

**ECONOMIC INDICATORS Q4 2021**



Source: Statistics Canada

**GENERAL OVERVIEW: Downtown**

Considering the Federal Government owns or leases about 50% of the office space in the downtown core, close to 16 million square feet (msf), and has a substantial portion of their approximately 50,000 employees working from home, the streets have been visibly quiet. As a result of the Prime Minister's request late in the fourth quarter of 2021 for a delay in return to office, it is widely believed this will not occur until mid-2022. As working from home becomes increasingly normal, the market could see a greater likelihood that expiring government leases, mainly in obsolete buildings, could result in the entire property being vacated or repurposed rather than renovated. Recent properties following through with these plans include 110 O'Connor, recently purchased by Groupe Mach, a developer out of Montreal, with plans to repurpose the building as residential. In addition, 180 Metcalfe, originally the Medical Arts Building, and 89/91 Nepean, originally surface parking, are both currently under construction and are being repurposed into condominiums. .

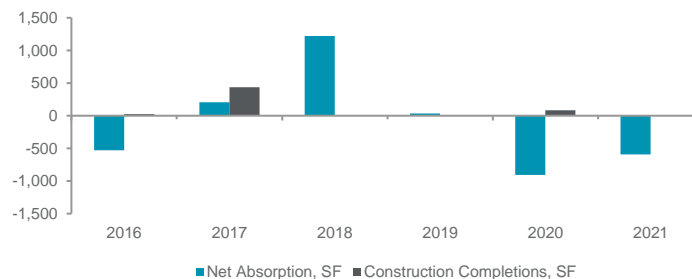
**DEMAND: A Strong Second Half**

Office market players want to know the current status of the market as they continue to monitor activity, particularly when compared to the traditional pre-pandemic office market. Many employers had set their sights on a return to the office in early 2022, and while the rise of the Omicron variant may have kicked those plans further into the year, companies have not shied away from expanding and renewing their leases; even newcomers to the market are making their mark in brick-and-mortar locations. In the first quarter of 2021, overall sublet vacancy accounted for 20% (878k square feet) (sf) of the overall vacant space of 4.4 msf. However, the office market saw a positive shift over the course of the year. The fourth quarter recorded a decrease in sublet space by 205k sf since the first quarter of 2021, now totaling 672k sf overall. The direct vacancy also followed this trend, declining by 73k sf when compared to the first quarter of the year, now posting a total of 3.45 msf. Overall leasing activity in the region recorded 458k sf in the first half of 2021, with a significant turnaround of 695k sf in the latter half of the year, combining for a total of 1.15 msf of leasing activity for the year. Not only has leasing activity improved, but absorption has also seen a dramatic turn-around. The first and second quarters combined reported 579k sf of negative absorption, while demand in the third and fourth quarters saw a significant rebound; reporting a combined 13k sf of negative absorption. This brought the overall absorption for 2021 to negative 592k sf. The rise in positive COVID-19 cases may be alarming to some employers - and could potentially be a telling sign for them to throw in the towel on their office space. However, the activity the market is seeing is a positive indicator that the commercial office market is progressing towards a more promising future.

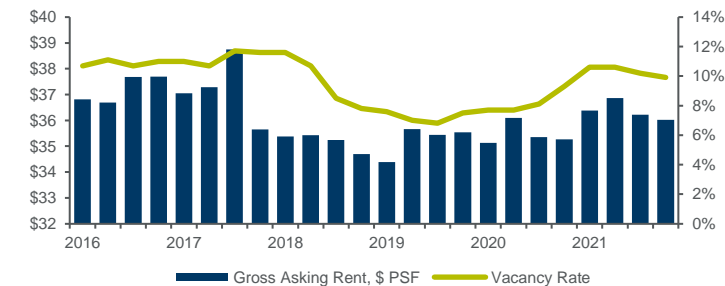
**PRICING: Relatively Unchanged**

Despite the uncertainty, the Ottawa market has kept overall rental rates relatively unchanged since Q1 2021 - from \$36.38 per square foot (psf) to currently posting \$36.02 psf. Rents in the Kanata market have continued to increase quarter-over-quarter, reporting \$30.56 psf in Q4 2021, an increase of nearly \$2.00 since Q1 2021. While this is no surprise in the highly sought-after Kanata market, four other markets also reported slight increases when compared to the earlier half of the year.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & GROSS ASKING RENT**



**MARKET STATISTICS**

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Downtown Core	16,073,095	442,305	1,288,514	10.8%	35,016	-341,458	344,933	183,540	\$42.15	\$49.24
Centretown	1,739,326	1,406	187,680	10.9%	10,153	14,920	86,102	0	\$30.15	N/A
Byward Market	842,861	19,528	162,639	21.6%	452	-3,148	3,898	0	\$35.06	\$40.79
<b>CENTRAL AREA TOTALS</b>	<b>18,655,282</b>	<b>463,239</b>	<b>1,638,833</b>	<b>11.3%</b>	<b>45,621</b>	<b>-329,686</b>	<b>434,933</b>	<b>183,540</b>	<b>\$40.83</b>	<b>\$49.52</b>
Kanata	6,782,595	89,698	554,830	9.5%	91,970	-274,360	396,716	150,000	\$30.56	\$30.56
Ottawa West	3,972,145	39,976	198,724	6.0%	12,218	13,403	176,926	0	\$31.21	\$34.01
Nepean	5,751,448	37,729	260,642	5.2%	-41,407	-14,373	92,113	0	\$29.75	\$35.72
Ottawa East	5,092,748	41,618	318,875	7.1%	7,096	-27,051	31,510	0	\$31.15	\$32.20
Gloucester	1,561,201	0	477,374	30.6%	696	40,179	20,996	0	\$34.60	\$35.42
<b>TOTAL SUBURBAN TOTALS</b>	<b>23,160,137</b>	<b>209,021</b>	<b>1,810,445</b>	<b>8.7%</b>	<b>70,573</b>	<b>-262,202</b>	<b>718,261</b>	<b>150,000</b>	<b>\$31.82</b>	<b>\$33.50</b>
<b>OTTAWA TOTALS</b>	<b>41,815,419</b>	<b>672,260</b>	<b>3,449,278</b>	<b>9.9%</b>	<b>116,194</b>	<b>-591,888</b>	<b>1,153,194</b>	<b>333,540</b>	<b>\$36.02</b>	<b>\$39.83</b>

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING NET RENT	OVERALL AVG ASKING GROSS RENT
Class A	26,618,333	598,589	1,607,821	8.3%	243,244	-343,503	776,741	333,540	\$19.79	\$39.83
Class B	12,468,509	68,118	1,513,403	12.7%	-71,781	-171,786	288,473	0	\$15.54	\$32.14
Class C	2,728,577	5,553	328,054	12.2%	-55,269	-76,599	87,980	0	\$14.23	\$28.74

\*Rental rates reflect full service asking

**KEY LEASE TRANSACTIONS Q4 2021**

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
3001 Solandt Road	Kanata North	Nanometrics Inc	63,262	New Sublet
302 Legget Drive	Kanata North	MDA Systems Solutions	40,593	Renewal
100 Queen Street	Downtown Core	Osler, Hoskin & Harcourt LLP	23,241	New Direct

\*Renewals not included in leasing statistics

**KEY SALES TRANSACTIONS Q4 2021**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Place De Ville	Downtown Core	AIMCo, Brookfield Properties and the CPP Investment Board / Crestpoint Real Estate Investments and Crown Realty Partners	1,200,000	350,000,000 / \$291.66
1600 James Naismith Drive & 1595 Telesat Court	Queensway Corridor East	Toronto Dominion Bank / Crux Capital	334,000	40,550,000 / \$121.41

**Nathan Smith, Broker**

Executive Vice President

Managing Director

+1 613 236 7777 [info@cwottawa.com](mailto:info@cwottawa.com)

[cushmanwakefield.com](http://cushmanwakefield.com)

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