MARKETBEAT

Ottawa, ON

Industrial Q1 2022

	YoY Chg	12-Mo. Forecast
2.3% Vacancy Rate		
2.6M Net Absorption, SF		
$12.02 Asking Rent, PSF		

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
591K Ottawa Employment		
5.3% Ottawa Unemployment Rate		
5.3% Canadian Unemployment Rate		

Source: Statistics Canada

GENERAL OVERVIEW

Ottawa industrial market demand continues to have its foot on the gas. The industrial market has mirrored the unparalleled residential market with quick deals, multiple offers like never before, and more favourable terms for the landlord. Brokers are struggling to secure quality space, or any space at all, in a very tight, highly competitive market. Rental rates are high, and the pressure to complete a deal fast with multiple offers at the table is becoming a regular occurrence. The ability to negotiate lower rents and incentives from landlords is becoming extremely difficult unless the tenant has a strong covenant, and even then, terms are only slightly more favourable. There is new supply on the horizon, expecting to hit the market in 12-18 months, which may help alleviate some pressure on larger users. However, users in the 5-15k square feet (sf) range will likely still find themselves chasing a low supply of options at a premium. The cost to build small bay industrial is making it hard for new supply to come online. Rental rates in small bay industrial markets are higher than the market average in most cases and is now north of $13.00 - $14.00 per square foot (psf).

SUPPLY AND DEMAND

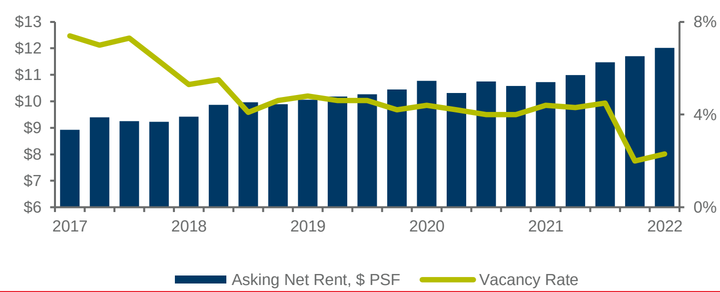
It is no surprise that vacancy in the Ottawa region continues to be at record lows, currently sitting at 2.3% overall. The future availability rate is at 2.5%, a decrease of 2.3% from the last quarter of 2021. Due to high demand, real estate developers are demonstrating their confidence in the market by switching from Build-to-Suits to Speculative builds, optimistic these projects will see high levels of leasing activity in the pre-lease phase. The Ottawa region recorded 154k sf of leasing activity in the first quarter of 2022, the majority coming from the Sheffield/Michael submarket (57k sf) and Ottawa West Dispersed close behind at 41k sf. Although the market is noticing a lack of quality space available, there continues to be substantial leasing activity considering how challenging it can be to secure quality space that checks all the boxes for tenants.

PRICING

The Ottawa industrial market overall rental rates continued to gain momentum this quarter recording $20.39 psf gross and $12.02 psf net respectively, marking a $2.86 psf uptick overall since the previous quarter. As demand continues to climb and supply dissolves landlords have remained bullish on rental expectations, with little to no incentives for tenants. New opportunities coming to the market are taking advantage of the imbalance seeking to achieve precedent-setting net rents of $16.00 psf on premium space. The increased rates are partially due to increased building costs. Given Ottawa severely lacks industrial zoning permitting outdoor storage, availabilities offering this luxury are in some cases upwards of $18.00 psf.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & ASKING NET RENT



full service asking

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Industrial Q1 2022

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT	OVERALL WEIGHTED AVG ADD. RENT	OVERALL WEIGHTED AVG GROSS RENT
Colonnade/Rideau Heights	952,990	25,233	2.6%	1,015	1,015			$11.94	$7.05	$18.99
Ottawa West Dispersed	4,459,338	104,710	2.3%	-53,800	-53,800			$11.17	$6.51	$17.68
Barrhaven	2,748,966	0	0.0%	2,710,966	2,710,966		2,710,966	N/A	N/A	N/A
Kanata North	764,233	30,970	4.1%	0	0			N/A	N/A	N/A
Kanata South	957,388	25,500	2.7%	700	700			$13.18	$12.07	$25.25
Stittsville	605,879	0	0.0%	27,794	27,794			N/A	N/A	N/A
Deep West Dispersed	335,774	0	0.0%	4,537	4,537			N/A	N/A	N/A
WEST OTTAWA TOTALS	**10,824,568**	**186,413**	**1.7%**	**2,691,212**	**2,691,212**		**2,710,966**	**$11.85**	**$8.02**	**$19.87**
Hunt Club Corridor	250,880	10,000	4.0%	-10,000	-10,000			N/A	N/A	N/A
Ottawa South Dispersed	384,326	0	0.0%	0	0			N/A	N/A	N/A
SOUTH OTTAWA TOTALS	**635,206**	**10,000**	**1.6%**	**-10,000**	**-10,000**			**N/A**	**N/A**	**N/A**
Hawthorne/Stevenage	2,189,607	0	0.0%	0	0			N/A	N/A	N/A
Gloucester	1,029,818	81,346	7.9%	-55,068	-55,068			$11.84	$11.99	$23.83
Orleans	521,475	3,900	0.7%	0	0			N/A	N/A	N/A
Ottawa Business Park	1,246,109	141,918	11.4%	-7,743	-7,743			$13.00	$10.11	$23.11
Vanier / St. Laurent / Industrial	1,798,249	16,724	0.9%	-14,377	-14,377			$12.06	$8.80	$20.86
Sheffield / Michael	7,007,155	154,154	2.2%	32,816	32,816			$12.04	$6.12	$18.12
Ottawa East Dispersed	1,448,581	8,717	0.6%	0	0			N/A	N/A	N/A
EAST OTTAWA TOTALS	**15,240,994**	**406,759**	**2.7%**	**-44,372**	**-44,372**			**$12.05**	**$9.10**	**$21.14**
OTTAWA TOTALS	**26,700,768**	**603,172**	**2.3%**	**2,636,840**	**2,636,840**	**2,710,966**	**2,710,966**	**$12.02**	**$8.37**	**$20.39**

Updated since national stats release

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
500 Palladium	Kanata South	DNA Genotek Inc	35,883	Renewal
5499 Canotek Road	Gloucester	Moving Company	37,180	New Direct
2001 Bantree Street	Sheffield / Michael	Ottawa Food Bank	42,258	New Direct

Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
2160 Thurston Drive	Ottawa Business Park	470481 Ontario Inc / 1000072172 Ontario Inc	20,000	$5,700,000 / $285.00

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