

	YoY Chg	12-Mo. Forecast
<b>10.6%</b> Overall Vacancy Rate	▲	▼
<b>-604,773</b> Overall Net Absorption, SF	▼	▲
<b>\$34.78</b> Gross Asking Rent, PSF	▼	▼

*(Direct Asking Rent, All Property Classes)*

**ECONOMIC INDICATORS Q3 2022**

	YoY Chg	12-Mo. Forecast
<b>610K</b> Ottawa Employment	▲	▲
<b>4.1%</b> Ottawa Unemployment Rate	▼	▼
<b>5.2%</b> Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

**ECONOMY**

The Bank of Canada's (BoC) continued aggressive interest rate hikes are forcing businesses to tighten their budgets. The BoC is determined on bringing both inflation and expected inflation down to 2%. As the purchasing power of businesses and consumers rapidly decreases, so will demand. Consequently, the economy will observe downward stress on prices across all interest-rate sensitive asset classes. Firms looking to cut on costs may opt to reduce office expenses by encouraging remote or coworking arrangement. The outcome of this rapid increase in borrowing costs on the economy will depend on two factors – the first how far upwards the BoC plans to push interest rates and secondly how decision-makers choose to reorganize their balance sheets in the coming months.

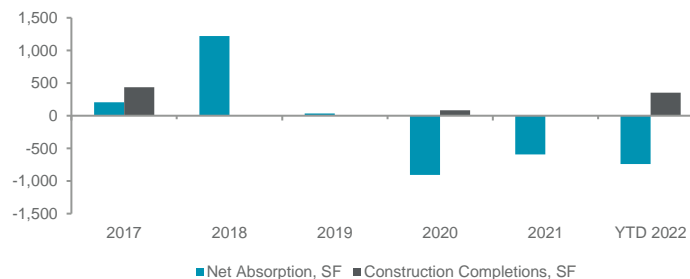
**DEMAND**

The Ottawa office market saw a total of 604,773 square feet (sf) of negative absorption in the third quarter of 2022 and its Central Business District (CBD) posted a negative absorption total of 209,068 sf – a significant share of the city's absorption for the quarter. In fact, it represents 35% of the city's total negative absorption. Based on the suburban markets' absorption totals, there is no indication that the tenants leaving the CBD are relocating elsewhere within Ottawa. It appears that tenants are simply letting go of their spaces altogether. Office vacancy rates have increased rapidly in all submarkets throughout the city. From last quarter to now, overall vacancy increased by 140 basis points (bps) to 10.6%. The continued trend of remote-work models is a significant driving force behind this surge in vacancy. Almost half of the people employed in Ottawa are either working from home or are operating within a hybrid model. This figure stands at more than double the national rate. Given that Ottawa's largest employer – the Federal Government – has stated that hybrid work and co-working arrangements are here to stay, it seems unlikely that firms will gain much leverage in the return-to-office debate. It is fair to expect office demand to continue to follow the current trend in the short-to-medium term. *(Statistics Canada)*

**PRICING**

Rents have stabilized in an otherwise volatile market. Ottawa's overall net asking rents have increased by 1.8% from last quarter to now and gross rents have increased by 2.3% within the same timespan. Although rents have recovered slightly in the third quarter of 2022 when comparing to this time last year, gross rents have decreased by 4.1% in Ottawa's overall market and by 6.9% in the CBD.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & GROSS DIRECT 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	18,660,769	264,146	1,606,249	10.0%	-209,068	-390,151	379,045	0	\$19.74	\$25.62
Centretown	1,202,664	6,100	172,161	14.8%	-29,059	-40,965	17,955	0	\$14.75	\$14.87
Lowertown / Sandy Hill	833,726	0	189,570	22.7%	-40,602	-30,022	42,520	0	\$17.07	\$17.13
Glebe / Main	255,845	4,000	42,797	18.3%	1,913	-2,109	9,472	0	\$17.86	\$22.00
Central Dispersed	183,540	0	12,088	6.6%	0	171,452	14,100	61,888	N/A	N/A
<b>CENTRAL AREA TOTALS</b>	<b>21,136,544</b>	<b>274,246</b>	<b>2,022,865</b>	<b>10.9%</b>	<b>-276,816</b>	<b>-291,795</b>	<b>463,092</b>	<b>61,888</b>	<b>\$18.89</b>	<b>\$24.39</b>
Ottawa West	9,138,633	79,202	585,212	7.3%	-82,558	-224,189	299,356	0	\$15.70	\$19.61
Ottawa Deep West	6,610,482	214,601	651,359	13.1%	-175,409	91,049	395,589	0	\$14.42	\$14.80
<b>SUBURBAN WEST TOTALS</b>	<b>15,749,115</b>	<b>293,803</b>	<b>293,803</b>	<b>9.7%</b>	<b>-257,967</b>	<b>-315,238</b>	<b>694,945</b>	<b>0</b>	<b>\$15.35</b>	<b>\$17.37</b>
Ottawa South	496,830	4,103	34,190	7.7%	0	0	0	0	\$13.00	N/A
Ottawa East	5,666,620	5,648	677,750	12.1%	-69,990	-133,900	113,909	0	\$15.89	\$16.42
<b>TOTAL SUBURBAN TOTALS</b>	<b>21,912,565</b>	<b>303,554</b>	<b>1,948,511</b>	<b>10.3%</b>	<b>-327,957</b>	<b>-449,138</b>	<b>808,854</b>	<b>0</b>	<b>\$15.51</b>	<b>\$16.88</b>
<b>OTTAWA TOTALS</b>	<b>43,049,109</b>	<b>577,800</b>	<b>3,971,376</b>	<b>10.6%</b>	<b>-604,773</b>	<b>-740,933</b>	<b>1,271,946</b>	<b>61,888</b>	<b>\$17.42</b>	<b>\$34.78</b>

\*Rental rates reflect direct full service asking

## KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SF
350 Legget Drive	Kanata North	44,990
319 McRae Ave	West Dispersed	20,518
495 March Road	Kanata North	18,025
495 March Road	Kanata North	17,856
1891 Robertson Road	West Dispersed	13,062
555 Legget Drive	Kanata North	10,691
309 Legget Drive	Kanata North	10,354

## KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
400 Cumberland Street	Lowertown/Sandy Hill	KingSett Capital/True North Commercial REIT	174,441	\$40,500,000 / \$232
77 Metcalfe Street	Central Business District	77 Metcalfe Street II GP Inc/Groupe Mach Inc	132,063	\$19,100,000 / \$145
50 The Driveway	Centretown	Canadian Nurses Association/Main and Main Developments Inc	N/A	\$10,000,000
7 Capella Court	Colonnade/Rideau Heights	Wesley Clover International Corp/7 Capella Court Inc	34,193	\$6,625,000 / \$194

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