MARKETBEAT

CANADIAN NATIONAL

OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
16.1% Vacancy Rate	▼	▼
114K YTD Net Absorption, SF	▼	▲
$43.03 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
20.9M Total Nonfarm Employment	▲	▲
5.4M Office Using Employment	▼	▬
6.5% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada June 2026 Labour Market Survey

ECONOMIC OUTLOOK

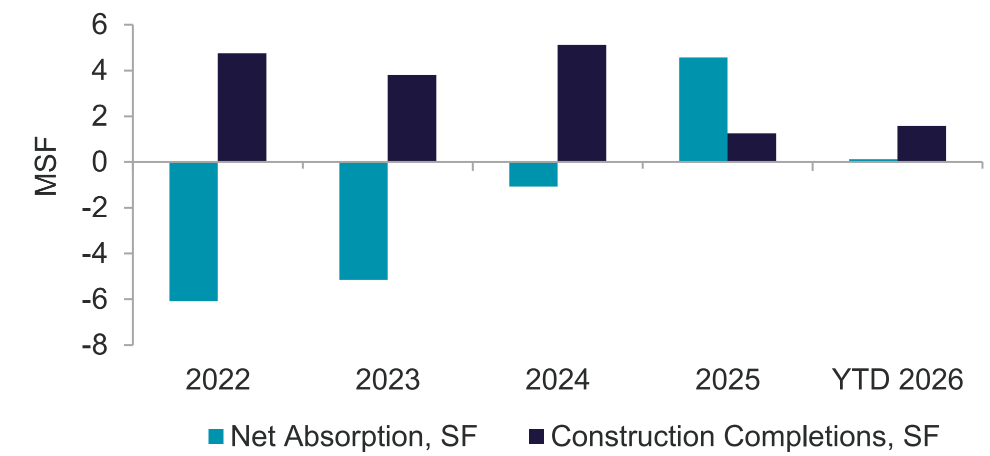
In its June 2026 Labour Force Survey, Statistics Canada reported that Canadian employment levels were almost unchanged from the previous month, with a small gain of 18,000, with the unemployment rate declining by 10 basis points (bps) to 6.5%. Employment in sectors that are the primary users of office space has fluctuated over the course of the last 12 months. While employment did witness a notable increase from last month, growth is virtually flat from one-year-ago.

FLIGHT TO QUALITY CONTINUES TO SHAPE MARKET RECOVERY

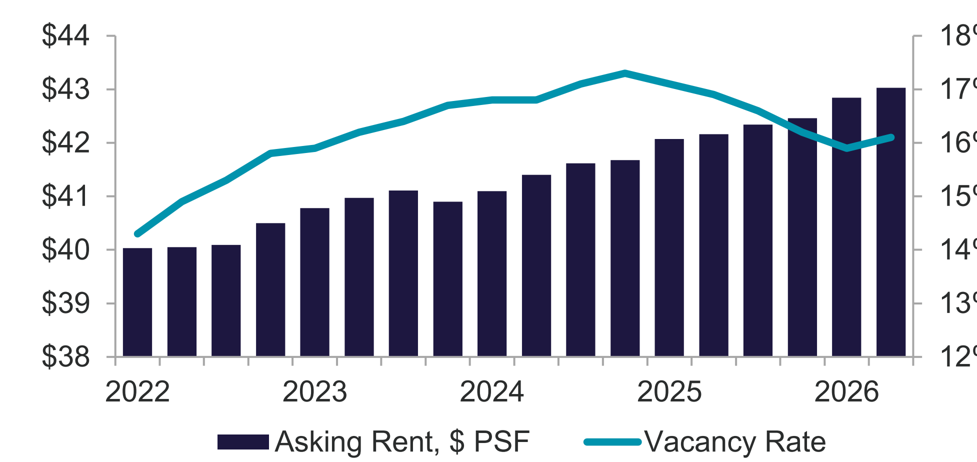
Overall office vacancy reached 16.1% in Q2 2026. While essentially unchanged from Q1 2026, the market continues to improve on a year-over-year (YOY) basis, with vacancy declining 80 bps. The Class A segment followed a similar pattern, as vacancy in both the Central and Suburban markets remained stable quarter-over-quarter (QOQ) while tightening compared with Q2 2025. Vacancy trends in Class B and C properties were less consistent. In the Central market, vacancy in these lower-tiered assets held relatively steady for the previous three quarters before rising to 21.0% in Q2 2026, returning to its Q2 2025 level. Suburban properties in these same asset classes had a similar period of stability, with vacancy increasing to 13.0% this quarter. Unlike the Central market, however, Suburban vacancy now sits 100 bps above year-ago levels.

Absorption levels were negative this quarter at approximately 163,000 square feet (sf). After first quarter revisions, this brought the year-to-date 2026 total to positive 114,000 sf. While absorption levels were strong in the Central Class A market at 1.3 million square feet (msf) in Q2 2026, largely driven by the completion of a fully pre-leased 1.4-msf office tower in Downtown Toronto, negative absorption occurred within every other market segment and asset class. The notable softening witnessed this quarter in lower tiered assets was not widespread across multiple markets but somewhat focused in Montreal, particularly in Class B inventory. While the flight to quality has been the prevalent theme in recent years as tenants consolidate into higher quality space and return to office policies have generally been favouring premium buildings, this movement of occupiers into higher quality space was particularly evident in Montreal this quarter.

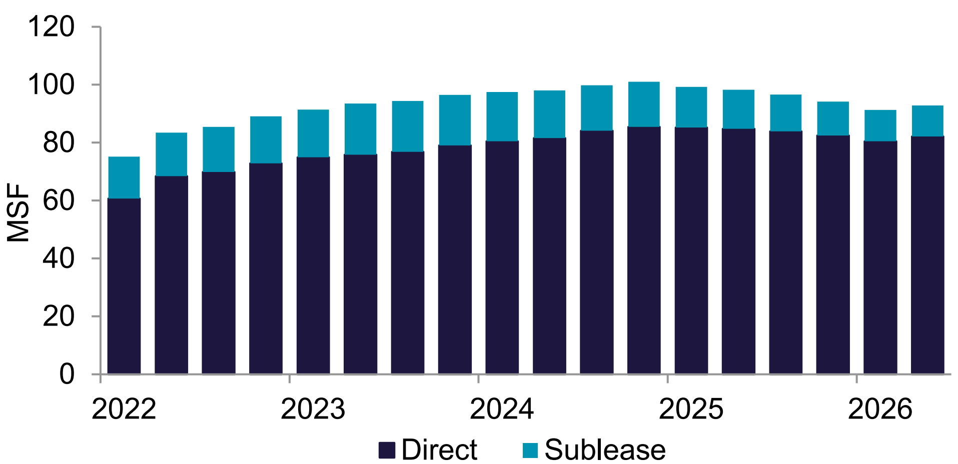
SPACE DEMAND / DELIVERIES



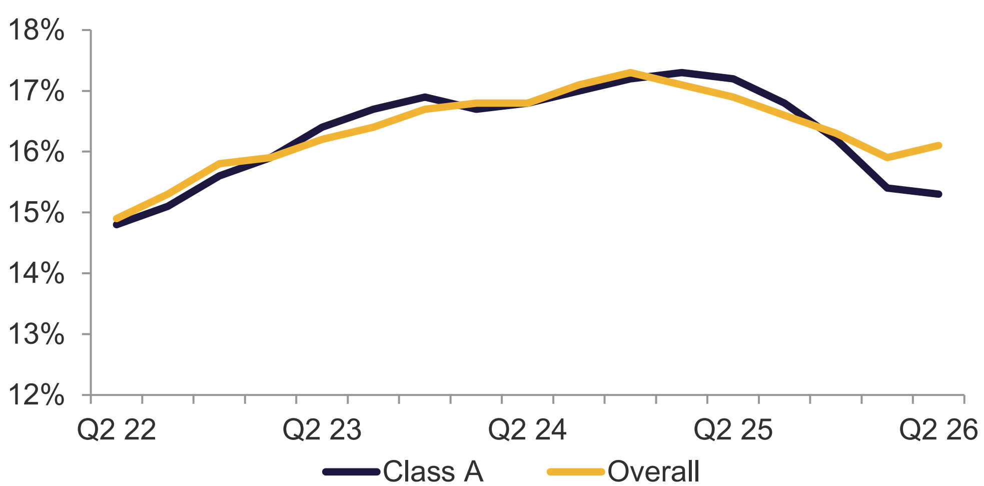
OVERALL VACANCY & GROSS ASKING RENT



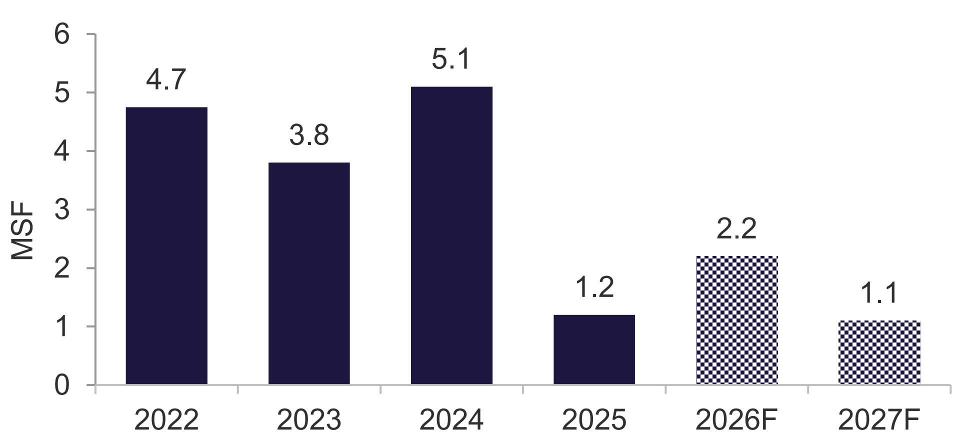
DIRECT VS. SUBLEASE VACANCY



CLASS A VS. OVERALL VACANCY



NEW SUPPLY



Although direct vacancy increased slightly QOQ, it has generally trended downward since the beginning of 2025. The improvement has been most pronounced in the Class A segment, where direct vacancy has fallen 6.7% YOY. Sublet vacancy has also declined for 12 consecutive quarters and now accounts for 11.6% of total vacant space, down significantly from its peak of 21.5% in Q1 2021. The number of blocks of sublet vacancy is fairly evenly distributed in terms of original term expiries as well as various size segments below 50,000 square feet (sf). The lease term expiry picture shifts a bit when focusing only on the Central market, with blocks of space with original lease terms that extend beyond 2031 sitting at 35.0%.

While new leasing activity has slowed over the first half of 2026 in comparison to the last half of 2025, remains healthy at 5.9 msf in Q2 2026. Occupier demand remains focused within the Central Class A market, accounting for close to one-third of all new activity this quarter. The average new deal size in Q2 2026 was approximately 6,000 sf, slightly lower in comparison to last quarter. Central Class A transactions continued to outperform, posting the longest leasing commitments and largest footprints—averaging over six years and approximately 13,300 sf. Where tenants were disclosed, new leasing within the Finance and Insurance sector continued to dominate with close to 1.2 msf leased to date this year and 68 individual transactions.

The overall Canadian average net rental rate ended Q2 2026 at $23.03 per square foot (psf), a new benchmark. As the additional rent component remained unchanged from last quarter at $20.00 psf, the average gross rent climbed to $43.03 psf. While growth in the average asking net rental rate was witnessed across all asset classes in both the Central and Suburban markets, the primary driver behind the increase in the overall net rent this quarter was the Central Class A market as rates climbed by 1.9% QOQ. This reflects accelerated rental rate growth in many of the major cities within this market segment, particularly in markets with Class AAA/AA product.

New supply reached close to 1.5 msf in Q2 2026, almost all courtesy of a 1.4-msf office tower delivered in downtown Toronto. Roughly 1.9 msf remains under construction, the lowest quarterly total in 14 years, the bulk of which is set to be delivered by the end of 2026. This lack of new supply in the pipeline will continue to concentrate demand into existing premium buildings and result in continued tightening within that market segment.

OUTLOOK

- Consistent levels of new leasing activity, particularly in Central Class A assets, in combination with shrinking sublease inventory and overall occupier demand should lead to continued momentum in the office sector through the second half of 2026.

- Since the beginning of 2026, vacancy rates in Class A assets have increasingly outperformed the broader market, a trend that is expected to accelerate through the remainder of the year—especially for trophy-quality product. This growing bifurcation will place additional pressure on owners of lower-tier assets to modernize, reposition, or reprice their properties to remain competitive.

MARKET STATISTICS Q2 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	70,499,215	1,136,539	7,058,645	11.6%	-126,257	36,489	135,525	1,171,079	$52.51	$59.44
Edmonton	29,790,437	230,394	4,987,043	17.5%	194,261	217,539	0	0	$32.93	$37.26
Calgary	67,284,608	2,479,335	11,860,346	21.3%	-589,869	-535,635	0	0	$34.99	$40.89
Saskatoon	6,833,997	2,813	937,118	13.8%	-54,856	-8,849	0	0	$38.58	$46.05
Winnipeg	16,001,612	204,608	2,209,269	15.1%	-128,390	-124,481	0	37,955	$32.54	$39.99
Toronto	188,595,041	3,526,614	24,559,331	14.9%	2,268,221	2,734,583	1,435,512	342,061	$53.42	$58.48
London	7,750,109	59,954	1,537,178	20.6%	-46,135	-101,488	0	0	$26.18	$31.15
Kitchener	5,388,508	99,385	1,437,301	28.5%	33,058	66,305	0	0	$31.35	$33.26
Waterloo	7,225,788	29,677	1,494,433	21.1%	-3,010	-23,372	0	0	$29.20	$30.42
Ottawa	43,266,165	513,031	5,425,089	13.7%	-527,265	-947,384	0	72,000	$36.60	$39.50
Montreal	108,223,263	2,308,864	17,059,694	17.9%	-1,079,033	-1,164,748	0	193,750	$36.59	$42.11
Fredericton	2,278,872	0	195,550	8.6%	14,957	2,593	0	0	$28.20	$31.43
Saint John	2,476,133	24,435	789,268	32.9%	21,837	37,626	0	0	$23.99	$28.80
Moncton	3,153,541	35,661	321,681	11.3%	5,524	649	0	38,764	$27.52	$31.91
Halifax	12,631,212	107,341	1,397,900	11.9%	-121,803	-53,899	0	0	$31.93	$35.12
Charlottetown	1,261,403	0	67,711	5.4%	-37,733	-42,022	0	0	$25.50	$26.74
St. John’s	3,929,839	25,755	769,011	20.2%	13,525	20,475	0	0	$36.10	$39.33
NATIONAL TOTALS	**576,589,743**	**10,784,406**	**82,106,568**	**16.1%**	**-162,968**	**114,381**	**1,571,037**	**1,855,609**	**$43.03**	**$49.04**

*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.

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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