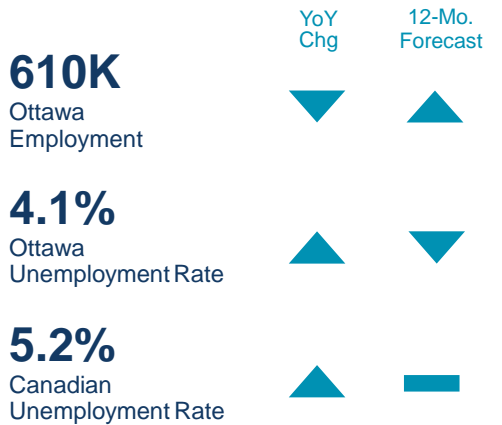


**ECONOMIC INDICATORS  
Q3 2022**



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 firmly 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 downwards 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 1) how far upwards the BoC plans to push interest rates and 2) how decision-makers choose to reorganize their balance sheets in the coming months.

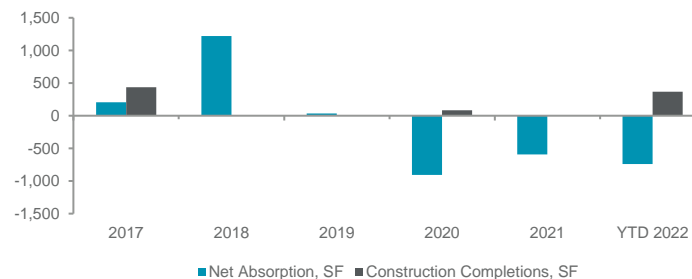
**DEMAND**

The nation's capital saw a total of 604,773 sf of negative absorption in Q3, 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's no indication that the tenants leaving the CBD are relocating within Ottawa's market. It appears that tenants are simply letting go of their spaces altogether. Office vacancy rates have increased rapidly in all submarkets of the Nation's Capital. From Q2 to Q3, Ottawa's market saw an increase of 140 basis points (bps) to its overall vacancy rate. The continued trend of remote-work models is a main driving force in 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)*

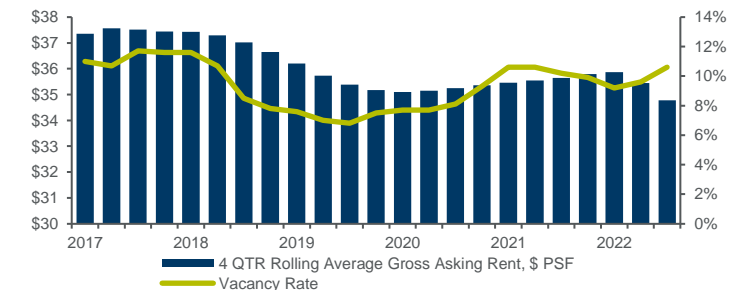
**PRICING**

Rents have stabilized in an otherwise volatile market. Ottawa's overall net rents have increase by 1.81% from Q2 to Q3 and gross rents have increase by 2.26% within the same timespan. Although rents have recovered slightly in the last quarter, when comparing to last year, gross rents have decreased by 4.14% in Ottawa's overall market and by 6.87% in the CBD.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & GROSS 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	0	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>0</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>43,043,109</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>0</b>	<b>\$17.42</b>	<b>\$34.78</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2022

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

\*Renewals not included in leasing statistics

## 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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