

Q3 2023

Ottawa

Industrial Market Report

Net Absorption

This Quarter

164K SF

Previous Quarter

-45K SF

12-Month Absorption

431K SF

5-Year Quarterly Avg.

271K SF

Vacancy

This Quarter

1.2%

Year-over-Year

▲ 36 bps

Asking Net Rent

This Quarter*

\$15.92 PSF

Year-over-Year

▲ 7.8%

Development

Under Construction

982K SF

New Supply

59K SF

*Weighted Average
Colliers Macaulay Nicolls Inc.

Market Outlook

After three consecutive quarters of rising vacancy, the Ottawa industrial market saw a reversal in the trend as vacancy declined by 23 basis points (bps) to reach 1.2%. This improvement was propelled by 164,219 square feet of net absorption, driven predominantly by robust leasing activities among small-bay tenants occupying spaces under 10,000 square feet. Despite continued strong demand from larger distribution and logistics tenants seeking to expand or enhance their space, only a few options for immediate occupancy are available until new projects are completed.

The rapid ascent of rental rates in 2022 has moderated in 2023. This quarter, net rental rates rose by a mere \$0.08, reaching \$15.92; this represents a modest quarter-over-quarter gain of 0.5% and a more substantial year-over-year increase of 7.8%. Notably, both newly completed properties and developments currently under construction still command rents within the range of \$17.00 to \$19.00 per square foot.

During this quarter, the East Ottawa submarket, Ottawa's largest industrial sector, maintained its strong performance. It recorded a net absorption of 63,651 square feet, leading to a 20 bps decrease in vacancy, bringing it down to 1.4%. Most of the leasing activity stemmed from industrial tenants seeking small-bay spaces ranging between 2,500 and 5,000 square feet.

The vacancy rate in the Kanata/Deep West submarket experienced a 24 bps decrease, reaching a low of 0.7%. This positive shift was driven by 68,778 square feet of net absorption. The notable contributors to this absorption include the leasing by Ross Video of 20,500 square feet at 95 Hines Road and the completion of two fully pre-leased buildings at 103 Schneider Road.

Construction is ongoing, and new projects were unveiled in the Ottawa area this quarter in response to the strong demand for top-tier modern warehouse and distribution facilities. Currently, there are seven industrial projects in various stages of construction, with three located in East Ottawa, three in Kanata/Deep West, and one in South Ottawa. These projects collectively encompass 982,207 square feet, with a significant portion expected to be completed in 2024. Additionally, 39 projects are in the planning and pre-leasing phases, with a combined footprint of 6.0 million square feet.

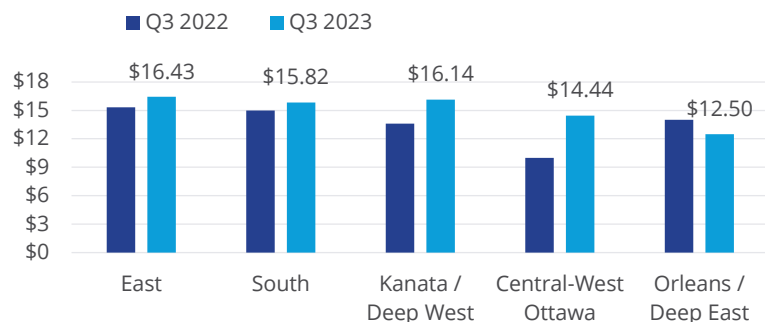
In the face of rising interest rates and economic uncertainty, real estate investors maintain a strong appetite for industrial assets. Nevertheless, the limited availability of investment-grade properties in the current quarter has led to a predominance of sales involving users and smaller-scale buyers.

Accelerating success.

Market Overview

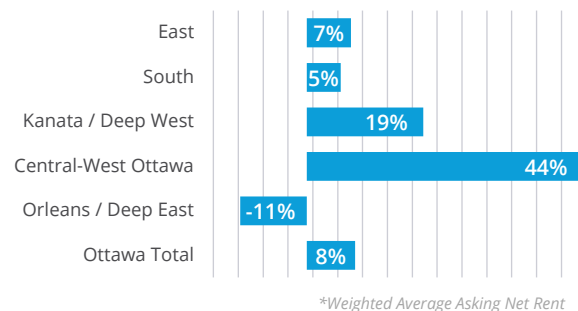
01 Rental Rates by Market

Weighted Average Asking Net Rent (PSF)



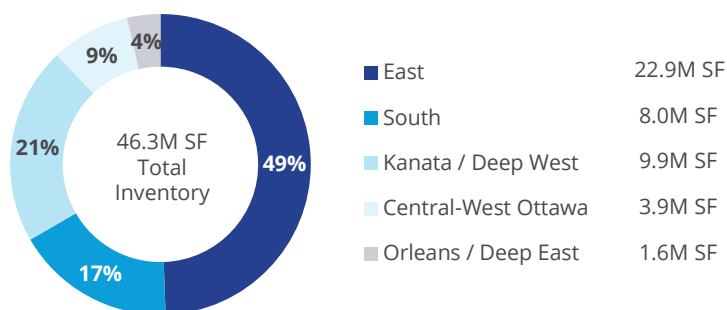
02 Rental Rate Growth*

By Market | Q3 2022 – Q3 2023



03 Inventory Breakdown

By Market | Q3 2023



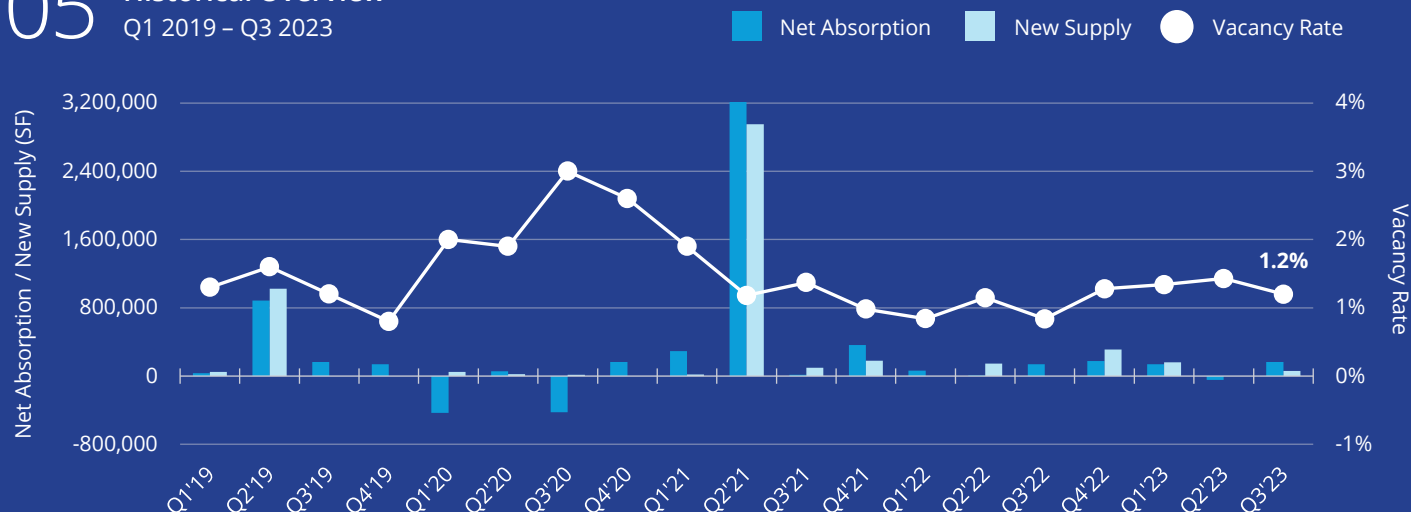
04 Availability Rate by Market

Q3 2022 – Q3 2023

East	1.8%	↔	from 1.8% Q3'22
South	0.9%	▲	from 0.2% Q3'22
Kanata / Deep West	0.9%	▼	from 1.0% Q3'22
Central-West Ottawa	1.6%	▲	from 0.9% Q3'22
Orleans / Deep East	1.8%	↔	from 1.8% Q3'22
Ottawa Total	1.4%	▲	from 1.3% Q3'22

05 Historical Overview

Q1 2019 – Q3 2023



Market Statistics & Transaction Highlights

Market	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)
East	22,838,183	326,264	1.4%	302,227	107,280	409,607	1.8%	63,651	0	405,223	\$16.43	\$23.29
South	7,969,887	74,990	0.9%	2,600	72,390	74,990	0.9%	15,265	13,572	50,000	\$15.82	\$22.36
Kanata / Deep West	9,861,368	69,006	0.7%	82,650	7,106	89,756	0.9%	68,778	45,057	526,984	\$16.14	\$22.50
Central-West	3,937,682	56,495	1.4%	47,388	17,225	64,613	1.6%	16,525	0	0	\$14.44	\$20.77
Orleans / Deep East	1,652,653	30,217	1.8%	30,217	0	30,217	1.8%	0	0	0	\$12.50	\$18.33
Ottawa Total	46,259,773	556,972	1.2%	465,082	204,101	669,183	1.4%	164,219	58,629	982,207	\$15.92	\$22.57

Notable Lease Transactions

Tenant	Building Name / Address	Market	Lease Type	Size (SF)
PSPC	2421 Lancaster Road	East Ottawa	Head Lease	64,088
Ross Video	95 Hines Road	Kanata	Head Lease	20,500
AMJ Campbell	1230 Old Innes Road	East Ottawa	Head Lease	10,657

Notable Sales Transactions

Building Name / Address	Market	Size (SF)	Sale Price	Purchaser	Purchaser Profile
6968 McKeown Drive	South Ottawa	21,600	\$4,200,000	J. D. Brule Investments Holding Ltd.	Private Investor – Canadian
2510 Del Zotto Avenue	South Ottawa	4,050	\$2,400,000	Aquatech	User

Notable Developments

Building Name / Address	Market	Size (SF)	Est. Completion Date	Developer
2101 Bantree Street	East	101,630	2023 Q4	Manulife Investment Management
2105 Bantree Street	East	101,630	2023 Q4	Manulife Investment Management
National Capital Business Park – Building D	East	201,197	2024 Q2	Avenue 31
405 Huntmar Drive – Building B	Kanata / Deep West	248,498	2024 Q4	Rosefellow
405 Huntmar Drive – Building A	Kanata / Deep West	230,247	2024 Q4	Rosefellow
103 Schneider Road – Building A	Kanata / Deep West	48,239	2024 Q4	Mazin Properties
145 Thad Johnson Private	South	50,000	2025 Q1	Jennings Real Estate

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