



Serving
GOVERNMENT,
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CANADIANS.

Our Portfolio, Our Story

2012-2013



Public Works and
Government Services
Canada

Travaux publics et
Services gouvernementaux
Canada

Canada

Real Property Portfolio

This document presents the state of Public Works and Government Services Canada's (PWGSC) real property portfolio for 2012-13, both nationally and in its six regions: Atlantic, Québec, National Capital, Ontario, Western and Pacific. Also included are the department's engineering assets.

All building space figures are in rentable square metres. Building rentable area is calculated by subtracting building services and inside parking areas from the total inside gross area. Areas outside the exterior walls, such as balconies, terraces, or corridors, are also excluded.

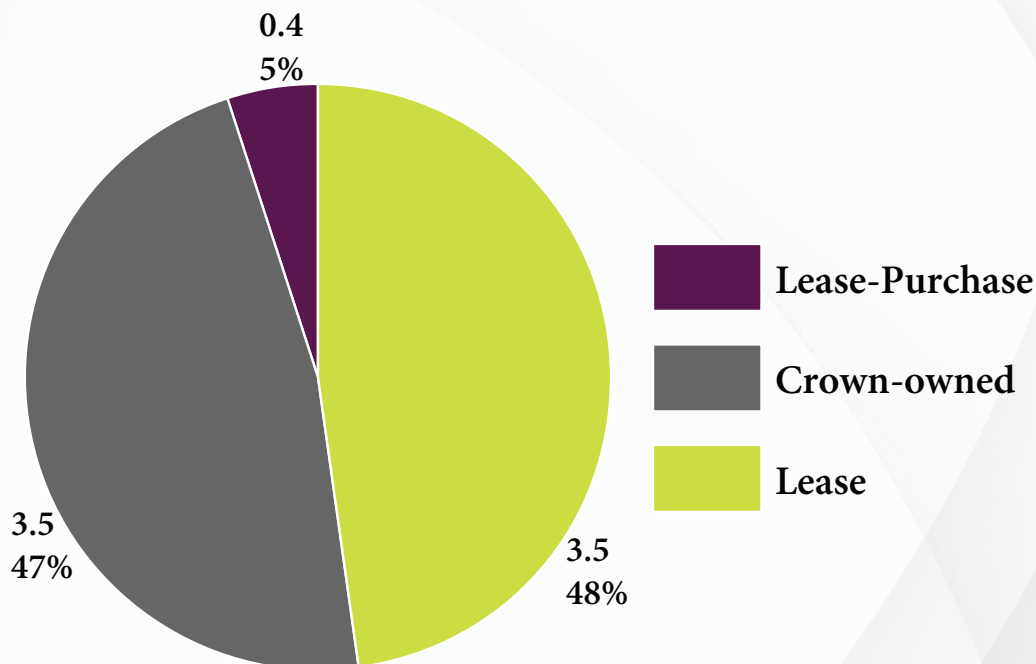
National Portfolio

PWGSC provides work environments for 110 federal departments and agencies, accommodating approximately 272,000 employees. The national portfolio is managed by six regions: Atlantic, Québec, National Capital (Ottawa-Gatineau and Nunavut), Ontario, Western and Pacific.

With nearly 1,800 locations across Canada, the Department's portfolio consists of 331 Crown-owned buildings, over 1,977 leases in 1,455 locations and nine lease-purchase buildings. The total PWGSC accommodation portfolio is approximately 7.4 million square metres (m²), of which 3.5 million m² (47%) is Crown-owned, 3.5 million m² (48%) is leased, and 0.4 million m² (5%) is under lease-purchase agreements.

Approximately 6.5 million m² (87%) of the Department's 7.4 million m² of real property is office space, with the remaining 924,000 m² (13%) being comprised of common-use buildings (e.g. warehouses), special properties (e.g. training centres) and designated properties (e.g. the Parliament Buildings). The national portfolio also includes central heating and cooling plants, engineering assets (e.g. bridges and dams) and housing.

National Portfolio Profile by property Type (m² in millions)



National Portfolio Profile¹

Property Type	Data	Pacific	Western	Ontario	National Capital Region	Québec	Atlantic	Total
Crown-owned	# of buildings	37	38	44	103	36	73	331
	Space (m ²)	256,193	222,212	350,186	2,059,753	283,813	286,134	3,458,292
	% of total	3.5	3.0	4.7	27.9	3.8	3.9	46.9
Lease-purchase ²	# of buildings	1	0	2	4	2	0	9
	Space (m ²)	25, 524	0	12,926	288,165	70,746	0	397,360
	% of total	0.3	0%	0.2	3.9	1.0	0.0	5.4
Lease	# of locations	202	261	255	237	203	297	1,455
	Space (m ²)	272,755	489,511	486,264	1,690,062	296,267	288,556	3,523,414
	% of total	3.7	6.6	6.6	22.9	4.0	3.9	47.7
Total	# of buildings / locations	240	299	301	344	241	370	1,795
	Space (m ²)	554,472	711,724	849,376	4,037,980	650,825	574,690	7,379,066
	% of total	7.5	9.6	11.5	54.7	8.8	7.8	100

Crown-owned Office Portfolio

The Crown-owned office portfolio has a significant concentration in eight major urban centres, namely: Halifax, Montréal, Ottawa-Gatineau, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. Currently, more than half of the national Crown-owned office building inventory (in m²) is found in the National Capital Region (NCR), and includes the Crown-owned office buildings that serve the needs of parliamentarians.

Over the years, the size of the portfolio fluctuated as buildings were sold or removed from the inventory and new properties were acquired. The portfolio currently consists of 214 Crown-owned office buildings, totalling 2.8 million m² of the Department's total office space inventory of 6.5 million m². Nationally, the average size of a Crown-owned office building is 13,000 m². Significant regional variations exist; for example, 66% of buildings in Atlantic Region are below 5,000 m² whereas the average office building size in the NCR is more than 35,000 m².

The average age of PWGSC Crown-owned buildings is now 52 years, with nearly two-thirds of the buildings being more than 40 years old. However, the "effective age" of the portfolio is much lower as PWGSC continuously maintains, repairs and upgrades its assets to meet high standards for federal accommodation.

Summary Chart of PWGSC's Crown-owned Office Portfolio

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
# Office buildings	233	224	226	221	214
Space (m ² in 000s)	2,405	2,352	2,495	2,655	2,781
Average age (years)	49	50	50	51	52

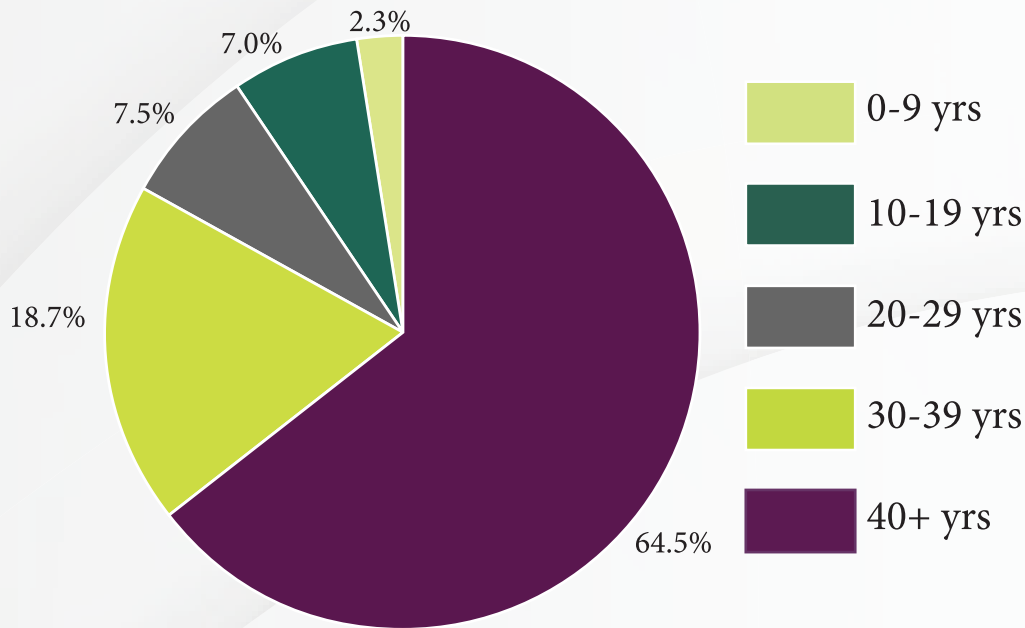
Note: Buildings in the Parliamentary Precinct are included in these numbers

¹This table describes the entire PWGSC real property portfolio of office and non-office (e.g. warehouse, training centres) facilities.

²Lease-purchase: lease with an option to purchase.

Age of PWGSC's Crown-owned Office Portfolio

% of total PWGSC Crown-owned office facilities



Operating and Maintenance Expenses

Operating and maintenance expenses include costs associated with cleaning, utilities, administration, repair/maintenance, security/roads/grounds, leasing (cost of managing commercial operations inside the buildings) and preparing space for tenants.

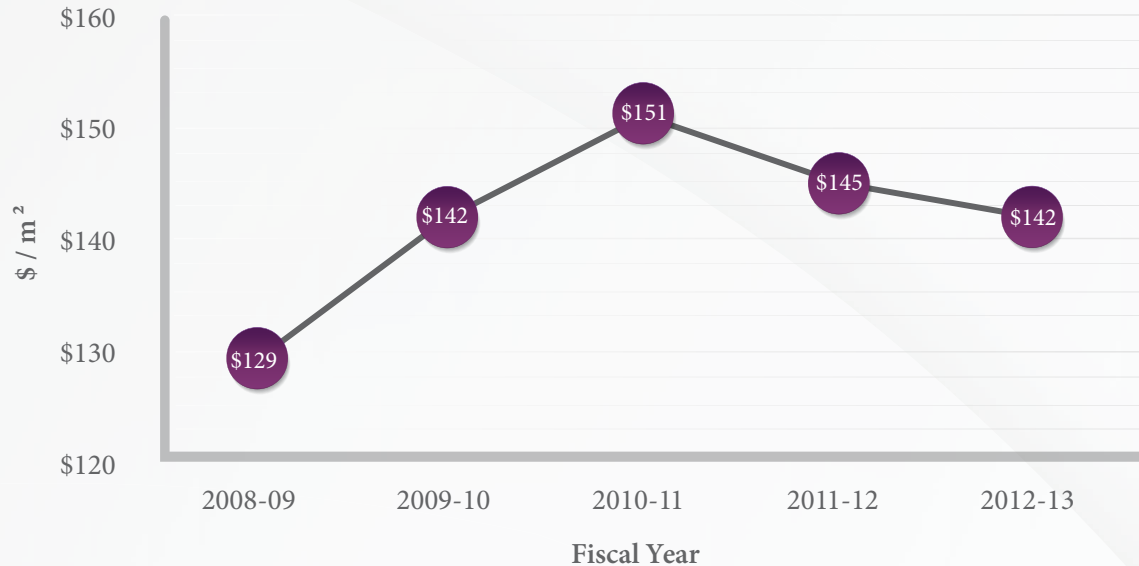
The national portfolio's average operating and maintenance expenses were \$142/m² in 2012-13.

The five-year trend shows a substantial increase in average operating and maintenance expenses in 2009-10 and 2010-11. This increase can be largely explained by the expenditures under the Accelerated Infrastructure Program³ which enabled a number of backlog repair projects. Repair/maintenance costs represent the largest portion (around 37%) of the total operating and maintenance expenses, followed by utilities, administration, cleaning, security/roads/grounds and leasing.

As 2010-11 was the last year of the Accelerated Infrastructure Program funding, average operating and maintenance expenses have decreased in 2011-12 and 2012-13.

³The Accelerated Infrastructure Program was launched under the Economic Action Plan on April 1, 2009. It focussed on the rehabilitation of PWGSC buildings and other infrastructure, with investments of over \$420 million over two years (2009-10 and 2010-11).

Operating and Maintenance Expenses (O&M) of PWGSC's Crown-owned Office Portfolio



Capital Expenditures

PWGSC follows generally accepted accounting principles and applies set criteria to record expenditures as “capital.” Capital expenditures are costs that meet one or more of the following criteria: are greater than \$25,000 and extend the original life expectancy of the asset, improve the quality of the asset’s output, increase its service capacity, or lower its operating costs.

Capital expenditures increased from \$59/m² in 2011-12 to \$62/m² in 2012-13. This equates to an increase in expenditures from \$157 million in 2011-12 to \$172 million in 2012-13. The amount of capital expenditures on real property assets increased in 2009-10, 2010-11, due to Economic Action Plan funding for the Accelerated Infrastructure Program. The fiscal stimulus enabled PWGSC to address numerous capital projects carried over from previous years and also addressed some projects originally scheduled for future years.

Capital Expenditures of PWGSC's Crown-owned Office Portfolio



Vacancy

PWGSC's mandate is to provide office accommodation and real property services to federal departments and agencies which, in turn, deliver programs and services to Canadians. PWGSC manages its real property portfolio to achieve best value for taxpayers. As such, vacancy is tracked to identify potential space efficiencies and consolidation opportunities, and to evaluate the Department's performance. PWGSC benchmarks its vacancy rate performance against external organizations. While there are differences in respective approaches, PWGSC vacancy rates are typically lower than private sector rates.

PWGSC requires a degree of flexibility and vacancy in its portfolio to respond to constantly changing client requirements that can include the need to quickly acquire space to deliver a new program or service to Canadians. Changing client requirements can also lead to small pockets of space scattered throughout the portfolio that cannot be easily back-filled by other clients.

PWGSC limits the space it leases out commercially ("lettings") to businesses offering services (e.g. food, retail) to federal employees. While offering space to other private sector tenants (e.g. a technology firm) could reduce vacancy, this would fall outside the mandate of PWGSC as a provider of office space to federal departments and agencies.

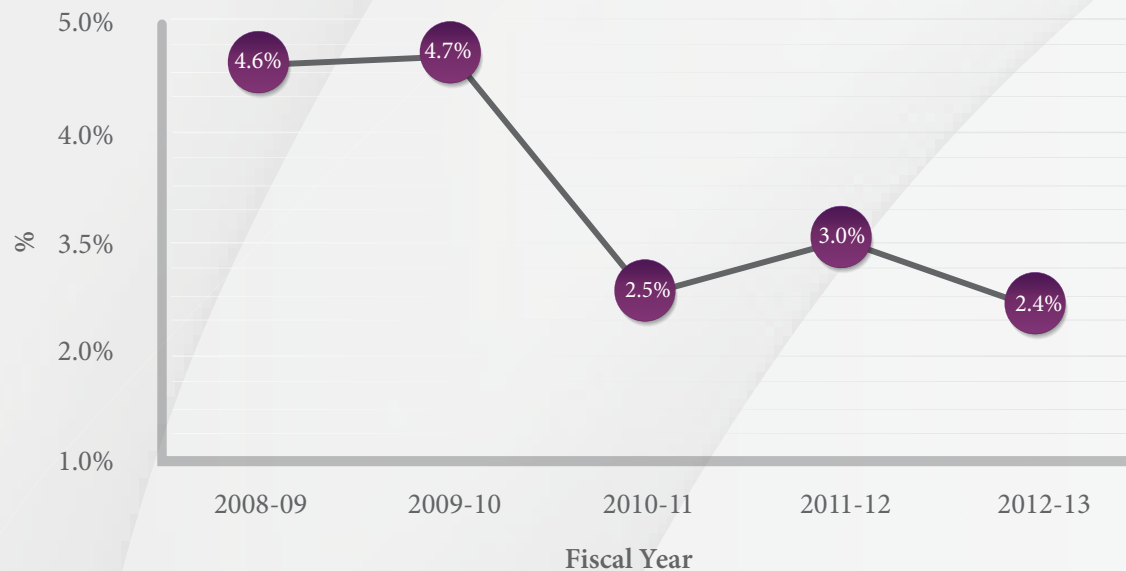
Vacant space is tracked for the entire PWGSC portfolio of office and non-office (e.g. conference or training centres, storage) facilities in Crown-owned, lease-purchase and leased buildings. PWGSC evaluates its performance based on "marketable vacancy" as opposed to "total unoccupied" space.

The marketable vacancy rate for Crown-owned office space is the percentage of total Crown-owned office building space that is vacant and marketable (i.e. space that is suitable for occupancy by any federal or non-federal client/tenant). This figure is PWGSC's official metric on vacant space.

In comparison, total unoccupied space consists of vacant marketable space and space that is currently unsuitable for occupancy. This includes, but is not limited to, office space being fit-up for clients, buildings/offices under renovation, buildings in a non-usable condition and buildings that have been approved for disposal.

The marketable vacancy rate of the Crown-owned office portfolio in 2012-13 was 2.4%, a decrease from 3.0% in 2011-12.

Vacancy Rate of PWGSC's Crown-owned Office Portfolio

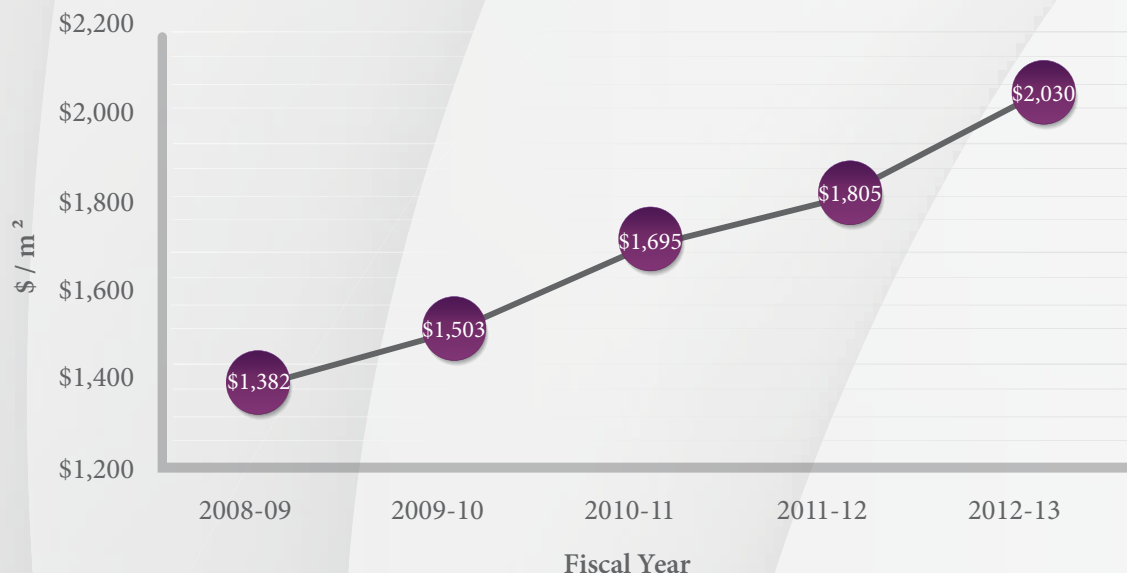


Market Value

Market values for 2012-13 were calculated using an index that was applied to the previous year's valuations.

Due to an economic downturn in 2008-09, market values declined that year for the first time in 12 years (since 1996-1997), but recovered in 2009-10. In 2012-13, the average national market value of PWGSC's Crown-owned office portfolio was \$2,030/m², representing a 1% increase from the previous year.

Market Value of PWGSC's Crown-owned Office Portfolio



Heritage Inventory Profile and Performance

Of all Crown-owned office buildings currently in the portfolio, 77 (36%) have been designated as federal heritage buildings following an evaluation by the Federal Heritage Buildings Review Office.

The average age of the designated heritage buildings is 29 years older than the non-designated buildings.

The heritage buildings are also 3% more expensive to operate and maintain.

The market values of the heritage designated vs. non-designated buildings only differ slightly on a per m² basis.

The higher than average vacancy rate for designated buildings reflects several in-progress disposal projects, where buildings are being vacated prior to leaving the PWGSC inventory.

The table below summarizes the performance of the designated heritage portfolio versus the non-designated portfolio. While the portfolio of designated heritage office buildings presents some performance challenges, the buildings' prominent central locations contribute to a strong federal presence and are often prized locations for tenants.

Fiscal Year 2012-13	Building Count (#)	Average Age (yrs)	Space (m ²)	Vacancy (%)	Market Value (\$/m ²)	O&M Expenses (\$/m ²)	Capital Expenses (\$/m ²)
Designated Federal Heritage Office Buildings	77	69.9	911,693	3.53	\$1,995	\$127.7	\$55.1
Other Office Buildings	137	40.8	1,869,057	1.82	\$2,048	\$123.8	\$65.3
All Office Buildings	214	51.5	2,780,750	2.38	\$2,030	\$142	\$61.9

Sustainable Development

Sustainable Buildings

- As of March 2013, there were 6 Leadership in Energy and Environmental Design buildings and one Green Globes building under PWGSC custody.

Greenhouse Gas Emissions

- In 2012-13, PWGSC reduced its emissions by 1.0% from the reported 2005-06 baseline of 264 kilotonnes.
- Approximately 99 % of PWGSC's greenhouse gas emissions come from its buildings portfolio.

Contaminated Sites

- As of March 31, 2013, PWGSC has completed remediation or risk management plans at 75.6% of known contaminated sites.

Office Accommodation

National – Office Accommodation Metrics

In April 2012, PWGSC introduced new, more efficient office space standards based on industry best practices. As the Government of Canada's centre of expertise for real property, PWGSC has been working with client departments to implement these new standards to ensure the most efficient and economical use of government facilities.

RPB monitors and reports on the following three core accountability indicators⁴ :

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
Square metres per employee (m ² /employee)	19.3	18.9	18.9	19.0	18.4
Cost of office space per employee (\$[rent]/employee)	\$5,499	\$5,572	\$5,689	\$5,868	\$5,918
Cost of office space per square metre (\$[rent]/m ²)	\$284	\$295	\$300	\$309	\$321

The size of the national portfolio is relatively stable (modest increase) whereas market costs of accommodation are increasing. This explains the increase in cost per employee year over year.

National – Principal Clients

Office space location, and size, is important to client departments to ensure effective delivery of their programs. The Real Property Branch (RPB) acquires space on behalf of its clients and ensures the space provided is safe and adequate for the client's requirements, affords the maximum long-term economic advantage for government, and is consistent with environmental objectives and relevant government policies.

The ten largest clients in PWGSC's portfolio, based on m², are listed in the table below. The space they occupy represents over 52% of the total space that PWGSC manages.

Client department/agency	Crown-owned (m ²)	Lease-purchase (m ²)	Lease (m ²)	Total space (m ²)
Canada Revenue Agency	423,727	1,140	518,499	943,366
Human Resources & Skills Development Canada	252,205	27,918	415,145	695,268
National Defence	179,904	76,503	209,569	465,976
Royal Canadian Mounted Police	229,361	71,677	98,753	399,791
Public Works and Government Services Canada	197,527	9,449	147,493	354,468
Health Canada	115,415	5,932	113,126	234,473
Library and Archives Canada	148,639		84,159	232,798
Canada Border Services Agency	52,716	2,499	155,072	210,287
Environment Canada	53,519	18,906	117,951	190,375
Fisheries and Oceans Canada	64,166		114,090	178,255
Total	1,717,179	214,023	1,973,855	3,905,057

⁴These indicators are based on areas of each building that are appropriate for office type work and do not include non-office areas (e.g. storage areas). All costs for accommodation are based on imputed gross market-based rents for:

- leased and lease-purchase accommodation: building rent is composed of the contract (net) rent, operating and maintenance expenses, taxes, and escalations (or de-escalations) using the Consumer Price Index; and
- Crown-owned accommodation: building rent is composed of a survey-based market (net) rent, operating and maintenance expenses and taxes.

Regional Portfolios

This section provides information on the Crown-owned office portfolio, in each of the six regions: Atlantic, Québec, National Capital, Ontario, Western and Pacific.

Atlantic Region

The Atlantic Region consists of the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island and New Brunswick. Key urban markets include Halifax, Moncton, St. John's and Charlottetown.

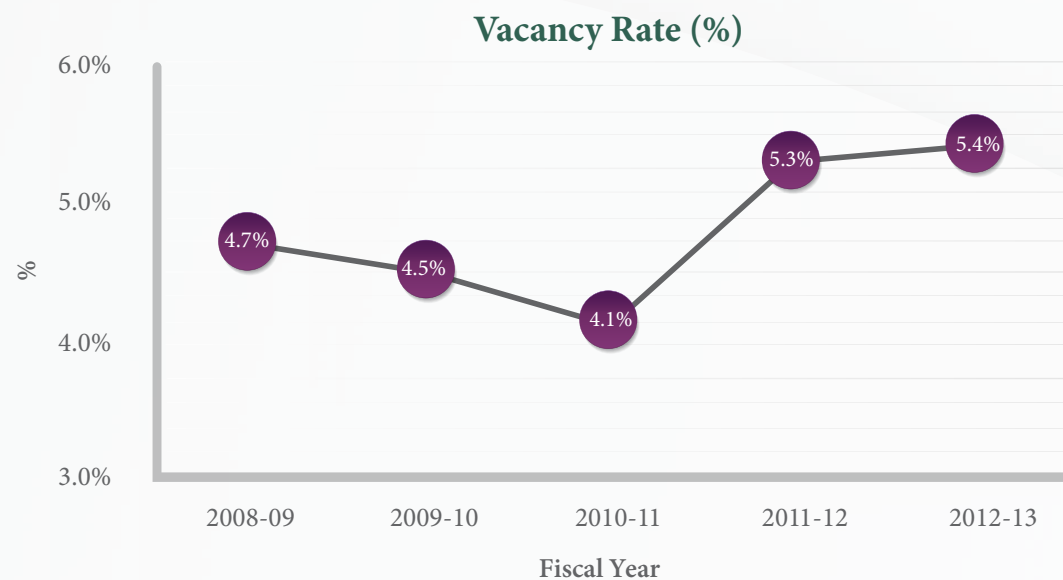
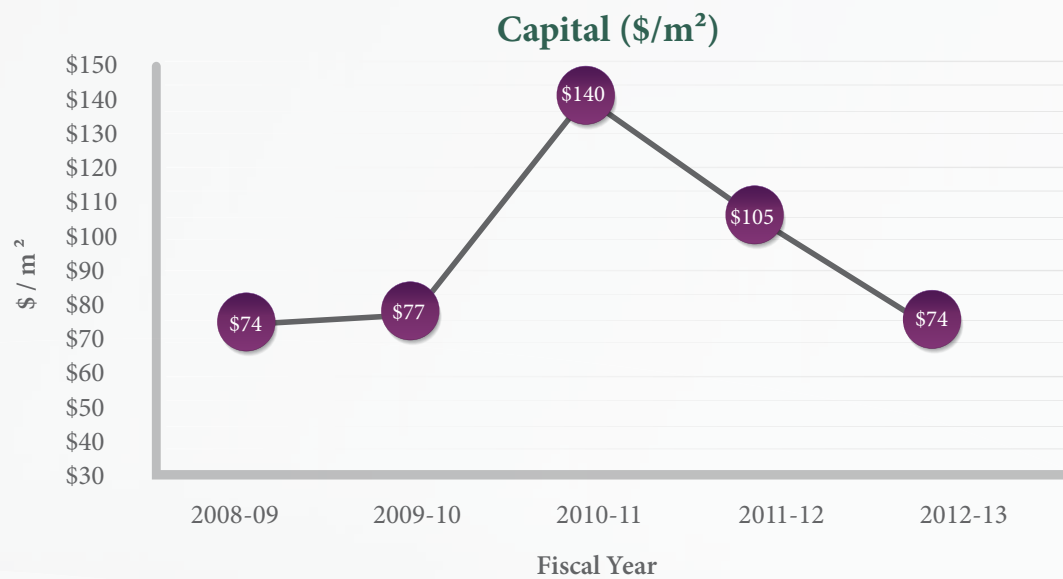
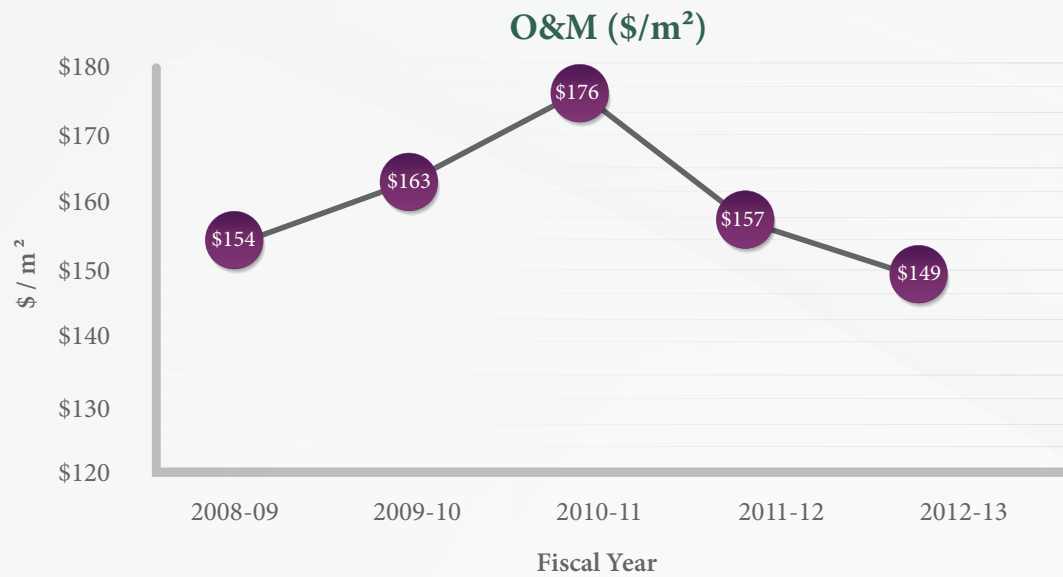
In 2012-13, the Atlantic Region represented 28% of the national Crown-owned office portfolio based on building count, and 10% of the national Crown-owned office portfolio's building floor area (m²).

Over the past five years, the Atlantic Region's Crown-owned office portfolio has steadily decreased, reflecting the disposal of assets in rural locations where demand has been decreasing. The region's overall inventory has remained comparatively stable over this period with an increasing reliance on the lease market to supply office space requirements.

The Atlantic Crown-owned office portfolio currently consists of 60 office buildings totalling 275,615 m². As illustrated in the table and graphs below, there was an increase in the Atlantic portfolio's average operating and maintenance expenses and capital expenditures in 2009-10 and 2010-11, due in large part to the Accelerated Infrastructure Program. Average operating and maintenance expenses and capital expenditures have since decreased each of the last two fiscal years. Portfolio vacancy remained relatively unchanged in 2012-13.

Crown-owned Atlantic Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	71	67	63	62	60
Space (m ² in 000s)	287	283	277	277	276
Average Age (years)	44	44	45	46	47
Market Value (\$/m ²)	\$834	\$840	\$995	\$882	\$958
O&M (\$/m ²)	\$154	\$163	\$176	\$157	\$149
Capital (\$/m ²)	\$74	\$77	\$140	\$105	\$74
Vacancy Rate (%)	4.7%	4.5%	4.1%	5.3%	5.4%



Québec Region

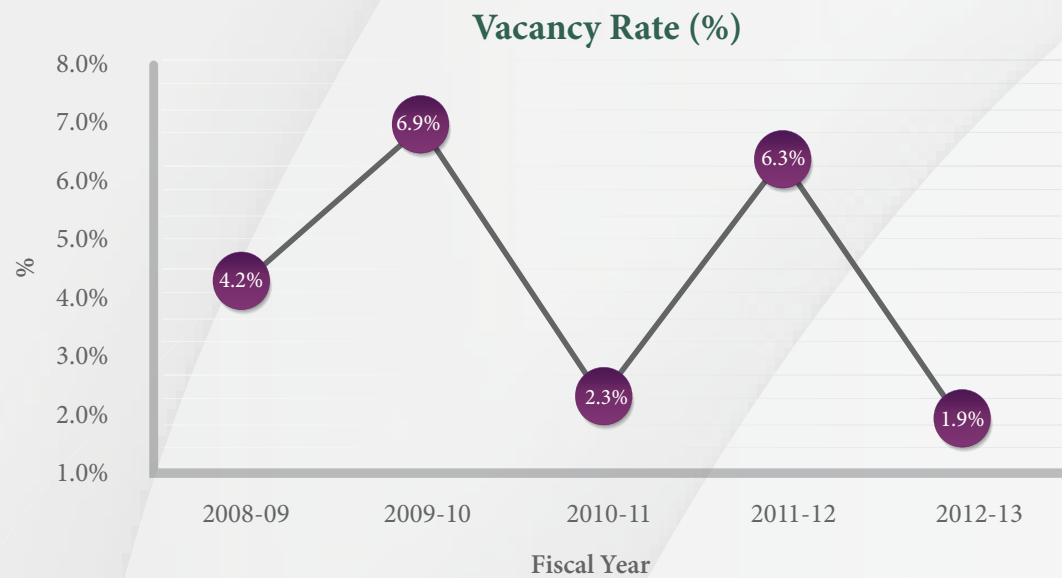
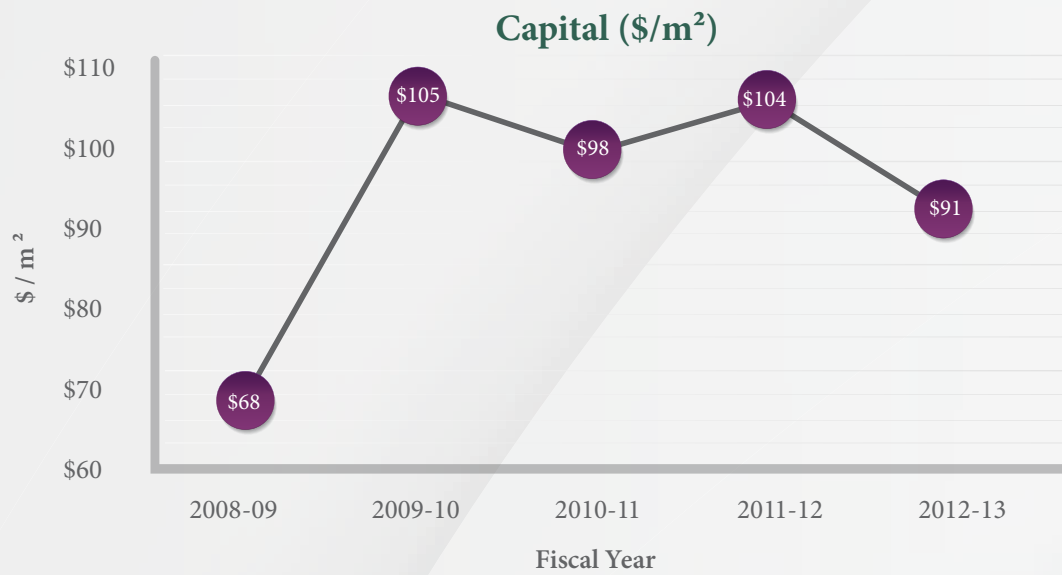
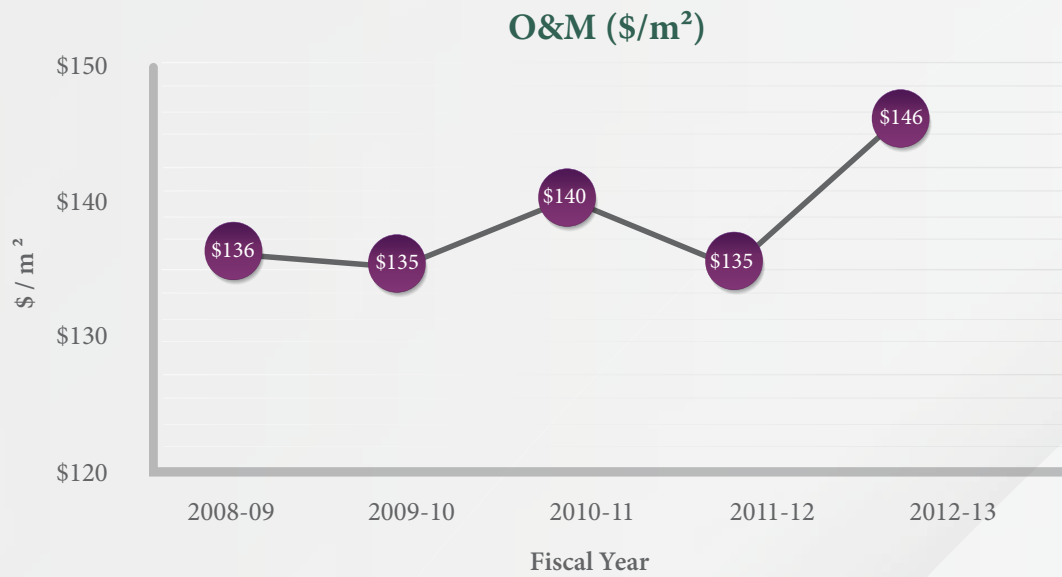
The Québec Region consists of the province of Québec, with the exception of Gatineau, which is part of the National Capital Region. Key urban markets include Montréal and Québec City. Approximately 48% of the region's inventory is located in Montréal, 14% in Québec City and 38% throughout the rest of the province.

In 2012-13, the Québec Region represented 15% of the national Crown-owned office portfolio based on building count and 9% of the national Crown-owned office portfolio's building floor area (m²).

Over the past five years the Québec Region's Crown-owned office portfolio decreased slightly. It currently consists of 31 office buildings totalling 254,706 m². As illustrated in the table and graphs below there was an increase in the portfolio's average operating and maintenance expenses, due in large part to the Accelerated Infrastructure Program. A moderate increase in O&M cost (\$/m²) was offset by a similar decrease in capital cost (\$/m²) in 2012-13. The vacancy rate improved dramatically in 2012-13 due to disposal/ demolition of a number of buildings from the regional portfolio.

Crown-owned Québec Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	35	34	34	33	31
Space (m ² in 000s)	275	272	272	272	255
Average Age (years)	51	53	55	57	58
Market Value (\$/m ²)	\$841	\$907	\$965	\$891	\$1,271
O&M (\$/m ²)	\$136	\$135	\$140	\$135	\$146
Capital (\$/m ²)	\$68	\$105	\$98	\$104	\$91
Vacancy Rate (%)	4.2%	6.9%	2.3%	6.3%	1.9%



National Capital Region

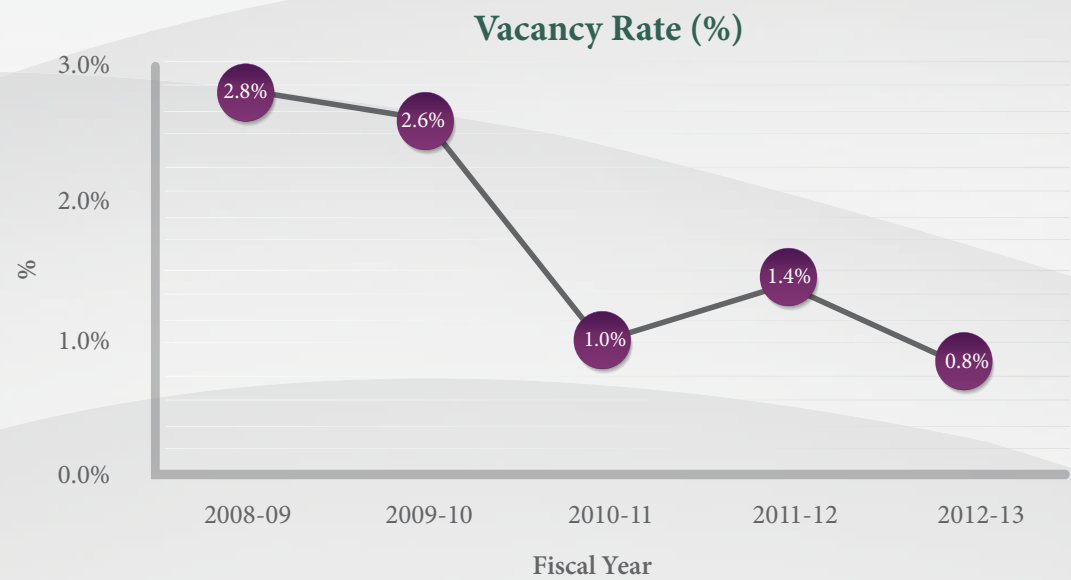
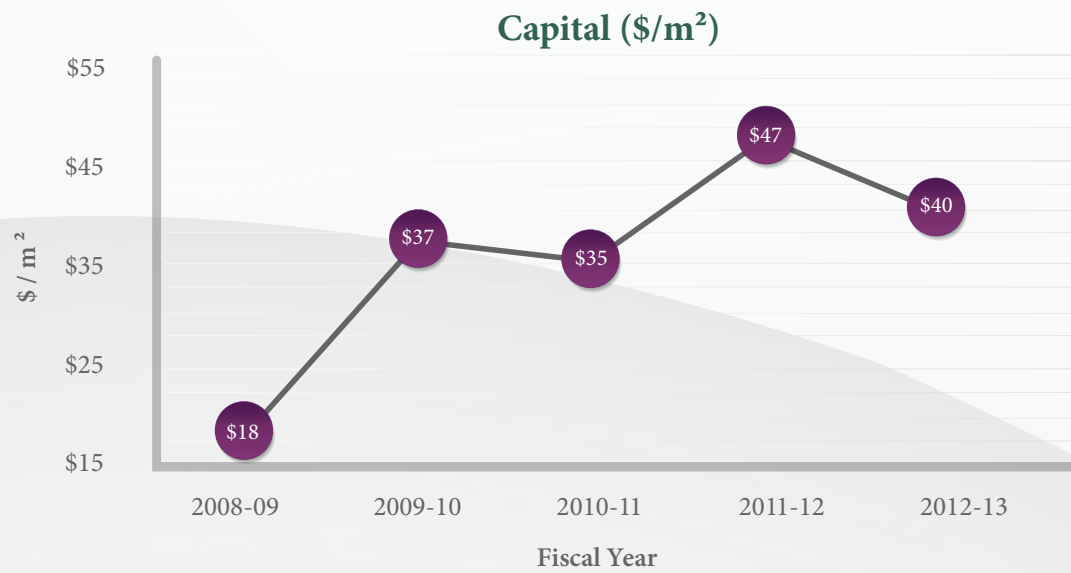
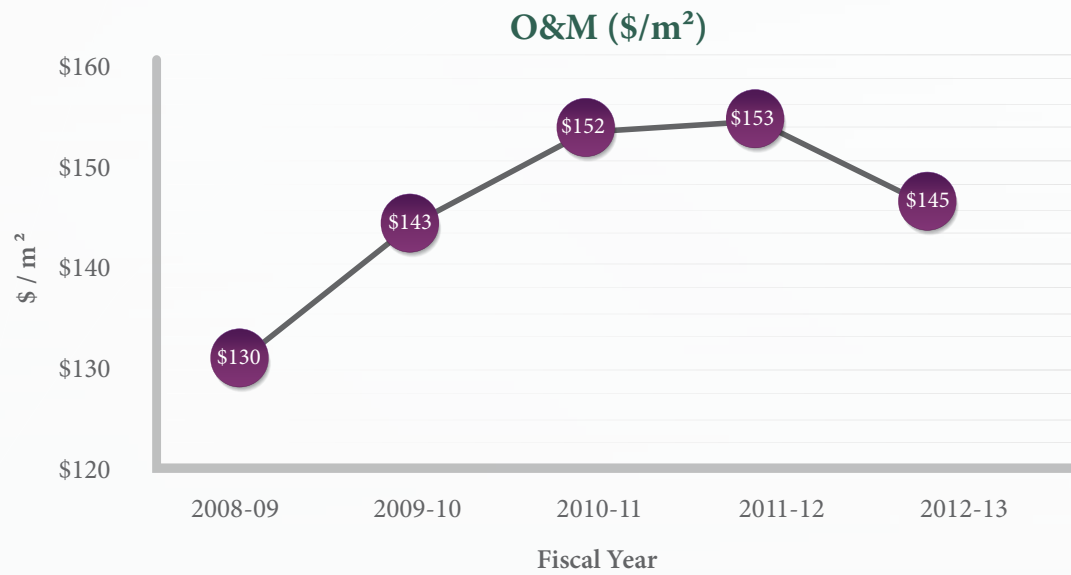
The National Capital Region consists of the National Capital Area (comprised of Greater Ottawa and Gatineau), as well as Nunavut.

In 2012-13, the National Capital Region represented 19% of the national Crown-owned office portfolio based on building count and 54% of the national Crown-owned office portfolio's building floor area (m²).

Over the past five years, as presented in the table below, the National Capital Region's Crown-owned office portfolio has stayed relatively constant. It currently consists of 40 office buildings totalling 1,494 million m². As illustrated in the graphs below, there was an increase in the portfolio's average operating and maintenance expenses and capital for the period 2008-09 to 2011-12, due in large part to the Accelerated Infrastructure Program. In 2012-13, both O&M and capital expenditures fell, while the vacancy rate dropped below 1%.

Crown-owned National Capital Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	39	36	41	40	40
Space (m ² in 000s)	1,148	1,101	1,242	1,405	1,494
Average Age (years)	55	53	49	50	50
Market Value (\$/m ²)	\$1,694	\$1,906	\$1,979	\$1,990	\$2,272
O&M (\$/m ²)	\$130	\$143	\$152	\$153	\$145
Capital (\$/m ²)	\$18	\$37	\$35	\$47	\$40
Vacancy Rate (%)	2.8%	2.6%	1.0%	1.4%	0.8%



Ontario Region

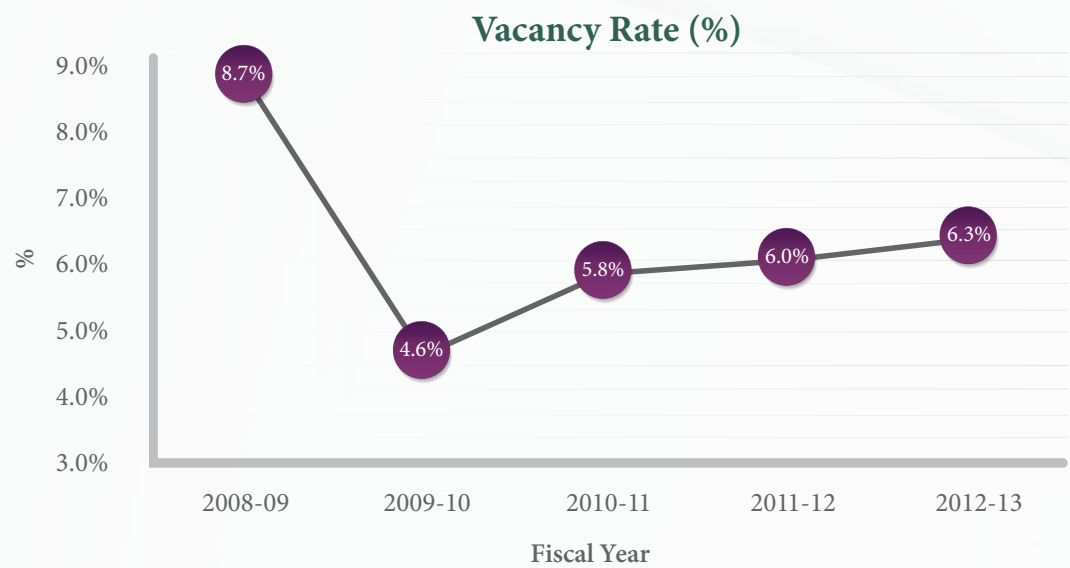
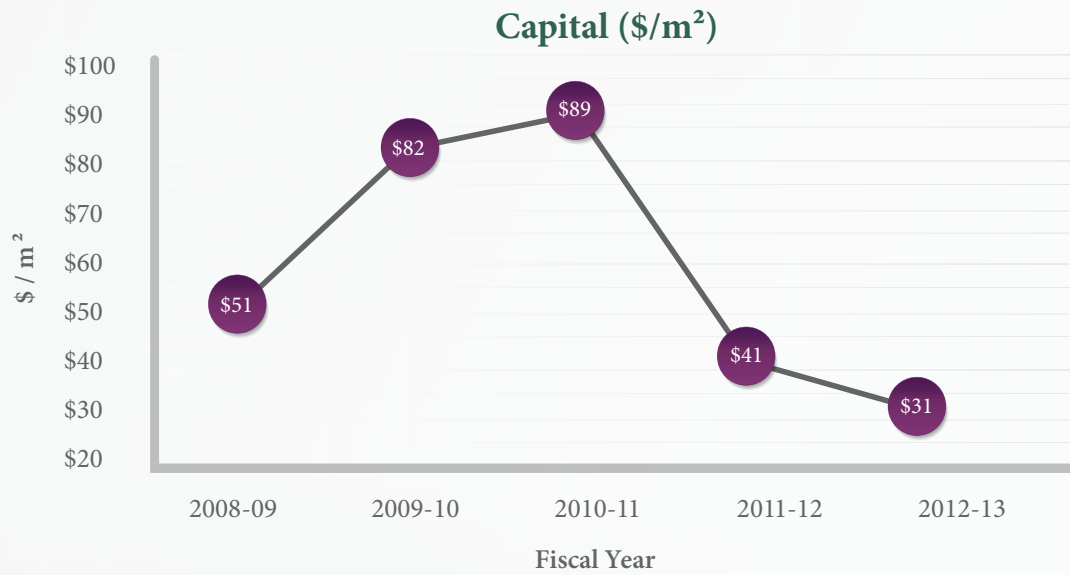
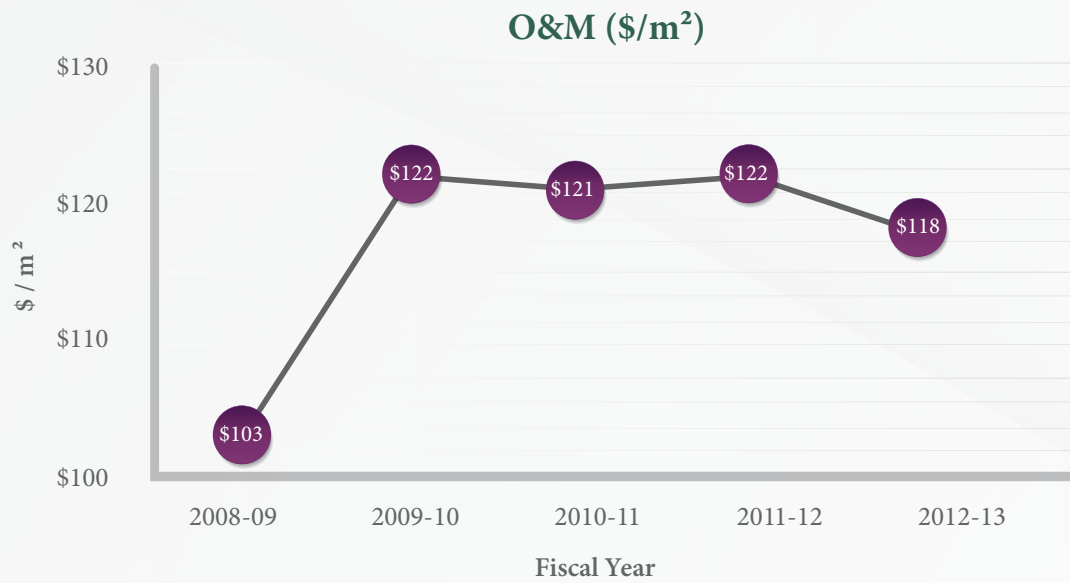
The Ontario Region consists of the province of Ontario, with the exception of the Greater Ottawa Area. The Greater Toronto Area dominates the Ontario Region inventory. Other notable urban markets include Hamilton, London, Windsor, Sudbury and Kingston.

In 2012-13, the Ontario Region represented 15% of the national Crown-owned office portfolio based on building count and 12% of the national Crown-owned office portfolio's building floor area (m²).

Over the past five years, as presented in the table below, the Ontario Region's Crown-owned office portfolio has steadily decreased. It currently consists of 33 office buildings totalling 326, 811m². As illustrated in the graphs below, O&M expenditures and vacancy rates have remained relatively stable, while capital expenditures have decreased substantially.

Crown-owned Ontario Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	38	37	38	37	33
Space (m ² in 000s)	335	334	342	341	327
Average Age (years)	57	59	60	62	62
Market Value (\$/m ²)	\$768	\$863	\$1,124	\$1,721	\$1,849
O&M (\$/m ²)	\$103	\$122	\$121	\$122	\$118
Capital (\$/m ²)	\$51	\$82	\$89	\$41	\$31
Vacancy Rate (%)	8.7%	4.6%	5.8%	6.0%	6.3%



Western Region

The Western Region consists of the provinces of Manitoba, Saskatchewan and Alberta, as well as the Northwest Territories. Key urban markets include Winnipeg, Regina, Saskatoon, Calgary, Edmonton and Yellowknife.

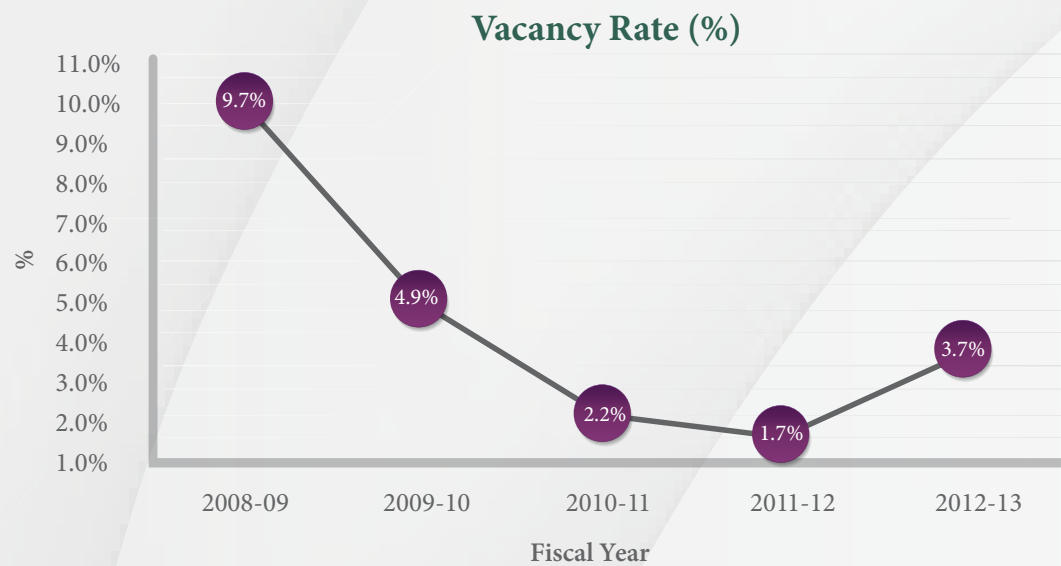
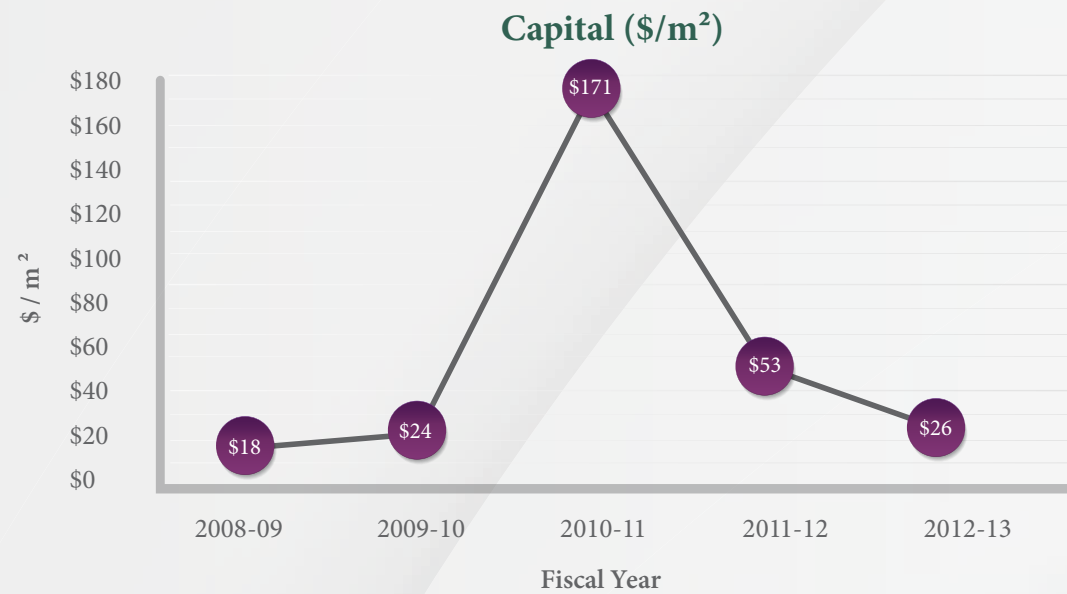
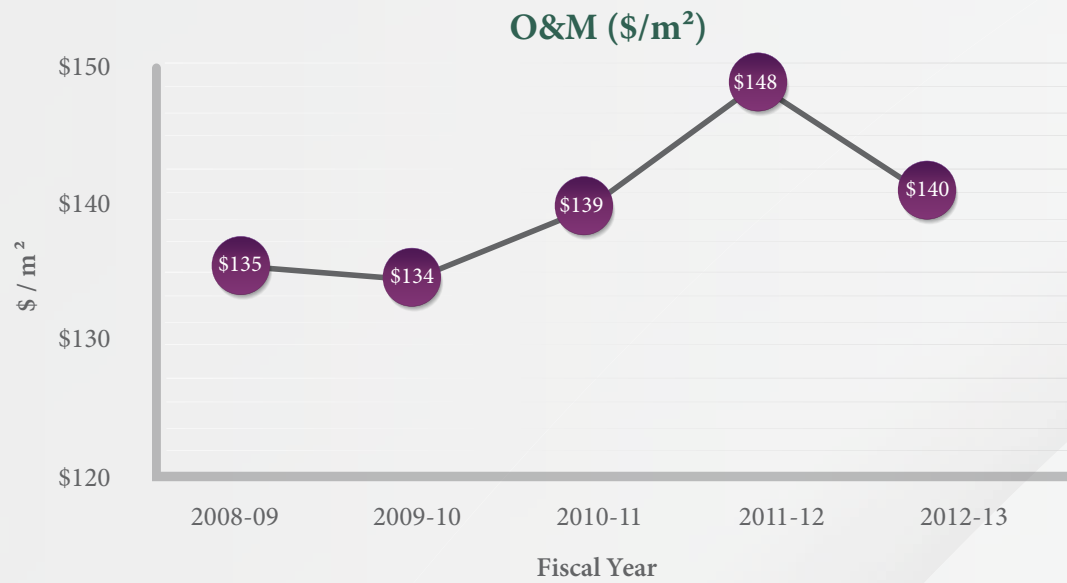
In 2012-13, the Western Region represented 10% of the national Crown-owned office portfolio based on building count and 6.5% of the national Crown-owned office portfolio's building floor area (m²).

Western Region also manages a housing portfolio of 350 Crown-owned and 45 leased units.

Over the past five years, as presented in the table below, the Western Region's Crown-owned office portfolio stayed relatively constant. It currently consists of 22 assets totalling 181,566m². As illustrated in the graphs below, the portfolio's operating and maintenance expenses increased gradually over the years while capital expenditures have fluctuated sharply. Vacancy rate has increased in 2012-13 but remains below the long term average.

Crown-owned Western Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	22	22	22	22	22
Space (m ² in 000s)	181	182	182	182	182
Average Age (years)	46	47	49	50	51
Market Value (\$/m ²)	\$1,340	\$1,265	\$1,578	\$1,736	\$1,921
O&M (\$/m ²)	\$135	\$134	\$139	\$148	\$140
Capital (\$/m ²)	\$18	\$24	\$171	\$53	\$26
Vacancy Rate (%)	9.7%	4.9%	2.2%	1.7%	3.7%



Pacific Region

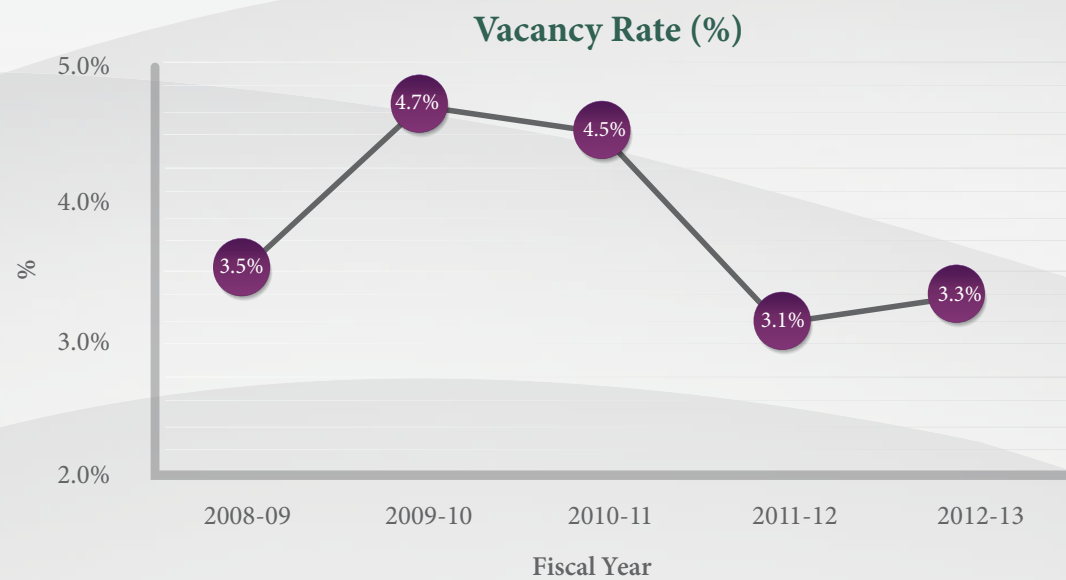
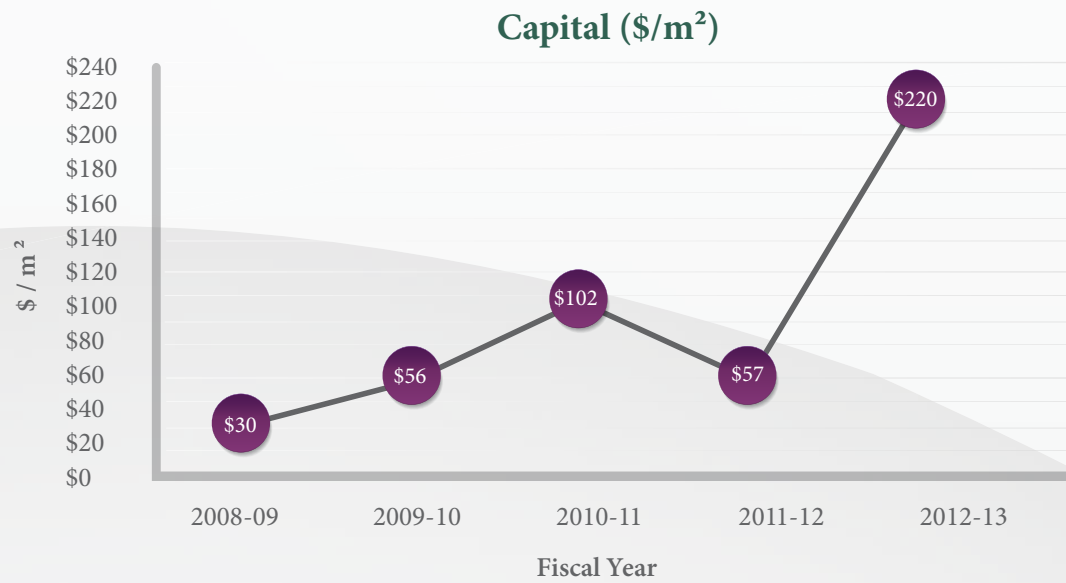
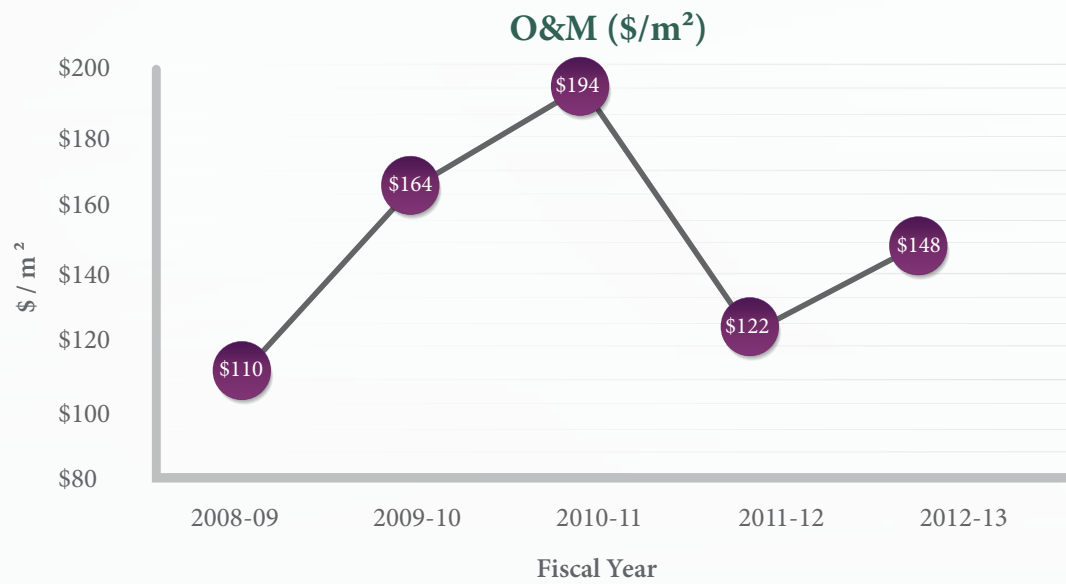
The Pacific Region serves British Columbia and the Yukon. Key urban markets include Vancouver, Victoria and Whitehorse.

In 2012-13, the Pacific Region represented 13% of the national Crown-owned office portfolio based on building count and 9% of the national Crown-owned office portfolio's building floor area (square metres).

Over the past five years, as presented in the table below, the Pacific Region's Crown-owned office portfolio has stayed relatively constant. It currently consists of 28 office buildings totalling 248,031 m². As illustrated in the graphs below, there was an increase in the portfolio's average operating and maintenance expenses and capital expenditures in 2009-10 and 2010-11, due in large part to the Accelerated Infrastructure Program. 2011-12 witnessed a significant reduction in both O&M and capital expenditures. The significant increase in capital costs is largely attributable to the construction of a new RCMP headquarters (E Division) building in Surrey, British Columbia. The portfolio's vacancy rate fluctuated and is now 3.3%.

Crown-owned Pacific Region, Office Portfolio

Indicator	2008-09	2009-10	2010-11	2011-12	2012-13
# Office Buildings	28	28	28	27	28
Space (m ² in 000s)	179	179	180	178	248
Average Age (years)	43	44	44	44	43
Market Value (\$/m ²)	\$2,283	\$2,413	\$3,118	\$3,405	\$2,867
O&M (\$/m ²)	\$110	\$164	\$194	\$122	\$148
Capital (\$/m ²)	\$30	\$56	\$102	\$57	\$220
Vacancy Rate (%)	3.5%	4.7%	4.5%	3.1%	3.3%



Engineering Assets Portfolio

PWGSC portfolio of engineering assets consists of seven bridges, four dam complexes, nine specialized assets and an inventory of marine assets.

PWGSC engineering assets are unique structures located throughout Canada. The majority of these assets are vital to the public they serve, from the “Camere-style” St. Andrews Lock and Dam in Manitoba, to the picturesque Alexandra Bridge, in the National Capital Area, to the Alaska Highway, an artery woven into the heart of the North.

The 1985 Nielsen Task Force directed departments to divest themselves of assets no longer required for program purposes. Since 1985, PWGSC has divested itself of 16 assets, leaving 19 surplus assets in its inventory.

In 2012-13, \$47.3 million in capital projects were delivered and further expanded our understanding of the complexities of our unique portfolio, through the completion of 21 studies and 9 inspection reports.

The Department was also able to reduce its inventory of wharf and marine assets from 68 in 2011-12 to 33 in 2012-13.