Market Report

IPA INSTITUTIONAL PROPERTY ADVISORS

INDUSTRIAL 3Q/26

Ottawa Metro Area

Domestic-Focused Demand Helps Cushion Trade-Related Risks

Space demand to remain resilient. After net absorption rebounded in the first quarter, the vacancy rate declined 20 basis points from the 3.0 per cent recorded at the end of 2025, suggesting vacancy may have moved past the peak. Looking ahead, space demand is expected to remain relatively steady, helping to stabilize vacancy rates. While escalating Canada-U.S. trade tensions in August and September are likely to create challenges for certain industries, the impact on Ottawa should be comparatively limited. The metro's relatively small industrial market and lower reliance on trade and manufacturing provide some insulation from these pressures, as demand is driven primarily by local distribution and fulfillment requirements rather than export-oriented industries.

Limited construction expected to support market conditions. Excluding the new Amazon fulfillment centre, the construction pipeline remained subdued at roughly 200,000 square feet at the start of the third quarter, one of the lowest levels on record. With all this space already pre-leased, upcoming deliveries are unlikely to materially affect market conditions, helping maintain healthy operating fundamentals in the near term.

2026 FORECAST

EMPLOYMENT

15,000	1.7%
Jobs will be created	Increase Y-O-Y

CONSTRUCTION

280,000	38%
Sq. ft. will be added	More than last year

VACANCY

2.8%	20
Vacancy rate	BPS decrease Y-O-Y

RENT

$16.40	2.8%
Average asking rent by year-end	Increase Y-O-Y

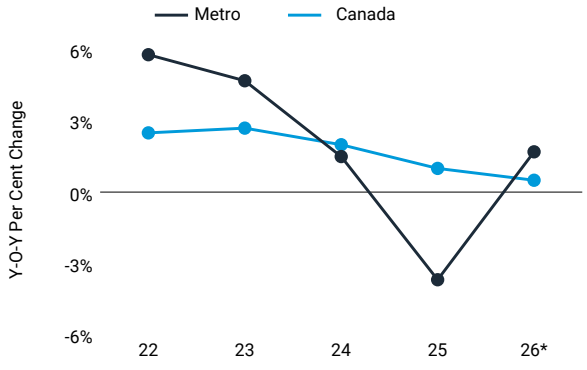
EMPLOYMENT

Employment conditions are expected to improve modestly in 2026 after last year's contraction, aided by an early boost in public sector hiring. Even so, growth is likely to remain constrained as planned reductions across the federal government begin to take effect. Given Ottawa-Gatineau's heavy concentration of government-related employment, these cuts could dampen household spending and temper space demand in the near term.

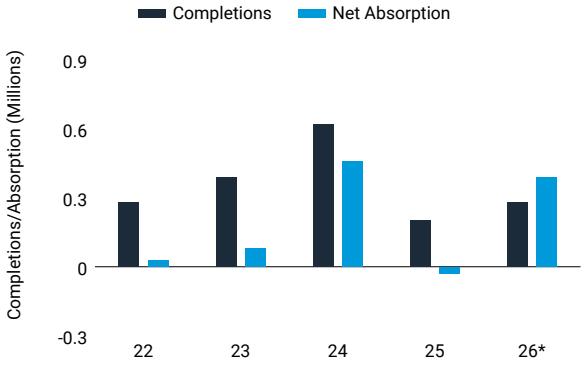
CONSTRUCTION

Completions this year will primarily include small- and mid-bay projects in suburban locations. The largest delivery will be a 121,000-square-foot facility on Burton Road in Cumberland, followed by a 56,000-square-foot building near Ottawa International Airport. Meanwhile, the 3.1 million-square-foot Amazon fulfillment centre has been pushed to 2027 after portions of the partially completed structure were dismantled and redesigned to meet updated operational requirements.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



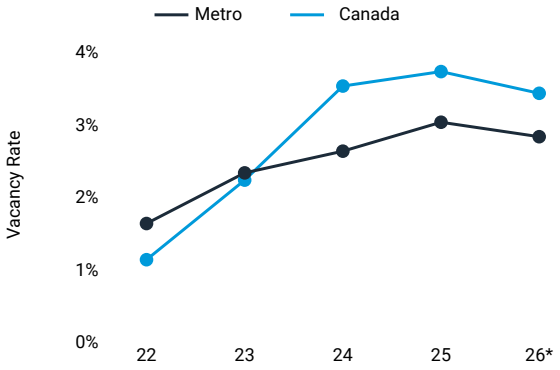
* Forecast

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

VACANCY

After rising from below 1.0 per cent in early 2022 to 3.0 per cent at the end of last year, the vacancy rate appears to have reached a turning point as leasing activity strengthened amid limited new supply. With development activity remaining constrained, additional upward pressure on vacancy is expected to be minimal. Combined with steady demand through year-end, these conditions should support a modest decline in vacancy.

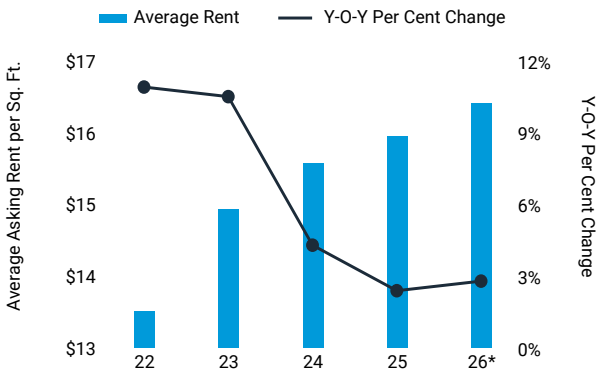
VACANCY TRENDS



RENT

Rent growth is expected to rank among the strongest in Canada, supported by a limited supply pipeline and a more balanced market. While some occupiers remain cautious amid ongoing uncertainty surrounding USMCA negotiations, leasing conditions have continued to stabilize as vacancy levels tighten and demand holds steady. As available options become increasingly scarce, owners should retain some pricing power, allowing rents to maintain their upward trajectory through the rest of the year.

RENT TRENDS



* Forecast; ** Through 2Q

Sources: Altus Data Solutions; CoStar Group, Inc., Oxford Economics

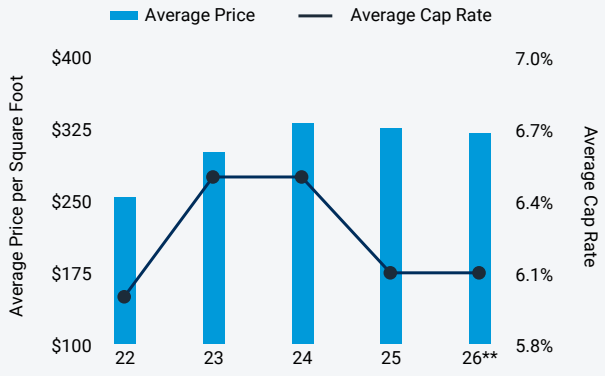
INVESTMENT HIGHLIGHTS

- Investment activity gained momentum in the first half of the year as buyer participation broadened across the market. The trailing 12-month transaction count increased 20 per cent year-over-year in the second quarter, driven largely by a 21 per cent rise in deals valued between $1 million and $10 million. Dollar volume grew even faster, climbing 76 per cent due to two significant transactions: Ardian's $95 million acquisition of Porter Airlines' maintenance facility and Desjardins' purchase of an 80 per cent stake in two industrial assets in Gloucester for $61.6 million.

- The average sale price nearly doubled between 2021 and 2024, supported by strong investor demand amid the post-pandemic recovery and surging population growth. Since then, pricing has plateaued as the market has adjusted to higher interest rates. During the first half of this year, the average price per square foot edged down to $320. Despite this moderation in pricing, cap rates remained relatively stable at approximately 6.1 per cent, suggesting investor sentiment has remained broadly steady.

- Investor sentiment is expected to turn more cautious in the near term as trade uncertainty and federal government downsizing weigh on decision-making. However, Ottawa's domestically oriented industrial base and its growing strategic importance within the Eastern Canadian logistics network should continue to attract interest from private, owner-user, and institutional investors over the long term.

SALES TRENDS



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