

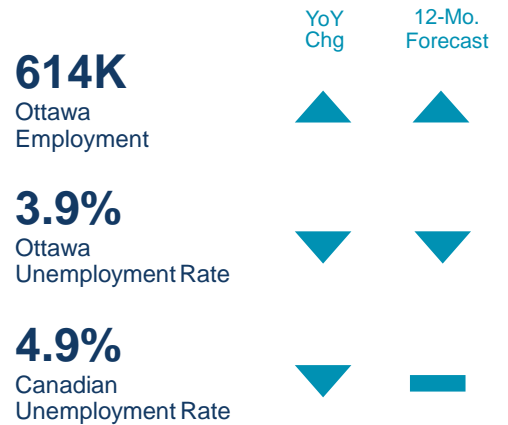
ECONOMY

There has been significant volatility in the credit markets over the past 6-months as the Bank of Canada continues to increase interest rates in an effort to curb inflation, which is now at a 40-year high. The rising inflation has had a costly impact on businesses due to higher labour costs, materials, and the increased cost of operating their businesses daily. The global supply chain continues to see the after-effects of the pandemic as supply chains near and far face a backlog after nearly two years of disruptions, further compounded by the war in Ukraine. Delays in materials coupled with higher construction costs have led tenants to actively seek out turn-key space or space that requires as little work as possible, aiming to eliminate potential delays and mitigate ever-increasing construction costs. The current economic climate has led to speculation of a looming recession; however, as the seat of Government in Canada, Ottawa is often the stable port in the storm during economic volatility and downturns and would be expected to maintain a stable economic footing, as it did throughout the economic turmoil of the COVID-19 pandemic.

DEMAND

In comparison to last quarter, the Ottawa market recorded a 189k-square foot (sf) increase in overall leasing activity across all markets (Central, Suburban West, and overall Suburban). Overall second quarter leasing activity in the region totaled 585k sf, 336k sf of which was attributed to activity in the Ottawa West and Deep West markets. Kinaxis was the major contributor to this activity, occupying 170k sf. When comparing the current figures to those posted one year ago, there was an increase of 273k sf in leasing activity. In addition to increased leasing activity, the market also saw a positive change from the previous quarter as the overall Central market saw a decrease of 82k sf of sublet space, with the Class A market responsible for this improvement, recording a decline of 80k sf from the first quarter. The region overall recorded 3,200 sf of negative absorption, a significant improvement from the previous quarter (-271k sf). The Ottawa market is showing signs of normalcy given the market tends to see higher levels of activity in the second quarter as opposed to the first. In the second quarter of 2021 absorption was negative 11,521 sf, while the first quarter of 2021 recorded a substantial 567k sf of negative absorption. The trend is inline with the previous year, although the first quarter made a significant improvement in comparison.

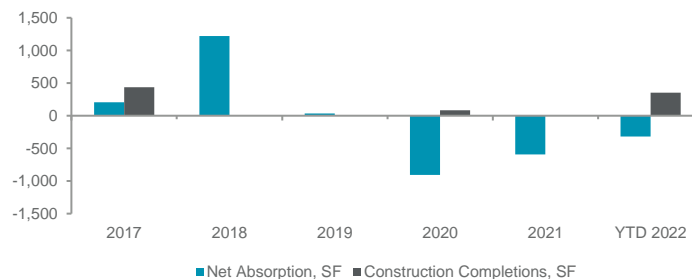
ECONOMIC INDICATORS Q2 2022



PRICING

Net asking rates remained fairly stable throughout the course of the pandemic. Overall the current net rental rate sits at \$17.11 per square foot (psf) in the Ottawa region. The rates recorded in the current quarter remained relatively unchanged across all submarkets when compared year-over-year, at a rate of \$18.19 psf overall. Looking back even further to pre-pandemic rates (Q1 2020) the Ottawa market showed an even tighter gap in decrease, recording \$17.80 psf overall. Despite the slight decrease in the overall asking rate, this is a positive indicator that the office market is relatively well-positioned given the uncertainty the pandemic had on the office market. That being said, while rental rates remained relatively unchanged, the majority of incentives were seen in free rent and allowances.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



Source: Statistics Canada

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	260,201	1,464,256	9.2%	-96,560	-245,076	319,344	0	\$38.23	\$48.34
Centretown	1,202,664	3,700	149,027	12.7%	3,201	-15,431	15,356	0	\$31.03	\$32.92
Lowertown / Sandy Hill	833,726	19,528	128,939	17.8%	19,188	10,580	24,270	0	\$33.14	\$40.69
Glebe / Main	251,129	4,596	44,114	19.4%	-4,022	-4,022	2,301	0	\$34.75	\$38.95
Central Dispersed	183,540	0	12,088	6.6%	2,012	171,452	14,100	0	N/A	N/A
CENTRAL AREA TOTALS	21,131,828	288,025	1,798,424	9.9%	-76,181	-82,497	375,371	0	\$36.90	\$47.44
Ottawa West	9,123,801	89,867	491,540	6.4%	-34,151	-131,727	241,152	0	\$30.56	\$34.90
Ottawa Deep West	6,600,466	160,556	650,334	12.3%	128,560	-35,979	246,921	0	\$24.44	\$24.21
SUBURBAN WEST TOTALS	15,724,267	250,423	1,141,874	8.9%	94,409	-167,706	488,073	0	\$28.75	\$28.57
Ottawa South	496,808	4,103	34,192	7.7%	0	0	0	0	\$25.50	N/A
Ottawa East	5,666,606	12,126	606,948	10.9%	-21,497	-69,576	107,446	0	\$33.02	\$33.96
TOTAL SUBURBAN TOTALS	21,887,681	266,652	1,783,014	9.4%	72,912	-237,282	595,519	0	\$30.82	\$31.92
OTTAWA TOTALS	43,019,509	554,677	3,581,438	9.6%	-3,269	-319,779	970,890	0	\$34.01	\$38.09

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE*
349 Terry Fox Drive	Kanata North	Ericsson Canada Inc	248,579	Renewal
3199 Palladium Drive	Kanata North	Kinaxis	170,000	New Direct
10 Rideau Street	Lowertown / Sandy Hill	Global Relay	26,000	New Direct
1565 Carling Avenue	Ottawa West Dispersed	CCX Technologies	15,053	Expansion
1400 Blair Road	Gloucester	CIMA Canada	14,987	New Direct
125 Zaida Eddy Private	Central Dispersed	Federal Government of Canada	14,100	Expansion
275 Slater Street	Downtown Core	Nasittuq Corporation	12,254	New Direct

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3199 Palladium Drive	Kanata North	PC Kanata Development Inc / Morguard Corporation	170,000	\$64,500,000 / \$379.00

Nathan Smith, Broker

Executive Vice President

Managing Director

+1 613 236 7777 info@cwottawa.com

cushmanwakefield.com

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