



**Q1
2022**

**OTTAWA
MARKET
REPORT**

By Darren Fleming, CEO &
Broker of Record,
Real Strategy Advisors

Data provided by CoStar

OVERVIEW

Although Ontario has begun lifting restrictions, it's been collectively acknowledged that we're in the midst of a sixth wave of COVID cases. As a result, the return to the office is still something that's very much in the air. Between this newest wave and hybrid work models that are being adopted, the road to the commercial real estate sector's recovery will continue to be drawn out.

In addition to those factors, the federal government has agreed to make it's real estate portfolio carbon neutral over the next 25 years which inevitably means ditching older office space and taking up new, energy-efficient space and to a lesser total amount. These changes suggest that the office market will likely continue to be more tenant friendly than what has historically been the case while still remaining stable on account of the tenant stability of the federal government.

The security offered by the public sector has helped the local economy stay resilient throughout the pandemic, especially when compared with other urban centres. Between the public, tech, non-profit, and services sectors, Ottawa continues to attract talent and therefore tenants. Although housing and living costs are high in the National Capital Region, policy makers and developers are beginning to plan more multi-dwelling buildings and developments in an effort to accommodate.

The pandemic has caused a lot of disruption no doubt but we're also beginning to see a shift in perspective and priorities as a result.

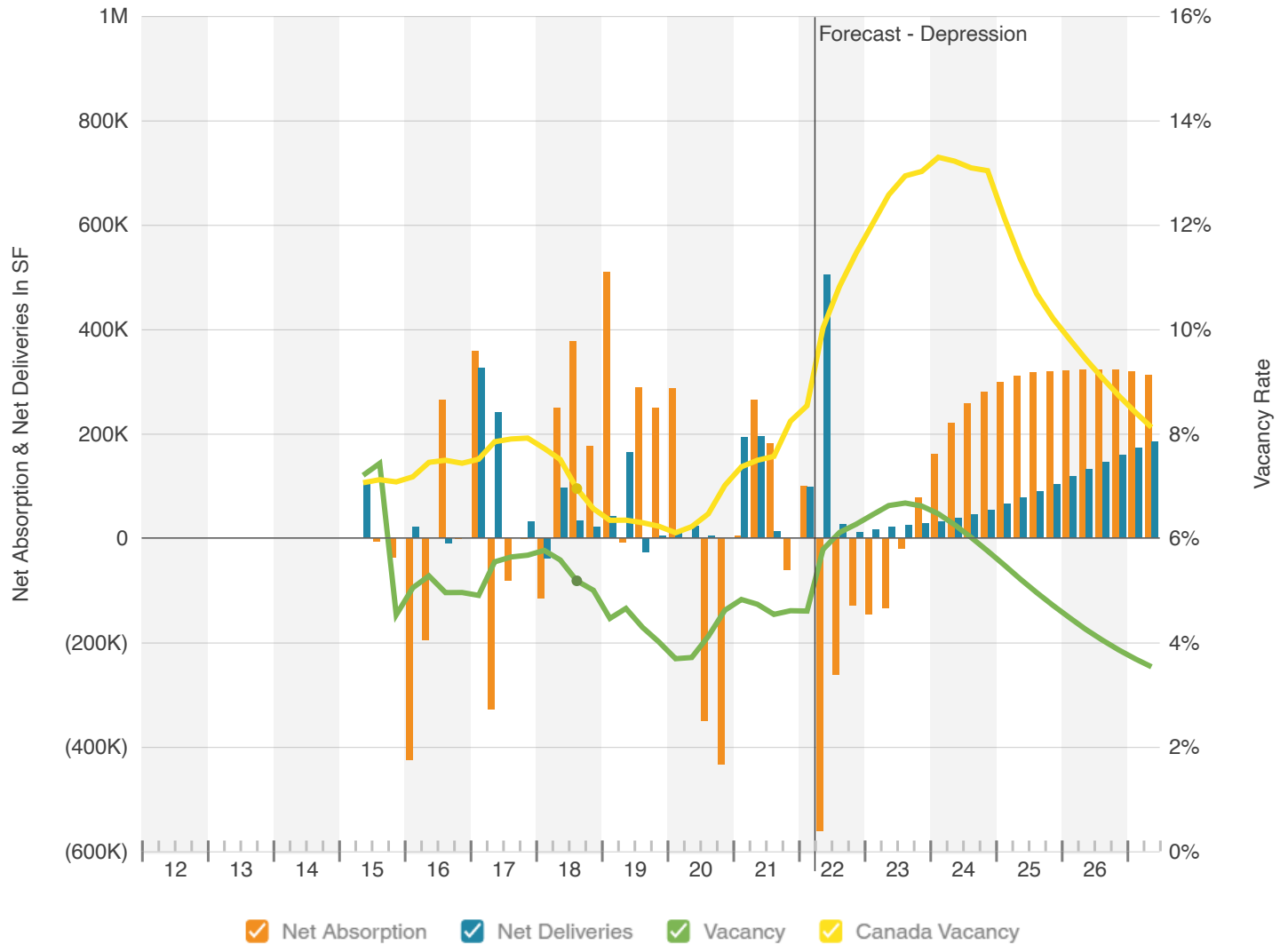


The major trends coming out of 2022's first quarter is the amount of space coming back on to the market resulting in a negative net absorption alongside the increase in vacancies. Most of the available space is situated in the downtown core and a decent portion of it is tied to Shopify's decision to go remote only, leaving their offices completely. It's also important to note that, although Ottawa's vacancy rate is expected to continue rising, the city's vacancy is significantly lower than other major Canadian markets on average.

Subleasing continues to be a trend as well with Accenture snapping up almost 33,000 SF of space at Performance Court in Centretown. The absorption of space for subleasing might suggest a potential trajectory for recovery. That said, if organizations are simply moving into space that other one's have put up for sublease, this still begs the question of what will happen to the space being left behind? Throw in the large scale adoption of hybrid work models and we could very well see the continued relationship of increased vacancies with decreased net rent for a couple more years before any recovery starts to take place.

LEASING

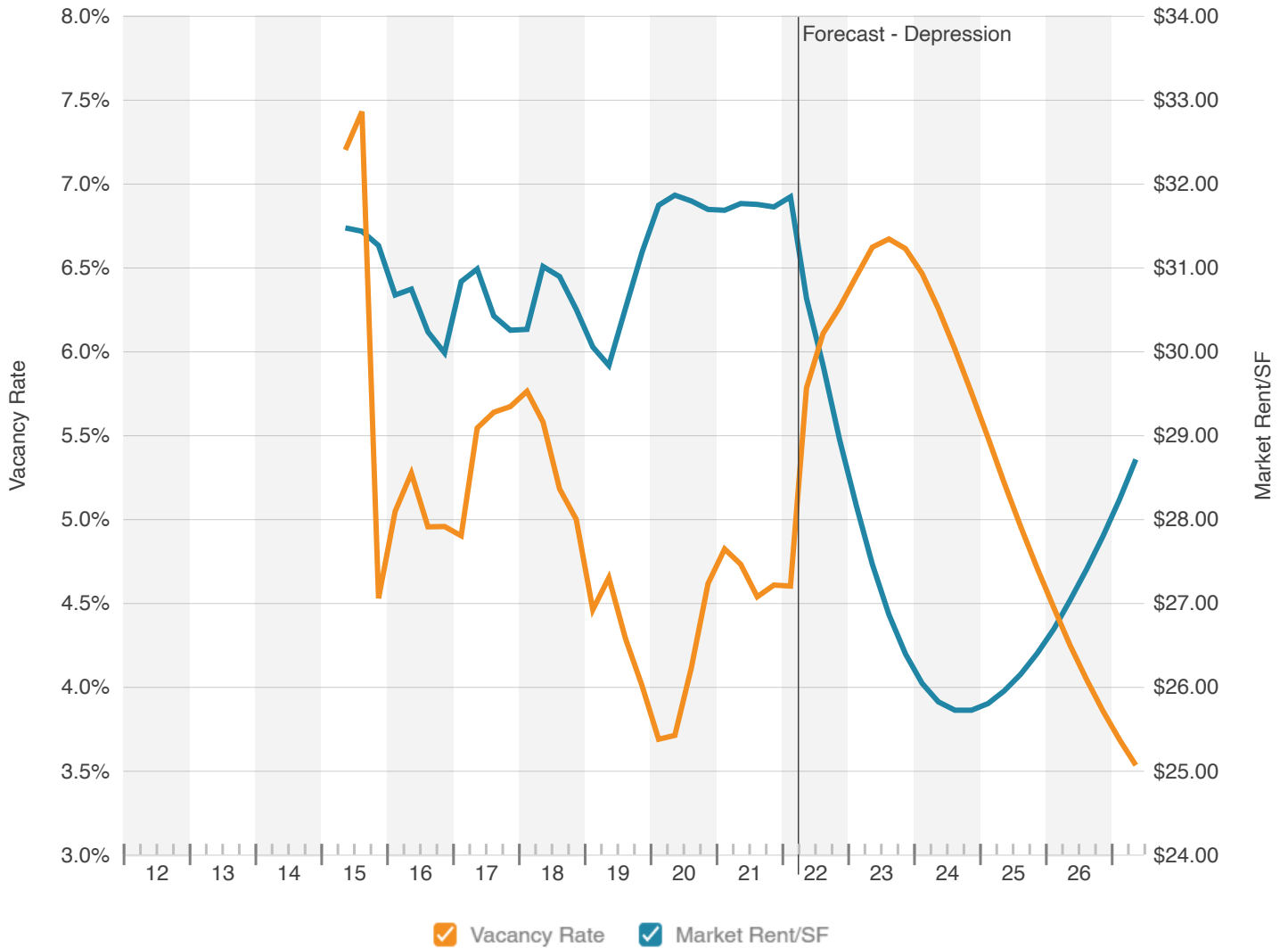
NET ABSORPTION, NET DELIVERIES & VACANCY



* Images provided by CoStar

LEASING

VACANCY & MARKET RENT PER SF



* Images provided by CoStar

NOTABLE LEASES

TOP OFFICE LEASES PAST QUARTER

Building Name/Address	Submarket	Leased SF	Tenant Name
1001 Farrar Rd	Kanata	146,514	QNX Software Systems
Performance Court	Centretown	32,834	Accenture
Constitution Square Tower II	CBD	17,891	N/A
Place de Ville	CBD	13,800	N/A
Adobe Tower II	Tunney's Pasture	13,501	Akamai Technologies Inc.
Constitution Square Tower I	CBD	10,228	N/A
135-137 Rideau St	Lowertown	9,658	WithYouWithMe
57 Iber Rd	Deep West	9,199	N/A
Constitution Square Tower I	CBD	9,197	N/A

* Statistics provided by CoStar



RENT

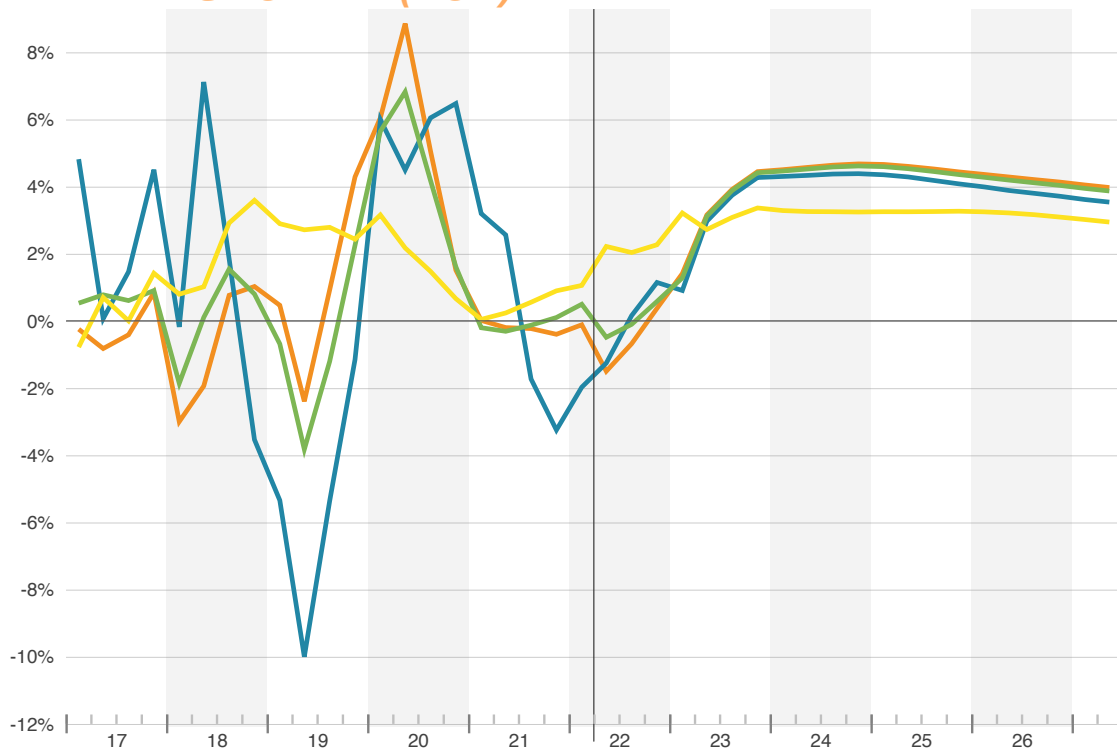
The rental market is still experiencing growing pains with the city experiencing a rental rate decrease of about 4% in the downtown core and a decrease of about 0.5% in the fringe core. Meanwhile, the suburban markets of East, South, and West Ottawa (Kanata) saw rental rate growths of about 5%, 3%, and 4% respectively.

Lease terms continue to remain short with most being for one to five years in length. All these metrics support the trend that's been remarked on with regards to the changing landscape of downtown and how suburban offices will start to be more prominent due to organizations' distributed workforces. Due to Ottawa being a government town and the inherent stability that provides, rental rate declines have actually been less drastic than in other Canadian cities.

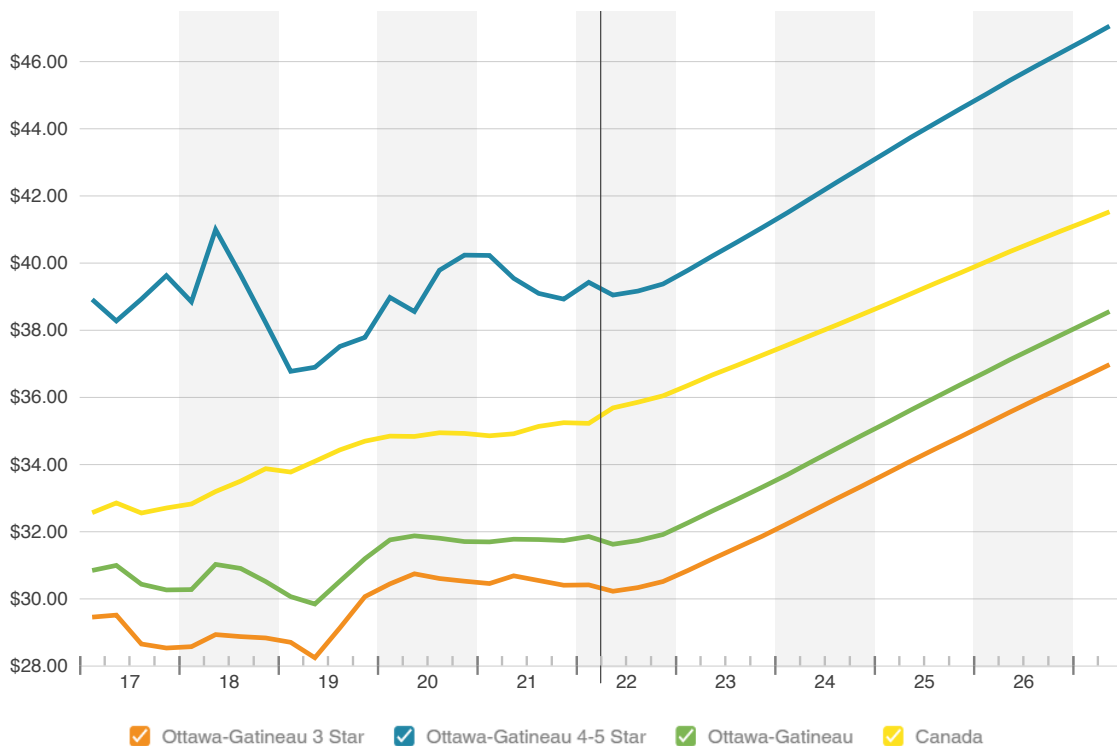
RENT 9

* Images provided by CoStar

MARKET RENT GROWTH (YOY)



MARKET RENT PER SQUARE FOOT





SALES

The sales story so far this year has been one of larger portfolio transactions. Crown Realty Partners purchased Blair Towers Place which had been seeing vacancy rates ranging from roughly 20%-25%. As Real Strategy has been noting for quite some time, higher vacancy rates creates the opportunity for aggressive investors to enter the market, offering improvements and upgrades to help reposition and add value to older assets — this is undoubtedly what will happen here.

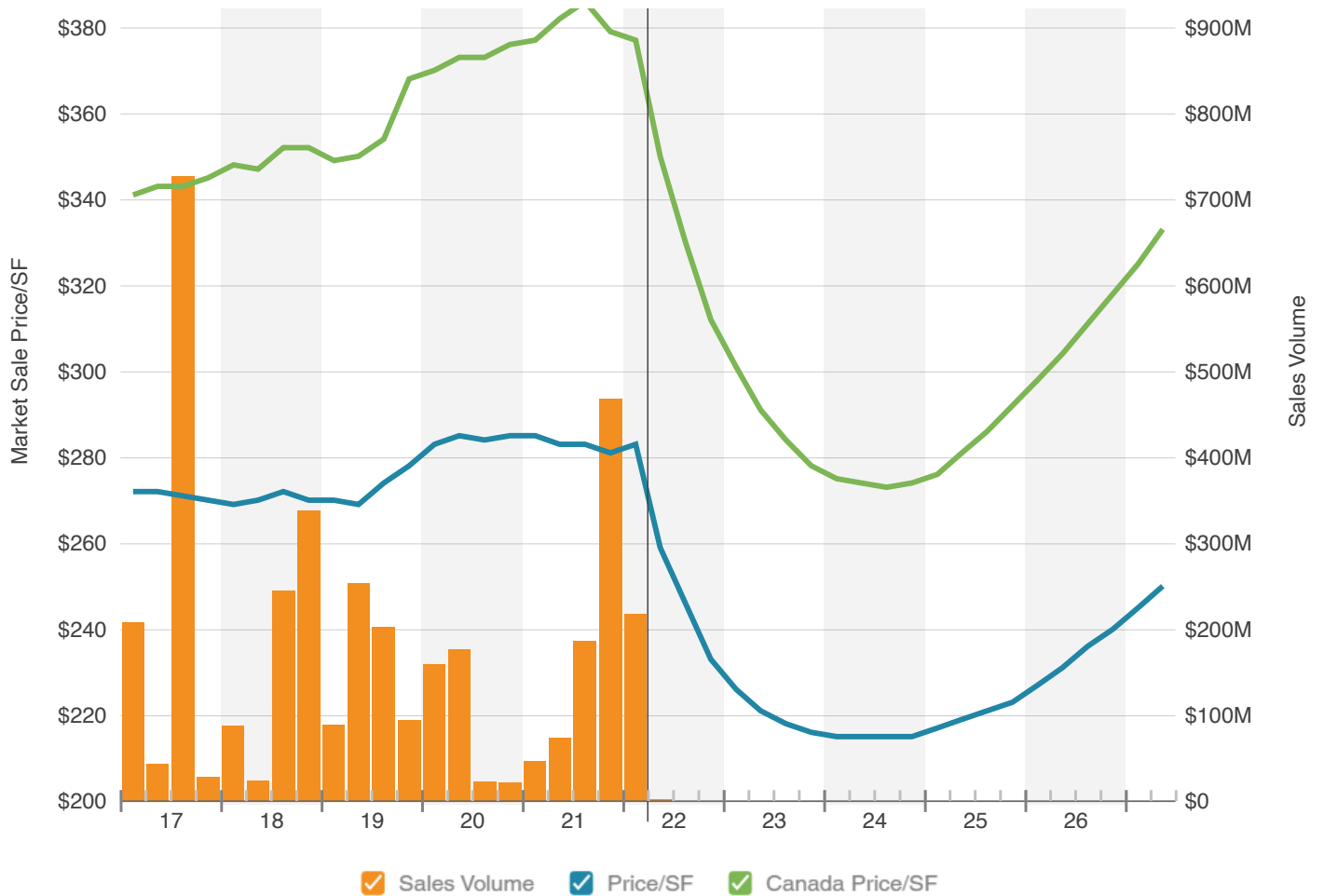
Another major transaction was that of the neighbouring office buildings on Bank Street purchased by BTB REIT. These modern office buildings sold for \$328/SF which is more than double the price per square footage that Blair Towers Place was sold for. This sale gives credence to what we've been saying about high-quality, modern office space still being highly desirable and how many companies are shedding excess space, to accommodate a hybrid work approach, but are willing to upgrade to better space.

Recent Significant Sales:

- TD Place at 979-983 Bank St with 104,716 SF sold for \$34,326,914 (\$328/SF) in early January
- Building 2-8 at 1331 Clyde Ave with 80,700 SF sold for \$10,894,929 (\$135/SF) in late January
- 1400 Blair Towers PI with 97,400 SF sold for \$14,270,633 (\$147/SF) in late February
- Park of Commerce at 1410 Blair PI with 112,400 SF sold for \$16,974,812 (\$151/SF) in late February
- Park of Commerce at 1420 Blair PI with 104,300 SF sold for \$16,571,123 (\$159/SF) in late February
- 1430 Blair PI with 100,900 SF sold for \$12,183,432 (\$121/SF) in late February
- 1000 Innovation Dr with 151,170 SF sold for \$18,844,000 (\$125/SF) in early March
- 940 Belfast Rd with 74,029 SF sold for \$18,500,000 (\$250/SF) in mid-March

SALES

SALES VOLUME & MARKET SALE PRICE PER SF



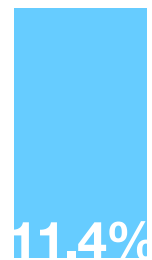
SALE COMPARABLES



AVG. CAP RATE



AVG. PRICE/SF



AVG. VACANCY AT SALE

* Images provided by CoStar

SUBMARKETS

SUBMARKET RENT

No.	Submarket	Market Rent		12 Month Market Rent		QTD Annualized Market Rent	
		Per SF	Rank	Growth	Rank	Growth	Rank
1	Alta Vista	\$24.81	11	7.7%	11	-2.1%	9
2	Barrhaven	\$28.05	8	8.2%	5	-2.5%	21
3	Belfast/Sheffield	\$23	16	8.5%	2	-2.4%	20
4	Bells Corners/Crystal Beac	\$22.13	18	8.8%	1	0.5%	1
5	Blair/Ogilvie	\$20.17	23	7.6%	14	-2.3%	17
6	CBD	\$33.98	2	6.3%	19	-2.1%	10
7	Centrepont/Qualicum	\$29.26	4	7.1%	16	-2.3%	15
8	Centretown	\$28.83	5	5.2%	23	-2.0%	4
9	Colonnade/Rideau Heights	\$21.41	19	8.3%	4	-2.6%	24
10	East Outer Ottawa	\$20.35	22	5.5%	21	-2.0%	7
11	Gatineau	\$18.62	24	6.7%	17	-2.3%	18
12	Gatineau Downtown	\$17.52	26	8.1%	6	-1.6%	3
13	Glebe	\$35.24	1	6.1%	20	-2.0%	5
14	Goulbourn/West Carleton	\$28.63	6	8.0%	8	-2.4%	19
15	Heron/Riverside	\$21.36	20	7.8%	10	-2.0%	6
16	Hull Downtown	\$17.61	25	2.6%	25	-1.6%	2
17	Hunt Club/Walkley	\$23.11	15	7.5%	15	-2.2%	13
18	Kanata	\$24.11	14	7.6%	13	-3.0%	26
19	Lowertown	\$31.43	3	6.5%	18	-2.3%	16
20	Merivale	\$27.74	9	8.0%	7	-2.5%	23
21	Montreal Road	\$20.46	21	5.5%	22	-2.1%	11
22	NW Outer Ottawa	\$24.48	13	4.5%	24	-2.0%	8
23	Orleans	\$22.48	17	8.0%	9	-2.2%	12
24	Queensview/Morrison	\$24.67	12	8.4%	3	-2.9%	25
25	Tunney's Pasture	\$27.38	10	2.4%	26	-2.2%	14
26	Woodward/Carling	\$28.15	7	7.6%	12	-2.5%	22

* Statistics provided by CoStar

SUBMARKETS

SUBMARKET VACANCY & NET ABSORPTION

No.	Submarket	Vacancy			12 Month Absorption			
		SF	Percent	Rank	SF	% of Inv	Rank	Construc. Ratio
1	Alta Vista	25,220	1.4%	14	11,063	0.6%	15	-
2	Barrhaven	4,185	0.2%	2	22,438	1.1%	9	-
3	Belfast/Sheffield	35,793	1.0%	10	(9,372)	-0.3%	23	-
4	Bells Corners/Crystal Beac	20,235	1.0%	9	21,344	1.0%	10	-
5	Blair/Ogilvie	46,309	3.4%	22	8,105	0.6%	17	-
6	CBD	43,587	8.3%	25	(2,283)	-0.4%	22	-
7	Centrepont/Qualicum	1,332	0.5%	5	0	0%	-	-
8	Centretown	39,699	2.4%	17	(12,258)	-0.7%	25	-
9	Colonnade/Rideau Heights	27,043	1.3%	13	13,079	0.6%	13	-
10	East Outer Ottawa	2,048	0.3%	3	18,342	2.3%	11	0.7
11	Gatineau	142,112	1.2%	12	131,054	1.1%	1	-
12	Gatineau Downtown	1,797	0.1%	1	8,309	0.4%	16	-
13	Glebe	34,742	2.4%	16	(10,108)	-0.7%	24	-
14	Goulbourn/West Carleton	10,971	0.4%	4	113,114	4.5%	2	0.4
15	Heron/Riverside	2,058	0.9%	7	123	0.1%	19	-
16	Hull Downtown	7,494	1.0%	8	0	0%	-	-
17	Hunt Club/Walkley	65,804	2.0%	15	31,778	1.0%	8	-
18	Kanata	174,384	4.9%	24	68,061	1.9%	4	0.4
19	Lowertown	104,566	2.8%	19	43,131	1.2%	7	-
20	Merivale	60,117	2.6%	18	51,294	2.2%	5	-
21	Montreal Road	11,947	0.6%	6	13,181	0.6%	12	-
22	NW Outer Ottawa	4,800	2.9%	21	11,657	7.0%	14	-
23	Orleans	217,780	4.0%	23	68,896	1.3%	3	-
24	Queensview/Morrison	196,530	10.3%	26	48,397	2.5%	6	0.7
25	Tunney's Pasture	16,481	1.0%	11	3,788	0.2%	18	-
26	Woodward/Carling	92,540	2.9%	20	(16,985)	-0.5%	26	-

* Statistics provided by CoStar