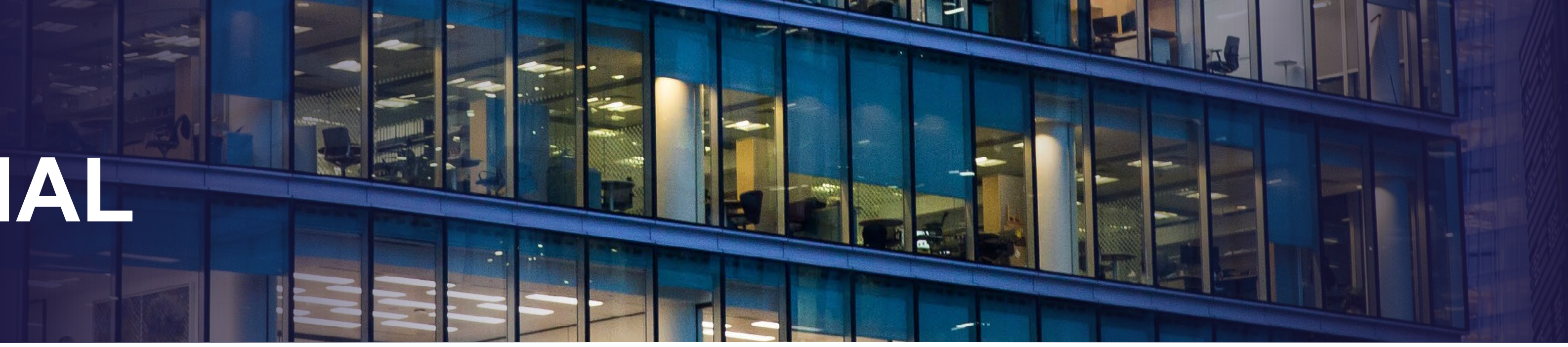
# MARKETBEAT
# CANADA NATIONAL
## OFFICE Q1 2026



CUSHMAN & WAKEFIELD

## MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **16.2%** Vacancy Rate | ▼ | ▼ |
| **-554K** Net Absorption, SF | — | ▲ |
| **$42.87** Asking Rent, PSF | ▲ | ▲ |

*(Overall, All Property Classes)*

## ECONOMIC INDICATORS

| | YOY Chg | Outlook |
|---|---|---|
| **20.8M** Total Nonfarm Employment | ▲ | — |
| **5.4M** Office Using Employment | — | — |
| **6.7%** Canadian Unemployment Rate | ▲ | ▲ |

*Source: Statistics Canada February 2026 Labour Market Survey*

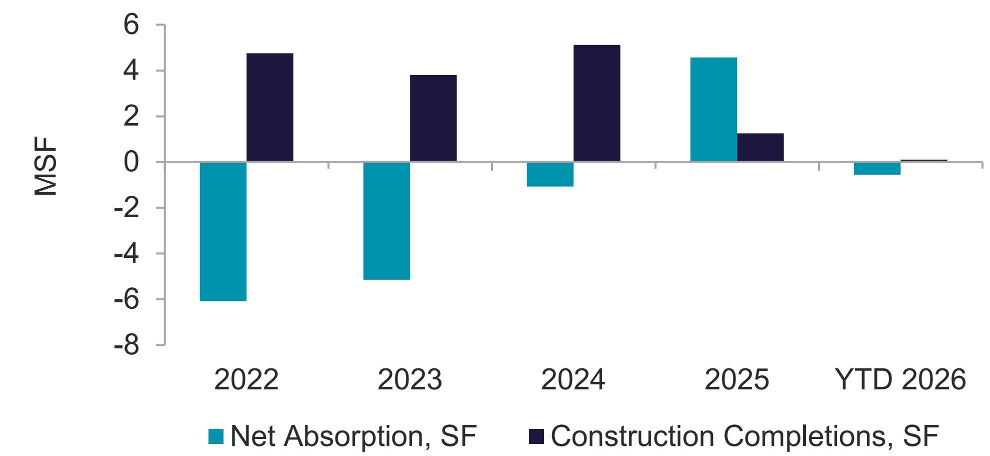
## STABILITY IN THE OFFICE MARKET TO BEGIN 2026

In its February 2026 Labour Force Survey, Statistics Canada reported that Canadian employment levels dropped for the second consecutive month, with a decline of 84,000 jobs, for a 2026 year-to-date total job loss of 109,000. The unemployment rate climbed by 20 basis points (bps) from last month to 6.7%, due to a combination of falling employment levels and more people searching for work. While employment in sectors that are the largest users of office space did contract for the fifth straight month, it is virtually unchanged from the employment levels witnessed one-year-ago.

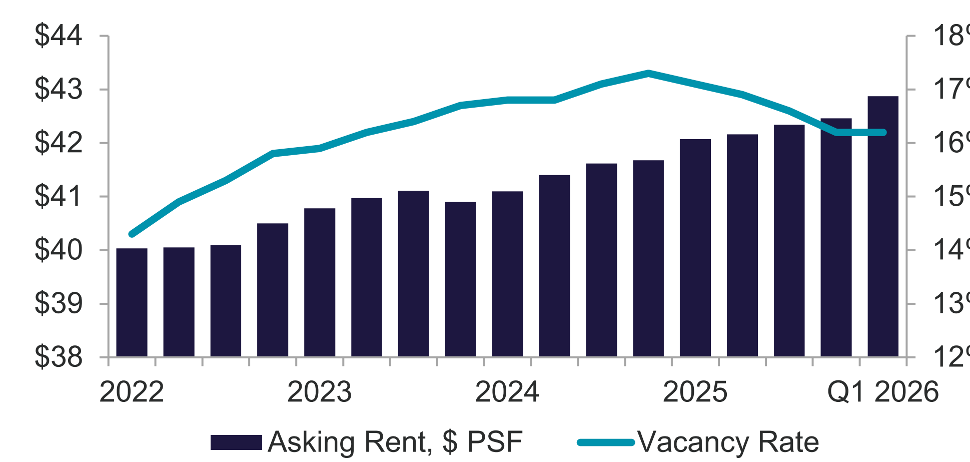
After a year of steady improvement, overall office vacancy held at 16.2% in Q1 2026. Stability was equally evident in the Central Class A segment where vacancy remained flat at 15.8%. The most notable quarter-over-quarter (QOQ) movement was in the Suburban Class A market where the vacancy rate declined 70 bps from last quarter to 15.7%; its lowest point in three years. This performance continues to highlight a bifurcated market, as the combined Class B and C vacancy rate rose QOQ, albeit slightly, within both the Central and Suburban markets to 20.8% and 12.4%, respectively. Most Canadian markets witnessed similar conditions in Q1 2026 as overall vacancy in those cities had small fluctuations from last quarter, with minor increases/decreases between 20-40 bps.

Following three consecutive quarters of strong momentum, absorption levels did turn negative in Q1 2026 at 554k square feet (sf). Importantly, this pullback was not uniform. Central Class A assets still posted positive absorption of 56k sf, while Suburban Class A outperformed with 203k sf of gains. The overall decline in absorption was driven entirely by Class B and C properties, which combined recorded negative 814k sf of absorption this quarter. This pattern reinforces a consistent theme in that occupiers continue to upgrade and consolidate into high-quality space, while demand remains challenged for aging, poorly located, or uncompetitive assets From an individual market perspective, overall absorption levels were mixed as Vancouver and Toronto posted overall positive absorption this quarter, while Montreal, Calgary and Ottawa were in the negative. However, when looking at Class A assets only, Montreal absorption turns positive with minimal negative absorption in Calgary.

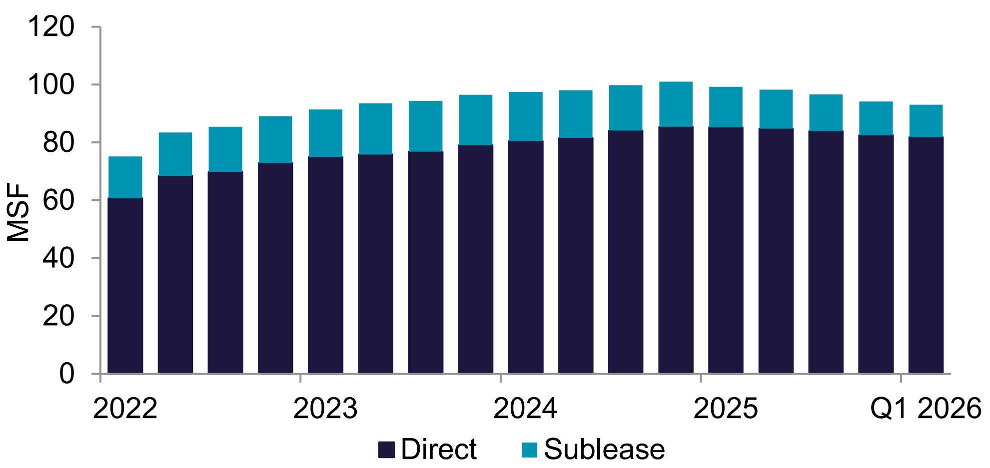
## SPACE DEMAND / DELIVERIES



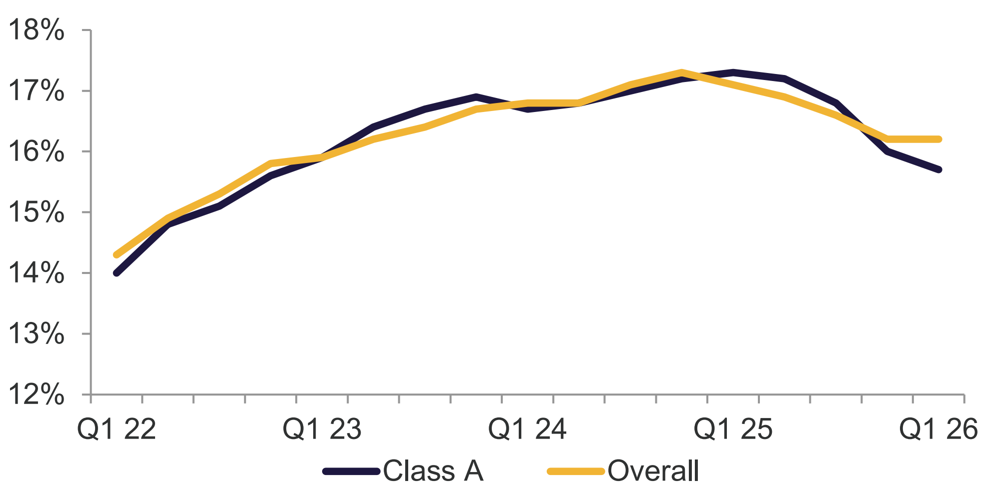

## OVERALL VACANCY & GROSS ASKING RENT



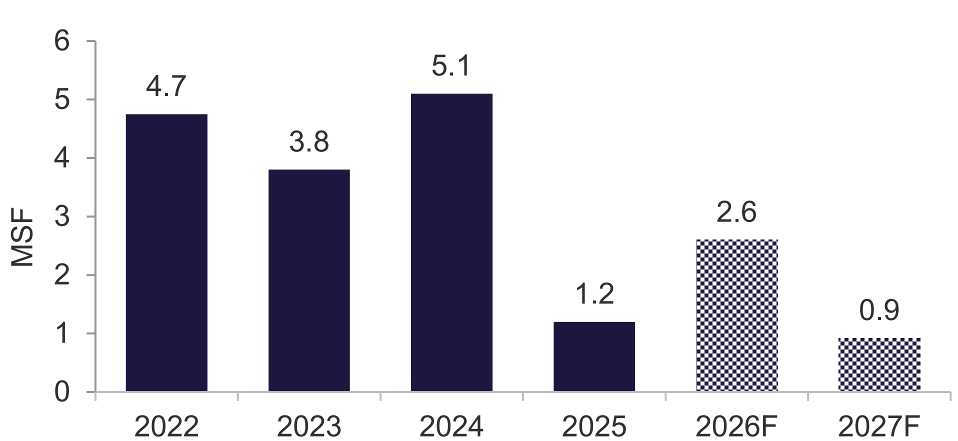
## DIRECT VS. SUBLEASE VACANCY




## CLASS A VS. OVERALL VACANCY




## NEW SUPPLY




After peaking in Q4 2024, the amount of direct vacancy on the market has continued to trend downwards at a steady pace. This is particularly evident in the Central Class A market where direct vacancy has contracted by 6.6% in comparison to one-year-ago. Overall sublet vacancy has followed the same trajectory over the course of the last year, but at a steeper decline, at 20.0% from Q1 2025. While sublet vacancy did climb in the Central Class A market from last quarter, this was in large part the result of two energy sector related tenants putting close to 338k sf of space on the sublet market. Despite the blip this quarter, the overall trend remains the same. Sublet space is being re-absorbed by the market as demand stabilizes, and occupiers have now largely pivoted from shedding excess space to making longer-term workplace decisions on how best to utilize their current premises.

While new leasing activity did slow from the volume witnessed in 2025, it did remain strong at close to 6.5 million square feet (msf) in Q1 2026, very close to the historical three-year average. As has been the case for multiple quarters now, activity remained focused within Central Class A assets which captured 35.8% of all new leasing volume this quarter. The average deal size in Q1 2026 was approximately 7,700 square feet (sf), while Class A transactions continued to outperform, posting the largest footprints and longest leasing commitments—averaging six years and approximately 12,000 sf. Where tenants were disclosed, leasing within the Finance and Insurance sector dominated this quarter with close to 805k sf leased and 39 transactions.

There continues to be little movement in the overall Canadian average net rental rate which ended Q1 2026 at $22.88 per square foot (psf), representing minimal growth of 1.5% in comparison to one-year-ago. The average gross rent did have a more substantial increase in comparison to last quarter, climbing to $42.87 psf. However, that was not driven by the increases in the net rent but rather the additional rent component; to be expected given the increase in the taxes and operating costs that generally occurs with the beginning of a new year.

New supply was minimal in Q1 2026 at close to 106k sf, entirely located within one building in Vancouver's Central Class A market. Looking ahead, roughly 3.4 msf remains under construction, with most projects scheduled for completion through the remainder of this year. While this total is a small uptick from last quarter, the amount of square footage in the pipeline is at its lowest level since the latter part of 2012. Toronto will be a leader with the construction pipeline through the remaining quarters of 2026 from a square footage perspective, with nearly 1.6 msf of anticipated new supply set to be delivered, including 1.4 msf in a single downtown tower at 141 Bay Street.

## OUTLOOK

- It is anticipated through the remainder of 2026 that the office market will witness a gradual shift from stabilization to growth – particularly due to tightening vacancy within trophy/Class A assets.
- Conversions and/or demolition of functionally obsolete inventory is likely to continue this year as markets continue to “right-size”.
- A shrinking construction pipeline will continue to reinforce the flight to quality and intensify competition amongst occupiers for the best space.

## MARKET STATISTICS Q1 2026

| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION | YTD OVERALL ABSORPTION (SF) | YTD CONSTRUCTION COMPLETIONS (SF) | UNDER CONSTRUCTION (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---|---|---|---|---|---|---|---|---|---|---|
| Vancouver | 70,552,838 | 1,187,386 | 6,738,502 | 11.2% | 263,078 | 263,078 | 105,925 | 1,333,576 | $53.68 | $59.60 |
| Edmonton | 29,670,379 | 274,708 | 5,016,932 | 17.8% | 23,278 | 23,278 | 0 | 0 | $32.51 | $36.58 |
| Calgary | 67,276,995 | 2,414,178 | 11,827,673 | 21.2% | -136,503 | -136,503 | 0 | 0 | $35.28 | $41.44 |
| Saskatoon | 6,833,997 | 2,813 | 882,262 | 13.0% | 46,007 | 46,007 | 0 | 0 | $38.56 | $46.05 |
| Winnipeg | 16,001,612 | 203,024 | 2,083,759 | 14.3% | 52,559 | 52,559 | 0 | 37,955 | $32.71 | $40.39 |
| Toronto | 187,617,832 | 3,816,551 | 25,288,786 | 15.5% | 311,694 | 311,694 | 0 | 1,777,573 | $52.41 | $57.14 |
| London | 7,762,268 | 58,985 | 1,492,012 | 20.0% | -55,353 | -55,353 | 0 | 0 | $26.07 | $30.89 |
| Kitchener | 5,388,508 | 99,385 | 1,470,359 | 29.1% | 33,247 | 33,247 | 0 | 0 | $31.33 | $33.21 |
| Waterloo | 7,225,788 | 29,677 | 1,491,423 | 21.1% | -20,362 | -20,362 | 0 | 0 | $29.39 | $30.64 |
| Ottawa | 43,141,279 | 629,168 | 5,126,383 | 13.3% | -617,772 | -617,772 | 0 | 72,000 | $36.99 | $40.77 |
| Montreal | 108,379,226 | 2,323,405 | 16,967,217 | 17.8% | -523,571 | -523,571 | 0 | 193,750 | $36.69 | $42.32 |
| Fredericton | 2,278,872 | 0 | 210,507 | 9.2% | -12,364 | -12,364 | 0 | 0 | $28.02 | $30.90 |
| Saint John | 2,476,133 | 24,435 | 811,105 | 33.7% | 15,789 | 15,789 | 0 | 0 | $23.60 | $29.33 |
| Moncton | 3,153,541 | 29,207 | 333,659 | 11.5% | -4,875 | -4,875 | 0 | 38,764 | $27.14 | $31.30 |
| Halifax | 12,631,212 | 101,357 | 1,282,081 | 11.0% | 67,904 | 67,904 | 0 | 0 | $31.19 | $34.26 |
| Charlottetown | 1,261,403 | 0 | 29,978 | 2.4% | -4,289 | -4,289 | 0 | 0 | $25.50 | $26.74 |
| St. John's | 3,929,839 | 25,755 | 782,536 | 20.6% | 6,950 | 6,950 | 0 | 0 | $36.04 | $40.36 |
| **NATIONAL TOTALS** | **575,581,722** | **11,220,034** | **81,835,174** | **16.2%** | **-554,583** | **-554,583** | **105,925** | **3,453,618** | **$42.87** | **$48.71** |

**Rental rates reflect full service asking*

## METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

## EXPLANATION OF TERMS

Total Inventory: The total amount of office space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord, excludes sublease space.

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Overall Weighted Asking Rents: Gross average asking rents weighted by the amount of available direct space in office properties.

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## A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of $10.3 billion across its core service lines of services, leasing, capital markets, Valuation and other. Built around the belief that *Better never Settles*, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.