Top 10 Real INSIGHTS

Ottawa Real Estate Forum 2021

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ISSUE 65

TOP 10 | REAL INSIGHTS | Ottawa Real Estate Forum 2021 | ISSUE 65

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1. BOC EXERCISES CAUTION AND KEEPS BENCHMARK RATE AT 0.25%

Inflation creeps higher as supply chain challenges persist.

The Bank of Canada's September 8th update keeps the rates unchanged from March 2020 when the BoC responded to the rapidly deteriorating global economy by cutting rates by 50 basis points three times that month. At the beginning of March 2020 the overnight rate was 1.75%. By March 27, it had been dropped to 0.25% where it has stayed for the last 19 months.

To keep longer term interest rates low, the Bank's quantitative easing program is being maintained at $2 B per week. This amount was reduced from $3 B per week at its last monetary policy update which occurred on July 14.

The economy contracted by about 1% in the second quarter. This was weaker than the central bank anticipated and was caused in part by a reduction in exports due supply chain bottleneck and a pull back from the highs witnessed in the housing market in Q1.

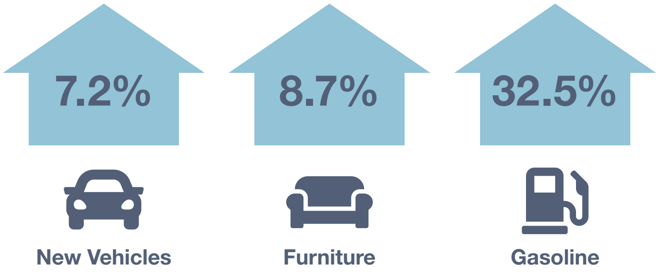
Despite this, the BoC expects that the economy will strengthen in H2 2021 but warns that a fourth wave of the pandemic and supply chain disruptions could impede recovery.

The BoC maintains that it will not raise rates until the economy can handle an increase and doesn't expect to raise rates until H2 2022.

In August, inflation grew to its highest level since March 2003. At 4.1% it is higher than the 3.7% inflation rate that was measured in July.

The rise in inflation was driven by supply chain issues which has resulted in the price of new vehicles to increase by 7.2% year-over-year in August – the fastest pace since 1994. Furniture prices increased by 8.7%. Gasoline prices rose by 32.5% from August 2020.

Price increases since August 2020



Homeowner replacement costs, which are related to the prices of new homes, rose at an annual rate of 14.3% in August, marking the fastest yearly increase since September 1987 and the fourth consecutive month of double-digit price growth, according to StatsCan.

As a lagging indicator, inflation rises after economic expansion starts to occur. If inflation escalates beyond the BoC's target, corrective policies will have to be extra vigorous - i.e. rates might increase quickly.

However, CIBC Senior Economist Royce Mendes said the Bank of Canada will likely continue to look past the current figures because inflation is being caused by unusual drivers that are unlikely to be sustainable. However, he wrote, the central bank will be "particularly cautious given that the fourth wave is likely to cause disruptions for the economy once again."

2. EMPLOYMENT GAINS POINT TO LABOUR IMBALANCE

"There are people without jobs and jobs without people," says Benjamin Tal.

According to Statistics Canada, amid labour shortages, the Canadian economy however added another 157,000 jobs to the economy in September finally recovering the jobs lost during the pandemic. The unemployment rate also dropped to 6.9% compared to 7.1% in August, the lowest rate since the start of the pandemic. Significant gains have been made since the beginning of 2021 when the jobless rate hit 9.4% — a result of another round of closures and of the post-holiday season.

In Ottawa, the unemployment rate fell from 6.2% in August to 5.9% in September – significantly lower than the national average.

Employment gains in the public sector was the most substantial. According to StatsCan, in September, the employment gains in the public sector were up by 78,000 (or 1.9%).

The federal government which accounts for 165,000 or 88% of all public sector jobs, grew by 10,700 positions due to the hiring increases by the government to deal with the pandemic crisis.

Despite this, there has been an increase in the number of people who work short hours and would like to work more. This number is estimated at 3 million, representing labour underutilization rate of about 15% — Statistics Canada considers you employed even if you work just one hour per week.

Labour Slack is a term that has been introduced to describe the shortfall between the workers' desired amount of work and the amount of paid work available.

According to "labour slack" definitions, there are more like three million Canadians who want more work, representing a labour underutilization rate of about 15%.

This is one of the reasons that the Central Bank will maintain the policies that are aimed at stimulating the economy.

"The [Bank of Canada's] Governing Council judges that the Canadian economy still has considerable excess capacity, and that the recovery continues to require extraordinary monetary policy support," the BoC said on September 8.

Job vacancies increased across all provinces, but mainly in Quebec, Ontario, and BC, largely attributed to increases in the health care and social assistance sector. Vacancies in the construction and manufacturing industries also increased to its highest level since 2015.

In a Q3 survey of more than 500 small and medium sized businesses, KPMG found that 68% of respondents were struggling to hire candidates with the right skills.

CBRE's Tech Talent report ranked Ottawa 10th among North America's Top 50 Tech Talent markets. Ottawa is currently the highest ranked market in North America for tech employment concentration, with tech jobs making up 11.6% of total jobs in the city.

Going forward, labour shortages could prevent Ottawa and other Canadian cities on making further gains on the ranking list.

3. RETURN TO THE OFFICE PUSHED BACK

As yet, the federal government has no plans to return to the office while Tech leads the pack with flex work arrangements.

Based on last year's numbers, the federal government occupies approximately 35 million sq. ft. of office space in 315 locations across the National Capital Region.

Prior to the pandemic, the federal government had put into place its GCworkplace office plan to reduce its overall footprint across the country by 25%.

The plan incorporated more collaborative zones and moveable areas, but the reduced square footage per worker that the plan entails is no longer viable in a post-COVID world, Leo Valiquette writes in RENX.

Brent Arseneau, Director of Office Leasing for Colonnade BridgePort expects the federal government to revaluate how its space is used and increase the square footage per person over the next 12 to 24 months. Colonnade BridgePort is Ottawa's largest commercial property manager.

The federal public service employs more than 127,000 people in the national capital region (NCR), according to government data, many of whom have been working from home since March 2020.

Although the Public Services and Procurement Canada (PSPC) does not have a target date for a return to the workplace for all employees at the time of writing, they have embarked on a pilot project that has over 200 public employees return to work as part of its "pathfinder project". Starting August 3, employees could choose to return to work sites in downtown, east and west Ottawa, as well offices in Gatineau, including Place du Portage III.

"The data from the pathfinder project in the NCR will be used to shape the future of PSPC's workplace," the PSPC said in a statement.

This past summer, tech firms pushed back their return to office plans. In light of the Delta variant, companies such as Apple, Google, Uber and Microsoft said that they wouldn't be bringing back their employees until the fall, while Amazon and Lyft are eyeing the new year.

When employees finally do return, these large companies are taking various approaches to the hybrid office model.

Apple, Amazon, Google and Uber will allow their people to work from home two days per week. Microsoft, Doordash and Adobe employees will have the option to work from home 50% of the time. Employees at Salesforce, Dropbox, Grammarly will mostly work from home.

> "An immersive workspace is no longer limited to a desk in our Towers," Salesforce President and Chief People Officer Brent Hyder wrote in a blog post. "The nine-to-five workday is dead; and the employee experience is about more than ping-pong tales and snacks."

Twitter, Slack and Facebook will be moving to a remote-first model while Shopify announced last year that it would be "digital by default"

"We will keep our offices closed until 2021 so that we can rework them for this new reality," said Tobi Lutke. "And after that, most will permanently work remotely. Office centricity is over."

Despite this pronouncement, the company continues to open new office spaces. Among other uses, they will be used as "recruitment hubs".

Tech companies are facing stiff competition to recruit and retain their talent. The hybrid approaches that they are adopting is an effort to offer more flexibility in order to keep their employees happy.

The new generation of workers, even pre-COVID, has indicated their preference for flexibility and for forward-thinking organizations. Survey results show that they will be less enticed to work at firms that espouse more traditional setups and organization.

A May survey of 1,000 US adults showed that 39% would consider quitting if their employers weren't flexible about remote work. Among millennials and Gen Zs, this figure increases to 49%, according to the poll by Morning Consult on behalf of Bloomberg News.

Around the same time, KPMG revealed the results of a workplace survey of more than 2,000 Canadians, which showed that 77% of those polled want the options to work both remotely and in the office after the pandemic ends.

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4. INDUSTRIAL VACANCY RATES ONE OF THE LOWEST IN THE COUNTRY

E-commerce demand adds pressure to a tight market.

Traditionally, Ottawa has been secondary market in the warehouse and distribution space, relative to larger cities such as Toronto and Montreal. But as the Ottawa Business Journal reports, a recent shift toward a regional delivery model has turned Ottawa into one of the hottest industrial spots in the country attracting new e-commerce and distribution companies from across Canada and the US.

One of the advantages of Ottawa is its location. There are 200 million people living within a 400 km radius of the city.

According to Altus Group, overall Canadian industrial availability rate decreased from 3.1% in Q3 2020 to 2.1% in Q3 2021

Colliers reported that leasing activity slowed somewhat during the quarter, mainly due to the shortage of available space. As a result of the scarcity of space, asking net rental rates have now reached $11.61 per sq. ft.

In the city's most recent survey of remaining vacant industrial lands, which was done in 2018, Ottawa had 4,000 net acres of vacant business park and industrial land available for development – the lowest level since the 1980s when municipal officials started reported these figures, Ottawa Business Journal reports.

The 4,000 acres is down 12.6% from 2015. The 2018 report did not factor the new Amazon distribution centres. Amazon has increased its logistics footprint by nearly 12 million sq. ft. across nine major Canadian markets since the end of 2019. That includes quadrupling its footprint in Ottawa.

With industrial land so scarce and vacancy rates at record-low levels, Ottawa could risk losing new business opportunities to other smaller, more nimble municipalities in Eastern Ontario, says BOMA Ottawa President Shawn Hamilton.

The city will face some challenges in maintaining its status as one of Canada's key distribution hubs, Hamilton suggests. Higher land costs, bureaucracy which makes Ottawa less agile and the municipality's development charges could hamper future land development.

According to Altus Group, currently in Q3 2021, there is almost 3 million sq. ft. of industrial product under construction in the Greater Ottawa region..

The planned National Capital Business Park in Hunt Club/Walkley broke ground this year, the facility will add six buildings and over 1 million sq. ft. of inventory.

The 2.7 million sq. ft. Amazon facility at 222 Citigate Drive in Barrhaven is on track to be completed by the end of the year.

RoseFellow has joint ventured with Bertone Development Corp. to build a 531,000 sq. ft. distribution centre for Ford Canada. The $100 million development will be located in Casselman about 55 km east of Ottawa. Delivery is scheduled for the beginning of 2023.

RoseFellow and Bertone will invest about $25 million to build a 125,000 sq. ft. industrial building on spec next to the Ford facility. Construction of the spec building is anticipated to start at the beginning of next year and be completed at the end of 2022.

5. MOMENTUM IN OTTAWA'S OFFICE SECTOR

An increase in leasing activity in the third quarter nudges overall vacancy a notch lower.

There was an increase in leasing activity in Q3 2021 which resulted in both positive absorption and a decrease in vacancy rates for the Downtown and Suburban markets, according to Colliers.

Altus Group reported that in Q3 2021, Ottawa's office availability rate increased to 11.1%, up from Q3 2020 at 8.9%.

Ottawa Office Availability

Class A office vacancy pushed up to 6.2% in the third quarter from 4.4% in Q3 2020.

This was due partially to an influx of sublease space to the market. The percentage of Class A vacant space for sublet rose 160 bps quarter-over-quarter to 23.9%, Colliers reported.

The suburban Class A vacancy rate can be attributed to cannabis producer Canopy Growth's decision to put 45,000 sq. ft. of space at its Kanata offices on Leggett Drive back on the market.

Province of Ontario's relaxation of health restrictions in Q3 allowed for increased touring activity. According to CBRE, "transactions are taking longer to complete as tenants take the time to evaluate their space requirements in a constantly evolving work environment."

Class A vacancy in Kanata at the end of the second quarter of this year was 8.6% while vacancy for the same product type in Nepean was 2.8%, JLL reported.

The development of Zibi continues with Block 211 slated for an early 2022 delivery. Block 211, a 175,000 sq. ft. office building is entirely pre-leased to National Sciences and Engineering Research Council (NSERC).

In Kanata, the 153,000 sq. ft. building exclusively occupied by Kinaxis is on pace for completion in Q4 2021.

Earlier this year, TechInsights renewed a lease for 47,000 sq. ft. at 1891-1941 Robertson Road while Shopify's 16,000 sq. ft. sublease at 150 Elgin Street has been filled by a local coworking company.

Ottawa-based co-working company TCC has taken over 100,000 sq. ft. of Shopify's old digs on Elgin Street.

Q2 saw the completion of the 100,000 sq. ft. Palladium Campus IV in Kanata. This 5-storey building is Ford Motor's newest research and development facility and was 100% pre-leased upon completion.

6. OTTAWA'S HOUSING MARKET RISKS OVERHEATING

Cost of housing rises amid stable economy and strong job growth.

In its quarterly update released at the end of September, CMHC states that the nation's capital continues to grapple with lack of supply.

"Active listings remain at historic lows, presenting a risk of continued overheating pressures if demand strengthens again with further opening of the economy," the agency said.

While resale housing transactions fell year-over-year in July and August, average prices kept rising, a situation CMHC said is likely to continue.

Citing the relative stability of the local economy thanks to the region's high proportion of government workers and thriving IT sector, the agency said Ottawa remains a sellers' market.

"Employment recovery combined with low mortgage rates and people working from home has continued to support homeownership demand," the report says, adding the market is still seeing "upward pressure on prices as supply continues to lag demand."

CMHC's most recent Rental Market Report revealed that the overall vacancy rate for purpose-built rental apartments rose from 1.8% to 3.9% due to weaker demand and rising supply relative to October 2019. The average rent for two-bedroom apartments however, increased significantly by 5.2%.

Although the vacancy rate rose, Ottawa's rental market and its housing market in general have been supported by the relative stability in public administration employment.

The vacancy rate for rental condominium apartments declined during the pandemic, following already tight conditions in 2019. With 32.1% higher overall average rents than on the purpose-built side, condominium rentals appear to be geared to higher income households and less affected by student demand.

Estimates from the rental survey indicate that the number of newly occupied units in the universe increased by 887, while supply was over double the demand increase (2,316 units), also placing upward pressure on the vacancy rate.

CMHC says the city's rental market slump was likely a "short-term phenomenon" was triggered by a decline in immigration during the pandemic, fewer out-of-town students attending Ottawa's universities and more tenants deciding to buy rather than rent.

Currently, there is a fair bit of purpose-built apartment construction occurring in Ottawa. About to be completed are two new rental projects by Regional Group of Companies who have partnered with Fengate Asset Management to deliver a total of 235 new rental units. Amenities will include roof-top terraces with gardens and dog areas, fitness facilities, underground vehicle and bike parking, storage, and gathering areas.

These new buildings are located within Greystone Village, Regional Group's LEED master-planned community of over 1,000 homes. It is located between the Rideau Canal and Rideau River, and is within walking distance to the new Ottawa LRT (Lees Station), and Lansdowne Park.

While rents are rising, wages are staying flat and many people are in need of affordable housing. The waitlist for the fixed number of rent-geared-to-income housing units available in city can be years long. Some affordable housing advocates are pressuring the federal government to use LeBreton Flats to build new affordable housing.

In fact, the National Capital Commission (NCC) and CMHC are working in partnership to support the development of a minimum of 180 affordable housing units within the Library Parcel. The site will contain affordable and accessible housing in a net-zero development through the Federal Lands Initiative under the National Housing Strategy.

The NCC has mandated that the FLI partnership will ensure that at least 30% of the minimum 600 residential units built at the Library Parcel will be kept affordable at below 80% of median market rent for a period of at least 25 years.

7. GATINEAU GOING GANGBUSTERS

The municipality is becoming a magnet for residential and commercial tenants alike.

In 2020, the number of Ottawa households who crossed the provincial border to buy single family homes doubled. This, according to CMHC was a result of people attracted to a more affordable market in "uncertain economic times".

From 2005 to 2015, the price of a single-family home in Ottawa remained about 45% higher than in Gatineau. Since 2019, price acceleration in the Ottawa market led to more rapid growth than in Gatineau, pushing the difference to 66%.

Price of Single-Family Home in Ottawa

2005–2015: 45% higher than Gatineau

2019–present: 66% higher than Gatineau

Lower prices in Gatineau offer more buying power for Ottawa households. As well, buyers from Ottawa tend to purchase more expensive single-family homes than local buyers.

On the rental front, vacancy remained tight last year. The 2020 Rental Market report by CMHC has Gatineau's vacancy rate unchanged from 2019 at 1.6%. Average rents however, were up by 2.4% to $906.

Rentals.ca reports that asking rental rates for vacant units in the city averaged $1377 for a one bedroom in August 2021 – an increase of 6.8% from the month before.

Developers are taking note of this growing demand for housing in Gatineau. CMHC calculated that between 2019 and 2020, almost 1,700 purpose-built rentals were completed in the market. This was a 40% increase from the year prior which was already a record year for completions.

Groupe Hazout considers Gatineau an attractive market in which to invest. Proximity to Ottawa, lack of residential product, continued demand and lower prices makes Gatineau an attractive place to invest in, according to the company. Earlier this year, it acquired a three-building, 320-unit complex on Bedard Street for $39 million.

Maître Carré is building on the success of its first Mellem rental housing development in Brossard with plans to build another purpose-built rental under the brand in Gatineau.

The proposal is for a seven-storey mid-rise at 256 boul. Saint-Raymond. It will contain about 190 units and approximately 1,500 sq. ft. of commercial space. The project is located near a future station on the proposed Gatineau LRT line.

The development is valued at about $75 million and occupancy is slated for 2024.

Construction of the 34-acre mixed use Zibi neighbourhood, just west of Gatineau's downtown continues. Ottawa real estate developer Theia Partners is fronting the multibillion-dollar, carbon-zero project along with Dream Unlimited.

By the end of 2021, six of Zibi's 44 proposed buildings will be occupied by residents and office workers, Ottawa Business Journal reports. The 8 storey, 158,000 sq. ft. Class A office building next to Chaudière Falls is already complete and is being anchored by the federal government.

Co-working company Spaces, has about 65,000 sq. ft. of space ready for occupancy in two locations at Zibi.

In September, IBM announced that it is launching a new facility within the community. The Cloud Modernization Centre will be helping the federal government modernize its cloud infrastructure and improve network security.

Two condo buildings, totalling about 170 units, are now occupied, and a 17-storey highrise with about 160 rental units at the foot of the Chaudière Bridge will start leasing this fall.

At full build-out, Zibi will be home to more than 5,000 residents and provide job spaces for 6,000 workers. In will include eight acres of riverside parks and public squares and more than one million sq. ft. of commercial space.

8. CAPITAL FLOODS INTO OTTAWA

After a slow start to 2021, investment is up over 100% in Q2.

According to Altus Group, Ottawa investment volumes ended on a strong note totaling $1.2 billion, with 209 transactions in the first half of 2021.

The most active asset classes in H1 2021 were the retail, residential land and the apartment sectors which represented almost 63% of investment volume combined for Ottawa.

Private investors and private equity companies continue to be very active in this market who represent the bulk of the transactions in Q2.

Accounting for a significant portion of the retail investment volumes was the sale of 50% interest in Bayshore Shopping Centre to KingSett Capital for $193.5 million. Located in Nepean, the 882,000 sq. ft. retail plaza has considerable development opportunities attached to it. A plan had been submitted to construct two high rise towers on the site totalling 384,250 sq. ft. and containing 554 residential units.

In another retail transaction, RioCan REIT sold a 79,000 sq. ft. multi tenant shopping centre to GWL Realty Advisors for $32,860,000.

In the residential sector, Centurion REIT acquired the 171-unit Montfort Manor multifamily property in Ottawa for $44 million.

Homestead acquired a three-building apartment complex on Clearview for $267 million. The Island Park Towers contain 642 suites and this is the largest multi-family transaction on record in Ottawa to date.

Alignvest Student Housing REIT acquired the newly renovated student housing residence on Rideau Street for $116.3 million. The property is improved with one 12-storey student housing apartment building having a total of 193 units and 507 beds.

ProREIT acquired an industrial portfolio consisting of 283,495 sq. ft. from Summit REIT. The portfolio, situated in Ottawa, was bought for $49.2 million.

Crestpoint purchased three industrial properties from Huntington Properties - 130-140 Iber Road, 2355 St. Laurent Boulevard and 1100 Algoma Road for a total purchase price of just over $50 million representing an overall price per sq. ft. of $230.

Mach acquired 1870 Alta Vista Drive, a multi tenant, 112,000 sq. ft. office building for $31.6 million.

Starlight Investments bought 2880 and 2900 Carling Avenue as part of the Hazelview Investments portfolio. The Ottawa properties were purchased for a total of $58,590,000 — 2880 Carling contains 157 units and 2900 contains 134.

9. DEVELOPERS BULLISH ON OTTAWA

Millions of sq. ft. are under construction in the National Capital Region.

A steady employment base, higher than the national average household income and population growth are all reasons why developers are embarking on new residential and commercial projects in Ottawa.

In the five years leading up to the pandemic, the NCR has attracted about 8,500 immigrants annually which equalled 3% of all permanent residents landing in Canada.

A recent Conference Board of Canada study found that if this level of immigration continues 179,000 newcomers would lift the area's average GDP growth by 0.2 percentage points annually from 2019 to 2036. Real GDP would grow at an annual average of 1.9% and increase by $34 billion between 2019 and 2036.

These are some of the projects that are currently proposed or underway.

Taggart Realty Management has a two tower development planned for Centretown. The project calls for a 28-storey highrise next to Parkdale Avenue with 258 residential units as well as a 22-storey tower near Hamilton Avenue South that would feature 204 suites. A four-level underground parking garage would provide spots for 340 vehicles.

The property which is one acre, was acquired by Taggart in 2019 and is currently occupied by an eight-storey office building that includes a pharmacy, medical laboratory and other health-care tenants. Current zoning rules limit buildings on the site to nine storeys.

Zyer Developments has plans to construct a multi residential complex also in Centretown. Currently two three storey commercial buildings occupy the property. The proposal includes the demolition of one of the buildings and the restoration of the other and the addition of an 8-storey, 30-unit apartment building.

Kingston-based developer Homestead has plans to develop a 25-storey tower in the Baseline and Greenbank roads area just south of Highway 417. The company currently owns and manages a 17- and 20-storey apartment buildings at the seven-acre site. The proposal calls for 260 underground parking spaces as well as a surface parking lot with 29 spots.

Gatineau developer Katasa Group has plans to construct a two building complex near Carleton University that would feature a 26-storey mixed-use highrise with a large student residence component as well as a 9 storey apartment complex.

The 26-storey tower would include a four-storey podium with more than 80 rental units targeted at students and an additional 150 rental suites in the floors above.

The building would feature 7,500 sq. ft. of amenity space such as a theatre room, study rooms, music rooms, lounges, and a gym. The plan also calls for a small ground-floor retail space that's expected to house a coffee shop.

Phase two of the project would be a nine-storey building fronting onto Cambridge Street which would include about 100 rental units. Both buildings would be served by a two-level underground garage with 174 parking spaces.

With Toronto-based main + main, Westdale is involved in three Ottawa-area multifamily projects.

"We're glad to remain in the Ottawa market," said Westdale COO Mitchell Cohen. "We've been there for a long time in the commercial and retail space, but this is our first in the residential space."

One of their projects is Albert + Lyon at 400 Albert Street, a project comprised of three towers ranging in height from 18- to 33-storeys and a mixed-use podium with 600,000 sq. ft. of retail space.

Cohen said one building will be a condominium, one will be a hotel and he's unsure if the third will be a condo or purpose-built rental apartment.

Westdale and main + main will also submit plans for municipal approval for two other projects: a condo overlooking the Rideau Canal; and two residential towers in Kanata.

Trinity Station Ottawa is currently in pre-development at 900 Albert St in Lebreton Flats. The development will consist of three towers of 65-, 56- and 26- storeys. There will be a total of 1,241 residential units and 1,059 parking spaces, spread between six levels of underground parking.

According Altus Group, in Q3 2021, almost 332,000 sq.ft of office space and close to 3 million sq. ft of industrial space were under construction in the GOA.

In Q1, Brigil acquired Ottawa's former Greyhound bus terminal calling the one 2.5 acre site on Catherine Street a "prime location for a prestigious project promoting urban densification."

In the same quarter, the company bought the downtown Gatineau Sheraton. The 1.75-acre site also contains the former Notre-Dame-de-Grâce Presbytery, a five-storey heritage building that now houses a conference centre for the hotel.

Brigil has built about 12,000 housing units across the National Capital Region since it was founded in 1985, and plans to build 33,000 more over the next 15 years, according to the company.

10. RETAIL REBOUNDS WITH RELAXED HEALTH RESTRICTIONS

Shoppers starting to return to pre-pandemic patterns.

Across the country retail sales fell by 0.6% month-over-month in July, after posting a 4.2% gain in June. The StatsCan estimate for August retail sales suggests that sales increased by 2.1%. However, this is a preliminary estimate and will likely change.

Retail e-commerce sales were down 2.9% from a year ago. E-commerce sales as a share of total retail trade sat at 4.6% in July, down from 6.2% in June.

The Conference Board of Canada writes that once public health measures were relaxed in many areas of the country in June, retail sales saw an increase. As restrictions continued to ease in July, many Canadians decided to spend on leisure activities such as travel and dining rather than on retail goods.

Despite the decline, retail sales were still 7.3% above their pre-pandemic (February 2020) level. "With income still holding up well due to government support measures and plenty of built-up savings, consumers have been willing to open their wallets when in-store shopping has been permitted".

For the first time since the start of the pandemic, restaurants that have reopened are now attracting the same number of seated diners as in 2019, JLL reports. Municipalities have permitted the expansion of patios and have either reduced or even waived permit fees. The company forecasts the expansion of quick-serve restaurants (QSR), which quickly adopted safe and convenient shopping methods. In 2021, the number of QSR concepts announcing expansion is set to be as high as in 2019.

The JLL reported that Ottawa retail sales accumulated consecutive months of year-over-year growth during the second half of 2020. 2020 retail sales decreased only 1.2% which was the second-best record across major markets.

2020 retail sales decreased only 1.2%
(second-best record across major markets)

Ottawa's Rideau Street reopened last December after five years for renovations to the Rideau Centre and construction of a new light rail station. Between Sussex Drive and Dalhousie Street, Rideau Street has become more welcoming to tourism and pedestrian travel. The sidewalks have been expanded and trees have been added.

The renovated shopping centre is attracting new tenants. October's Very Own (OVO) opened its first Ottawa store on the second level of CF Rideau Centres and Canada Goose opened on the third floor.

"Although most Ottawa visitors are travellers from within Canada, tourism spending fell dramatically in 2020 with meetings and conferences being held online. Ottawa's advantage is that domestic travel should rebound more quickly than international. In 2019, Ottawa experienced a peak in tourism."

LeBreton Flats opened a new pathway between Pimisi and Bayview stations. The developer has laid out plans for a main street style of boulevard, which will ultimately include food services, pharmacies, and other essential services on the strip, said JLL.

The redevelopment of Lincoln Fields Shopping Centre has begun with the demolition of the 250,000 sq. ft. mall. The 16 acre site is being rezoned in order to permit multiple residential towers as well as a relocated and condensed retail component.

BONUS! OTTAWA URBAN BOUNDARY SET TO EXPAND BY 3165 ACRES

Province asks city to make sure the most "suitable land has been selected" to be added to the urban area.

By the end of the year, Ottawa will adopt a new Official Plan which will extend the city's urban boundary to include an additional 3165 acres.

Ottawa's development potential, which has been contained by the Greenbelt, will be expanded and the extension of boundary should help create more serviced and available land, according to BOMA Ottawa's President, Shawn Hamilton.

"The City of Ottawa is examining ways to strategically bring the right types of land in the right types of location and the right types of sizes to complement our city," Hamilton stated.

In addition to the proposed residential lands, the city has mapped out an extra 346 acres for future e-commerce distribution warehouses and other industries at Highway 417 and Carp Road and between Highway 416 and Barnsdale Road.

Council has also set a goal to intensify neighbourhoods especially those areas or those located near transit stations. The city's goal is for 60% of new development to take place through infill.

Transit-oriented development is one way the city plans to accommodate some of the 400,000 more people it expects will live here by 2046. Existing urban areas will be absorbing some 92,000 of the expected households, according to the plan, nearly half of which would be in multifamily developments.

The new official plan references creating "15 minute" walkable neighbourhoods but critics point out that the plan does not identify where such neighbourhoods are or could be, the CBC reports.

City council voted to include 1100 acres owned by The Algonquins of Ontario into the new urban boundary. This land was not originally considered suitable of being part of the new urban area because of the soil conditions and servicing challenges.

"The move would effectively launch a whole new outlying community of 45,000 near the Amazon warehouse, which the Algonquin and their developer partner, Taggart Group of Companies, call 'Tewin'" writes Kate Porter from the CBC.

The inclusion of these lands has been questioned by Ontario's Ministry of Municipal Affairs and Housing who reminded the city that any property that is included within the new urban boundary must meet the province's planning guidelines, known as the Provincial Policy Statement.

The province also points to the fact that the land is far from any LRT stations which the province invested it. The "location of the 'Tewin Lands' does not appear to align with the City's goal of a 15-minute community or being within 2.5 linear kilometre distance (1.9 km radius) of any rapid transit," according to the ministry's feedback to the city.

It asks the city to make sure that sure it is "satisfied that the most suitable lands have been selected."

Canadian Office, Retail and Industrial Tenant Preference Survey

CANADIAN MULTI-RES TENANT RENTAL SURVEY

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