

# MARKET REPORT

Multifamily  
Ottawa Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS  
A DIVISION OF  
MARCUS & MILLICAP, BROKERAGE

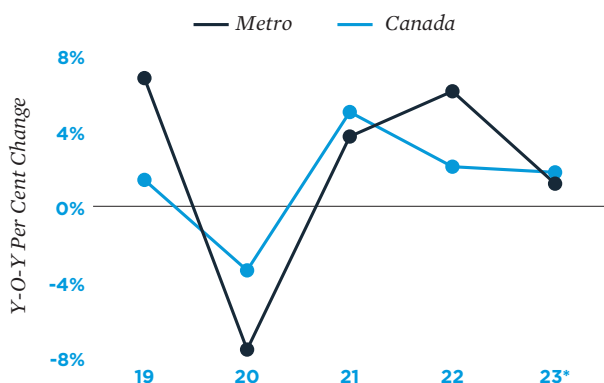
3Q/23

## Apartment Sector Well Supported by Stable Labour Market and Strong University Presence

**Growing population supports outlook.** As Canada's capital city, roughly 30.0 per cent of the metro's labour force is employed by the federal government. This tends to result in greater economic stability as the region is more insulated from macro headwinds. Consequently, Ottawa continues to attract scores of domestic and international immigrants seeking employment. Ottawa saw a net increase of 16,000 permanent residents in 2022, helping the metro's apartment vacancy rate fall 130 basis points to 2.1 per cent. With Ottawa offering stable public sector employment, along with a growing technology scene offering high-paying opportunities, this trend is likely to continue over the coming year. Ontario's population has already increased roughly 3.4 per cent annually as of the end of the second quarter, supporting a positive long-term outlook for upper-scale rental apartments.

**Post-secondary education aids multifamily demand.** Home to two of Canada's top universities, the region saw a net inflow of 4,100 foreign workers and international students last year. Sandy Hill, where the University of Ottawa is located, along with The Glebe, which hosts Carleton University, witnessed robust apartment performance in 2022 as students returned for in-person learning. Sandy Hill recorded the largest vacancy drop of 320 basis points, whereas The Glebe approached near-full occupancy. With university enrollment expected to keep growing over the coming years, underlying fundamentals — especially for Class B properties — are expected to remain healthy, despite a historic amount of new supply set to enter the market in 2023.

### Employment Trends



\* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

## Multifamily 2023 Outlook



**9,500  
JOBS**

*will be created*

### EMPLOYMENT:

Following a surge in employment last year, Ottawa will see its job market moderate in 2023, which is consistent with the national trend. The metro will likely still experience an expansion in total employment, due to the strong public sector presence.



**2,800  
UNITS**

*will be completed*

### CONSTRUCTION:

A historic amount of new supply is set for delivery in 2023, up roughly 10.0 per cent compared to last year. Most of the under-construction inventory is located in submarkets that surround Ottawa's two major universities.



**60  
BASIS POINT**

*decrease in vacancy*

### VACANCY:

A strong migration dynamic due to the large university presence — coupled with well-paying jobs, often in the public sector or growing tech scene — is fueling healthy population growth. As a result, the vacancy rate is expected to end the year at 1.5 per cent.



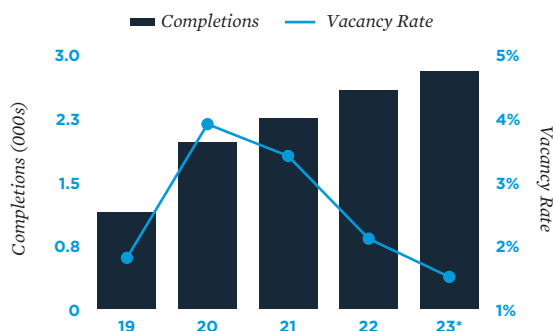
**4.0%  
INCREASE**

*in effective rent*

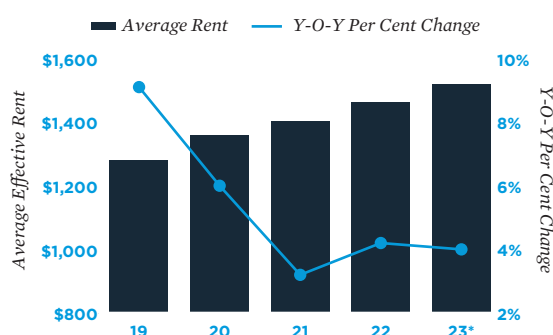
### RENT:

The average effective rent will inch higher and surpass \$1,500 per month as demand holds, while new supply enters the market. The pace of growth will likely decelerate compared to last year as a slowing economy may reduce turnover. This could cap rental rate growth, due to rent control policies.

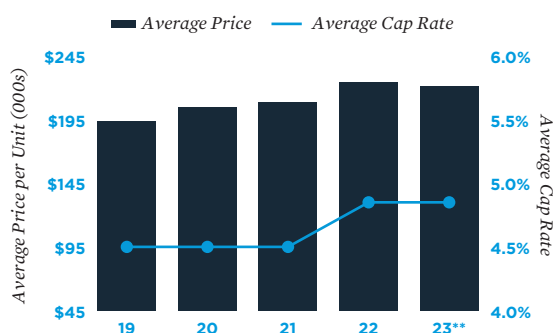
## Supply and Demand



## Rent Trends



## Sales Trends



\* Forecast; \*\* Through 2Q

Sources: Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

### Ottawa Office:

**Mark Paterson** Vice President, Regional Manager

275 Bank Street, Suite 301

Ottawa, Ontario K2P 2L6

Tel: (613) 364-2300 | mark.paterson@marcusmillichap.com

Prepared and edited by:

**Frank Zhao**

Research Associate, Canada | Research Services

For information on national multifamily trends, contact:

**John Chang**

Senior Vice President, Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: \$250

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: IPA Research Services; Altus Data Solutions; CoStar Group, Inc.; CMHC; Statistics Canada

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## 2022 Overview



### CONSTRUCTION

**2,580 units completed**

- New supply reached a record level in 2022. The Sandy Hill submarket, which is home to the University of Ottawa, saw inventory grow at the fastest pace.
- The Carlington submarket, located near Carleton University, had the second-largest amount of inventory under construction at the end of last year as builders attempt to keep pace with robust student demand.



### VACANCY

**130 basis point decrease in vacancy Y-O-Y**

- Healthy population growth, due to Ottawa's large university presence and ample job opportunities, caused vacancy to return to its long-term average.
- The Alta Vista area saw the largest vacancy decline, which can be partially attributed to strong health care employment growth. Also, with students returning to campus, Sandy Hill saw the second-largest vacancy drop.



### RENT

**4.2% increase in the average effective rent Y-O-Y**

- Rent growth remained well above the metro's long-term average, supported by robust demand and an influx of new, high-quality supply.
- Despite the solid pace of increase, the average rent still trails other Ontario markets, such as Toronto and Southwestern Ontario. This makes Ottawa a more affordable option for new residents entering Ontario.

## Investment Highlights

- Total dollar volume transacted rose 7.0 per cent annually in 2022, with most gains seen in the first six months when borrowing costs were low. In contrast, other major markets in Ontario, such as Toronto and Southwestern Ontario, saw sales volumes drop on a year-over-year basis. This can partially be attributed to the large public sector presence in Ottawa, which provides employment stability, and thus more consistent rental demand in times of economic uncertainty. As of the end of the second quarter in 2023, however, total dollar volume transacted was down roughly 85.0 per cent annually as investor enthusiasm cooled amid ongoing interest rate hikes.
- Despite rising interest rates slowing transaction activity, the average sale price as of the end of the second quarter remained relatively stable, inching down roughly 1.0 per cent when compared to the end of last year. Cap rates, as a result, have remained flat, hovering around 4.8 per cent.
- With the city planning to redevelop the LeBreton Flats district located along the Ottawa River, ample real estate investment opportunities are expected to emerge over the coming years. The area will contain numerous residential buildings, shops, parks and entertainment facilities, including a new arena for the NHL's Ottawa Senators.