



# Greater Ottawa office market report

Q1 2024

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**AVISON  
YOUNG**

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# Greater Market area fundamentals

**14.8%**

total availability rate  
**3.9% increase from Q1 2023**

**13.3%**

sublet as a percentage of  
all available space  
**0.9% decrease from Q1 2023**

**\$32.99**

average gross asking rent  
per square foot (psf)  
**includes \$17.30 psf of  
average additional rent**

**6M**

sf total area available for lease  
**up 668K sf since Q1 2023**

**71K**

absorption in sf  
**year to date**

**0**

sf under construction  
**across Ottawa in Q1 2024**

# Greater Ottawa office market trends

## 01

### Availability still on the rise in Greater Ottawa office market

Overall availability on the Greater Ottawa office market continued to increase over the last quarter, exceeding Q3 2023's availability peak of 12% and now hovering around 15% for Q1 2024.

There continues to be a flight to quality for class A and trophy assets. Availability in Ottawa's class A assets currently stands at approximately 14%. Availability is higher in class B and C assets, which show rates ranging from just under 16% and to over 17% respectively. As such, we are seeing an increase in residential conversion activity in class B and C buildings. The flight to quality phenomenon, coupled with aggressive new deals and renewals in class A assets recorded over the last quarter, speak to the performance of higher quality assets in comparison to other office classes.

## 02

### Rents stabilizing across Ottawa

Average gross rent reached \$32.99 psf in Ottawa at the end of Q1 2024. With the availability rate increasing to 14.8%, landlords had to stabilize asking rents by providing longer fixturing periods, significant tenant allowances and free rent. These heavily induced deals are creating a compression in net effective rents, especially in the Downtown Core, where availability is rising in the class B market.

Tenants tend to avoid relocating to spaces that require significant build-outs, and instead gravitate to premises that are move-in ready. Landlords need to remain proactive through various initiatives, like building out model suites and providing heavy incentive deals to attract and retains tenants in their office portfolios.

## 03

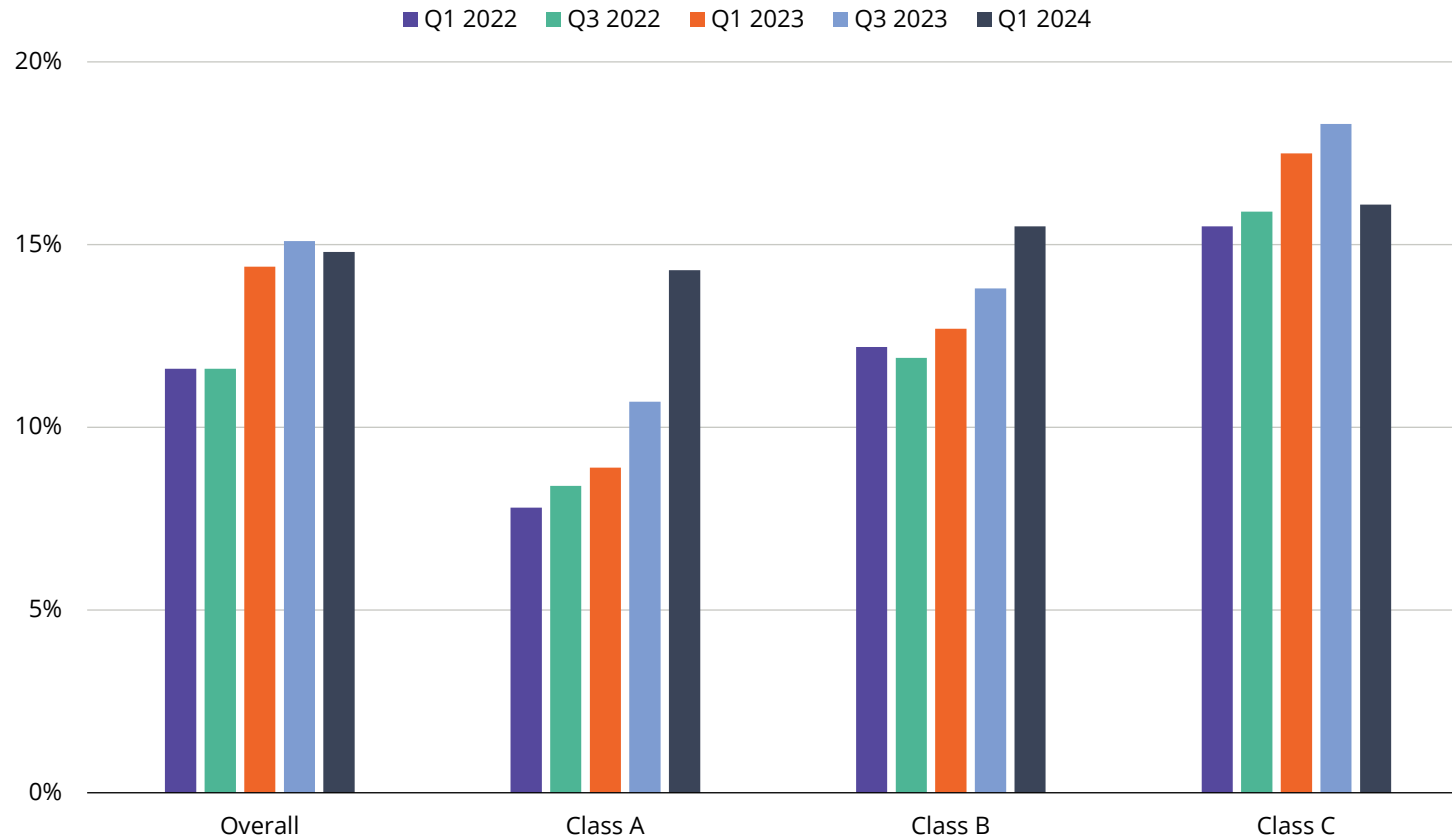
### The incredible impact of a former Downtown office space

With almost 350,000 sf of Downtown office space marked for demolition or residential conversion, the excess of uncompetitive vacant office space is shrinking. Group Mach's plan to demolish 110 O'Connor Street takes almost 200,000 sf of vacant inventory out of the core, while the conversions of 130 Slater Street and 360 Laurier Avenue West to residential further remove significant square footage from the office market.

While this reduction of existing office inventory is helping push down vacancy rates, this does not infer market conditions are getting healthier. So far, net absorption remains negative in the Downtown sector, as well as the Suburban East market. The West Ottawa and the Kanata markets recorded a positive absorption, but Kanata is still struggling with an overall availability rate of 20.4%, much higher than regional market average.

# Greater Ottawa office market indicators

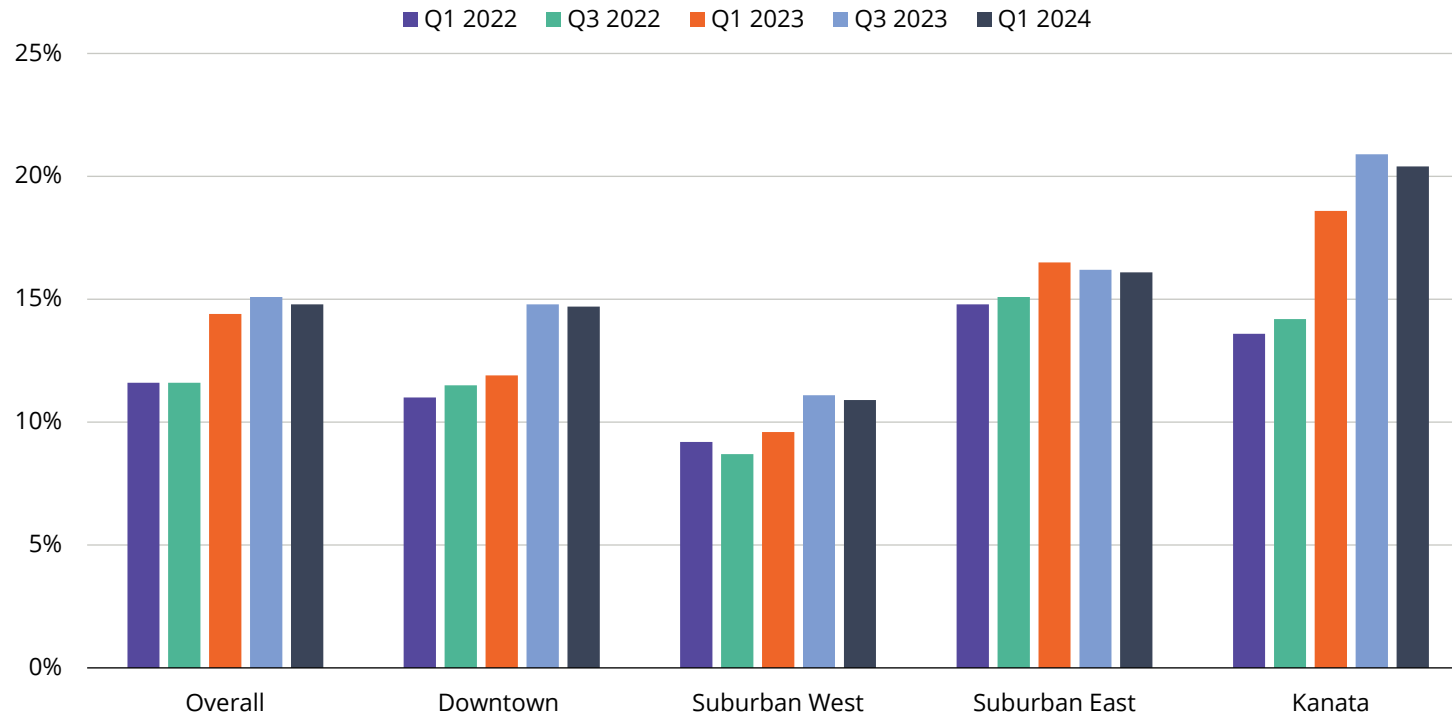
Availability rate by class



**Class A**  
availability  
experienced the  
highest rise  
since Q1 2023,  
from 8.9% to  
14.3%

# Greater Ottawa office market indicators

Availability rate by sector



\*Ottawa East includes the following Municipalities: Cumberland, Gloucester, Orleans, Ottawa East

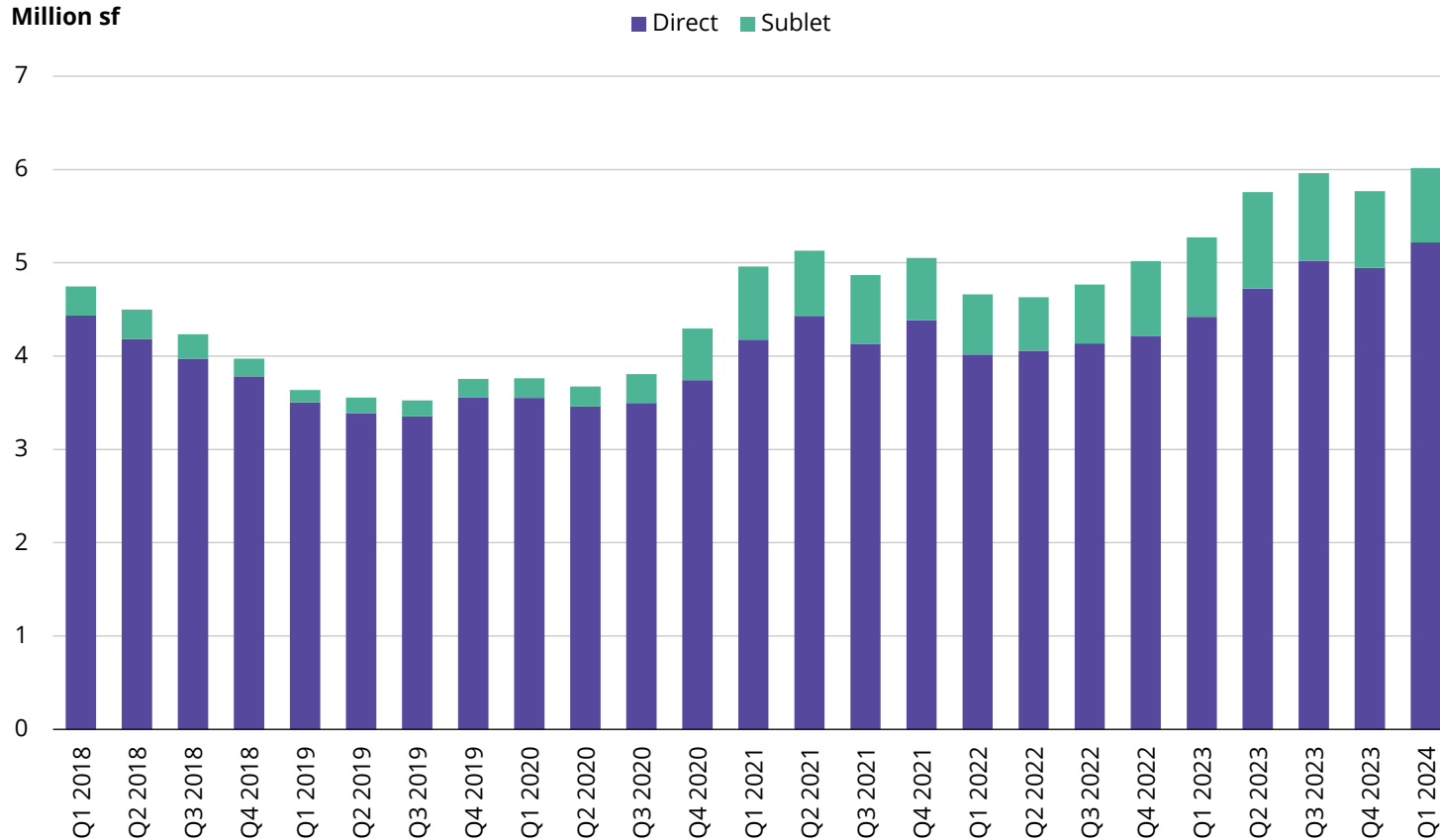
\*\*Ottawa West includes the following Municipalities: Goulbourn, Kanata, Ottawa West

\*\*\*Ottawa South includes the following Municipalities: Nepean, Osgoode, Rideau, West Carleton

**Across all sub-markets, overall availability remained relatively stable over the last quarter.**

# Greater Ottawa office market indicators

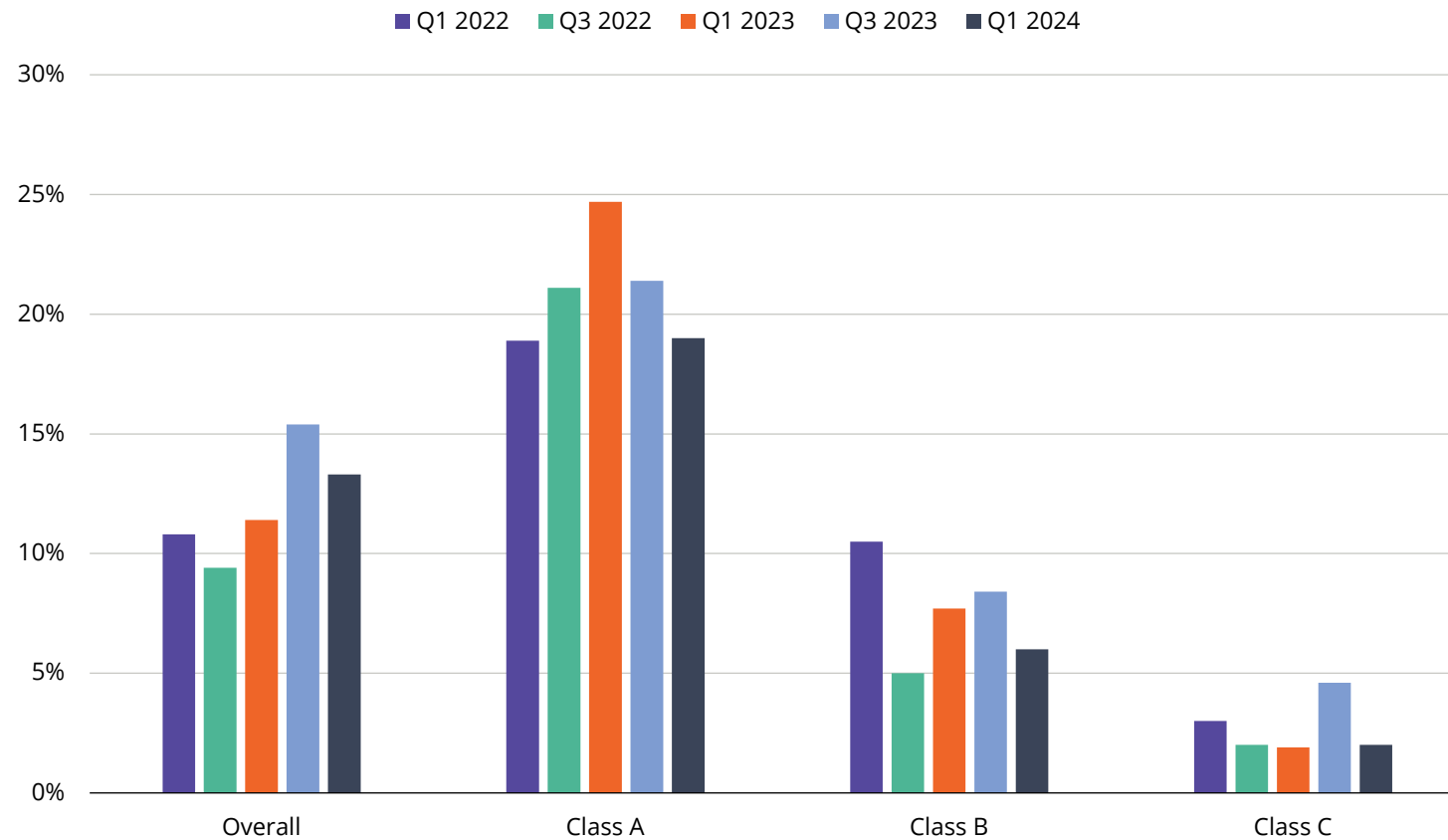
Direct and sublet availability (sf)



**Sublet availability has been declining since 2023, while direct availability continues to increase.**

# Greater Ottawa office market indicators

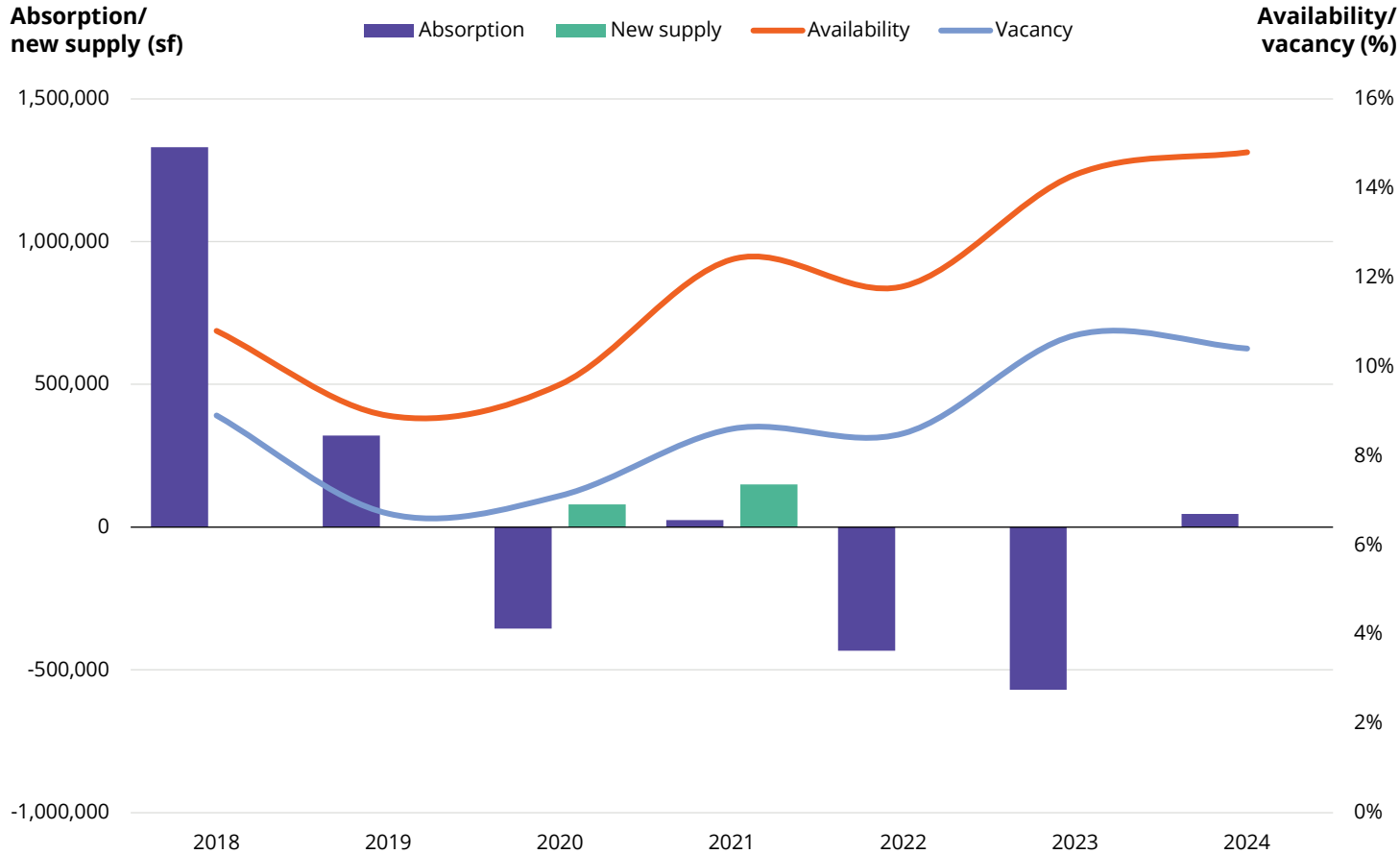
Sublease as a percentage of total availability by class



**Sublease as a percentage of total availability declined across all asset classes, as sublet terms expire.**

# Greater Ottawa office market indicators

## Historic office market trends

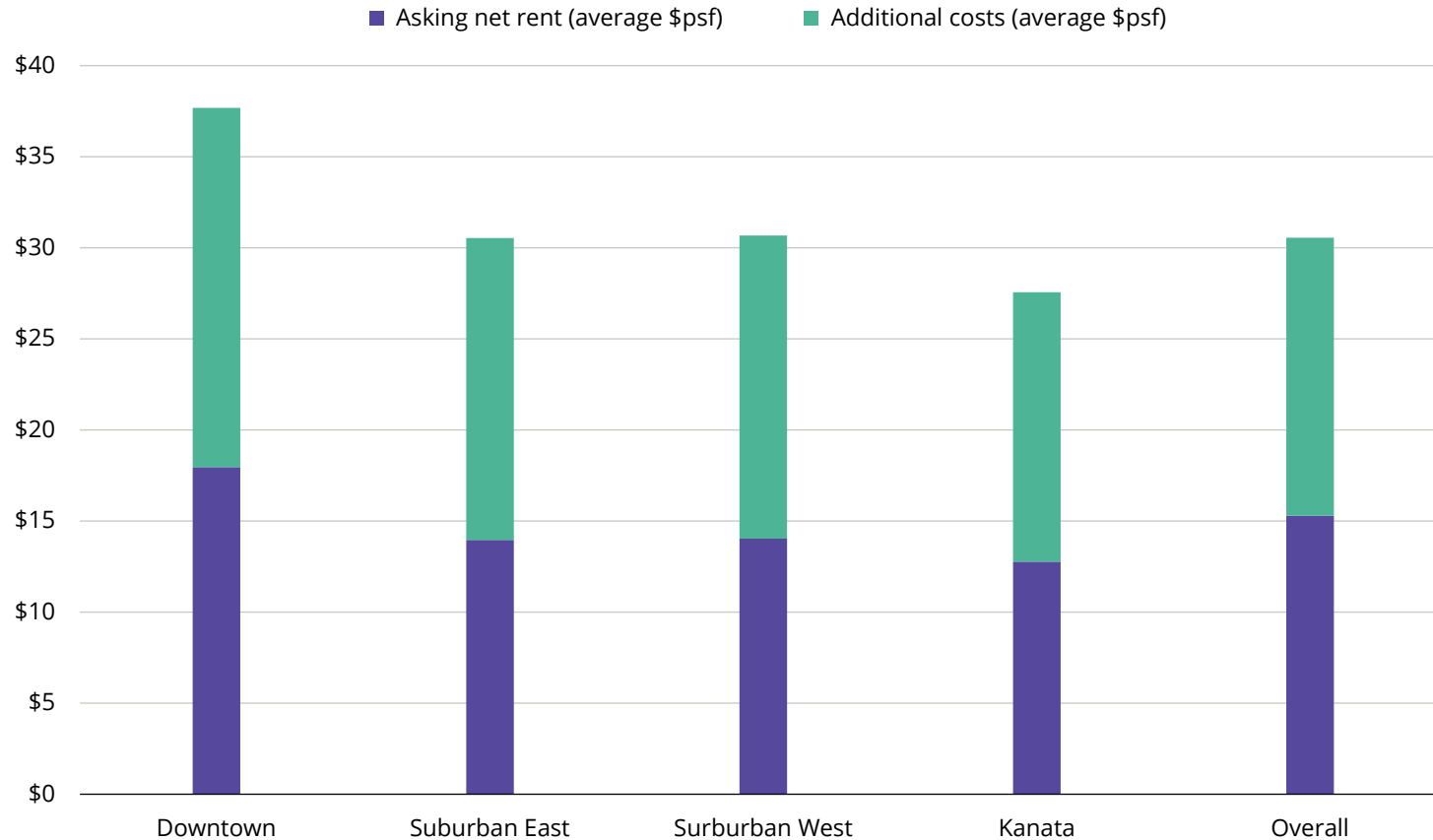


**Lack of new supply is helping stabilize vacancy and availability.**



# Greater Ottawa area office market indicators

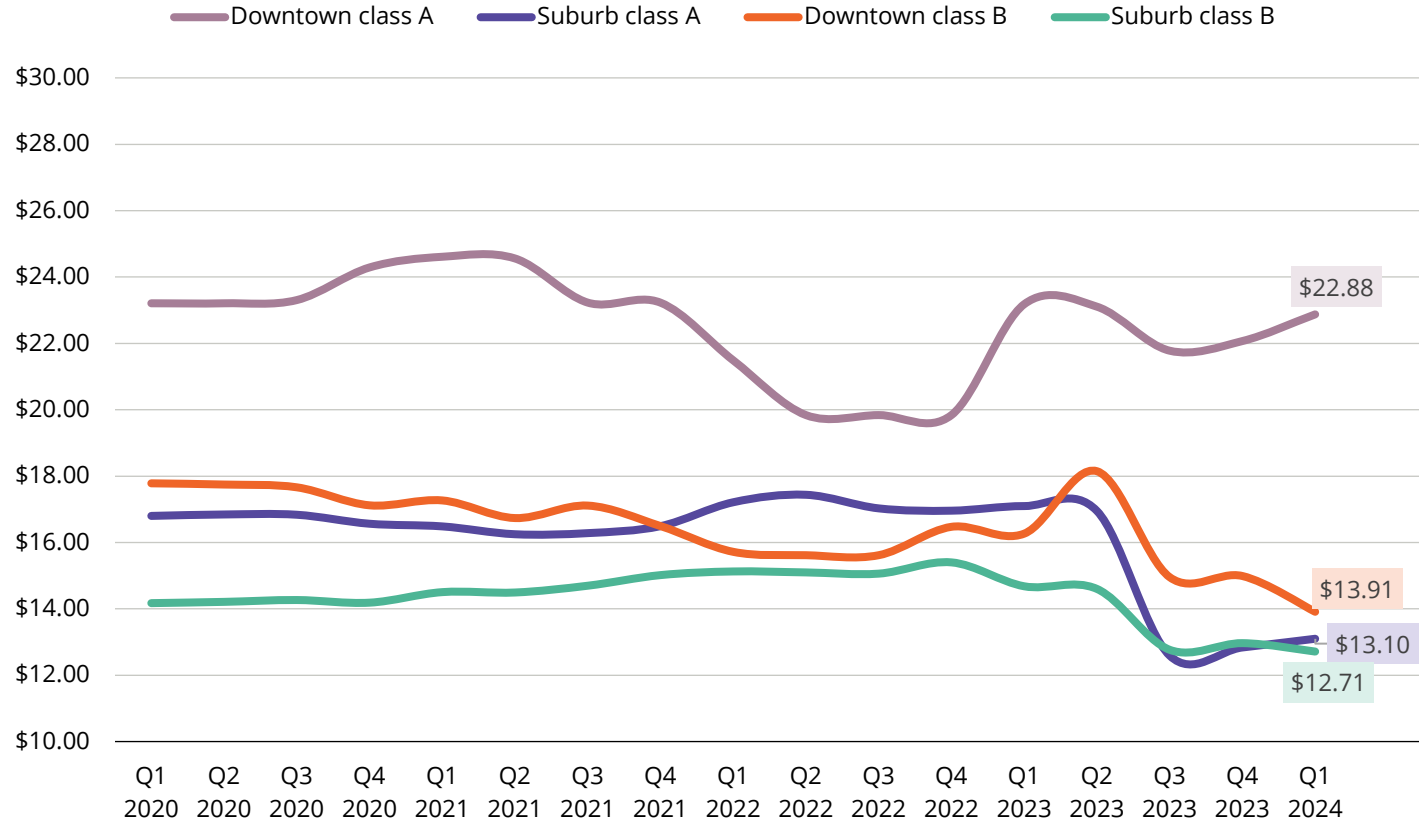
## Occupancy costs



**The Downtown Core recorded the highest rental costs, while the lowest occupancy costs were observed in Kanata.**

# Greater Ottawa area office market indicators

## Net asking rents



**Average asking rents in suburban markets and Class B downtown are stabilizing after a sharp drop in 2023.**

# Greater Ottawa area office market statistics

## Office market statistics by submarket

Submarket	Existing inventory	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q1 2024 net absorption (sf)	YOY net absorption (sf)
Downtown	18,334,950	0	0	11.6%	1.9%	14.7%	(8,870)	(8,870)
Kanata	6,408,350	0	0	16.7%	4.6%	20.4%	69,240	69,240
Suburban West	11,569,220	0	0	8.9%	1.5%	10.9%	30,980	30,980
Suburban East	6,194,980	0	121,370	15.2%	0.7%	16.1%	(22,700)	(22,700)
<b>Overall</b>	<b>40,546,730</b>	<b>0</b>	<b>121,370</b>	<b>12.2%</b>	<b>2.0%</b>	<b>14.8%</b>	<b>(13,820)</b>	<b>(13,820)</b>

## Office market statistics by asset class

Submarket	Existing inventory	YTD deliveries (sf)	Under development (sf)	Direct availability (%)	Sublet availability (%)	Total availability (%)	Q1 2024 net absorption (sf)	YOY net absorption (sf)
Class A	23,724,750	0	121,370	11.5%	2.1%	14.3%	15,900	15,901
Class B	13,912,820	0	0	14.5%	0.7%	15.5%	(38,610)	(38,608)
Class C	2,909,160	0	0	15.8%	0.5%	16.1%	8,890	8,887
<b>Market total</b>	<b>40,546,730</b>	<b>0</b>	<b>121,370</b>	<b>12.9%</b>	<b>2.0%</b>	<b>14.8%</b>	<b>(13,820)</b>	<b>(13,820)</b>

For more market insights and information visit **avisonyoung.ca**

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