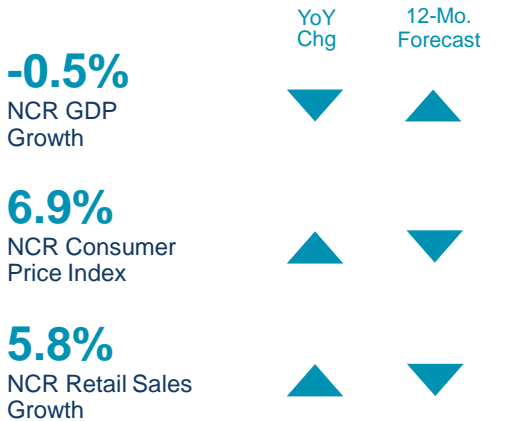


Source: Statistics Canada/Moody's Analytics
NCR: Ottawa-Gatineau

ECONOMIC INDICATORS 2022



Source: Moody's Analytics
NCR: Ottawa/Gatineau

ECONOMY

The Canadian retail market saw consistent revenue growth in the first half of 2022, with retail sales outpacing sales during the same time period in 2021 by 11% – despite the recent economic turbulence. According to TD Economics, the retail segments that saw the biggest increases in year-to-date 2022 sales vs. the first six months of 2021 were clothing & accessories (+1.8%) and general merchandise (+1.1%). In contrast the biggest pullbacks were in electronics & appliances (-2.4%) and food & beverage (-1.1%). Although retail sales so far in 2022 are showing great promise, when controlling nominal prices for inflation, total retail sales have not increased as much as publicised. Adjusted at constant prices, real retail sales to date have only grown by 2.8% year-over-year – meaning that much of the gain in revenue was due to inflation. In addition, TD's Consumer Spending Tracker reveals that cardholder spending is beginning to moderate. This could be an early sign of easing consumer demand, a consequence of eroding consumer purchasing power. As such, retailers will likely have growing concerns of tightening profit margins due to stagnating demand and increased production costs as a result of high inflation.

DEMAND

Retail vacancy climbed substantially in the downtown core during the first half of 2022 as demand for retail space has declined, likely a result of lower foot traffic rates due to a considerable share of the labour force still working from home or adopting hybrid work models. Accordingly, retail properties with higher foot traffic rates are being highly favoured by tenants. In fact, the Regional Malls market segment – which is characterized by its high amounts of foot traffic – is the only retail segment that avoided negative absorption so far in 2022. On the other hand, neighbourhood malls, and other market segments with lower foot traffic rates, saw larger decreases in absorption and climbing vacancy rates. As interest rates continue to creep up, borrowing costs will increase and many buyers' propensity to consume will fall – effectively putting a hindrance on consumer demand in the retail market.

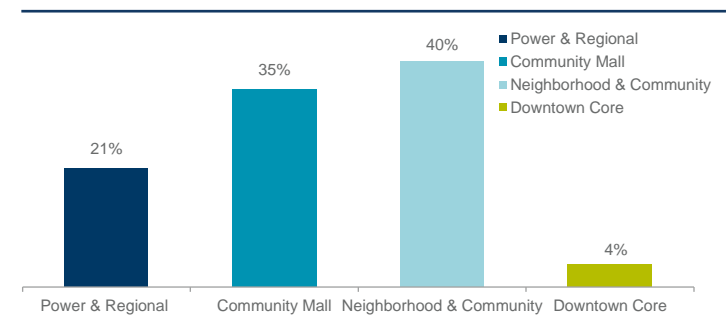
PRICING

Slowing momentum in the retail market, coupled with an increase in vacancy, is resulting in downward pressure on overall rental rates. In the first half of 2022, rental rates have slightly decreased by 80 basis points (bps) compared to the last half of 2021. Community malls saw the biggest slide in prices as rental rates decreased by 250 bps. Although these price drops are not alarmingly steep, they do represent a clear shift in market momentum. As interest rates continue to creep up, borrowing costs will increase and many buyers' propensity to consume will likely fall – which could further constrain demand.

GROSS ASKING RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



OTTAWA

Retail Q2 2022

CUSHMAN &
WAKEFIELD

MARKET SEGMENTS	INVENTORY (SF)	TOTAL BUILDINGS	Q2 2022 VACANCY RATE	Q4 2021 VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	OVERALL ASKING RENT*
REGIONAL MALLS & LARGER POWER CENTRES	9,150,265	13	2.2%	2.5%	29,153	\$46.14
COMMUNITY MALLS & SMALLER POWER CENTRES	8,722,157	39	3.9%	3.6%	-44,238	\$36.40
DOWNTOWN CORE	728,047	21	5.2%	1.3%	-28,506	\$55.65
Ottawa East	590,814	21	6.7%	4.0%	-19,337	\$32.81
Gloucester	397,321	14	11.5%	12.5%	3,841	\$31.16
Orleans	987,137	23	5.1%	5.0%	-8,117	\$33.90
Ottawa South	1,020,134	28	2.3%	3.0%	-7,644	N/A
Kanata / Stittsville	1,604,534	33	10.0%	1.7%	-135,162	\$37.70
Bell's Corners	337,360	11	1.9%	5.4%	18,071	\$30.71
Nepean (Merivale Road Area)	668,236	20	1.7%	5.1%	22,372	\$35.25
Nepean / Other / Barrhaven	753,246	20	1.8%	0.5%	-10,149	\$32.50
Ottawa West / Westboro	746,900	16	3.3%	3.6%	-9,433	\$39.74
NEIGHBOURHOOD MALLS TOTAL	7,105,682	186	5.3%	3.5%	-152,036	\$34.46
OTTAWA TOTALS	25,706,151	259	3.7%	3.1%	-195,627	\$38.53

*Rental rates reflect full service asking

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