



VIEWPOINT *GREEN*

OTTAWA *GREEN* OFFICE MARKET REPORT | Q4 2010

YEAR IN REVIEW EDITION



**CUSHMAN &
WAKEFIELD®**

OTTAWA

Green Real Estate Practice Group

GREEN VIEWPOINT

GREEN YEAR IN REVIEW

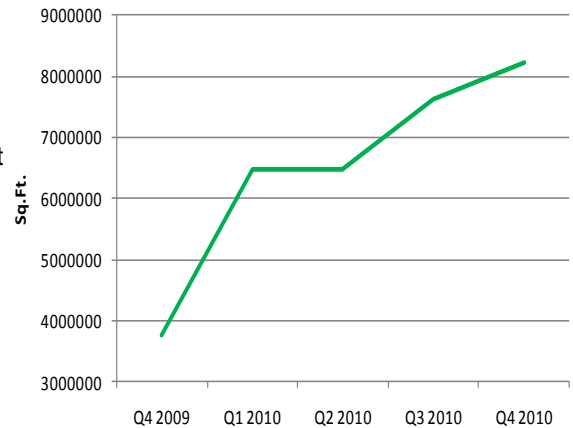
Ottawa's Green building inventory has grown by more 117% over the past year. Over 4 million square feet, in 30 buildings, were certified in 2010 from across the city. Green certified buildings from Kanata to Orleans now make up 22%, up from 10% in 4th quarter 2009, over 8.2 million square feet of the city's competitive office building stock. "The growth has been phenomenal" said James McNeil, Cushman & Wakefield Ottawa Green Real Estate Practice Lead, "we've seen amazing take up by both the landlord and tenant community and expect the growth to continue through 2011."

Federal Government News

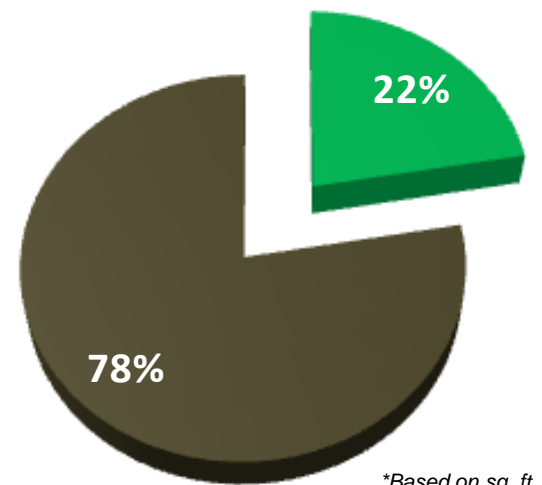
Claude Seguin, Director General of Real Property Accommodation, National Capital Region told the Commercial Real Estate industry that the Federal Government is seeking better accommodations in the National Capital Region. At the 2010 Ottawa Real Estate Forum Mr. Seguin reaffirmed that the Federal Government is committed to sustainability, and will be looking to up the ante when it comes to LEED certified accommodations. Beyond just requiring LEED for new construction projects, the Federal Government will be looking to transition their current leased portfolio into a minimum of LEED Silver accommodations. As part of this, and in accordance with their overall occupancy strategy, they will be moving up to 1 million square feet of public service jobs out of the downtown core, in part he said "to give landlords the opportunity to renovate their existing downtown portfolios".

According to Scott Brooker, of the Cushman & Wakefield Ottawa Green Real Estate Practice Group, "We don't expect the transition to happen overnight, it will take time, but this announcement serves notice, especially to the Federal Government's B-class landlords that this is coming down the pipe, and if they expect to keep their government tenancies, they have some work to do. We expect that this will fuel further growth in the green market, even in the short-term, and we expect to see registrations for LEED EB:OM to really start picking up."

GREEN GROWTH



GREEN MARKET SHARE



*Based on sq. ft.

GREEN HIGHLIGHTS Q4 2010

NOTABLE Q4-2010 GREEN LEASE TRANSACTIONS

Building	LEVEL	TENANT	sf
1000 Innovation Drive	BOMA BEST 2	BTI Systems	32,730
343 Preston Street	BOMA BEST 3	Titus Labs	19,553
50 O'Connor Street	BOMA BEST 3	Nelligan O'Brien Payne (Expansion)	8,418
1545 Carling Avenue	BOMA BEST 2	CAA	6,900



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MUNICIPAL NEWS

The end of 2010 saw a new Mayor elected in Ottawa. Jim Watson, former Ottawa City Councillor, Ottawa City Mayor, and Provincial MLA for Ottawa West-Nepean, was elected again as Mayor of Ottawa in the 2010 municipal election. As part of his election platform Mayor Watson committed to creating a "Green Team" within the city's planning department to help create a more sustainable Ottawa. The purpose of the team, according to Watson, is to make it easier for the city's projects to achieve more in green building, and cut through the red tape when it comes to planning applications for green buildings. "We need to make sure that planning is done in such a way that it protects the environment while also embracing green technologies." Watson said, "City Hall needs to be a champion not a barrier."

Ottawa Installs Solar on City Roofs

The city of Ottawa was bright with solar power initiatives in 2010. Back in May, Ottawa city council approved a motion to allow the City to enter into a partnership with Energy Ottawa to construct two ground mounted solar parks on lands near its municipal landfill site on Trail road, which could be operational as early as 2012. It also saw the installation in December of photo-voltaic arrays at City Hall, on Laurier Ave., and at the Transit Services Integrated Control Centre on Belfast Road. The City is now considering up to 20 other installations on municipal buildings.

In Other Solar News...

In October, local investor and manager, Huntington Properties installed 52 solar panels on the roof of their head office located at 245 Stafford Road. Other tenants of the building include TD Bank and the LCBO Regional Office. They have also completed projects on two of their other properties, an office/industrial building located at 883 Boyd Avenue and a second office building located at 376 Churchill Ave in Westboro. The energy produced from these installations will feed back into Ontario's hydro grid as part of the provincial government's Micro-Fit program. "Going solar just makes good business sense." According to Alan Whitten, President of Huntington Properties, "This is a program that combines social responsibility and good business" and "is a perfect example of how our company is showing a strong commitment to sustainability for the future."

Another notable solar project, announced early in 2010, was the Canadian Aviation and Space Museum. This project will include the installation of 2,000 solar panels atop the roof of the Aviation Museum that are able to produce enough energy to power 30 homes. The project, funded, installed and operated by Enfinity will be part of the Ontario FIT program.

MAYOR WATSON



245 STAFFORD ROAD



GREEN VIEWPOINT

LEED-ING THE CHARGE

EDC Mandates C&W Ottawa to Sublease 80,000 sq. ft. at New Headquarters

Cushman & Wakefield Ottawa's Green Real Estate Practice Group has been named the exclusive listing agent responsible for subleasing approximately 80,000 sq. ft. over three floors for Export Development Canada, at their new headquarters located at 150 Slater Street, currently under construction. The new development located in the heart of Ottawa's downtown core represents nearly half a million square feet of LEED Gold (*targeted*) office space. "Cushman & Wakefield is thrilled and honoured to be named as exclusive subleasing agent for EDC," said Alain Desmarais, Senior Managing Director of Cushman & Wakefield Ottawa, "This building is a symbol of progressiveness, led by EDC, for the City of Ottawa and represents the future of office buildings." According to James McNeil, Associate Vice President and Green Practice Lead, "This space represents an opportunity for forward-looking organizations to locate in a leading-edge work environment that exceeds traditional workplace expectations."

Telus House Awarded LEED Gold Certifications

In other news, Telus House, located at 215 Slater Street was awarded LEED Gold Certification by the CaGBC in 2010. The building, built by Broccolini Construction, and now managed by Morguard was originally targeting LEED Silver.

Minto's Green Place

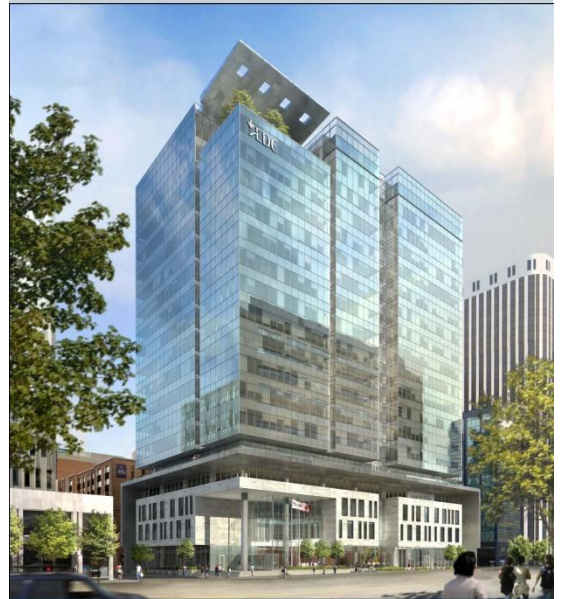
Minto continues to operate what is arguably, the greenest office complex in Ottawa at Minto Place. The Canada Building at 344 Slater holds a BOMA BEST 3 designation, while the Enterprise Building at 427 Laurier Ave West is Ottawa's only BOMA BEST 4 building, and a Living Wall was installed in the complex early last year. Furthermore, 180 Kent Street, targeting LEED Gold, saw extensive leasing activity in 2010 bringing them to over 90% occupied.



LEED EB:OM off to Strong Start

After being launched by the CaGBC in the summer of 2009, LEED for Existing Buildings: Operations and Maintenance had a strong 2010. Sun Life Financial Centre, the Jean Edmonds Towers, Place deVille, 55 Metcalfe Street, and 275 Slater Street, totalling over 4.8 million square, have all registered for the program, as well as a number of confidential registrations. We expect, after the announcement from the Federal Government at the Ottawa Real Estate Forum in October that they will be placing importance on LEED in their existing leased portfolio, that registrations will continue to grow throughout 2011.

150 SLATER STREET



TELUS HOUSE



GREEN VIEWPOINT

DOES GREEN REALLY COST MORE?

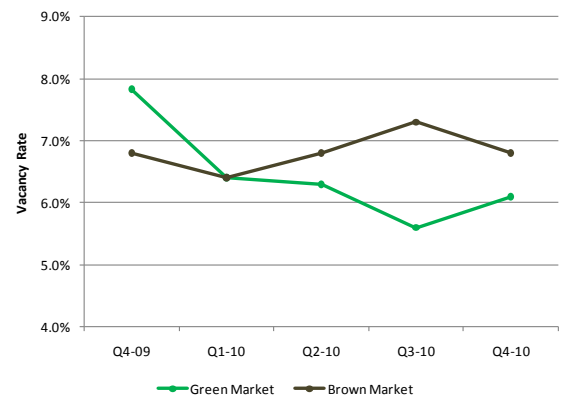
There is a common misconception when it comes to Tenants looking for Green office space in the Nation's Capital that going Green costs more. As Ottawa's only commercial real estate brokerage actively tracking the Green office market, C&W Ottawa has seen nothing to substantiate this claim. Since the 4th quarter of 2009 we have seen the addition of nearly 4.5 million square feet of certified Green office space, with no noticeable change in the asking rental rates in any of the 30 buildings that have come on stream. What we have seen is Landlord's upgrading the sustainability factor of their buildings, while maintaining their asking rental rates, to attract and retain more, higher quality tenancies with great success. So far, we have seen nothing to suggest that going Green actually costs tenants more. When looking at arguably Ottawa's Greenest office buildings, Minto's 180 Kent Street, and EDC's new headquarters, currently under construction at 150 Slater Street, both projects are targeting LEED Gold and both buildings are offering gross rental rates approximately \$5.00 to \$7.00 per square foot less than other 'AAA'-Class buildings in the Central Business District.

Overall, in Ottawa, we have not yet seen any indication, when comparing two, relatively similar buildings (location, amenities, age, etc.), one being green, the other traditional that landlords are charging any sort of premium for the green building. In addition to there being no premium, studies have demonstrated that reduced absenteeism and increased productivity associated with locating in a green building can actually generate additional revenue for an organization, all of which is good news for Ottawa's Green office tenants.

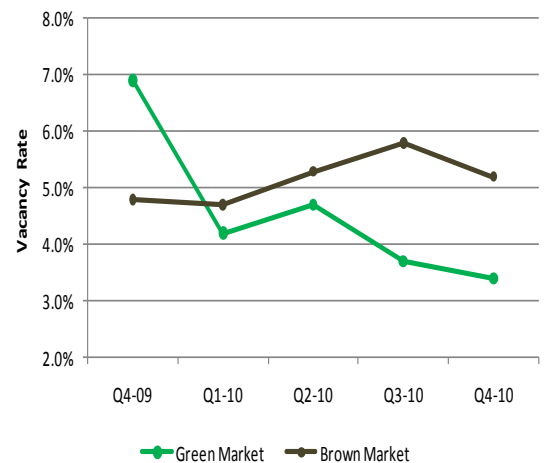
How Green Affects Vacancy

Since the first quarter of 2010, vacancy in the green market has trended lower than in the traditional market. In the 4th quarter of 2010 overall vacancy in the green market, including space in the sublet market, rose half a percentage point to 6.1% from 5.6%, still slightly below the traditional market at 6.8%. This increase is mainly due to space that is available in a few recently certified buildings not previously included in the green building statistics. With these buildings being located in Kanata, we attribute this more to the overall market conditions currently affecting the Kanata sub-market. Conversely, direct vacancy is down for a third straight quarter, by a third of a percentage point to 3.4% from 3.7%, still nearly two percentage points below direct vacancy in the traditional market, which sits at 5.2% vacant. We do anticipate green vacancy to rise in the first quarter of 2011, being mainly attributed to Sun Life Financial moving the majority of its operations out of Ottawa, and a consolidation of Hewlett-Packard with the recently acquired EDS into Kanata. Both tenants were previously located at Sun Life Financial Centre at 50 O'Connor Street and 99 Bank Street.

OVERALL VACANCY



DIRECT VACANCY



GREEN VIEWPOINT

2010 GREEN EVENTS

The Cushman & Wakefield Ottawa Green Real Estate Practice Group, in cooperation with the Real Estate News Exchange (www.renx.ca) launched the Better Buildings Breakfast Series in 2010. Held monthly, the series provides attendees with an overview of what is happening in the local green market, as well as an exciting line-up of keynote speakers, leaders in the Canadian commercial real estate industry, who will focus on issues and topics around how to move toward a more sustainable built environment. The Breakfasts are also an opportunity to share knowledge and build the capacity of professionals in Ottawa to deliver sustainable building products and services.

This breakfast series is designed to serve as a golden opportunity to learn about sustainable buildings and network with your peers in the green real estate sector. Building owners, tenants, managers, property investors, real estate professionals and anyone else engaged in establishing and maintaining sustainable building strategies, products and services will benefit from learning from the experts and sharing ideas with their peers.

Past topics and speakers have included, *Why Green Buildings Make "Cents"*, by Gordon Hicks, President, Brookfield LePage Johnson Controls and *Sustainable Intelligence*, by Darryl Neate, Director of Sustainability at Oxford Properties. The line-up for 2011 includes;

- Jan 27th: Hydro Ottawa's Conservation Solutions
- Feb 24th: The Business Case for Green Buildings
- Mar 24th: Why Tenants Should be Asking for Green Buildings

Canadian Cleantech Summit

Last April OCRI hosted the first annual Canadian Cleantech Summit in Ottawa. The three day summit explored factors driving the development of the emerging sector in Canada from a multitude of perspectives including: Canada's traditional industries; the issues and opportunities of climate change in Canada; Canada's natural resources; policy; availability of talent; defence and security; investments in research and development; and emerging Canadian strengths in the sector. Speakers included Jay Ingram, Co-host of Discovery Channel's Daily Planet; Avrim Lazar, President and CEO, Forest Products Association of Canada; the Honourable Tony Clement, Minister of Industry, Céline Bak, Co-founder, the Russell Mitchell Group; and Nicholas Parker, Co-founder, The Cleantech Group. The annual event was a huge success. The second annual Canadian Cleantech Summit will be held from April 26th to 28th at the Ottawa Convention Centre. And will focus on four main topics; Emerging Technology and Research, Markets, Policy, and Financing and Funding.

Ottawa Sustainable Social

An informal networking event was launched in 2010 for the green building industry to get together and discuss what is happening across the industry. It is an excellent opportunity to get out and meet others working in the green building space in a relaxed, informal atmosphere. The next social will be held on February 16th, 2011 at MacLaren's on Elgin starting at 6pm.

OVERALL VACANCY



CANADIAN CLEANTECH SUMMIT



GREEN MARKET TRENDS

OTTAWA GREEN REAL ESTATE MARKET

OVERVIEW

As mentioned, vacancy in the Green market continues to trend below that of the traditional market, as it did throughout 2010. Direct vacancy over the year in the Green Market averaged 4%, 1.2% lower than the traditional market at 5.2%. Overall vacancy, which includes sublet space, averaged 6.1%, slightly below the traditional market which averaged 6.8%.

Green leasing activity surged to it's highest level yet, with 153,640 square feet of activity over the quarter. Overall in 2010 there was nearly half a million square feet of activity in the Green Market alone.

OUTLOOK

Leasing activity was up in the final quarter of 2010, and we expect that trend to continue through 2011, as more options become available for tenants looking for more sustainable and environmentally friendly space.

We expect vacancy to rise in the first quarter of 2011, as 80,000 square feet is being introduced by EDC into the sublet market at their new headquarters on Slater Street and Sun Life Financial Centre brings over 230,000 square feet to market. Given that SLFC has submitted their application seeking LEED EB:OM Gold Certification 99 Bank Street & 50 O'Connor Street could very well be Ottawa's first certified LEED EB:OM project.

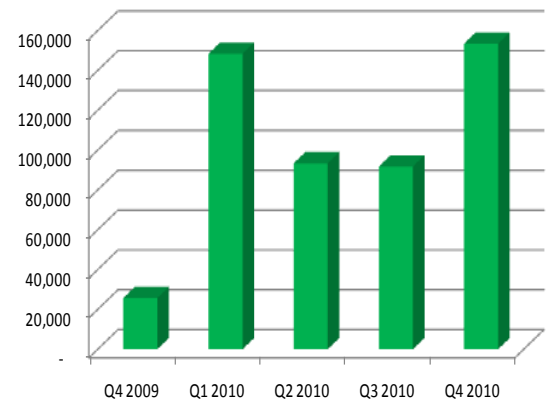
We expect the Green certified market to continue to grow through 2011, and forecast that it will represent 25% of the overall market by the end of 2011.

GREEN VIEWPOINT

"The biggest issue affecting commercial real estate as we know it, is obsolescence. Owners have to invest in sustainability in order to maintain market share and for continued growth. According to a 2010 CEO study by Accenture and the UN Global Compact, 96% of CEO's believe that sustainability issues should be fully integrated into the strategy & operations of a company. In the very near future, buildings designed without the benefits & cost savings of sustainable high-performance design features will have little appeal to tenants & investors."

-James McNeil, Green Real Estate Practice Lead
C&W Ottawa Green Real Estate Practice Group

GREEN LEASING ACTIVITY



OTTAWA GREEN MARKET STATISTICS – Q4 2010

Certification Level	No. of Buildings	Inventory (sf)	Overall Vacancy Rate	Direct Vacancy Rate	Q2 Leasing Activity (sf)	Average Asking Net Rental Rate	Gross Rental Rate
LEED Gold [†]	2	459,000	7.3%	7.3%	6,600	\$26.00	\$44.75
LEED Certified	1	150,000	31%	0%	0	-	\$25.00
BEST 4	1	152,918	0%	0%	0	\$26.00	\$46.51
BEST 3	18	3,778,099	2.9%	1.6%	73,781	\$23.65	\$45.59
BEST 2	28	3,693,637	8.5%	5.1%	73,079	\$15.49	\$31.72
Total Green Market	50	8,233,654	6.1%	3.4%	153,640	\$23.03	\$40.80

[†]180 Kent Pending certification



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TEAM PROFILE



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James is President of the Ottawa Chapter Canada Green Building Council and a Director of the Ottawa Chamber of Commerce Environment Committee. James is uniquely positioned to align your real estate with your business objectives of creating a sustainable workplace. James has received the Leadership in Business Award from Earth Day Ottawa for his commitment to the environment and was nominated as Corporate Citizen of the Year by the Kanata Chamber of Commerce. He has lectured on leasing and market-related topics to industry stakeholders. James holds the designation of Real Property Administrator (RPA) and is a LEED Accredited Professional (LEED AP).



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Scott sits on the Canmet Energy Policy Advisory Committee for the Development of Methodologies and Tools for Sustainability Reporting in the Commercial & Institutional Buildings Sector and the CaGBC-ORC Existing Buildings Committee. He holds a Bachelor of Commerce Degree in International Business from Dalhousie University & the Copenhagen Business School. He is focused on driving sustainable value for his clients. As a founding member of the Cushman & Wakefield Ottawa Green Real Estate Practice Group he provides clients with sustainable real estate solutions that create value for their overall operations.

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[OTTAWA GREEN BUILDINGS AND SUSTAINABLE WORKPLACES](#)

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield was founded in 1917. Today the firm has 231 offices throughout the globe in 58 countries. C&W employs 13,000 talented professionals who create, optimize, and protect value for clients in every region of the world. We assist clients in every stage of the real estate process, representing them in buying, selling, financing, leasing, managing, valuing assets, providing strategic planning and research, portfolio analysis, site selection, and space location, among other advisory services.

ABOUT THE OTTAWA GREEN REAL ESTATE PRACTICE GROUP

Cushman & Wakefield Ottawa's Green Real Estate Practice Group works with organizations who have made a commitment to sustainable business operations. We assist them in navigating Ottawa's commercial real estate landscape to find workplace solutions that align with their environmental commitments and contribute to sustainable bottom lines.

Our team provides corporate tenants and building owners with the expertise to understand and evaluate the benefits and cost savings of buildings designed with sustainable high performance design features.

Our value proposition is our ability to assist organizations in matching real estate solutions to their quest to go green.

CONTACTS

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Cushman & Wakefield Ottawa is a proud member of the Canada Green Building Council