



Greater Ottawa office market report

Q3 2023

**AVISON
YOUNG**

Greater Ottawa market fundamentals

15.1%

total availability rate
3.5% increase from Q3 2022

15.4%

sublet as a percentage of all available space
16.9% decrease from Q2 2023

\$32.59

average gross asking rent per square foot (psf)
includes \$16.84 psf average additional rent

6.1M

sf total available lease area
went up 0.3M sf since Q2 2023

-745K

sf absorption
year to date

62K

sf under construction
one project

Source: AVANT by Avison Young
*Excludes Gatineau

Greater Ottawa office market trends

01

Fewer posted asking net rental rates

As the office market continues to struggle, savvy office tenants may have noticed fewer asking rental rates are publicly posted, while the phrase "speak to the agent" has become the norm. More commercial landlords are looking for ways to generate offers to lease through the creative use of net-free, out-of-term free rent, along with cash inducements spread out over time. These smaller discounts can represent 15% to 20% of posted asking rates historically observed before COVID.

Along with added incentives, tenants are looking for more favourable lease clauses as the industry standards are being challenged. Generous rental incentive packages aimed at maintaining posted net rents are no longer enough. The pressure to lease is causing net rent declines in all classes.

The gap between class A and B rents has narrowed from 30% in 2020 to 20% in Q3 2023.

02

Office conversion is gaining momentum

Vacancy consistently continues to increase across all asset classes and submarkets of the Ottawa office market. We can expect a slight decrease in inventory in the core's leasing market as existing office properties will be converted to residential buildings, including 130 Slater Street and 360 Laurier Avenue West. This follows the recent completion of the conversion of 473 Albert Street, the adaptive re-use of an older office building that was converted to nicely appointed, purpose-built apartments.

The much-anticipated release of the Federal Government 'Disposal List' of buildings classified as surplus properties in the Greater Ottawa area included several assets that had been effectively delayed for some time. As Crown-owned property, these assets were not included in the private office inventory. However, the future of L'Esplanade Laurier is still in discussion amongst developers, as a full city block will eventually come to the market.

03

Continuing adjustment of operating footprints

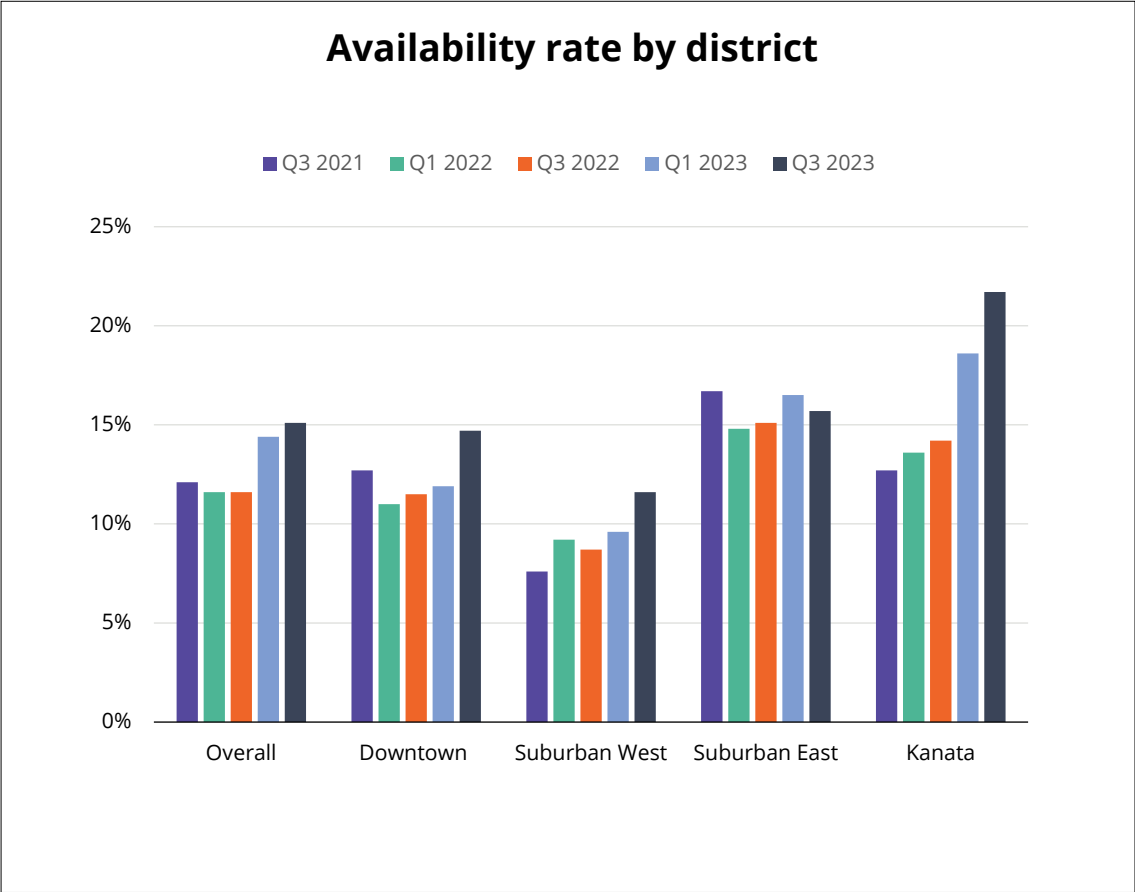
Avison Young's Workplace Strategy Group has continued to remained active as tenants strategize and continue to adjust to the hybrid working phenomenon. These plans involve decreasing overall footprint while increasing in-office amenities, creating a more desirable work environment that encourages employees to be more productive while in the office. This scenario is occurring all over Ottawa, including departments within the Federal Government and, in particular, Crown corporations and agencies.

It has taken time for the office market to realize that induced rental market rates are here for the foreseeable future. Tenants are now expecting both lower occupancy costs and higher-quality spaces and amenities, inevitably squeezing Net Effective Rents. In 2023, landlords have shown more interest in class B assets on the market, as the perspective of having operating costs and taxes covered is more attractive than an absence of income and a high vacancy burning through capital.

Greater Ottawa office market indicators

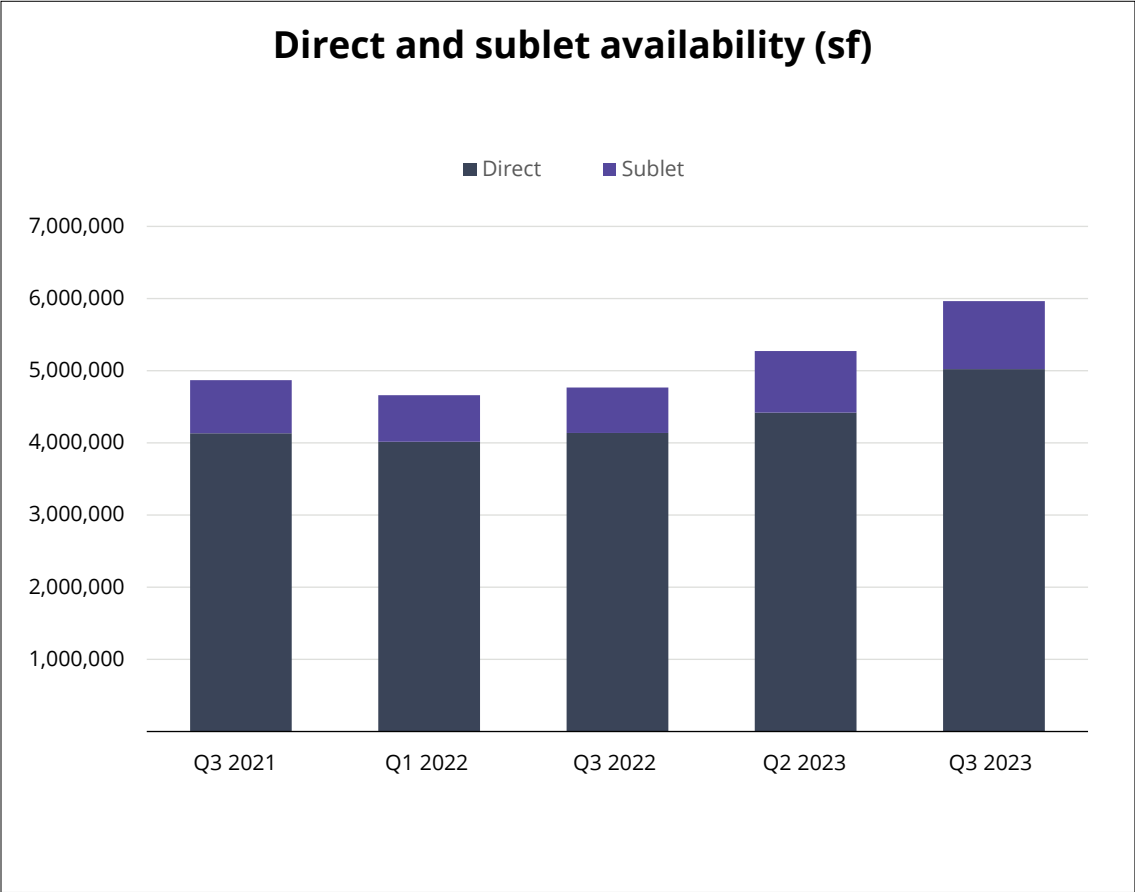


Source: AVANT by Avison Young
*Excludes Gatineau

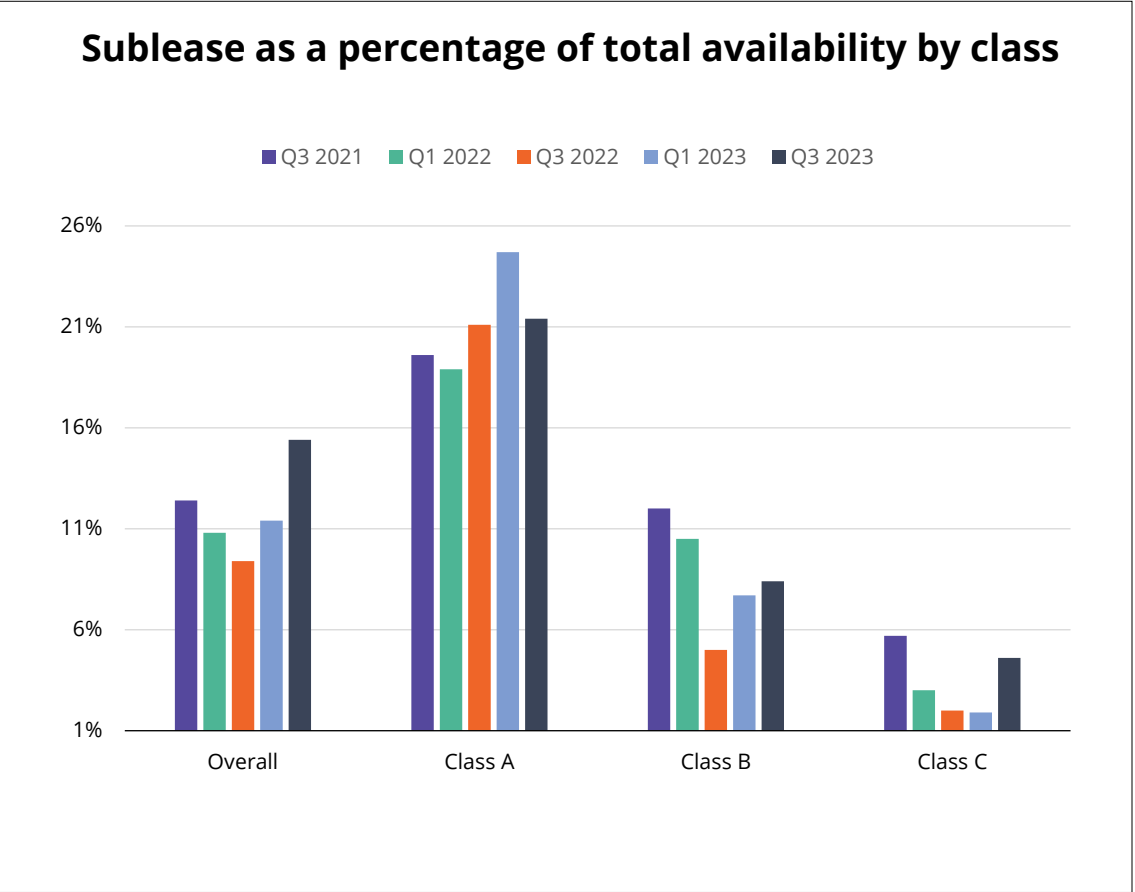


Source: AVANT by Avison Young
*Excludes Gatineau

Greater Ottawa office market indicators

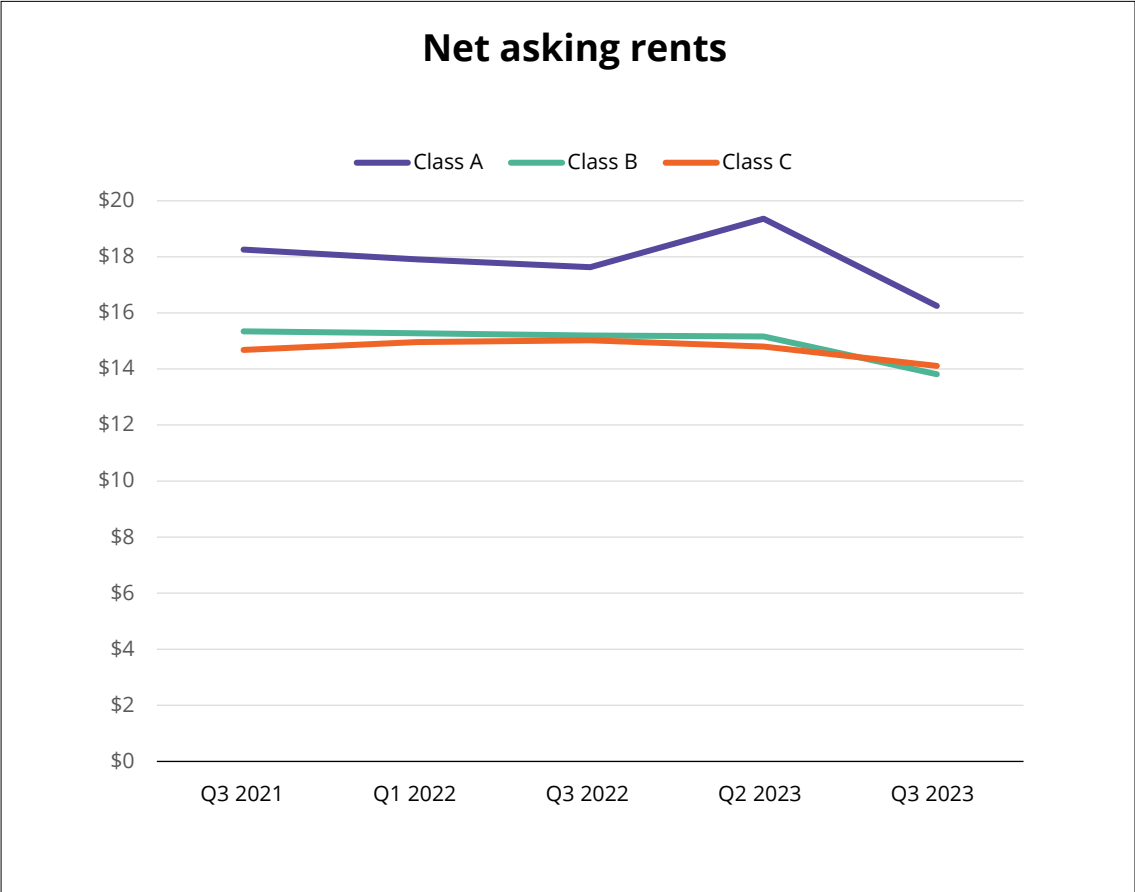


Source: AVANT by Avison Young
*Excludes Gatineau

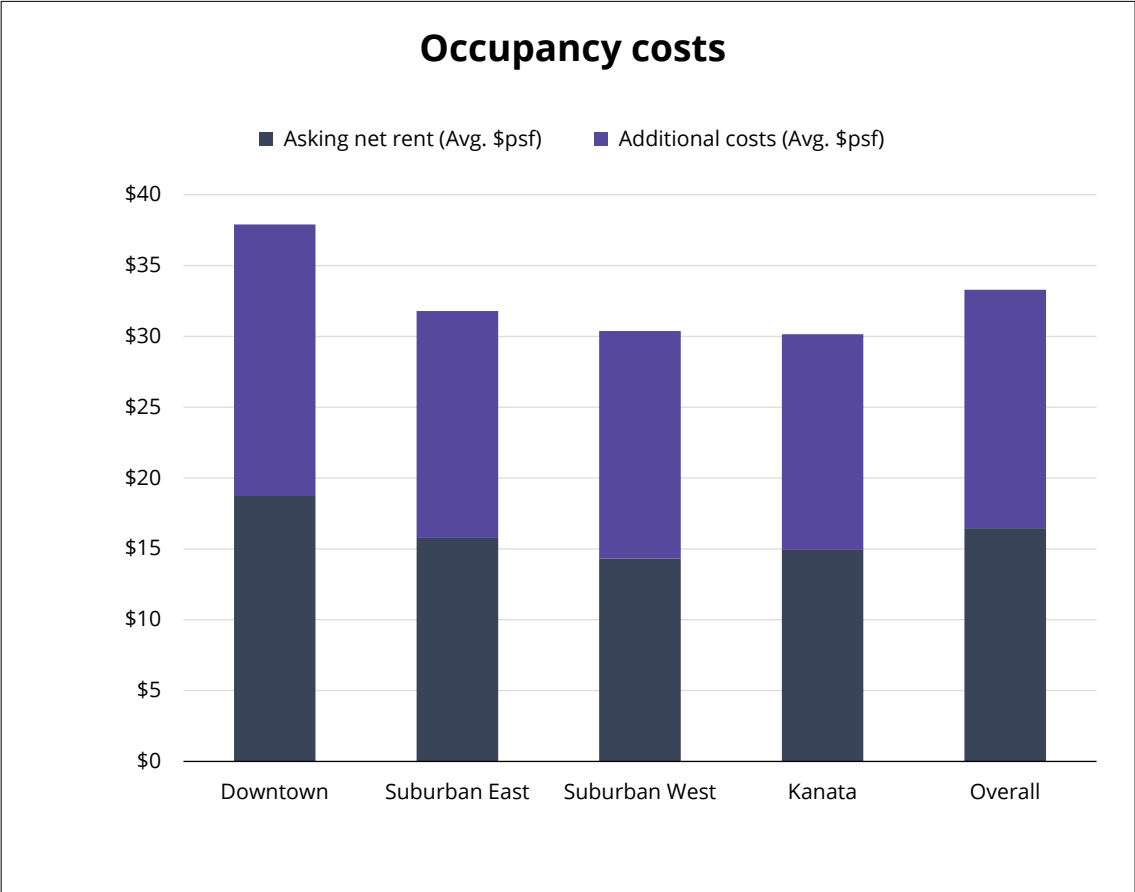


Source: AVANT by Avison Young
*Excludes Gatineau

Greater Ottawa office market indicators

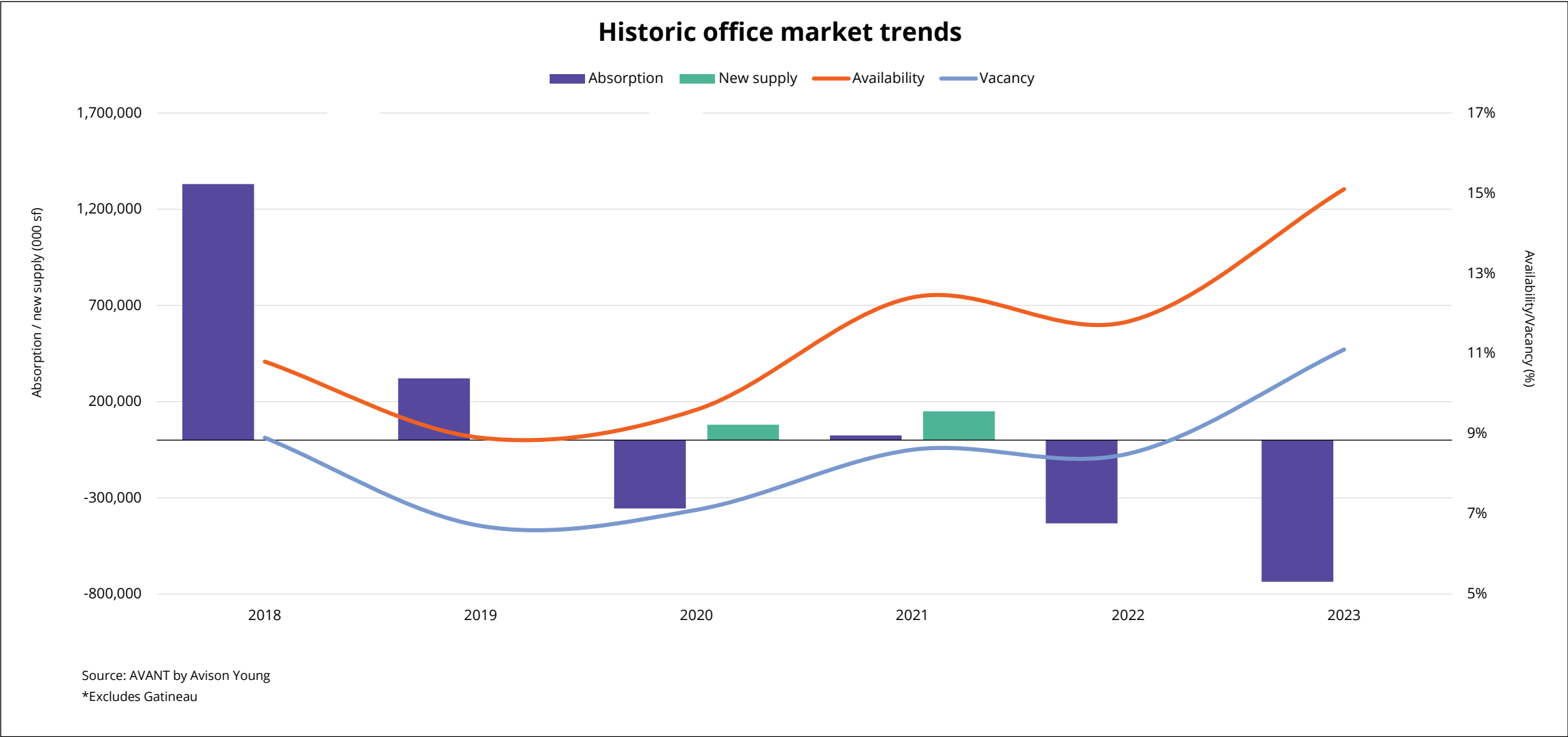


Source: AVANT by Avison Young
*Excludes Gatineau



Source: AVANT by Avison Young
*Excludes Gatineau

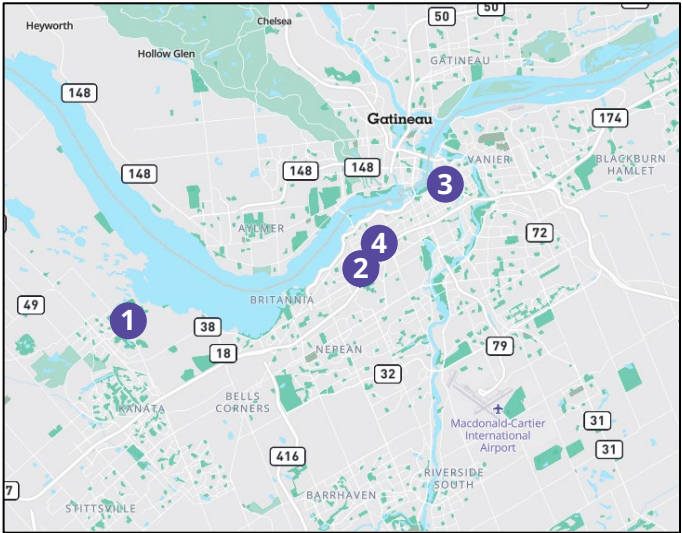
Greater Ottawa office market indicators



Greater Ottawa office market activity

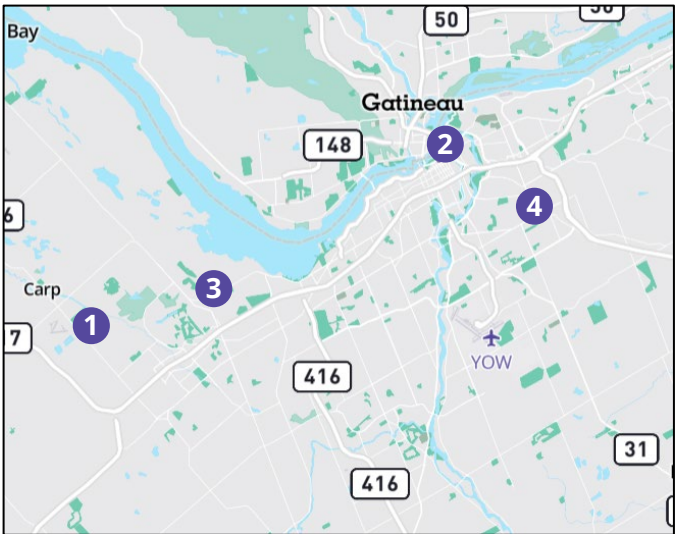
Recent leasing activity

Address	District	Tenant name	Size (sf)	Lease type
1. 340 Terry Fox Drive	Kanata	Syntronic Research and Development Canada Inc	68,910 sf	Direct - new
2. 1680 -1690 Woodward Drive	Suburban West	AGAT Laboratories	10,390 sf	Direct - new
3. 240 Bank Street	Downtown	Nature Canada	5,490 sf	Direct - new
4. 1479 Laperriere Avenue	Suburban West	Onyx Fire Safety Services / Security	4,930 sf	Direct - new



Recent office transactions

Address	District	Sale price / \$ psf	Buyer	Seller
1. 2991 Carp Road	Ottawa	\$875,000.00 / \$486 psf	15119987 Canada Inc.	Private Investor - Canadian
2. 360 Laurier Avenue West	Downtown	\$17,500,000.00 / \$164 psf	CLV Group	True North Commercial REIT
3. 100 Herzberg Road	Kanata	\$19,850,000.00 / \$186 psf	Conestoga College	RE Gilmore Investment
4. St. Laurent Court (Three property portfolio)	Suburban East	\$12,500,000.00 / \$198 psf	Capital City Asset Management	Crown Realty Partners



Source: AVANT by Avison Young
*All numbers rounded to 10 sf
*Excludes Gatineau

Greater Ottawa office market stats

District	Existing inventory (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2023 Net absorption (sf)	YTD 2023 net absorption (sf)
Downtown	18,584,590	12.8%	1.9%	14.7%	(59,280)	(410,690)
Kanata	5,983,590	15.6%	6.1%	21.7%	(78,020)	(115,110)
Suburban West	9,941,850	9.9%	1.7%	11.6%	(56,410)	(186,420)
Suburban East	5,991,100	14.8%	1.0%	15.7%	240	(32,410)
Overall total	40,501,130	12.8%	2.3%	15.1%	(193,470)	(736,180)

Class	Existing inventory (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q3 2023 net absorption (sf)	YTD 2023 net absorption (sf)
Class A	23,572,950	11.4%	3.1%	14.6%	(101,790)	(556,650)
Class B	13,912,820	13.8%	1.3%	15.1%	(82,640)	(188,210)
Class C	3,015,360	18.4%	0.9%	19.2%	(9,050)	230
Overall total	40,501,130	12.8%	2.3%	15.1%	(193,470)	(736,180)

For more market insights
and information visit
avisonyoung.ca

Michael Church

Managing Director, Broker
+ 1 613 567 6634
michael.church@avisonyoung.com

Emily Jesson

Client Services Coordinator
+ 1 613 696 2731
emily.jesson@avisonyoung.com

© 2023. Avison Young. Information contained in this report was obtained from sources deemed reliable and, while thought to be correct, have not been verified. Avison Young does not guarantee the accuracy or completeness of the information presented, nor assumes any responsibility or liability for any errors or omissions therein. All opinions expressed and data provided herein are subject to change without notice. This report cannot be reproduced, in part or in full, in any format, without the prior written consent of Avison Young.

