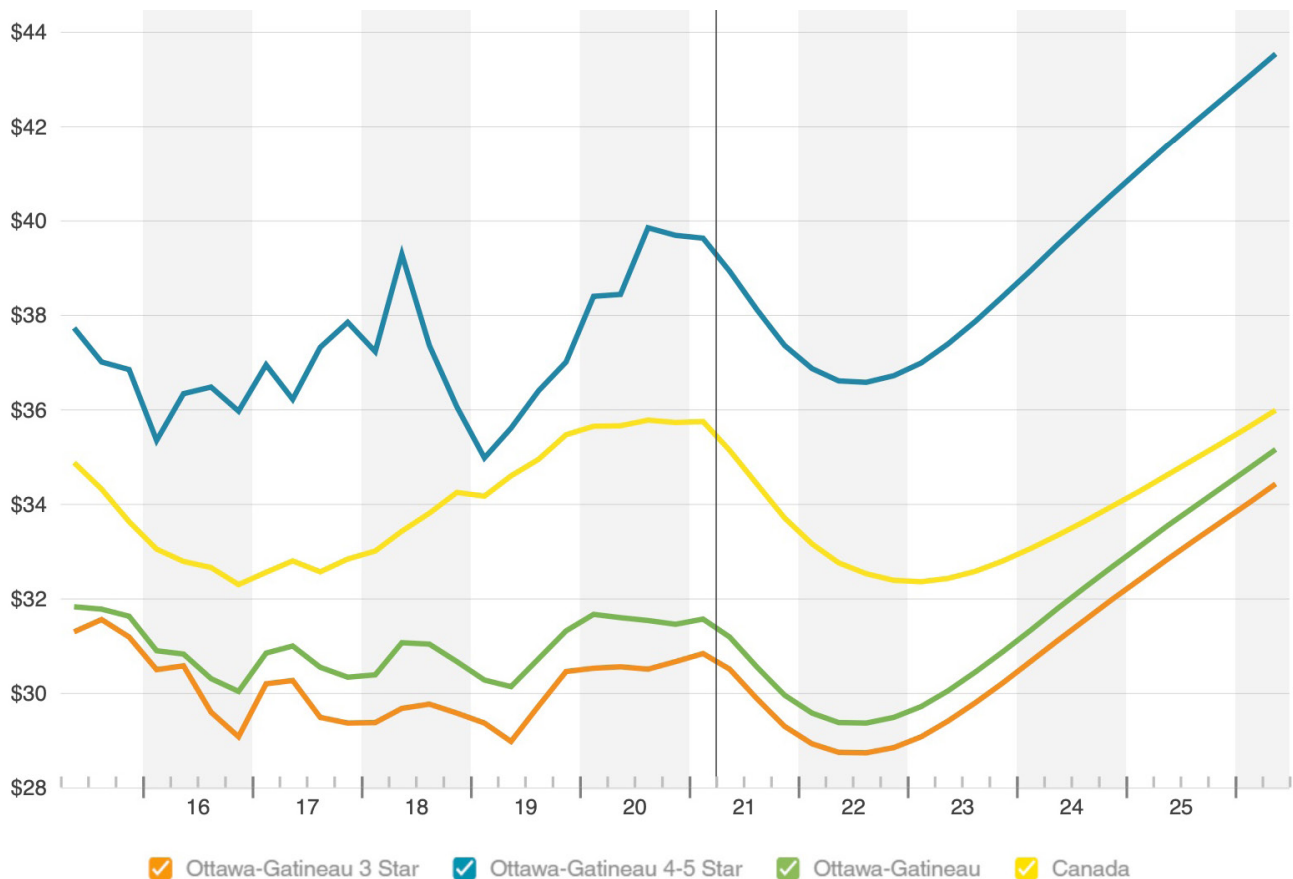
MARKET RENT GROWTH (YOY)



* Images provided by CoStar

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

MARKET RENT PER SQUARE FOOT





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.

RealStrategy.com



SALES

Midway through last year, investment sales volume for commercial properties took a nosedive and remained next to nothing for the remainder of 2020 as lenders and investors decided to sit on the side lines to wait out the pandemic. Although investment sales volume was up in 21Q1 from 20Q4, it will require a large number of high dollar transactions before volume returns to pre-pandemic levels. Market sale prices are still expected to dip for the remainder of the year but can be expected to start to climb in early 2022.

Recent Significant Sales:

523 Montée Paiement sold for \$2,500,000 (\$193/SF) in mid-January

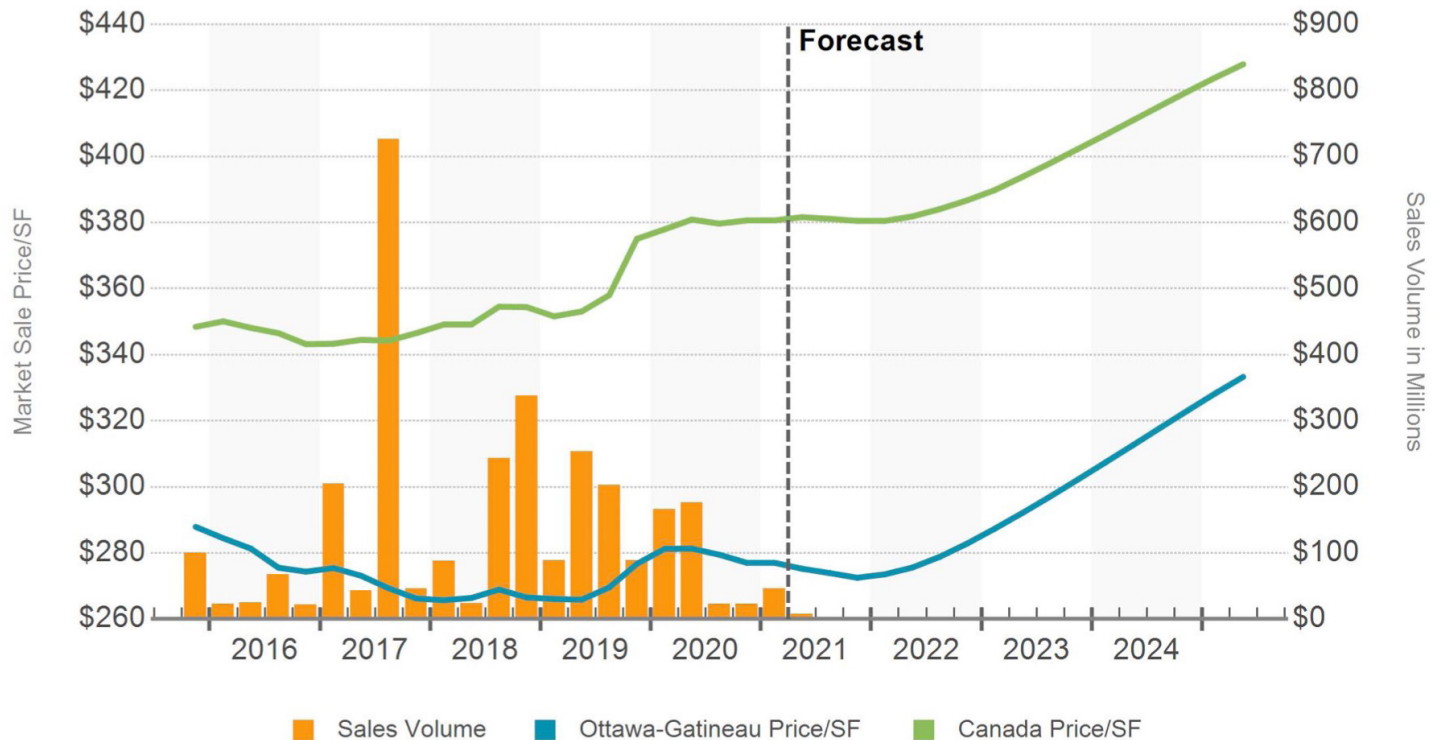
225 Montée Paiement with 15,000 SF sold for \$2,900,000 (\$193/SF) in early February

2220 Walkley Rd. with 83,275 SF sold for \$18,250,000 (\$219/SF) in early February

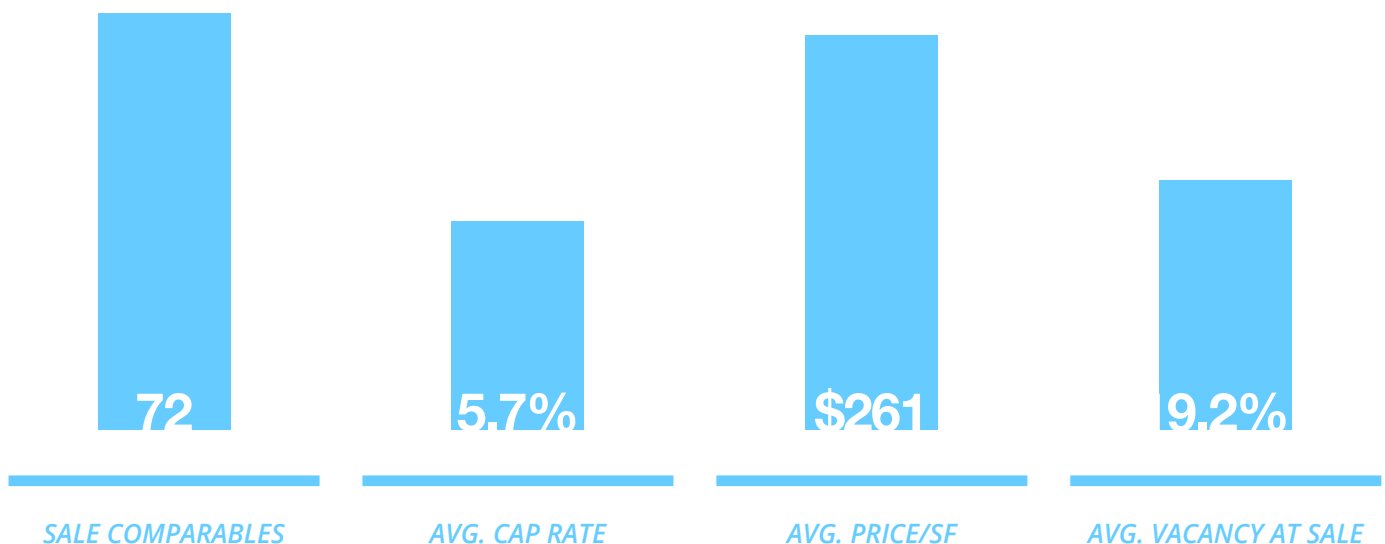
275 Bay St. with 9,000 SF sold for \$2,650,000 (\$294/SF) in early March

SALES

SALES VOLUME & MARKET SALE PRICE PER SF



* Images provided by CoStar



A man wearing a white long-sleeved shirt, black trousers, and a white hard hat is sitting on a concrete ledge at a construction site. He is looking down with a stressed expression, his hands clasped together. A yellow pipe and a yellow tape measure are on the ground next to him. The background shows red metal railings and a building under construction.

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.

RealStrategy.com

SUBMARKETS

SUBMARKET RENT

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Alta Vista	\$28.88	19	-0.3%	12	20.9%	15
2	Barrhaven	\$32.66	5	4.6%	1	22.3%	12
3	Belfast/Sheffield	\$30.56	10	1.7%	3	12.3%	21
4	Bells Corners/Crystal Beac	\$29.26	17	0.5%	7	-52.4%	23
5	Blair/Ogilvie	\$28.57	20	-3.3%	22	18.0%	19
6	CBD	\$37.56	1	1.6%	4	25.4%	4
7	Centrepont/Qualicum	\$31.36	8	-0.4%	13	23.0%	9
8	Centretown	\$34.97	2	0.7%	6	22.8%	10
9	Colonnade/Rideau Heights	\$28.04	23	-0.5%	15	27.0%	2
10	East Outer Ottawa	\$29.16	18	-1.6%	19	25.9%	3
11	Gatineau	\$26.80	24	-2.5%	21	18.5%	18
12	Glebe	\$32.89	4	-3.7%	23	19.9%	16
13	Goulbourn/West Carleton	\$31.44	7	-0.3%	11	23.4%	7
14	Heron/Riverside	\$32.14	6	2.6%	2	22.0%	13
15	Hunt Club/Walkley	\$28.15	22	-1.3%	17	15.0%	20
16	Kanata	\$29.78	14	1.1%	5	-59.8%	24
17	Lowertown	\$34.03	3	-1.7%	20	24.8%	5
18	Merivale	\$30.10	13	-0.9%	16	38.9%	1
19	Montreal Road	\$29.65	16	-0.2%	10	23.7%	6
20	NW Outer Ottawa	\$28.39	21	-7.9%	24	22.0%	14
21	Orleans	\$30.37	12	-1.3%	18	2.2%	22
22	Queensview/Morrison	\$29.76	15	0.2%	8	19.1%	17
23	Tunney's Pasture	\$30.48	11	0%	9	23.2%	8
24	Woodward/Carling	\$30.93	9	-0.4%	14	22.6%	11

* Statistics provided by CoStar

SUBMARKETS

SUBMARKET VACANCY & NET ABSORPTION

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Alta Vista	35,296	2.5%	7	34,809	2.4%	2	-
2	Barrhaven	4,687	0.4%	1	(1,936)	-0.2%	8	-
3	Belfast/Sheffield	145,571	6.9%	16	(43,086)	-2.1%	17	-
4	Bells Corners/Crystal Beac	65,453	4.8%	11	(18,430)	-1.3%	14	-
5	Blair/Ogilvie	179,026	7.2%	17	(66,002)	-2.6%	19	-
6	CBD	1,107,869	6.4%	14	(226,750)	-1.3%	24	-
7	Centrepont/Qualicum	33,022	2.4%	6	14,534	1.1%	3	-
8	Centretown	446,783	6.1%	13	(155,429)	-2.1%	23	-
9	Colonnade/Rideau Heights	145,624	5.2%	12	(4,148)	-0.1%	10	-
10	East Outer Ottawa	-	-	-	3,515	2.3%	5	-
11	Gatineau	277,181	2.0%	3	(115,962)	-0.8%	22	-
12	Glebe	71,759	10.1%	21	(3,655)	-0.5%	9	-
13	Goulbourn/West Carleton	10,182	2.1%	4	5,236	1.1%	4	0.8
14	Heron/Riverside	55,541	2.6%	8	(1,300)	-0.1%	7	-
15	Hunt Club/Walkley	272,035	9.2%	19	84,376	2.8%	1	-
16	Kanata	611,631	8.5%	18	(102,409)	-1.4%	20	-
17	Lowertown	219,453	3.9%	10	(65,757)	-1.2%	18	-
18	Merivale	19,346	15.4%	22	(10,498)	-8.4%	11	-
19	Montreal Road	70,704	2.3%	5	(12,692)	-0.4%	12	-
20	NW Outer Ottawa	-	-	-	0	0%	-	-
21	Orleans	51,390	9.7%	20	(31,800)	-6.0%	16	-
22	Queensview/Morrison	47,288	3.8%	9	(27,936)	-2.2%	15	-
23	Tunney's Pasture	102,634	1.4%	2	(15,310)	-0.2%	13	-
24	Woodward/Carling	228,534	6.7%	15	(103,970)	-3.0%	21	-

* Statistics provided by CoStar