

GENERAL OVERVIEW

The Ottawa market has seen tenants warming up to longer term deals as they move away from the wait-and-see approach. A longer term comes with it a more aggressive negotiation, which includes options to terminate, offering security to tenants as we navigate out of the pandemic. The market is seeing many private sector companies initiate some form of return to the office in the Central and Suburban markets as they place their bets on office space as a differentiator and hiring advantage against their competition. Work-life balance and flexibility will likely remain at the forefront of employees' checklist when seeking employment and are equally important to employers for retention. While most of the private sector already pulled the trigger, it is clear the federal government does not currently have a streamlined plan for their return to the office, with some departments providing notice to employees within months, and others, only days. The federal government is focusing on implementing a clear and concise guideline (independently managed by the department) for a return to the office following recent pressure received from the Treasury Board Secretariat, which oversees the federal workforce, to get back into the office. These plans will most definitely include some flexibility, such as a hybrid-work model. Over the course of the pandemic, the private sector has looked at the return of the federal government as an indicator of normalcy, their return could follow with the CBD market seeing a hike in interest and leasing activity.

Source <https://www.cbc.ca/amp/1.6402653>

	YoY Chg	12-Mo. Forecast
9.3% Vacancy Rate	▼	▼
-270,540 Net Absorption, SF	▲	▲
\$31.65 Gross Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

DEMAND

The CBD Class A market endured nearly two years under the thumb of the COVID-19 pandemic as it was consistently hit quarter-over-quarter with a steep accumulation of sublet space, surpassing all other submarkets from the third quarter of 2020 onward - peaking at 523k sf back in the first quarter of 2021. The CBD market has seen an increase in liveliness since restrictions dropped earlier this year. Noticeable to anyone commuting to and from downtown the volume of traffic has returned to almost pre-pandemic levels, pedestrian traffic has increased, and parking lots are filling up as people are returning to the office. The CBD market is showing positive movement in the current quarter, hoping for a turnaround and resurgence of occupied office space. The CBD shed 95k sf of sublet space from the previous quarter, predominately from the Class A market (84k sf). Ottawa overall also carried forward positive movement, reporting a sublet space decrease of 64k sf, despite the suburban market seeing a slight increase of 29k sf. The CBD market recorded 118k sf of leasing activity, a 60k sf increase from the previous quarter. In the Central Class A market leasing activity increased by 64k sf compared to the previous quarter. While the Central market stood out the suburban market did not see the same momentum. However, Class B and C combined had a notable recovery – doubling the amount (60k sf) from last quarter.

ECONOMIC INDICATORS Q1 2022

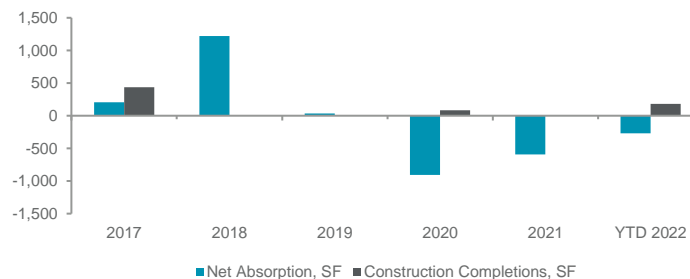
	YoY Chg	12-Mo. Forecast
591K Ottawa Employment	▲	▲
5.3% Ottawa Unemployment Rate	▼	▼
5.3% Canadian Unemployment Rate	▼	▬

Source: Statistics Canada

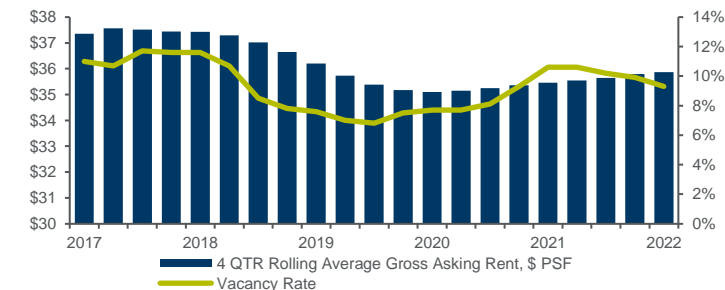
ABSORPTION

Absorption is a heavy indicator showing positive change in the current quarter. While just a year ago the market posted 567k sf of negative absorption overall, with the majority of that coming from the CBD market (-387k sf). This quarter marked a recovery of 47.8% as Ottawa overall posted 271k sf of negative absorption, with the CBD being commended for another notable highlight, recording a light 137k sf of negative absorption. Although still negative, this is a much different picture from a year ago, with an improvement of 250k sf.

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	18,938,812	347,098	1,246,649	8.4%	-136,664	-136,664	169,876	0	\$34.10	\$45.84
Centretown	1,273,785	3,700	153,529	12.3%	-18,453	-18,453	8,200	0	\$27.52	N/A
Lowertown / Sandy Hill	833,726	19,528	149,901	20.3%	-10,382	-10,382	2,689	0	\$34.07	\$39.90
Glebe / Main	251,129	0	42,961	17.1%	1,727	1,727	1,727	0	\$40.10	\$40.10
Central Dispersed	183,540	0	14,100	7.7%	169,440	169,440	0	0	N/A	N/A
CENTRAL AREA TOTALS	21,480,992	370,326	1,607,140	9.2%	5,668	5,668	182,492	0	\$33.19	\$44.05
Ottawa West	9,162,273	81,358	459,410	5.9%	-96,359	-96,359	134,251	0	\$30.25	\$34.47
Ottawa Deep West	6,460,049	146,420	772,314	14.2%	-128,152	-128,152	23,267	0	\$23.49	\$23.26
SUBURBAN WEST TOTALS	15,622,322	227,778	1,231,724	9.3%	-224,511	-224,511	157,518	0	\$27.70	\$26.91
Ottawa South	496,808	4,103	0	0.8%	0	0	0	0	N/A	N/A
Ottawa East	5,748,508	6,478	587,944	10.3%	-51,697	-51,697	55,498	0	\$33.34	\$33.88
TOTAL SUBURBAN TOTALS	21,867,638	238,359	1,819,668	9.4%	-276,208	-276,208	213,016	0	\$29.11	\$28.80
OTTAWA TOTALS	43,348,630	608,685	3,426,808	9.3%	-270,540	-270,540	395,508	0	\$31.65	\$33.95

*Rental rates reflect full service asking

Due to a data revision some rental rates have been adjusted from the statistical submission

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
1 Laser Street	Colonnade / Rideau Heights	Dilawri Group of Companies	22,755	New Direct
160 Elgin Street	Downtown Core	ISM	20,746	New Sublet
350 Albert Street	Downtown Core	CAPE	17,891	New Direct
150 Elgin Street	Downtown Core	TCC	16,417	New Sublet
360 Albert Street	Downtown Core	Fullscript	19,425	New Direct
2 Gurdwara Road	Colonnade / Rideau Heights	KNAK Inc	16,153	New Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1400 - 1430 Blair Place	Gloucester	3170497 Canada Inc / Crown Realty V Limited Partnership	415,000	\$60,000,000 / \$145.00

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