

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
2.6% Overall Vacancy Rate	▲	▬
-123,002 Overall Net Absorption, SF	▲	▼
\$13.77 Asking Rent, PSF	▲	▲

Overall, Direct Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
641K Ottawa Employment	▲	▲
5.1% Ottawa Unemployment Rate	▲	▬
5.5% Canadian Unemployment Rate	▲	▲

Source: Statistics Canada

ECONOMY

Canada's economy more than tripled expectations by adding 63,800 jobs in September and wages continued to soar. Despite the aggressive rate hikes by the Bank of Canada, demand remains strong, and companies continue to hire. The central bank, which has hiked rates 10 times in the past 18 months, has stressed that it will be hard to fully curb inflation if wages maintain their current patterns of rising between 4% and 5% annually. Despite numerous challenges, the Ontario economy has impressively continued its strong growth trend from the previous year, achieving significant gains. In fact, the industry-based GDP saw a remarkable surge, exceeding expectations for a sustainable growth rate and outpacing Canada's increase by 0.7 percentage points. This suggests we could well see another rate hike in November or December. The Bank of Canada is expected to make its next policy announcement and updates its economic forecasts on October 25th. (Reuters, TD Economics)

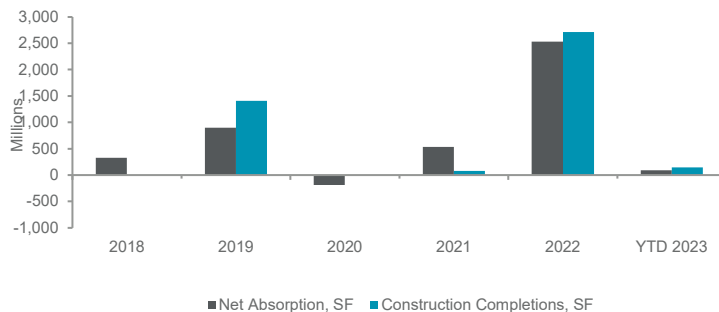
SUPPLY AND DEMAND

Ottawa's industrial market saw a slight increase in vacancies in Q3 2023. The overall vacancy rate now sits at 2.5%, last quarter the recorded rate was 2.2%. The increase in the rate is less a reflection of a change in the city's supply and demand dynamics, and more of a consequence of the sharp increase in rental rates that tenants are experiencing in the market. It is expected that the vacancy rate will remain about the same in the near future. The Bank of Canada's consecutive months of interest rate hikes have expressively demonstrated the strong correlation between interest rates and investment outcomes. This relationship is rooted in the altered attractiveness of real estate as an investment option as the cost of borrowing increases. This shift triggered a rise in Cap Rates, reducing property values and curbing investor enthusiasm for industrial real estate projects, ultimately leading to a slowdown in investment activity within the sector.

PRICING

Ottawa's industrial market is still characterized by historically high rents, brought on by steady demand and a trailing supply. The Nation's Capital has a strong pipeline of future developments and leasing opportunities. These new projects may mean a turning of the tide for Ottawa's supply shortages – which could lead to a softening in market rents. Until then, tenants should continue to expect to see rents floating around the \$15 psf and up to \$19 psf for high-quality industrial space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING DIRECT NET RENT



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)	DIRECT WEIGHTED AVG NET RENT	DIRECT WEIGHTED AVG ADD. RENT	DIRECT WEIGHTED AVG GROSS RENT
Colonnade/Rideau Heights	952,990	51,510	5.4%	-30,442	-41,555	-	-	\$14.77	\$7.53	\$22.30
Ottawa West Dispersed	4,599,579	123,334	2.7%	-23,462	-9,881	-	-	\$13.53	\$6.13	\$19.67
Barrhaven	2,748,966	-	0.0%	0	0	-	-	N/A	N/A	N/A
Kanata North	880,733	10,285	1.2%	20,500	91,525	171,625	-	\$13.78	\$10.94	\$24.71
Kanata South	957,388	68,583	7.2%	-34,559	-9,059	-	-	N/A	N/A	N/A
Stittsville	636,579	59,500	9.3%	-59,500	-59,500	-	-	N/A	N/A	N/A
Deep West Dispersed	338,854	3,080	0.9%	0	-3,080	-	-	N/A	N/A	N/A
WEST OTTAWA TOTALS	11,115,089	316,292	2.8%	-127,463	-31,500	171,625	0	\$13.89	\$7.21	\$21.10
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	-	-	N/A	N/A	N/A
SOUTH OTTAWA TOTALS	635,206	10,000	1.6%	0	-10,000	0	0	N/A	N/A	N/A
Hawthorne/Stevenage	2,365,265	13,189	0.6%	29,925	168,280	293,354	145,733	\$17.00	\$6.50	\$23.50
Gloucester	1,029,818	34,008	3.3%	-25,388	27,270	-	-	\$11.00	\$11.69	\$22.69
Orleans	521,475	38,817	7.4%	0	0	-	-	\$12.83	\$3.72	\$16.55
Ottawa Business Park	1,268,836	77,567	6.1%	-5,567	1,903	-	-	N/A	N/A	N/A
Vanier / St. Laurent / Industrial	1,798,249	48,264	2.7%	-1,239	-20,174	-	-	\$14.72	\$8.73	\$23.45
Sheffield / Michael	6,982,431	155,566	2.2%	6,730	-46,136	203,260	-	\$13.78	\$6.96	\$20.74
Ottawa East Dispersed	1,448,581	-	0.0%	0	0	-	-	N/A	N/A	N/A
EAST OTTAWA TOTALS	15,414,648	367,411	2.4%	4,461	131,143	496,614	145,733	\$13.69	\$6.24	\$19.93
OTTAWA TOTALS	27,166,943	693,703	2.6%	-123,002	89,593	668,239	145,733	\$13.77	\$6.61	\$20.38

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
2421 Lancaster Road	Sheffield/Michael	Undisclosed	64,088	Direct
3105 Hathorne Road	Hawthorne / Stevenage	Undisclosed	29,925	Direct
95 Hines Rd	Kanata North	Undisclosed	20,500	Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE
2301-2305 St Laurent Blvd	Ottawa East	CR4 Ottawa Flex Office Inc / Capital City AM	13,194	\$12,500,000
2510 Del Zotto Ave	Ottawa South	Robert McAlpine Ltd / Aquosis Properties Ltd	4,050	\$2,400,000
2212 Gladwin Cres	Sheffield / Michael	2824833 Canada Inc to 1000594610 Ontario Inc	62,334	\$1,150,000

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