

	YoY Chg	12-Mo. Forecast
11.0% Overall Vacancy Rate	▲	▼
-187K Overall Net Absorption, SF	▼	▲
\$35.04 Gross Asking Rent, PSF	▼	▼

(Direct Asking Rent, All Property Classes)

ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
613K Ottawa Employment	▲	▲
4.6% Ottawa Unemployment Rate	▼	▼
5.0% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada

ECONOMY

In 2022, Canada's economy was mainly characterized by the Bank of Canada's (BoC) historical interest rate increases. However, the BoC plans to interrupt interest hikes and expects future monetary policy decisions to be data dependent. Last year's economy was also defined by continued remote-work trends in the labour market and the widespread slowdown in activity across real property markets in Canada. In the long term, Ottawa's commercial real estate market is expected to continue growing, though at a slower pace than in recent years. Factors such as population growth, stable employment metrics, and steady economic growth are expected to support demand for commercial real estate. Nevertheless, higher borrowing costs and a slowdown in the macroeconomy may act as headwinds.

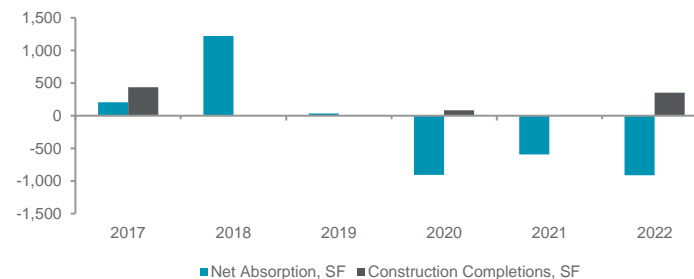
DEMAND

Ottawa's office market saw another quarter of net negative absorption. In the fourth quarter of 2022, there was a total of negative 187,000 square feet (sf) absorbed, bringing Ottawa's 2022 overall absorption total down to negative 912,044 sf. This came as a consequence of a few different occurrences. The first being the BoC's historical interest rate increases in 2022, the second the continued remote-work trends in the labour market, the third the widespread slowdown in activity across real property markets in Canada and finally the general economic uncertainty heading into 2023. That being so, Ottawa's vacancy rates have slightly increased going into the new year. The Ottawa market saw vacancy rates climb from 10.6% to 11.0% quarter-over-quarter (QOQ). However, there was a significant decline in the vacancy's rate of increase this quarter – a sign of a stabilizing vacancy rates. Although Ottawa's office market saw net negative absorption totals this quarter, absorption outpaced last quarter by 553,933 sf. Moreover, the Treasury Board of Canada recently announced a return-to-office mandate for Government of Canada employees, an indication that the bulk of Ottawa's market correction has passed.

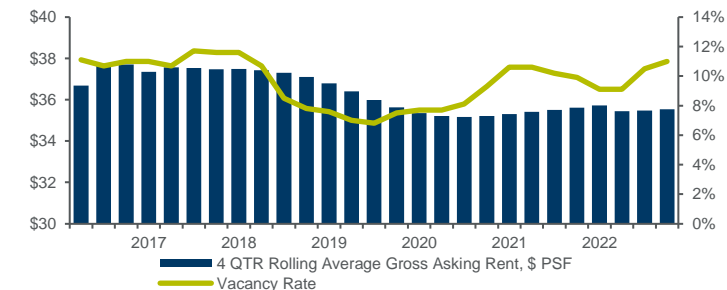
PRICING

In spite of the BoC's continued interest rate hikes through the last months of 2022, gross rents in Ottawa have increased by 0.75% QOQ. Given widespread inflation in the Canadian economy, many landlords are experiencing increases in operational costs. For the year to come, the market should expect inflation to have influence on additional rents and interest rates to encourage a slight correction in net asking rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS DIRECT 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	18,663,776	227,386	1,670,388	10.2%	-35,869	-419,230	516,039	-	\$38.86	\$48.24
Centretown	1,202,664	6,100	181,733	15.6%	-9,550	-50,537	23,246	-	\$31.20	-
Lowertown / Sandy Hill	845,726	0	197,642	23.4%	-8,072	-38,094	48,764	-	\$35.62	\$40.83
Glebe / Main	255,845	4,000	41,674	17.9%	1,123	-986	10,595	-	\$34.86	\$38.95
Central Dispersed	183,540	0	-	0.0%	0	183,540	14,100	61,888	-	-
CENTRAL AREA TOTALS	21,151,551	237,486	2,091,437	11.0%	-52,368	-325,307	612,744	61,888	\$37.62	\$47.10
Ottawa West	9,142,889	66,768	636,523	7.7%	-30,912	-263,066	367,102	-	\$31.29	\$36.66
Ottawa Deep West	6,617,891	289,652	672,844	14.5%	-96,525	-182,576	427,472	-	\$28.13	\$28.07
SUBURBAN WEST TOTALS	15,760,780	356,420	1,309,367	10.6%	-127,437	-445,642	794,574	-	\$30.46	\$32.47
Ottawa South	496,830	4,103	34,190	7.7%	0	0	0	-	\$25.50	-
Ottawa East	5,666,620	2,086	688,507	12.2%	-7,195	-141,095	127,429	-	\$34.14	\$35.33
TOTAL SUBURBAN TOTALS	21,924,230	362,609	2,032,064	10.9%	-134,632	-586,737	922,003	-	\$32.13	\$34.29
OTTAWA TOTALS	43,075,781	600,095	4,123,501	11.0%	-187,000	-912,044	1,534,747	61,888	\$35.04	\$40.15

*Rental rates reflect direct full service asking

**Renewals not included in Leasing Activity totals

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	Tenant	DEAL TYPE	SF
411 Legget Dr	Kanata North	Apple Inc.	Renewal	30,991
50 O'Connor St	CBD	Assembly of First Nations	New Direct	30,912
1101 Baxter Road	Ottawa West	Ottawa Citizen	Renewal	20,942
340 Albert St	CBD	Confidential	New Direct	17,848
150 Elgin St	CBD	Confidential	New Direct	16,417
979 Bank St	CBD	McCay Duff LLP	New Direct	10,230

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
222-230 Queen St	CBD	Cominar ON RE Holdings Inc/Edifice 230 Queen Inc	212,644	\$44,000,000 / \$207
2932-2936 Baseline Rd	Ottawa West	ManuLife Insurance/Qualicum GP Inc	215,325	\$43,000,000 / \$200
215 Slater St	CBD	Slater 2011 Equities Inc/Morguard 215 Slater Ltd	110,000	\$28,123,781 / \$256
1800 Bantree St	Sheffield/Michael	JD Brule Investments Holdings LTD/1800 Bantree GP Inc	34,193	\$14,500,000 / \$424

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