

INVESTMENT FORECAST

Office
Ottawa

IPA

INSTITUTIONAL
PROPERTY
ADVISORS

2022

Higher-Quality Buildings Receiving the Most Interest from Tenants and Buyers

Regulations ensure temporary cap on vacancy. Ottawa's office market is largely dependent on a combination of technology, research, co-working firms and government agencies. The presence of internationally renowned companies in the tech sector provides ample future demand prospects, as many corporations within this industry continued expanding during the pandemic. These firms often seek out top-tier space, with some using the health crisis disruption to shift from Class B space to newly vacated or opening Class A space downtown. This led to higher absorption in the central submarkets relative to most other sections of the metro. Suburban leasing activity has been the strongest in Kanata, highlighted by recent signings from Dell Canada and Nanometrics. Meanwhile, the Federal Government is a major office user in Downtown Ottawa, and despite the announcement of a planned 20 per cent space reduction locally, PSPC regulations do not allow these agencies to give space back until their current leasing commitments end, delaying the impacts up to 30 years, by the government's own estimates.

Ottawa Office Investment Trends

- Investors will likely follow tenant demand into assets authorized for sustainable use in the metro, evidenced by Nanometrics and Accenture choosing buildings with BOMA certifications.
- Sales volume in 2021 outpaced the 2019 tally and almost doubled 2020's figure. A more intense bidding environment resulted in the average cap rate falling last year.

2022 Office Trends


565,000
SQUARE FEET
will be completed

CONSTRUCTION:

In 2022, less space will be completed, compared to the prior yearlong period; annual deliveries, however, will be the second highest since 2017.


20
BASIS POINT
decrease in vacancy

VACANCY:

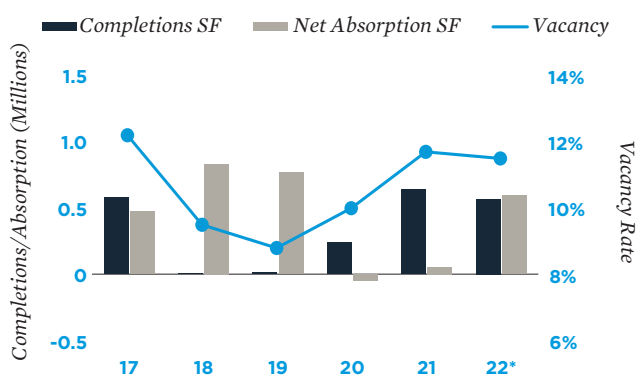
After recording a net absorption figure well shy of deliveries last year, the metro will begin to fill some of the space vacated in 2020, inducing a vacancy retreat to 11.5 per cent.


0.3%
INCREASE
in asking rent

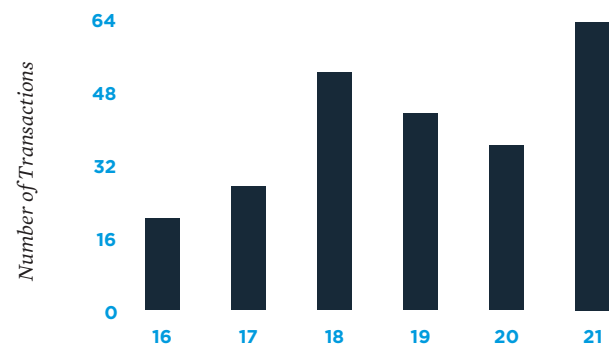
RENT:

The average asking rent is set to register a marginal increase by the end of 2022. This is a change of pace after the average asking rent fell notably over the course of last year.

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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