

Q3 2023

Ottawa

Office Market Report

Net Absorption

This Quarter	Previous Quarter
116K SF	-255K SF
12-Month Absorption	5-Year Quarterly Avg.
-897K SF	-85K SF

Vacancy

This Quarter	Year-over-Year
12.6%	▲ 204 bps

Asking Net Rent

This Quarter*	Year-over-Year
\$17.38 PSF	▲ 2.2%

Development

Under Construction	New Supply
205K SF	0 SF

**Weighted Average
Colliers Macaulay Nicolls Inc.*

Market Outlook

Ottawa's office vacancy rate declined this quarter for the first time since Q1 2022, signifying a positive shift in the local office market. Ottawa's overall vacancy rate decreased 24 basis points (bps) this quarter to 12.6% due to 115,845 square feet of positive net absorption.

The Downtown market's vacancy rate decreased by 20 bps to 12.3% this quarter due to 29,197 square feet of positive net absorption. The decline in vacancy is mainly attributed to 360 Laurier Avenue West (108,936 square feet) coming off the market. The new owner's decision to convert it into residential apartments has resulted in the Class C office vacancy rate dropping from 26.1% to 20.9% in Q3 2023. This transformation reflects a strategic response to Ottawa's evolving needs, increasing the supply of urban rental housing units and contributing to revitalizing Ottawa's downtown. Given the vacancy rates in the Downtown Class B and Class C sectors are near record highs, coupled with solid fundamentals in the rental housing market, numerous office-to-residential redevelopment projects are currently underway, and we anticipate this trend will persist.

Several Ottawa landlords, particularly downtown, are addressing their vacancy concerns by extending more attractive incentives to potential tenants. Additionally, they are increasingly adopting office model suites to attract prospective tenants. By showcasing these model suites, landlords can provide potential occupants with a tangible and immersive experience of the available office spaces, helping them envision their future work environment. This approach enhances the marketing efforts and offers a practical solution for tenants seeking functional and appealing office spaces.

This quarter, Ottawa's Suburban market witnessed 86,648 square feet of positive net absorption. Remarkably, despite a surge in vacant space across all submarkets except for the Ottawa West and Kanata submarkets, the suburban vacancy rate dropped by 26 bps to 12.9%. The Kanata submarket recorded positive net absorption of 105,653 square feet, even in the face of several large blocks of space entering the market this quarter, including 40,036 square feet at 3000 Solandt Road. This performance led to a 152-bps reduction in vacancy rate, now at 14.5%, thanks to significant leasing activity within the Kanata North Business Park by technology tenants. Kanata's Class B vacancy rate decreased by 390 bps, reaching 15.0%, primarily attributable to the sale of 100 Herzberg Road to a user planning to occupy the entire building.

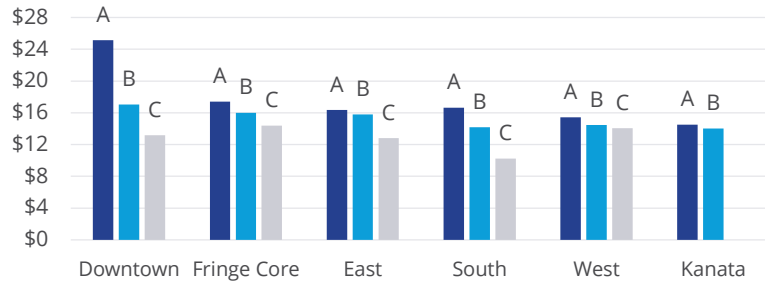
Ottawa's return-to-office rate continues to trail behind all major Canadian office markets. Ottawa stands at 57% of its pre-COVID occupancy levels, with Toronto at 62%, and Montreal at 81%. This quarter, return-to-office levels dipped slightly across Ottawa's submarkets, likely influenced by summer vacations. Downtown Ottawa saw a 42% return rate compared to 37% one year ago, despite the federal government's mandate for its employees to be in the office two to three days each week since January 2023. However, it's noteworthy that areas with abundant amenities and suburban business parks have seen larger year-over-year increases in occupancy. For instance, the Fringe Core now boasts a 91% occupancy rate, up from 84%, while Kanata is at 87%, a significant rise from 68%.

Accelerating success.

Market Overview

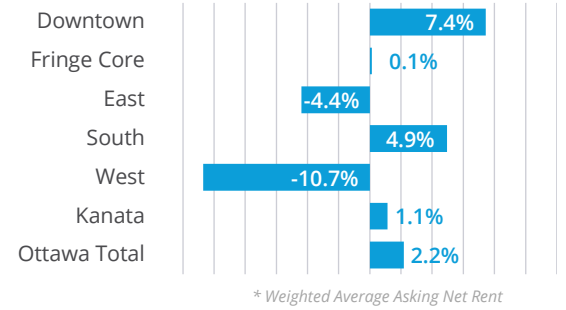
01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



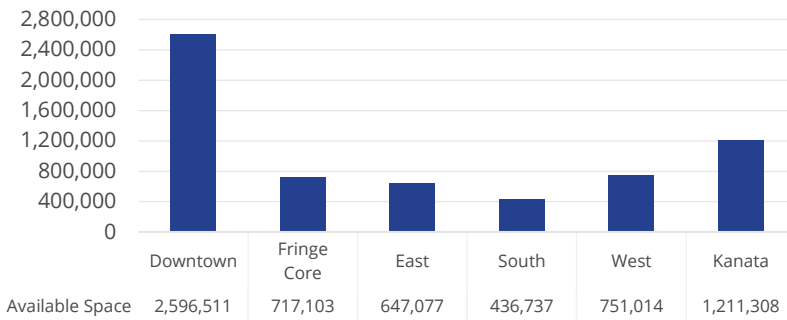
02 Rental Rate Growth*

By Market | Q3 2022 – Q3 2023



03 Available Space by Market

Total Square Feet (SF)



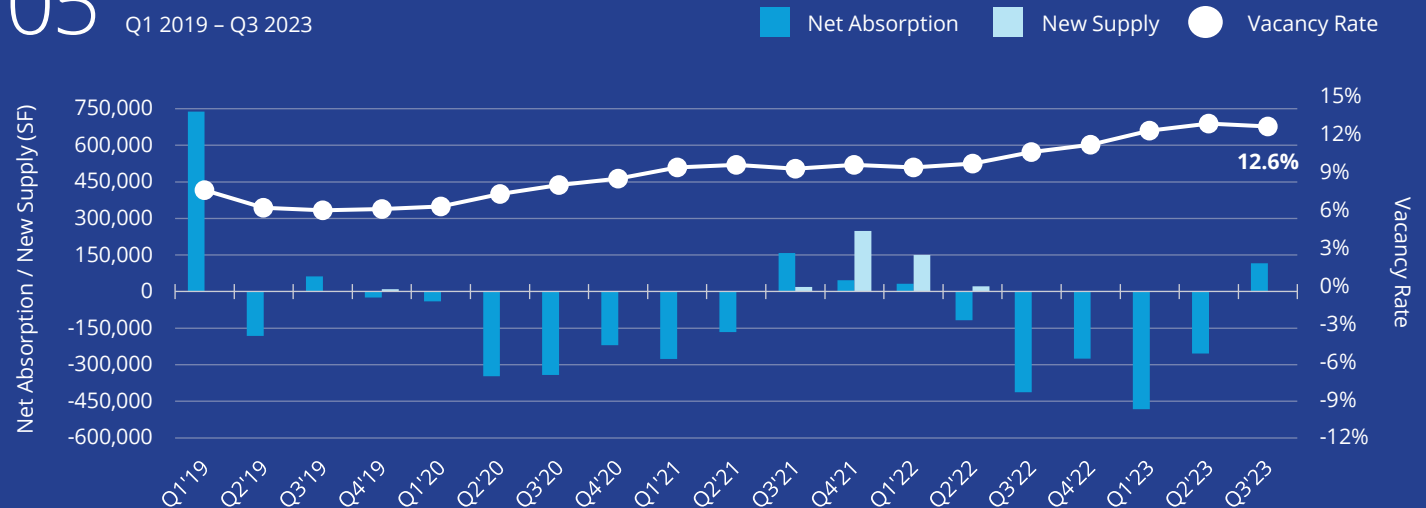
04 Availability Rate

By Market | Q3 2022 – Q3 2023

Downtown	14.2%	▲	from 13.1% Q3'22
Fringe Core	17.6%	▲	from 13.7% Q3'22
East	14.3%	▼	from 14.6% Q3'22
South	8.3%	▲	from 6.5% Q3'22
West	14.7%	▲	from 11.9% Q3'22
Kanata	17.2%	▲	from 14.2% Q3'22
Ottawa Total	14.3%	▲	from 12.6% Q3'22

05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics

	Class	# of Bldgs	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (PSF)	Wgt. Avg. Asking Gross Rent (PSF)	
Downtown	Total														
	A	38	12,197,182	1,005,110	8.2%	1,034,344	235,415	1,269,759	10.4%	-10,675	0	0	\$25.14	\$48.79	
	B	37	5,206,261	1,053,251	20.2%	1,055,011	68,377	1,123,388	21.6%	-34,974	0	0	\$17.05	\$34.32	
	C	19	902,994	189,129	20.9%	203,364	0	203,364	22.5%	74,846	0	0	\$13.19	\$27.42	
Total	94	18,306,437	2,247,490	12.3%	2,292,719	303,792	2,596,511	14.2%	29,197	0	0	\$20.36	\$39.97		
Suburban	Fringe Core	A	18	1,613,925	197,844	12.3%	128,701	71,643	200,344	12.4%	-5,682	0	204,608	\$17.42	\$40.26
		B	35	1,762,086	405,660	23.0%	370,728	44,471	415,199	23.6%	-1,480	0	0	\$16.01	\$32.31
		C	27	694,281	101,560	14.6%	101,560	0	101,560	14.6%	8,934	0	0	\$14.38	\$27.70
		All	80	4,070,292	705,064	17.3%	600,989	116,114	717,103	17.6%	1,772	0	204,608	\$16.05	\$33.10
	East	A	34	3,056,948	494,749	16.2%	505,057	29,230	534,287	17.5%	-14,206	0	0	\$16.37	\$34.58
		B	22	1,136,876	62,966	5.5%	67,123	5,648	72,771	6.4%	3,223	0	0	\$15.81	\$28.05
		C	9	317,226	40,019	12.6%	40,019	0	40,019	12.6%	3,312	0	0	\$12.80	\$28.90
		All	65	4,511,050	597,734	13.3%	612,199	34,878	647,077	14.3%	-7,671	0	0	\$16.08	\$33.52
	South	A	24	2,385,033	48,685	2.0%	115,904	9,471	125,375	5.3%	-6,666	0	0	\$16.65	\$30.35
		B	62	2,277,376	268,187	11.8%	256,145	27,312	283,457	12.4%	-8,828	0	0	\$14.20	\$28.74
		C	19	614,720	27,905	4.5%	27,905	0	27,905	4.5%	0	0	0	\$10.25	\$18.10
		All	105	5,277,129	344,777	6.5%	399,954	36,783	436,737	8.3%	-15,494	0	0	\$14.63	\$28.45
	West	A	40	3,155,134	460,146	14.6%	397,945	103,937	501,882	15.9%	33,122	0	0	\$15.42	\$33.70
		B	46	1,479,270	175,684	11.9%	177,674	7,516	185,190	12.5%	-28,066	0	0	\$14.45	\$32.01
		C	25	473,073	50,880	10.8%	61,274	2,668	63,942	13.5%	-2,668	0	0	\$14.07	\$28.57
		All	111	5,107,477	686,710	13.4%	636,893	114,121	751,014	14.7%	2,388	0	0	\$15.02	\$31.63
Kanata	A	63	4,707,822	668,833	14.2%	518,920	262,368	781,288	16.6%	16,162	0	0	\$14.52	\$28.12	
	B	36	2,347,068	352,708	15.0%	340,040	89,980	430,020	18.3%	89,491	0	0	\$14.03	\$26.29	
	All	99	7,054,890	1,021,541	14.5%	858,960	352,348	1,211,308	17.2%	105,653	0	0	\$14.33	\$26.98	
Total	460	26,020,838	3,355,826	12.9%	3,108,995	654,244	3,763,239	14.5%	86,648	0	204,608	\$15.17	\$30.53		
Ottawa Total															
All	554	44,327,275	5,603,316	12.6%	5,401,714	958,036	6,359,750	14.3%	115,845	0	204,608	\$17.38	\$34.71		

Transaction Highlights

Notable Lease Transactions

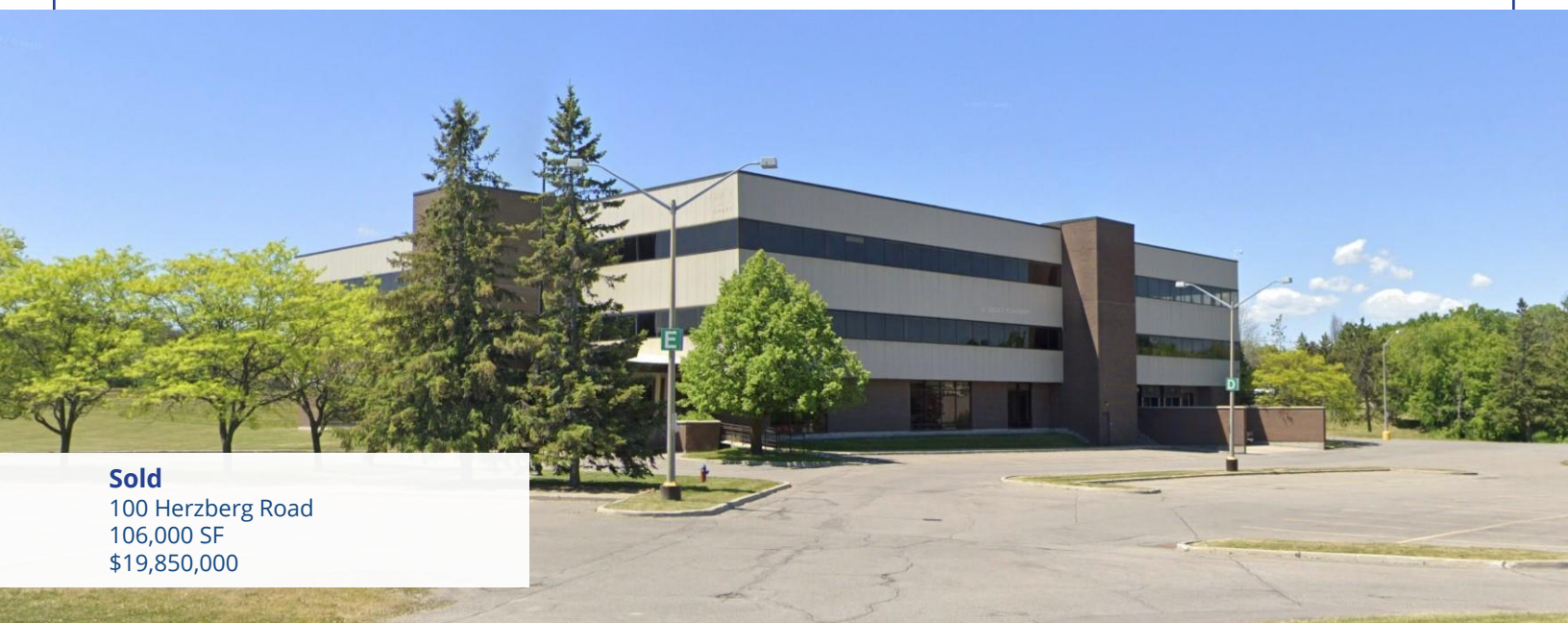
Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Syntronic R&D Canada Inc.	340 Legget Drive	Kanata	Head Lease	67,000
Wind River Systems, Inc.	425 Legget Drive	Kanata	Head Lease	58,205
BluMetric Environmental Inc.	1680-1690 Woodward Drive	Ottawa West	Head Lease	11,528
MindBridge Analytics Inc.	80 Aberdeen Street	Fringe Core	Head Lease	6,121
Technomics, Inc.	World Exchange Plaza – 45 O'Connor Street	Downtown	Head Lease	5,775
Turner and Townsend Canada Inc	World Exchange Plaza – 45 O'Connor Street	Downtown	Head Lease	5,191

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
66 Slater Street	Downtown	251,000	\$57,000,000	Katasa Group & ARG Devco	Developer
100 Herzberg Road	Kanata	106,000	\$19,850,000	Confidential	User
360 Laurier Avenue West	Downtown	107,067	\$17,500,000	OTT A360 Laurier Inc.	Private Investor - Canadian
130 Slater Street	Downtown	122,906	\$15,500,000	Katasa Group & ARG Devco	Developer
St. Laurent Court	East Ottawa	63,248	\$12,500,000	Capital City Asset Management Inc.	Private Investor – Canadian

Notable Developments

Building Name / Address	Market	Size (SF)	Est. Completion Date	Developer
Block 210B 28 Booth Street	Fringe Core	29,000	2023 Q4	Dream Office REIT
Block 207 6 Booth Street	Fringe Core	61,897	2023 Q4	Dream Office REIT
Trinity Centre at Bayview Station	Fringe Core	120,000	2024 Q3	Trinity Developments



Sold
 100 Herzberg Road
 106,000 SF
 \$19,850,000

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