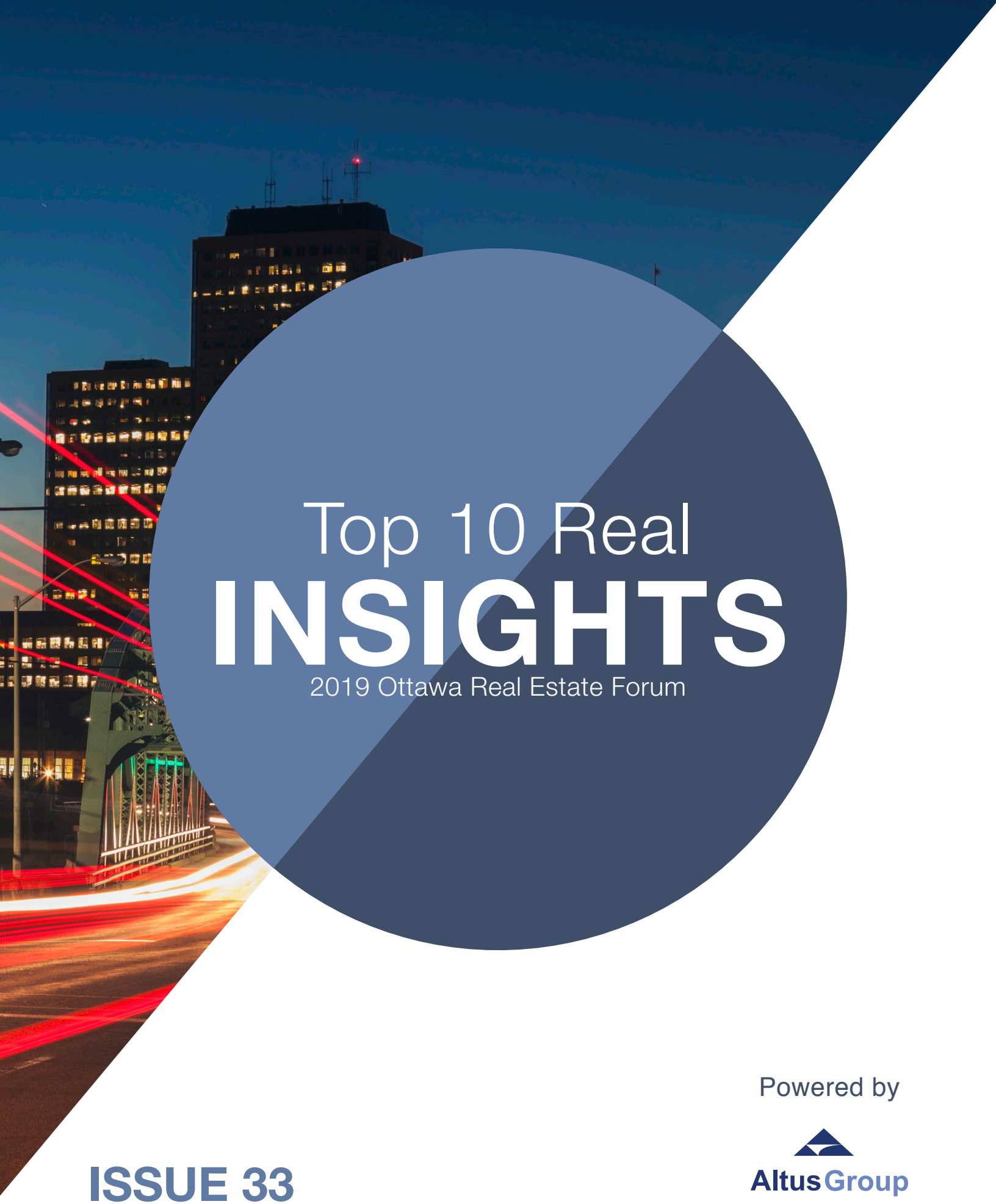

Top 10 Real INSIGHTS

2019 Ottawa Real Estate Forum

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ISSUE 33

TOP 10 | REAL INSIGHTS

2019 Ottawa Real Estate Forum

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CANADIAN REAL ESTATE FORUMS

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1. OTTAWA ECONOMY IN GROWTH MODE

Significant population growth and a healthy job market propel housing prices past the $500,000 mark.

Residential properties were sold at an average of $487,400 in September, according to the Ottawa Real Estate Board. Home prices increased 8.3% year-over-year. Condo sales were up 9.1% to an average $309,400.

The population of the capital region grew by 100,000 people between 2015 and 2018. In 2018, the population growth hit a 17-year high of 2.1%. The region's population is expected to hit 1.5 M by the middle of the next decade.

The unemployment rate for the month of June held steady at 5.4% in the Ottawa-Gatineau area, just shy of the national average of 5.5%.

CBRE Ottawa Managing Director Shawn Hamilton said that Ottawa has traditionally been a government-dominated market. This is changing dramatically— the split between government and private sector tenants in the CBD has reached the 50-50 plateau, largely driven by major growth in the City's tech sector.

According to the CBoC report, tech companies have added over $170 M to the City of Ottawa's economy in 2018. This is a 16% increase since 2015.

In CBRE's 2019 Tech Talent report, Ottawa ranked 19th out of 50 North American cities. With 9.9% of its total employment represented by the tech sector, it is the second most concentrated tech city.

"Consistent growth is the number one reason Ottawa is ranked so highly for tech labour concentration," said CBRE Vice Chairman, Paul Morassutti. "Ottawa has a highly educated workforce and we've got numerous post-secondary education facilities that produce a steady pipeline of tech talent.

"Tech now occupies more space in Downtown Ottawa than the legal and accounting sectors combined, and is second only to the federal government. Opportunity created this, and now the pump is primed. The tech community recognizes the value of Ottawa and the sector keeps growing, and that's why we're running out of office space."

In May, Invest Ottawa, the Government of Ontario, and other strategic partners officially launched the Ottawa L5 Connected and Autonomous Vehicle (CAV) Test Facilities. The 16-kilometre track and facilities is a testing ground for autonomous vehicle technologies and is being called the first its kind in North America to accelerate the safe deployment of driverless vehicles.

Ottawa L5 is currently valued at more than $11 M, with more than $6 M in in-kind contributions from the project's partners including Blackberry QNX, the City of Ottawa, Accenture, Ericsson, National Capital Commission, Microsoft, Avanade, Juniper Networks, and Nokia. The initiative is also supported by the University of Ottawa, Algonquin College, and Carleton University.

Over a year delayed, the Rideau Transit Group plans to hand over the system to the City on August 16. The $2.1 B Confederation line should be operational in September. In March, the Ottawa city council voted in favour of proceeding with the $4.66 B LRT expansion. Stage 2 will add 44 kilometres of track and 24 stations, extending LRT to the east, west and south ends of the city.

With the LRT, road repairs on major arteries such as Elgin Street and sewage storage upgrades, the Conference Board of Canada stated, "Ottawa-Gatineau's construction sector has been on a bit of a roll the last few years, and we do not see the good times ending anytime soon."

2. FEDERAL GOVERNMENT COMPETING FOR OFFICE SPACE WITH TECH FIRMS

The growth in the Federal Government and the tech industry is putting pressure on a tight office market.

According to Statistics Canada, the total number of federal government employees working in the National Capital Region in 2016 jumped by 14,000 to 145,000, representing a 10.5% increase over the previous year.

Ottawa saw an increase of 9,000 employees while the number of government workers in Gatineau rose by 5,000.

However, this rate of growth is not expected to continue. The CBoC has projected a sharp drop in the growth of public administration jobs from 2.9% in 2018 to half that rate. The Government employs approximately 20% of the workforce in the region.

In a two-year pilot project, the Public Services and Procurement Canada (PSPC) is setting up five co-working spaces in the Capital Region and will be expanding the program across the country.

Two spaces opened in May: at L'Esplanade Laurier on O'Connor Street in Ottawa and at 335 River Road near the Ottawa airport. Three more are set to open later this year:

- Place d'Orléans is set to open in July 2019.
- 555 Legget Dr. in Ottawa is set to open in August 2019.
- 480 De La Cité Blvd. in Gatineau is set to open in August 2019.

Dream Unlimited announced in June that the Federal Government will lease approximately 158,000 sq. ft. of space at a new Class A building that will begin construction this Fall in its Zibi development along the Ottawa River. The 15-year lease will make the feds the lead tenant in the 8-storey, 185,000 sq. ft. building. The building is scheduled for completion in late 2020, with occupancy to follow in 2021.

The Queensway Corporate Centre has been fully leased out by PSPC.

The Government is abandoning the Louis St. Laurent Building in Gatineau. In 2016, the building located at 555 Boulevard de la Carriere, caught on fire. It spent $33 M to try to repair it but now will permanently relocate the 1,800 employees that worked in the building. The Department of National Defence was one of the building's tenants. The government will instead transfer management of the building back to the company. The building's owner also confirmed to Radio-Canada that the government would not be returning as a tenant.

Despite the growth of urban tech tenants, the federal government remains the region's largest space user and continues to hold significant influence over the market.

Bernie Myers, Senior Vice-President of Real Property at the Regional Group, said that PSPC is continuing to transition out of some of its older buildings and move federal staff into newer accommodations.

"You'll see increasing demand for better-quality real estate for government employees," Meyers said.

3. OTTAWA OFFICE VACANCY RATE HITS EIGHT-YEAR LOW IN Q2 2019

Robust demand for space and limited construction creating challenges for firms looking for large blocks of space.

Altus Group reported that Ottawa's citywide office vacancy rate dropped to 7.9% in the second quarter of 2019, down from 9.0% the previous quarter and 10.5% a year ago. The three-month period ending June 30 marked Ottawa's seventh consecutive quarter of decline.

Ottawa has added nearly 100,000 residents and 46,000 new jobs over the past five years. In that same time, businesses have snapped up 2.1 M sq. ft. of office space— 88% of that since 2017,

CBRE's Shawn Hamilton stated.

Commercial real estate experts in Canada's capital say the combination of steady employment, confidence in government hiring, and the influx of fresh talent in the technology sector, along with the launch of a light-rail transit system, has caused Ottawa's office vacancy rate to drop to its lowest levels in nearly two decades, the Globe & Mail reports.

The central business district was among the most active submarkets in Ottawa with a vacancy rate of 6.7%— the area's lowest point since the start of 2013. The CBD absorbed 98,582 sq. ft. of space in Q2 2019.

The vacancy rate in the downtown core was at 9.0% in Q2 2019, according to Altus Group.

CBRE notes the unavailability of Class A space in the CBD has led some tenants, particularly urban tech firms, to compromise on Class C buildings. As a result, Class C vacancy in the downtown submarket hit a seven-year low of 11.7%.

Kanata experienced the largest decline in vacancy across all submarkets, dropping 120 bps from 8.1% to 6.9% quarter-over-quarter.

Cominar REIT's 800 Palladium in Kanata has been fully pre-leased and is expected to be completed by March 2020, adding approximately 91,200 sq. ft. to the office inventory.

Zibi's three office buildings ranging in size from 14,000 sq. ft. to 34,000 sq. ft., will comprise the bulk of this year's deliveries.

NAV Canada will be relocating to a fully retrofitted 151 Slater Street in 2021. The company will occupy the entire 12-storey, 147,000 sq. ft. Burnside Building. This move will leave 77 Metcalfe Street fully vacant.

In addition, Skyworks Solutions signed a lease for 50,000 sq. ft. at 1135 Innovation Drive, and SurveyMonkey is taking 47,600 sq. ft. at 200 Laurier Avenue.

Coworking is growing across the national capital exemplified by the Federal Government's coworking pilot project.

Toronto's iQ Office Suites announced in July that it is leasing 13,658 sq. ft. at 222 Queen St. It will convert the 10th floor of the 15-storey office tower into a co-working space. The office space, a block away from Parliament Station on the forthcoming LRT line, will feature a contemporary loft-style with windows on all four walls.

The first Spaces to open in Ottawa, Spaces Slater Street (66 Slater Street) will take up 75,000 sq. ft. of a newly modernized building that used to be home to government employees. The building, which owner KingSett has invested more than $13 M to modernize, is LEED Gold certified and is finalizing its WiredScore Gold certification.

Wayne Berger, CEO of IWG Canada and Latin America stated, "Ottawa has been on the top of our list for a while now. "As Canada's political epicentre and emerging technology hub, there's a deep spirit of innovation and leadership in the city that we are excited to support and help elevate. Successful co-working requires a forward-thinking creative spirit— Ottawa has those attributes."

4. TENANTS STRUGGLE TO FIND SUITABLE INDUSTRIAL SPACE

Ottawa's industrial pipeline the lowest across Canada's largest cities.

Ottawa's industrial vacancy increased slightly in Q2, with the vacancy rate rising 20 basis points to 2.4% which is still below the national average of 3.1%.

CBRE notes that the market remains in short supply of large blocks of space, with minimal options greater than 20,000 sq. ft. and none offering more than 50,000 sq. ft.

Average asking rents have increased to $10.18 per sq. ft. and are expected to continue to rise as the availability of quality space continues to decrease. Over the past year, asking rents have increased by 8.1%, Cushman & Wakefield reports.

In the second half of 2019, the completion of both 5317 Boundary Road (1,020,000 sq. ft.) and the new warehouse facility for the Museum of Science and Technology (385,360 sq. ft.), will add a total of 1,405,360 sq. ft. in new inventory. However, both spaces are fully leased to Amazon and the Museum of Science and Technology, respectively.

The acquisition of 2001 Bantree Road is a major addition to the Regional Group's portfolio. The building is currently fully leased by Giant Tiger but will be vacated for their new headquarters on Walkley Road in Q4 2021.

Concert's CREC Commercial Fund LP has bought 90% interest in a million-square-foot distribution facility being built in Ottawa for Amazon.

The distribution centre will be the largest in the National Capital Region when construction is completed later in 2019, and is fully leased to Amazon on a long-term basis. Montréal-based developer and builder Broccolini, which currently owns and is constructing the facility, will retain a 10% interest in the project.

Excluding Amazon's distribution centre, Ottawa's new construction pipeline represents only 0.3% of the current total inventory. This is the lowest percentage across Canada's largest population hubs.

There has been a significant rise in development charges over the last decade, increasing by nearly $6.00 per sq. ft. since 2009. A shortage of available serviced land, high construction costs, and rising development charges are making new construction expensive for the market and may be playing a role in suppressing future development growth, CBRE states.

Global online sales were less than US $1 T in 2011. By 2020, according to estimates from e-Marketer and Prologis Research, total sales could double again to US $4 T, at which point they'll account for nearly 15% of total sales. In Canada, it is estimated that retail e-commerce sales will total C $55.78 B by 2020.

Warehousing and distribution markets will continue to experience an increase in demand due to the yearly growth in online purchases. This will pose an opportunity for industrial developers in the GOA.

5. OTTAWA RETAIL STABLE AMID EVOLUTION

Retail sector remains stable due to Ottawa's strong economy and high income levels.

Ottawa's retail vacancy declined to 5.0% from 5.5% year-over-year, marking the lowest vacancy rate since 2015, Cushman & Wakefield reported at the end of 2018.

Across the city there are vacant spaces where big box stores like Target, Sears, and Future Shop once occupied. Unsuccessful efforts to backfill these spaces have many landlords rethinking uses for the old anchor store spaces, with some redeveloping for mixed-use or condominium buildings, Cushman & Wakefield reported.

RioCan will be redeveloping its Lincoln Fields Shopping Centre as part of its extensive program of redeveloping and intensifying its underperforming properties. Under the demolition proposal, the mall's east end would be torn down first to make way for a new Metro, allowing the grocery store to continue operating in its current location until construction is complete. The company's long-term plans call for high-density residential towers at the site.

The company also has plans to build five mixed-use towers of up to 36 storeys on the current site of the Westgate Shopping Centre and is proposing a nine-storey, mixed-use building on the site of the Elmvale Acres Shopping Centre.

The downtown core welcomed Queen St. Fare, Ottawa's first food hall, to SunLife Financial at the end of 2018. The 9,000 sq. ft. space features 7 high-end and licensed food vendors and is open evenings and weekends.

"I think this is going to be a catalyst for a lot of change in the downtown," said Sean O'Sullivan, the VP and GM of Bentall Kennedy Ottawa.

Vacancy for community malls declined to 7.0% from 7.9% year-over-year, in part due to new leasing activity at RioCan St. Laurent. The 100,000 sq. ft. space that has been empty since Target closed its doors in 2015 will now be split between French sporting goods store Decathlon and Adonis grocery.

As some brands have faltered in 2019– Gymboree, Town Shoes, Payless, Home Outfitters– other brands are expanding.

Farm Boy is continuing its Ontario expansion. It will be opening its third fresh urban location in Downtown Ottawa on Metcalfe Street. The 28,000 sq. ft. store is expected to open in Spring 2020.

Cineplex will be expanding its national footprint under its Rec Room, Playdium and Topgolf brands and potentially move into vacant shopping mall space. The company has said that it plans to open between 10 to 15 Playdium locations in the coming years as well as 15 Rec Room locations.

BiWay co-founder Mal Coven says he's opening a revived concept called 'BiWay $10 Store' and the first location will be opening in August in a Toronto strip mall. Many more could follow if the concept is successful.

International retailers will continue to descend on Canada, according to industry experts, as the country remains an attractive growth market for companies testing the waters before expanding into other global markets, Retail-Insider reports.

Japanese retailers Oomomo, Muji and Uniqlo are all expanding their brands across Canada.

Menswear brand UNTUCKit, has opened a location in CF Rideau centre after opening its first shop in Toronto in the Fall of 2018. France-based sports retailer Decathlon, which entered Canada last year with a store in suburban Montréal, will expand into the Ottawa market this Fall. The new store will be located at 1021 boulevard Saint-Laurent.

6. GATINEAU FLOURISHES WITHIN THE NATIONAL CAPITAL REGION

Demand for housing grows as people flock to the CMA amid job growth and new infrastructure projects.

Apartment vacancy in **Gatineau** is one of the lowest in Canada. At **1.2%** it is well below the province of **Quebec's** vacancy rate of **2.3%**, according to CMHC's October 2018 numbers.

The rise in demand can be attributed to a job market that has been relatively strong since 2015 and that has remained so in 2018. The strong job market has contributed to a notable increase in net migration to the CMA. Net migration to the Gatineau area had quintupled by 2016, reaching nearly 2,300 people, its highest level since 2011, CMHC reported.

Between June 2017 and June 2018, 922 purpose-built rental units were added to the supply, more than double from the year prior. However, the new supply was not enough to offset demand.

Gatineau's housing sector saw annual sales growth of more than 6% in 2018 and has become the second fastest growing housing markets in Quebec.

Figures from Quebec's real estate board show that the median price of a single-family home in 2018 was $232,700 while the median price for condos was $156,600.

According to CREA, average housing prices in Gatineau are 25% lower than in Montreal, 33% lower than in Ottawa and 50% lower than in Toronto.

Gatineau has a highly educated population; over 28% of people over 20 years of age are university graduates.

The city also has one of the highest bilingualism rates with 63.5% of its population fluent in both French and English. This is higher than either Ottawa or Montreal.

Along with the tightest vacancy rate in the metro, Gatineau also posted the strongest year-over-year rent growth in the first quarter of 2019, rising 4.7% to $27.12 per sq. ft., Marcus & Millichap reported.

Gatineau has unveiled its ambitious vision for a 26-kilometre, $2.1 B light rail line that will link the Aylmer and Plateau sectors to its downtown and cross two bridges to connect with Ottawa's growing light rail system.

The city released preliminary plans in June 2018, launching a process officials hope will bring electric, above-ground light rail by 2028, the CBC reported. The city hopes to have a final design ready by March 2020.

The Zibi project will have a huge impact on Gatineau, Mayor Pedneaud-Jobin has said. The project will give new life to the riverfront with the demolition of the old Domtar building and the creation of new parkland as well as creating new live-work space.

7. OTTAWA SUBURBS BENEFITTING FROM TIGHT OFFICE MARKET

Suburbs generating a lot of activity as tenant vie for space.

Ottawa's east-end has been a hotbed of activity in the past year, CBRE notes, with its limited supply of space. The eastern suburbs of the city posted a vacancy rate of 10.7% in Q2 2019 and has been declining since Q2 2018, reported by Altus Group.

Significant transactions include The Queensway Corporate Centre, which has been fully leased out by Public Services and Procurement Canada (PSPC) contributing 40,000 sq. ft. to the East-end absorption.

Kanata, the West End tech hub, has been leading the office space absorption recovery. Despite having just 14% of Ottawa's office inventory, it represents 48% of the absorption.

Vacancy rates in the Kanata market were at 7.5% in the quarter, the submarket's lowest rate in the past decade, according to Altus Group

Tech companies such as Ericsson and You.i are expanding, and newcomers like Huawei are also generating activity within Kanata.

In addition, Kanata is home to about half of the 500,000 sq. ft. of new office space announced in the last 9 months.

Cominar's new building at 800 Palladium Drive, is 100% preleased. The project will be anchored by Ford for a 40,000 sq. ft. research and development facility.

Taggart Realty Management will be building a 153,000 sq. ft. building for supply chain planning software company Kinaxis. It was announced at the end of July that Taggart will construct a five-storey office facility with 30,000 sq. ft. floor plates. It will include a food services area, collaborative spaces, a gym, 550 outdoor parking spaces, bicycle parking lot, electric-vehicle charging spaces and access to public transit. There is also room to add a second linked tower at the site for another 100,000 sq. ft. of future expansion space. The 5.73-acre site is located at the corner of Campeau Drive and Palladium Drive.

Construction is expected to begin next Spring at the Kanata West Business Park property, with occupancy in late 2021.

Altus Group reported a 6.4% vacancy in the Ottawa West submarket and vacancy rate of 5.7% in Nepean at the end of Q2. Average asking rents for Class A office space was about $12 per sq. ft. more expensive in the downtown core than in the suburbs where the overall average asking rent was $31.07 per sq. ft.

8. ROCK BOTTOM APARTMENT VACANCY RATES CAUSE RENTS TO SURGE

In the wake of the biggest increase in rents, co-living comes to the Capital.

Ottawa's apartment vacancy is running at just 1.6%, according to CMHC's 2018 data. The average rent grew by 5.6% year over year to $1,174. Rentals.ca predicts rents in Ottawa could jump by 9% in 2019.

Strong population growth supported by healthy immigration levels was an important driver of rental market demand. In addition, temporary residents which include international students grew by 19% in the 12 months preceding CMHC report. Employment growth also continued to support overall housing demand, rising 2% year-to-date to September 2018 compared to the same period in 2017.

> "The new mortgage stress test, higher interest rates and home prices have dramatically increased the number of people looking for rental accommodation this year."

Matt Danison, CEO of Rentals.ca

"With near record-high immigration in Canada and record-low unemployment, demand for housing is high, but flat or declining resale house prices due to current and expected future credit tightening has deterred many would-be first-time buyers from entering the ownership market. That demand overflow is being felt in the rental market, where very few Canadian markets are offsetting demand with new rental supply," added Danison.

A significant number of new purpose-built apartment buildings are under construction in the Ottawa area as a result of this demand.

The first building in the RioCan / Killam development Frontier began occupancy in June. Its 228 units are renting from $1,495 to $2,530 per month, and range in size from 548 to 970 sq. ft.

Frontier features a geothermal system designed to provide most of the heating and cooling needs of the building. The system is forecast to save more than 100 tons of CO2 emissions annually, more than 600,000 gallons of water and 210,000 kWh of electricity. The second building will be constructed just west of the first tower, will be slightly smaller at 20 storeys and 208 units. At full build-out, the Frontier develop is expected to comprise five towers and up to 840 units — all rentals.

RioCan remains committed to a rental residential development program. It is looking to develop approximately 10,000 units in Canada's major urban centres during the next decade.

SmartCentres REIT and Selection Group are partnering on a two-tower development on the site of the Laurentian Place shopping centre at Baseline Road and Clyde Avenue in the city's west end. The $150 M project calls for a 13-storey apartment building with 180 units and a 14-storey independent supportive living tower with 230 units at the Laurentian Place shopping centre Baseline Road and Clyde Avenue. The development will be built above a two-level podium containing shared common facilities as well as independent retail shops and services.

As part of their Zibi development, Dream Unlimited Corp. announced in June that a new rental apartment tower will be constructed in conjunction with Common, a US-based housing provider. It will contain a mix of "co-living" and traditional rental units.

The multi-residential tower marks Common's first international expansion into Canada. The 252-bed home, named Common Zibi, will provide fully furnished shared lounges and large, shared kitchens, community rooms, in-unit laundry, a roof deck, parking spaces, and a gym that includes yoga space and many other amenities.

Rents will start at $1,225 a month, which Common estimates are 31% less than a local market-rate one-bedroom. Rents for traditional residential units will start at around $2,065/month. The development is scheduled to open in 2022 and will also include ground-floor local retail.

Common has recently announced a $395 M expansion into four new cities, including Philadelphia, Atlanta, San Diego and Pittsburgh, with additional expansions already planned into Miami, New Orleans and Newark.

Beyond Ottawa, Common also is negotiating a pipeline of over 500 bedrooms in Toronto.

9. LRT A "CATALYST" FOR MAJOR DEVELOPMENT ACTIVITY

Ottawa's expanding population and strong economy has led to a number of major developments.

Heron Gate

Timbercreek submitted a proposal for the 40 acre Heron Gate development in April. The plan includes 57 new buildings containing almost 5,500 residential units. About "90% of it will be net new additions, and about 10% of the 5,500 (units) will be replacement," Timbercreek's VP of real estate investment management Paul Popovici said. In addition, up to 20% of the 5,500 units will be earmarked for affordable housing.

Timbercreek says its 25-year plan would eventually quadruple Heron Gate's population, with buildings ranging from new 3-storey townhomes to a 40-storey tower.

Three 6-storey multi-res buildings containing almost 350 units will be ready for occupancy this Fall. Construction on this initial phase began in 2016. The buildings will contain ground-floor retail and this phase is valued at about $150 M.

LeBreton Flats

Following the collapse of the National Capital Commission's (NCC) $4.1 B plan to move the Ottawa Senators downtown, the NCC now plans to redevelop the 56 acres in stages. Towards the end of 2019, the NCC will be looking for proposals to develop the 'Library District" a three-acre parcel of land on the southeast corner of the site near the future main branch of the Ottawa Public Library. NCC approval is expected in the Fall of 2020 and construction could start in the Spring of 2021.

Frontier

RioCan and Killam Apartment REIT have teamed up on this multi-phase project located at the Glouster City Centre on a 7.1-acre parcel of land.

The first building in this development commenced occupancy in June. Preleasing for Phase Two will begin as soon as the first building is completed. The second building, being constructed just west of the first tower, will be slightly smaller at 20 storeys and 208 units. At full build-out, the property is expected to comprise five towers and up to 840 rental units.

RioCan vice-president of planning and development Stuart Craig has called light rail "a great catalyst" for the east-end apartment project.

Trinity Centre

The $400 M joint venture between InterRent REIT, Trinity Developments and PBC Real Estate Advisors Inc., is located at Bayview Station, where the new Confederation LRT connects with Ottawa's existing north-south Trillium line. It sits on 3.6 acres of land and will feature residential, retail and commercial, and office components.

The plan includes three towers 65, 56 and 27 storeys that will contain 1,241 residential units, 115,000 sq. ft. of retail space, 365,000 sq. ft. of office space and 1,059 parking spaces on 6 underground levels and over 700 bicycle parking spaces.

Zibi

The $2 B JV between Dream Unlimited and THEIA – a subsidiary of Windmill Developments - is a mixed-use development with waterfront parks and pathways on a 34-acre site, which spans both the Quebec and Ontario sides of the Ottawa River.

Zibi will be Canada's only endorsed One Planet Community, which focuses on sustainability, a zero-carbon footprint and community and culture.

Once completed, it will comprise over 4 M sq. ft. of residential and mixed-use space and will be home to 5,000 residents, 6,000 jobs and include eight acres of riverfront public and green spaces.

The first plaza space in Gatineau is close to completion, with four additional plazas and parks and 1.1 kilometres of new multi-use pathways, currently under development. The Chaudiere Bridge road crossing, which bisects the development and is one of the main connectors between Ottawa and Gatineau, is closed to vehicular traffic for the summer to facilitate transportation and infrastructure upgrades.

The first condominium, a six-storey, 70 unit building on the Gatineau side called O received its first tenants last Christmas. The second residential building Kanaal expected to have first occupancies in early 2020. The entire development will take about 15 years to complete, estimates Michael Cooper, Dreams President and Chief Responsible Officer.

10. HEALTHY FUNDAMENTALS MOTIVATE INVESTORS

Investment volume and transactions velocity in Ottawa accelerated through Q2 2019 and this trend looks poised to continue into the second half of the year, according to CBRE

Elevated investor interest contributed to a 89% increase in sales activity over the past year in contrast with the same period last year, recorded by Altus Group. Ottawa proper and Nepean were of primary focus to buyers.

Strong investor demand supported a **2%** increase to the average price compared with the prior yearlong stretch, nearing **$260 per sq. ft.** Office assets in the City of Ottawa had an average price closer to **$290 per sq. ft.** - **Marcus & Millichap**

Entry-level pricing and cap rates that average above most other metros, often falling in the mid-5% to mid-7% territory, keep in¬vestor sentiment elevated for Ottawa's office sector. Some of the metro's most sought-after assets downtown have traded with an initial yield in the 4% to 6% band, while more suburban offerings record cap rates that start at 6%.

A favourable yield profile will attract the attention of private and insti¬tutional capital this year, sustaining elevated transaction velocity.

Min¬imal threats from new construction and tight vacancy could motivate owners of less efficient older stock to undertake renovations and extract remaining upside, the report continues.

In June, Dream Industrial REIT purchased two buildings totalling 233,000 sq. ft. at Humber Place nearly tripling the size of its portfolio in the city. The buildings were acquired from Morguard for $32.8 M, representing a cap rate of 5.6%.

Dream Office REIT said it is in “advanced negotiations” to sell the 23-storey, 109,000 sq. ft. highrise it owns at 150 Metcalfe Street.

Also in June, the Regional Group announced it had purchased a 258,000 sq. ft. warehouse at 2001 Bantree Street in the City’s east end from Edmonton-based Canadian Urban Ltd. for $29.25 M.

Realstar bought the newly built the 144 unit apartment at 518 Rochester Street for $48.9 M.

Alignvest Student Housing REIT acquired 265 Laurier Avenue East from Reichmann International Realty Advisors for $92 M. The property was constructed in 2016 and is improved with a 9 storey student housing complex containing 503 beds within 159 fully furnished suites.

Firm Capital acquired a 50% interest in a portfolio of 7 retail properties from First Capital for $133 M or $266 M based on 100% equivalency. The properties included Merivale Mall in Nepean and Gloucester City Centre in Gloucester.