MARKET REPORT

Multifamily

Ottawa Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

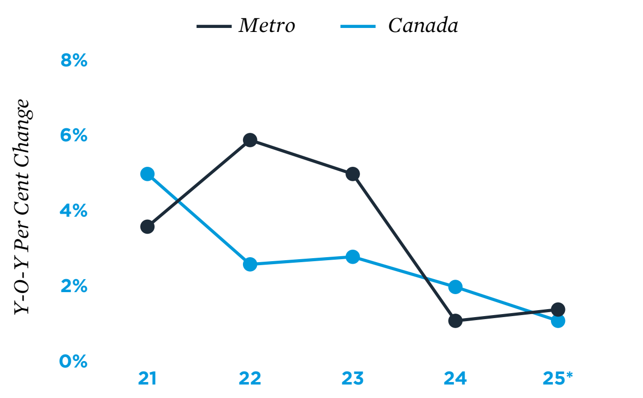
2Q/25

Limited Trade Exposure and Supply Help Ottawa Withstand Economic Headwinds

Demand shifts amid uncertainties. Retail fundamentals began to soften in the second half of 2024, driven by weakening space demand in suburban areas. This trend was most pronounced in the Kanata and East Central submarkets, where trailing 12-month net absorption fell to a multi-year low in the first quarter of 2025. In contrast, downtown saw a rebound, reversing the negative trend seen in the past 10 quarters. This shift likely reflects the rise in foot traffic downtown, driven by slowing population growth in suburban areas alongside continued progress on return-to-office efforts – especially in the public sector – which are likely to persist through 2025. Beyond these preexisting conditions, uncertainties surrounding U.S. tariffs are expected to curb retailers' appetite for expansion, adding further downwards pressure on space demand. That said, the metro's economic advantages – a large public sector, limited manufacturing exposure and a growing tech scene – should help it navigate near-term challenges.

Supply crunch to sustain low vacancy rate. Despite a brief increase in completions in 2019 and 2020, developers have been shifting away from retail projects in Ottawa, leading to completions reaching a new low in 2024. Hurdles, such as labour shortages and elevated construction costs, have redirected key resources to other priority sectors like housing. This trend is expected to continue this year, pushing total completions to another record low. The constrained construction outlook will help cap upwards pressure on vacancy due to softening space demand, which is estimated to end 2025 just above 2.0 per cent.

Employment Trends



** Forecast*

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

Retail 2025 Outlook

12,000
JOBS
will be created

EMPLOYMENT:

While trade tensions will weigh on job gains in 2025, Ottawa's less trade-dependent labour force suggests the metro is better positioned to withstand near-term headwinds. The job market is poised to benefit more from falling interest rates, which should support employment growth in the tech sector.

100,000
SQ. FT.
will be completed

CONSTRUCTION:

Construction activity is expected to reach its lowest level on record. Major additions this year include sections of Armstrong Plaza in Riverside South and 3075 Palladium Drive in Kanata, both being suburban strip centres.

20
BASIS POINT
increase in vacancy

VACANCY:

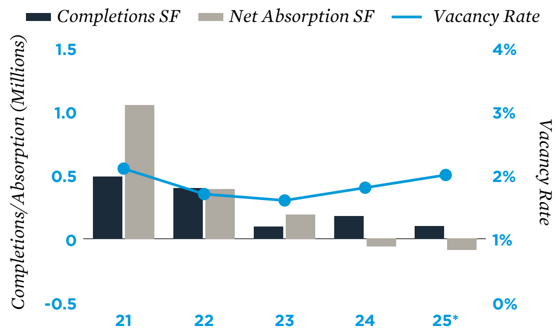
While vacancy is forecast to rise due to trade tensions, the rate will stay tight, ending the year at approximately 2.0 per cent. Limited supply growth and more favourable demand dynamics will continue to keep the vacancy rate low in the coming years.

2.3%
INCREASE
in asking rent

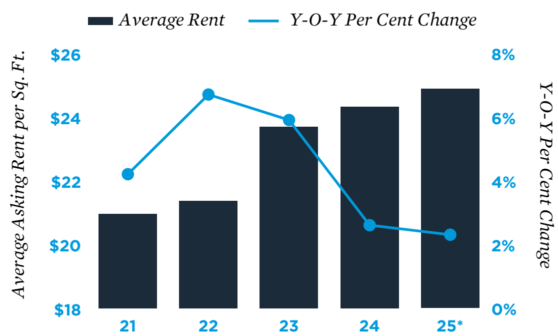
RENT:

Rents are expected to continue rising, as leasing remains competitive in the low-vacancy environment. The pace of growth, however, will ease slightly as more space becomes available. The average asking rate is forecast to approach $25 per square foot in 2025.

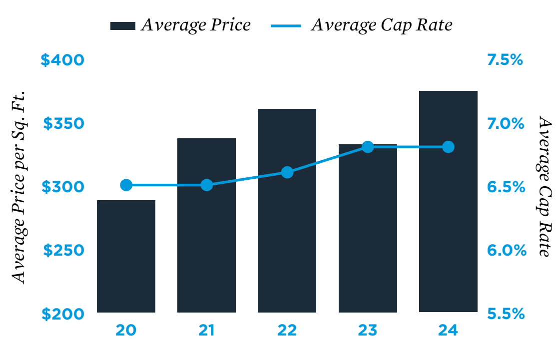
Supply and Demand



Rent Trends



Sales Trends



* Forecast

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

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4Q 2024: Trailing 12-Month Period

CONSTRUCTION

181,000 sq. ft. completed

- Completions fell to a record low in 2024, with most additions consisting of mixed-use projects and small- to medium-sized standalone storefronts. All construction was delivered in suburban submarkets.
- The largest completion was a 100,000-square-foot Volkswagen auto dealership in Nepean.

VACANCY

20 basis point increase in vacancy Y-O-Y

- Net absorption has lagged behind completions since the second quarter of 2024, putting upwards pressure on vacancy. Nevertheless, the rate remained below 2.0 per cent at year-end, indicating continued market tightness.
- The vacancy rate rose due to higher vacancies in strip and neighbourhood centres, though declines in malls and power centres provided some offset.

RENT

2.6% increase in the average asking rent Y-O-Y

- The average asking rent peaked in the third quarter before edging down slightly, ending 2024 above $24 per square foot. Tight vacancy rates and weak property supply growth continued to push rents to new highs.
- While annual rent growth has moderated from the post-pandemic peaks of 2022 and 2023, it is still above the pre-pandemic level of 1.2 per cent.

Investment Highlights

- Total dollar volume rose by $100 million in 2024 – a 54 per cent increase from the previous year. Deals valued between $1 million and $10 million, aided by lower financing costs, drove a 23 per cent increase in the number of transactions. Improving investor sentiment facilitated the sale of several high-profile properties, such as Carlingwood Shopping Centre – Streamliner Properties and Anthem Properties Group acquired it for $73.5 million – as well as Avalon Centre, purchased by Choice Properties for $31.65 million.
- Since the pandemic, single-tenant properties in Ottawa have gained appeal among investors. These assets accounted for nearly 70 per cent of total retail transactions last year, steadily rising from 44 per cent in 2019. Often leased to nationally recognized tenants under long-term triple-net agreements, these properties will likely remain a lower-risk option for buyers amid near-term uncertainties stemming from trade policy.
- The average sale price increased by over 12 per cent in 2024, one of the highest gains in Ontario. The federal government's return-to-office mandate likely supported the recovery of property values, particularly for smaller properties in and around the downtown core.

Price: $250