

Q4 2021

# Ottawa

## Office Market Report

### Net Absorption

This Quarter	Previous Quarter
<b>21K SF</b>	<b>157K SF</b>
12-Month Absorption	5-Year Quarterly Avg.
<b>-264K SF</b>	<b>-41K SF</b>

### Availability

This Quarter	Year-over-Year
<b>12.3%</b>	<b>▲ 160 bps</b>

### Asking Net Rent

This Quarter*	Year-over-Year
<b>\$16.67 PSF</b>	<b>▲ 0.4%</b>

### Development

Under Construction	New Supply
<b>357K SF</b>	<b>249K SF</b>

\*Weighted Average  
Colliers Macaulay Nicolls Inc.

### Market Outlook

Ottawa's office market continues to adapt to the new realities of the hybrid work environment, especially with the emergence of the Omicron variant delaying return-to-office plans. Ottawa saw positive net absorption of 20,561 square feet. The overall vacancy rate increased by 42 basis points (bps) to 9.7%, while the overall availability rate increased by 87 bps to 12.3% in Q4 2021. Overall available sublet space decreased by 11,078 square feet in Q4 2021 and now makes up only 14% of all available space compared to 15% one year ago.

Overall net asking rates decreased by 1.7%, down to \$16.67 per square foot this quarter, due to more available space in Class B and C buildings. Asking net rates for Class A space generally remain stable, with landlords preferring to negotiate instead on increased tenant improvement allowances, shorter lease terms, early termination clauses, and more extended fixturing periods.

Downtown office tenants continue to right-size their office premises and, in some cases, are taking the opportunity to move from Class B to Class A buildings. This flight to quality has resulted in the Downtown Class A vacancy rate dropping by 62 bps down to 5.5%, while the Downtown Class B vacancy rate jumped 404 bps to 17.2% in Q4 2021.

The largest Downtown tenant, the Federal Government, has given notice to some of their landlords that they will not be renewing some of their Downtown office buildings as leases expire, which has pushed the Class C availability rate to 28.3% in Q4 2021.

As more companies shift to a hybrid work model, allowing employees to split their workweek between the office and home, the demand for suburban offices is rising. Occupiers are looking for alternatives to the traditionally desirable Downtown options. Employees want offices closer to home, shorter commutes, accessible by car as many are nervous about using public transit during the pandemic.

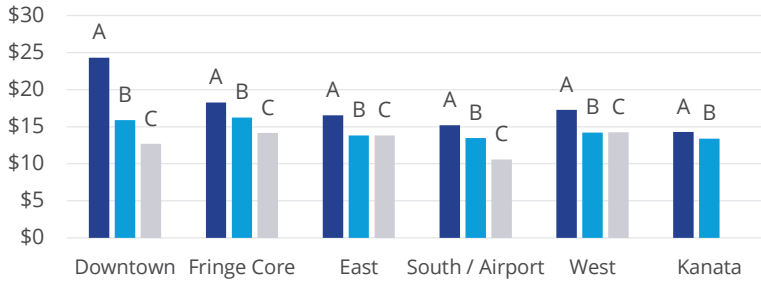
This quarter, Ottawa's suburban office market saw 162,248 square feet of positive absorption as vacancy stands at 10.0%. Two new pre-leased office buildings (800 Palladium Drive and 125 Zaida Eddy Private) were completed in Q4 2021, adding 248,953 square feet to the inventory. Kanata's Class A vacancy rate declined by 97 bps, down to 6.2% due to 116,176 square feet of net absorption. Conversely, Kanata's Class B vacancy rate continued to rise this quarter up 310 bps to 22.1% as tenants shed 47,669 square feet of space.

Accelerating success.

# Market Overview

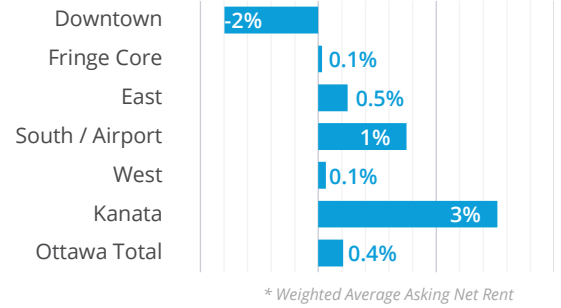
## 01 Rental Rates by Building Class

Weighted Average Asking Net Rent (PSF)



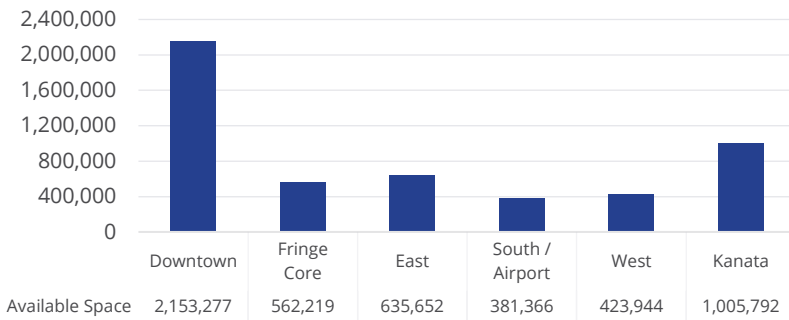
## 02 Rental Rate Growth\*

By Market | Q4 2020 – Q4 2021



## 03 Available Space by Market

Total Square Feet (SF)



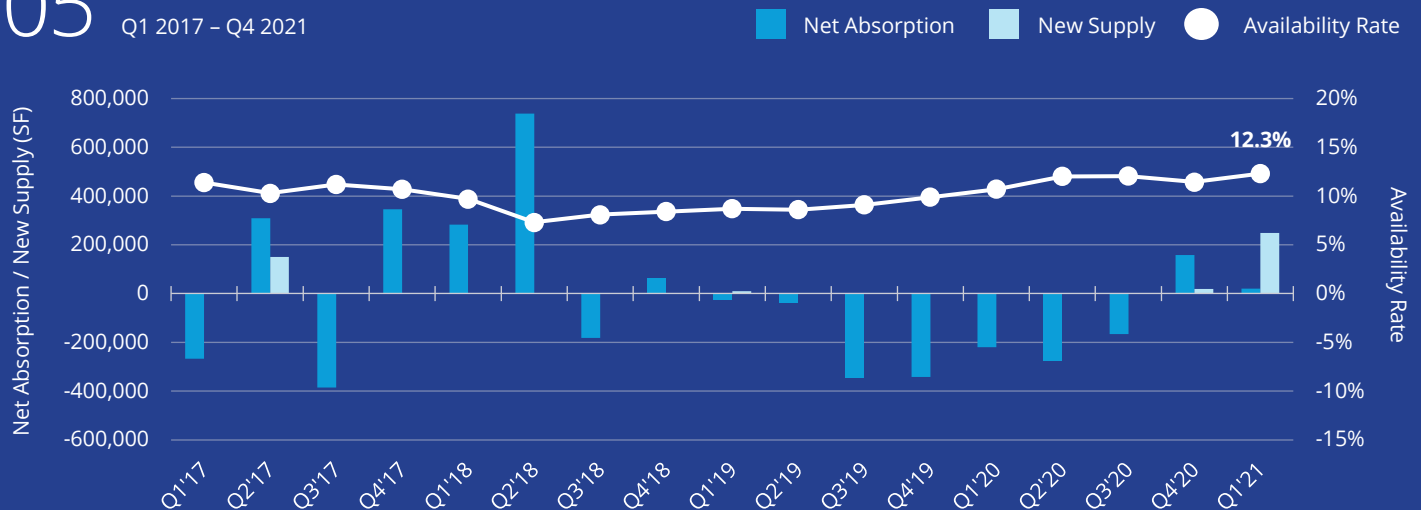
## 04 Availability Rate

By Market | Q4 2020 – Q4 2021

Downtown	<b>11.8%</b>	▲	from 9.5% Q4'20
Fringe Core	<b>13.4%</b>	◄	from 13.4% Q4'20
East	<b>14.6%</b>	▼	from 16.8% Q4'20
South / Airport	<b>10.2%</b>	▲	from 9.2% Q4'20
West	<b>8.5%</b>	▲	from 6.6% Q4'20
Kanata	<b>15.6%</b>	▲	from 13.7% Q4'20
<b>Ottawa Total</b>	<b>12.3%</b>	▲	from 10.7% Q4'20

## 05 Historical Overview

Q1 2017 – Q4 2021



# Market Statistics

	Class	# of Bldgs	Total Inventory (SF)	Total Vacant Space (SF)	Vacancy Rate	Direct Available Space (SF)	Sublease Available Space (SF)	Total Available Space (SF)	Availability Rate	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Wgt. Avg. Asking Net Rent (PSF)	Wgt. Avg. Asking Gross Rent (PSF)	
Downtown	Total														
	A	38	12,295,053	670,086	5.5%	680,734	274,861	955,595	7.8%	75,685	0	0	\$24.30	\$47.04	
	B	36	4,865,116	834,789	17.2%	747,902	154,838	902,740	18.6%	-196,746	0	0	\$15.89	\$33.44	
	C	21	1,043,433	178,253	17.1%	294,942	0	294,942	28.3%	-20,626	0	0	\$12.69	\$26.21	
<b>Total</b>	<b>95</b>	<b>18,203,602</b>	<b>1,683,128</b>	<b>9.2%</b>	<b>1,723,578</b>	<b>429,699</b>	<b>2,153,277</b>	<b>11.8%</b>	<b>-141,687</b>	<b>0</b>	<b>0</b>	<b>\$19.16</b>	<b>\$39.25</b>		
Suburban	Fringe Core	A	17	1,602,416	158,023	9.9%	130,224	27,799	158,023	9.9%	159,544	167,953	187,537	\$18.28	\$37.80
		B	36	1,899,294	226,148	11.9%	301,731	5,924	307,655	16.2%	-11,866	0	0	\$16.22	\$31.51
		C	26	683,091	91,551	13.4%	92,841	3,700	96,541	14.1%	-3,757	0	0	\$14.15	\$28.28
		<b>All</b>	<b>79</b>	<b>4,184,802</b>	<b>475,722</b>	<b>11.4%</b>	<b>524,796</b>	<b>37,423</b>	<b>562,219</b>	<b>13.4%</b>	<b>143,921</b>	<b>167,953</b>	<b>187,537</b>	<b>\$16.33</b>	<b>\$32.37</b>
	East	A	31	2,796,739	511,558	18.3%	527,377	8,128	535,505	19.1%	32,630	0	0	\$16.54	\$34.13
		B	22	1,136,350	71,784	6.3%	72,746	8,581	81,327	7.2%	-5,588	0	0	\$13.80	\$28.18
		C	10	412,318	18,820	4.6%	18,820	0	18,820	4.6%	-2,381	0	0	\$13.82	\$29.19
		<b>All</b>	<b>63</b>	<b>4,345,407</b>	<b>602,162</b>	<b>13.9%</b>	<b>618,943</b>	<b>16,709</b>	<b>635,652</b>	<b>14.6%</b>	<b>24,661</b>	<b>0</b>	<b>0</b>	<b>\$16.11</b>	<b>\$33.26</b>
	South / Airport	A	21	1,223,254	39,488	3.2%	33,953	9,470	43,423	3.5%	-4,807	0	0	\$15.19	\$27.70
		B	58	2,121,229	208,319	9.8%	304,242	12,213	316,455	14.9%	-18,324	0	0	\$13.47	\$27.24
		C	14	400,574	21,488	5.4%	8,946	12,542	21,488	5.4%	-3,431	0	0	\$10.59	\$23.44
		<b>All</b>	<b>93</b>	<b>3,745,127</b>	<b>269,295</b>	<b>7.2%</b>	<b>347,141</b>	<b>34,225</b>	<b>381,366</b>	<b>10.2%</b>	<b>-26,562</b>	<b>0</b>	<b>0</b>	<b>\$13.57</b>	<b>\$27.16</b>
	West	A	38	3,103,376	176,799	5.7%	205,521	46,595	252,116	8.1%	-31,607	0	0	\$17.26	\$34.51
B		47	1,539,706	136,007	8.8%	144,997	0	144,997	9.4%	-6,408	0	0	\$14.21	\$30.79	
C		20	356,748	25,574	7.2%	26,831	0	26,831	7.5%	-10,264	0	0	\$14.23	\$30.49	
<b>All</b>		<b>105</b>	<b>4,999,830</b>	<b>338,380</b>	<b>6.8%</b>	<b>377,349</b>	<b>46,595</b>	<b>423,944</b>	<b>8.5%</b>	<b>-48,279</b>	<b>0</b>	<b>0</b>	<b>\$15.64</b>	<b>\$32.53</b>	
Kanata	A	61	4,513,819	279,675	6.2%	514,576	64,356	578,932	12.8%	116,176	81,000	150,000	\$14.31	\$30.86	
	B	37	1,928,912	414,228	21.5%	349,716	77,144	426,860	22.1%	-47,669	0	20,000	\$13.40	\$25.96	
	<b>All</b>	<b>98</b>	<b>6,460,731</b>	<b>693,903</b>	<b>10.7%</b>	<b>864,292</b>	<b>141,500</b>	<b>1,005,792</b>	<b>15.6%</b>	<b>68,507</b>	<b>81,000</b>	<b>170,000</b>	<b>\$13.90</b>	<b>\$28.03</b>	
<b>Total</b>	<b>438</b>	<b>23,735,897</b>	<b>2,379,462</b>	<b>10.0%</b>	<b>2,732,521</b>	<b>276,452</b>	<b>3,008,973</b>	<b>12.7%</b>	<b>162,248</b>	<b>248,953</b>	<b>357,537</b>	<b>\$15.16</b>	<b>\$30.76</b>		
<b>Ottawa Total</b>															
<b>All</b>	<b>533</b>	<b>41,939,527</b>	<b>4,062,590</b>	<b>9.7%</b>	<b>4,456,099</b>	<b>706,151</b>	<b>5,162,250</b>	<b>12.3%</b>	<b>20,561</b>	<b>248,953</b>	<b>357,537</b>	<b>\$16.67</b>	<b>\$34.14</b>		

# Transaction Highlights

## Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
Nanometrics Inc.	3001 Solandt Road	Kanata	Head Lease	63,000
GaN Systems Inc	770 Palladium Drive	Kanata	Head Lease	21,106
IBM	One Sixty Elgin	Downtown	Sub Lease	20,944
Osler	World Exchange Plaza, Tower 2	Downtown	Head Lease	20,206

## Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
Place de Ville	Downtown	1,700,000	\$350,000,000	CPVC Place de Ville Nominee Inc.	Private Investor
3755 Riverside Drive	East	269,000	\$49,000,000	CR4 Riverside Inc	Private Investor
1600 James Naismith Drive & 1595 Telesat Court	East	333,944	\$40,500,000	Crux Capital	Private Investor
110 O'Connor Street	Downtown	200,000	\$40,050,000	Mach	Private Investor
333 Palladium Drive	Kanata	70,612	\$26,200,000	Scott Hill Investments Inc	Private Investor

## Notable Developments

Building Name / Address	Market	Size (SF)	Est. Completion Date	Developer
3199 Palladium Drive	Kanata	150,000	2022 Q1	Taggart Realty Management
Trinity Centre at Bayview Station	Fringe Core	120,000	2024 Q3	Trinity Developments



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