

Industrial Q2 2022

YoY Chg 12-Mo. Forecast

1.8%

Vacancy Rate



40,789

Net Absorption, SF



\$12.84

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2022

YoY Chg 12-Mo. Forecast

614K

Ottawa Employment



3.9%

Ottawa Unemployment Rate



4.9%

Canadian Unemployment Rate



Source: Statistics Canada

ECONOMY

The Canadian economy is currently characterized by surging inflation, elevated energy prices, and increasing borrowing costs. According to the Bank of Canada's (BoC) July 2022 Monetary Policy Report, inflation is expected to be significantly higher than previously projected. In an attempt to temper inflation, the BoC has increased the policy interest rate by 100 basis points (bps) in the second quarter and an extra 100 bps early in the third quarter. This increase in borrowing costs is expected to put downward pressure on aggregate demand. There are expected to be three more interest rate announcements in 2022. As a result, the BoC has revised down their projected growth in GDP. The central bank expects for inflation to remain above the target rate until 2024.

SUPPLY AND DEMAND

The momentum of the industrial market has continued to remain strong despite the lack of space. The Ottawa market reported a decrease of 133k square feet (sf) of direct vacancy and 10k sf of sublet vacancy from the previous quarter and as a result vacancy has dwindled to new all-time lows and is now at 1.8%, a decrease of 50 bps from the first quarter of 2022. Coupled with the decrease in vacancy, absorption was a positive 41k sf, a significant improvement from the previous quarter of negative 81k sf, not including the addition of the Amazon building to the inventory of 2.7 million square feet (msf) last quarter. As industrial space remains scarce in the region, tenants continue to struggle to find quality space. Tenants are being forced to look outside city limits and are still faced with low levels of quality inventory. Landlords have the upper hand when it comes to negotiating a lease due to the lack of space and strong demand, resulting in high rates and minimal incentives, if any.

The region is well-positioned as a potential distribution hub for large-scale users; however, the lack of supply could pose a threat on growth and result in tenants looking to plant roots elsewhere if the supply does not fulfill their needs. The Avenue 31 development located at Hunt Club and Highway 417, known as the National Capital Business Park, has plans for a total of 1.3 msf. Out of the proposed overall square footage the project currently has three buildings under construction, totaling approximately 440k sf, which will provide some much-needed inventory to the market for those larger users. The region has a total of 2.46 msf proposed, not including the proposed space at the National Capital Business Park. It is important to note that although there is a significant pipeline of proposed space, it will not alleviate the demand currently faced in the market and construction starts are likely to be impacted as a result of rising build costs.

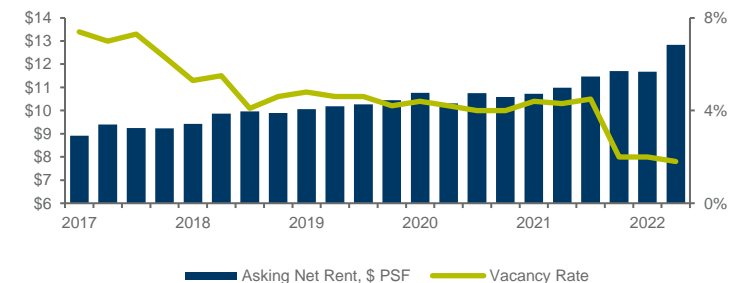
PRICING

The weighted overall net rent for the Ottawa region in the second quarter rose to \$12.84 per square foot (psf), a notable increase from the previous quarter. These rents are ranked third highest in Canada, trailing behind the robust markets of Vancouver at \$18.00 psf and Toronto at \$15.24 psf. Keeping in mind that due to the current market conditions surrounding industrial space, the majority of deals are being completed in the \$14.00 - \$15.00 psf range, with most spaces being leased significantly over asking. The rise in rates is brought on by higher construction costs, constricted supply, and heightened demand.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING NET RENT



Industrial Q2 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	16,375	1.7%	8,858	9,873			\$12.65	\$7.58	\$20.23
Ottawa West Dispersed	4,458,849	78,145	2.1%	27,890	-27,235			\$10.00	\$5.91	\$15.91
Barrhaven	2,748,966	0	0.0%	0	2,710,966		2,710,966	N/A	N/A	N/A
Kanata North	764,233	37,719	4.9%	10,470	2,470	116,500		\$12.00	\$11.75	N/A
Kanata South	957,388	25,500	2.7%	0	700			\$15.35	\$7.65	\$23.01
Stittsville	605,879	0	0.0%	0	27,794			N/A	N/A	N/A
Deep West Dispersed	335,774	0	0.0%	0	4,537			N/A	N/A	N/A
WEST OTTAWA TOTALS	10,824,079	173,775	1.6%	47,218	2,729,105	116,500	2,710,966	\$12.60	\$7.47	\$20.07
Hunt Club Corridor	250,880	10,000	4.0%	0	-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%	0	-10,000			N/A	N/A	N/A
Hawthorne/Stevenage	2,189,607	1,545	0.1%	-1,545	-1,545	439,315		N/A	N/A	N/A
Gloucester	1,029,818	74,278	7.2%	7,068	-48,000			\$11.00	\$11.69	\$22.69
Orleans	521,475	0	0.0%	3,900	3,900			N/A	N/A	N/A
Ottawa Business Park	1,258,940	150,327	11.9%	0	-16,152			\$13.00	\$11.25	\$24.25
Vanier / St. Laurent / Industrial	1,798,249	17,508	1.0%	-784	-15,161			\$11.90	\$9.30	\$21.20
Sheffield / Michael	6,982,269	57,830	0.8%	-23,785	8,786			\$14.57	\$6.04	\$20.61
Ottawa East Dispersed	1,448,581	0	0.0%	8,717	8,717			N/A	N/A	N/A
EAST OTTAWA TOTALS	15,228,939	301,488	2.0%	-6,429	-59,455	439,315	0	\$13.41	\$7.89	\$21.30
OTTAWA TOTALS	26,688,224	482,263	1.8%	40,789	2,659,650	555,815	2,710,966	\$12.84	\$7.61	\$20.45

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
2495 Lancaster Road	Sheffield / Michael	Moving & Storage Company	21,000	New Direct
1280-1290 Old Innes Road	Sheffield / Michael	Aramark	6,770	New Direct
88 Hines Road	Kanata North	Carrier HVAC	10,470	New Direct
2437 Kaladar Avenue	Ottawa East Dispersed	Kitchen Nest	8,717	New Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
466 Tremblay Road	Vanier / St. Laurent / Industrial	466 Tremblay Road Inc / Rohit AT Tremblay Ltd	18,192	\$11,000,000 / \$582.00

Nathan Smith, Broker

Senior Vice President

Managing Director

+1 613 236 7777 / info@cwottawa.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Independently Owned and Operated / A Member of the Cushman & Wakefield Alliance

©2022 All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com