

INVESTMENT FORECAST

Industrial
Ottawa

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2022

Firms are Keen on Ottawa's Location Amid Less Reliance on Global Supply Chains

Existing inventory is askew to modern tenant preferences. Ottawa has matured from being underutilized as an industrial market, to being one of the hottest metros in the nation over the past few years. The market historically supported smaller, local operations, but now more large, multinational firms and distributors are looking to expand in the region. The metro is situated between the major population bases of Toronto and Montreal, providing a competitive advantage and making the market a prime location for warehouses and distribution. At the same time, uncertainty surrounding global supply chains has nudged many retailers to store larger amounts of stock closer to consumers, effectively increasing the space requirements of many industrial tenants. The existing supply in Ottawa is primarily built for tenants of the past, with under 25 per cent of inventory containing more than 50,000 square feet of leasable space. As the construction pipeline is scant, due to limited land zoned for industrial use, existing properties will continue to leverage strong demand into rent growth.

Ottawa Industrial Investment Trends

- Ottawa maintains per-square-foot pricing beneath Toronto and Vancouver, motivating buyers to remain active in the market. The largest transactions of 2021 occurred in Kanata and East Ottawa.
- A small development pipeline will benefit owners of existing properties, and could encourage landlords to undertake capital improvements — mainly vertical expansion to increase leasable space.

2022 Industrial Trends


260,000
SQUARE FEET
will be completed

CONSTRUCTION:

The 2022 addition falls 2.7 million square feet below last year's total. High material costs, rising land prices and a dearth of industrially zoned land impact development.


30
BASIS POINT
decrease in vacancy

VACANCY:

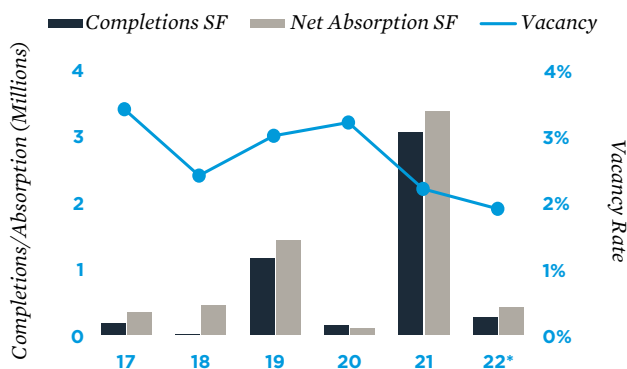
Net absorption is set to outpace deliveries for the second consecutive year. This will compress the vacancy rate to 1.9 per cent — the lowest reading in at least six years.


1.4%
INCREASE
in asking rent

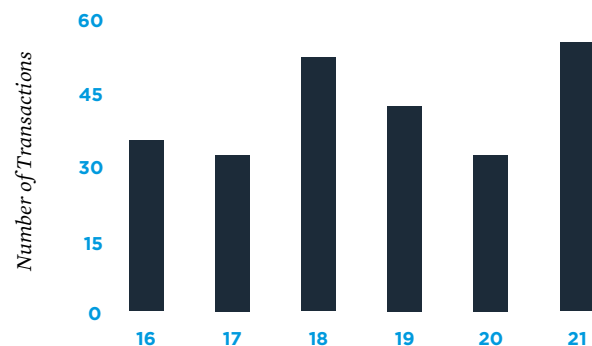
RENT:

The average asking rent grows this year. Limited availability and a small pipeline justify Ottawa's claim as one of the priciest industrial markets in East Canada.

Supply and Demand



Transaction Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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