

	YoY Chg	12-Mo. Forecast
11.6% Overall Vacancy Rate	▲	▬
-229K Overall Net Absorption, SF	▲	▲
\$35.05 Gross Asking Rent, PSF	▲	▼

(Direct Asking Rent, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
627K Ottawa Employment	▲	▲
4.0% Ottawa Unemployment Rate	▼	▬
5.0% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMY

The Canadian labour market added 35k positions in March 2023, with full-time employment up 18.8k and part-time employment up 15.9k. The unemployment rate held steady at 5.0%. Although employment growth has been robust, the Bank of Canada anticipates that with weak economic growth for the next couple of quarters, pressures in product and labour markets will ease. This should moderate wage growth and also increase competitive pressures, making it more difficult for businesses to pass on higher costs to consumers. The commercial real estate market, and the economy as a whole, is still adjusting to the effects of remote work and inflated interest rates. From 2022 to 2023, the overall vacancy rate in Ottawa has increased by 230 basis points – the largest jump seen in decades. As the market adjusts to the new economy, turbulence is still expected as the market looks for its new equilibrium.

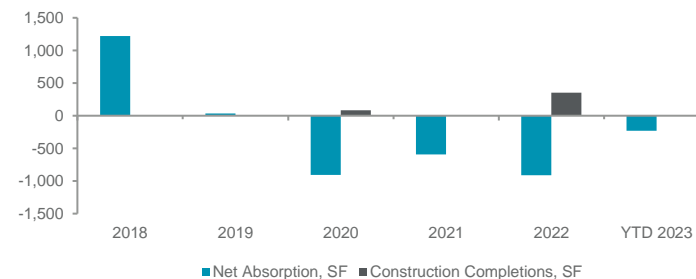
DEMAND

Ottawa recorded negative 228,959 square feet (sf) of absorption in the first quarter of 2023, continuing 2022’s trend of an underperforming office market. The CBD accounted for more than 50% of Ottawa’s negative absorption this quarter, signaling that markets are still adjusting to the new economy. Tower III of Constitution Square, combined with the Narono Building, have over 180,000 sf of newly vacated space. Unless the Government of Canada, or another large institutional entity, takes up the space, it will likely take some time before these spaces are absorbed. During the pandemic, modern and centrally located buildings with desirable amenities performed better compared to their lower-grade counterparts. In the last couple of years, Class B & C buildings experienced a surge in vacancy rates and decrease in property values. However, Class-A properties are now also feeling the crunch of market pressures.

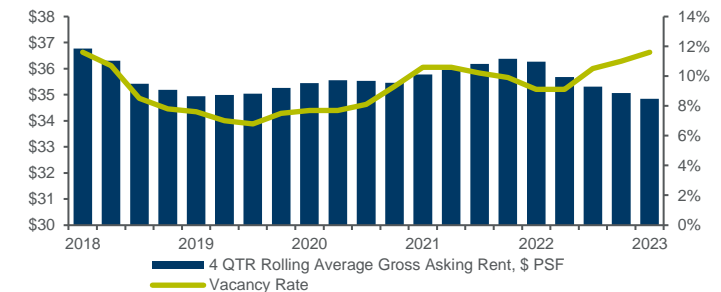
PRICING

Despite Ottawa’s increasing vacancy rates and net negative absorption, office asking rents have remained stable. That said, tenants are in a high-leverage position and are getting better inducements, incentives and terms on new deals. The market is still adjusting to the new supply-demand dynamics. Unless the supply of office space in Ottawa somehow diminishes, market forces will likely put downwards pressure on net asking rents.

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	18,663,776	206,322	1,790,459	10.7%	-121,588	-121,588	138,454	-	\$39.34	\$48.66
Centretown	1,202,664	6,100	185,643	15.9%	-9,680	-9,680	11,384	-	\$30.62	-
Lowertown / Sandy Hill	845,726	0	192,969	22.8%	4,995	4,995	8,905	-	\$35.30	\$41.04
Glebe / Main	255,845	0	41,674	16.3%	4,000	4,000	5,362	-	\$34.86	\$38.95
Central Dispersed	183,540	0	-	0.0%	0	0	0	61,888	-	-
CENTRAL AREA TOTALS	21,151,551	212,422	2,210,745	11.5%	-122,273	-122,273	164,105	61,888	\$37.98	\$47.66
Ottawa West	9,142,645	47,775	693,789	8.1%	-50,081	-50,081	140,814	-	\$31.53	\$35.77
Ottawa Deep West	6,653,446	224,039	782,928	15.1%	-39,078	-39,078	125,264	-	\$26.81	\$26.40
SUBURBAN WEST TOTALS	15,846,091	271,814	1,476,717	11.0%	-89,159	-89,159	266,078	-	\$30.15	\$30.97
Ottawa South	496,830	0	34,190	6.9%	4,103	4,103	4,103	-	\$25.50	-
Ottawa East	5,598,256	107,510	668,634	13.9%	-21,630	-21,630	44,746	-	\$34.36	\$35.51
TOTAL SUBURBAN TOTALS	21,941,177	379,324	2,179,571	11.7%	-106,686	-106,686	314,927	-	\$31.86	\$31.49
OTTAWA TOTALS	43,092,728	591,746	4,390,286	11.6%	-228,959	-228,959	479,032	61,888	\$35.05	\$39.91

*Rental rates reflect direct full service asking

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	Tenant	DEAL TYPE	SF
141 Laurier Avenue	CBD	Amazon	Direct	20,600
360 Terry Fox Drive	Kanata North	Emcon Ltd.	Direct	17,848
535 Legget Drive	Kanata North	Solace Systems Inc.	Direct	16,417
123 Slater Street	CBD	Cuso International	Direct	10,230

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1900 & 2000 City Park Dr	Ottawa East	bclMC Realty Corp / Colonnade Bridgeport	211,028	\$20,000,000 / \$94.77
169 Colonnade Rd	Ottawa West	WC Properties Inc / Johannes Ziebarth Holdings Inc	18,000	\$4,200,000 / \$233.33
380 Hunt Club Rd	Sheffield/Michael	Skyline Commercial / Vital Properties	50,869	\$4,080,000 / \$80.21
295 Montreal Rd	Ottawa East	1945361 Ont. LTD / Wabano Centre for Aboriginal Health Inc.	8,000	\$2,700,000 / \$337.50

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