Ottawa

Office | Q2 2023 Market Report

Quarterly Snapshot

↑ Average Rent
$24.95/SF

↑ Availability
9.5%

↓ Net Absorption
-784,230 SF

The Ottawa office market is struggling with demand as the sector waits for occupiers to determine their plans for hybrid work models. The result is likely weaker leasing fundamentals compared to historic trends. Older, less amenitized buildings will suffer the most as occupiers follow trends to newer spaces/buildings that offer amenities that employers are looking for to incentivize workers back to the office.

In December, the Federal government announced a return-to-office for civil servants, with public sector employees expected to work a minimum of 2 to 3 days week in the office. Compared to other Canadian office markets. Availability sits at just over 7 percent, compared to more than 12 percent nationally. Additionally, the construction pipeline is limited, meaning additional new inventory will not upset current market fundamentals.

Looking forward, the office market is bracing for further reductions in office utilization as the Federal government considers effective space usage. However, these reductions will likely be phased over a period of years, softening the blow to the market.

Occupier's Perspective

The market remains tenant favourable as vacancy and availabilities drift higher, pushing landlords to increase incentives like rent abatements while holding firm on face rates.

Tenants will need to reasonable in build-out expectations due to the Bank of Canada increasing interest rates.

Space available for sublease is increasing, placing pressure on landlords of direct space to compete directly with sublease space on lease rates.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Syntronic Research & Development	69,000 SF	Kanata North	Renewal & Expansion	Office
Wind River	58,000 SF	West/Kanata	Renewal	Office
RBC Dominion Securities	29,954 SF	CBD	Renewal	Office
Prontoforms	27,243 SF	Kanata	Renewal	Office

Submarket Movement

Vacancy Rate △	QOQ Change	Direct Asking Rent ($/SF)	Submarket
-	▲	$27.17	CBD
6.1%	▲	$24.47	Centretown-Byward
4.8%	▲	$21.54	East Central
1.5%	▲	$26.18	Gatineau
4.2%	▲	$19.27	Greater Kingston
8.7%	▲	$22.12	Kanata
1.5%	▲	$18.04	Northeast Ontario
2.4%	▲	$22.75	Tunney's Pasture
3.8	▲	$22.94	West Central

Ottawa

Industrial | Q2 2023 Market Report

Quarterly Snapshot

↑ Average Rent $11.29/SF

↑ Vacancy 2.8%

↓ Net Absorption -118,169 SF

The Ottawa industrial market is experiencing strong growth driven by e-commerce tailwinds and its strategic location between larger markets like Montreal and Toronto. The lack of existing supply and high demand has pushed leasing fundamentals to all-time highs. The vacancy rate currently sits under 3.0 percent. Due to the age of stock and lack of supply, investors appear to be acquiring older product with an eye towards redevelopment.

There is nearly 2.0 million square feet, or roughly 2.2 percent of the existing inventory, under construction. With an additional 3.6 million square feet of inventory proposed to deliver between 2024 and 2027, there is some relief in sight that could help to lessen demand. For example, the National Capital Business Park, situated at the intersection of Hunt Club Rd and Route 417 is proposing to deliver 1.3 million square feet of logistics space in six buildings to the market.

Quarterly industrial transaction volumes remain elevated by Ottawa standards, suggesting that investors are increasingly looking for opportunities in the sector.

Occupier's Perspective

Leasing activity continues to be robust. The slowing economy may act as a slight headwind in coming quarters, but limited space availability should continue to translate into healthy leasing fundamentals.

The tight leasing environment in turn should lead to higher rent appreciation over the coming quarters. Annual rent growth is 10.7 percent, and the market rent is $15.00 per square foot, somewhat less than the Canadian average of $16.50, with a significant premium on new product.

Manulife is expected to deliver its twin warehouses located at 2101 and 2105 Bantree St. These facilities will add 200,000 SF of modern logistics space to the market.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Confidential	63,615 SF	Ottawa South	New Lease	Industrial
D.L Building Materials	60,000 SF	Ottawa West	New Lease	Industrial
Trico	53,162 SF	Ottawa South	Renewal	Industrial
Syntronic Production Services Canada Inc	68,500 SF	Kanata North	New Deal	Industrial

Submarket Movement

Vacancy Rate △	QOQ Change	Direct Asking Rent ($/SF)	Submarket
1.2%	▲	$12.34	East
0.4%	▲	$12.30	Gatineau
0.8%	▲	$9.02	Greater Kingston
6.3%	▲	$6.80	Northeast Ontario
0.0%	▲	$8.31	Papineau-Pontiac
1.8%	▲	$13.94	South
3.2%	▲	$13.69	West

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