Class B properties drive positive net absorption

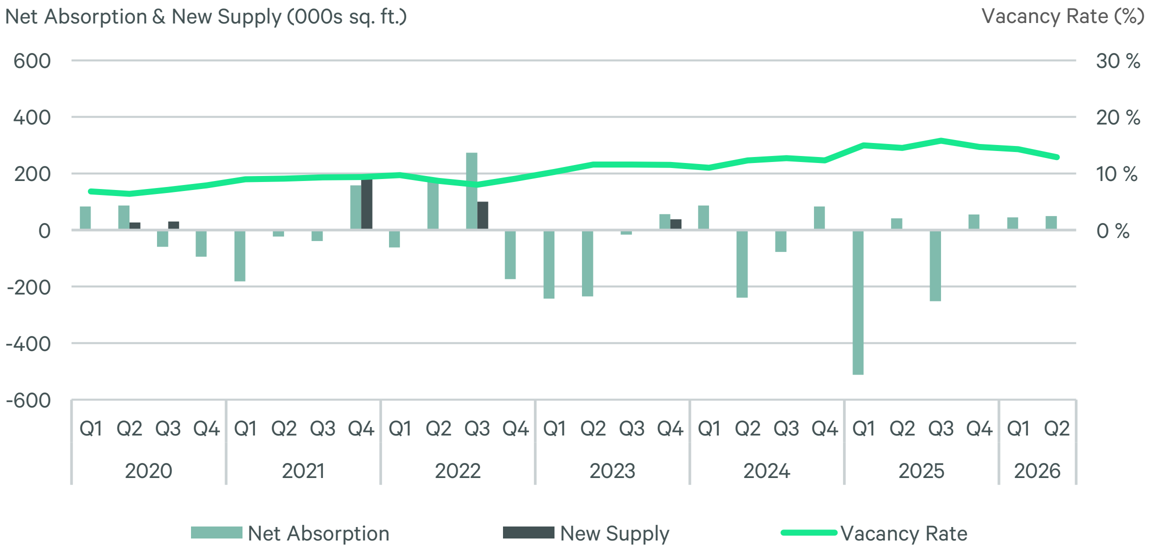
▼ 12.9%	▲ 83.5K	▶ 0K	▲ $15.51
Vacancy Rate	SF Net Absorption	SF Under Construction	PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

Highlights

- Office to residential conversion projects continue to rain traction, removing available space in nine buildings for a total of 1.2 million sq. ft. since the beginning of 2026.
- Class B achieves positive net absorption for three consecutive quarters with nearly 143,000 sq. ft. absorbed this quarter.
- The overall vacancy rate is down to a five quarters low of 12.9%
- The gap between Class A and B vacancy rate widens to 530 basis points (bps) due to sustained leasing activity and conversion project on underperforming assets. In spite of this, Class A remains between 15-20% more expensive than Class B in net asking rate between 2022 and 2026.

FIGURE 1: GQA Supply and Demand



Source: CBRE Research, Q2 2026.

Class B outperforms Class A in leasing fundamentals

The Greater Quebec City Area (GQA) recorded positive net absorption of roughly 83,500 sq. ft. this quarter, but the gain was uneven across classes. Class B led the market in net absorption this quarter with nearly 143,000 sq. ft., while Class A contributed more than 59,000 sq. ft in negative net absorption. The data suggests a flight-to-affordability trend, which is counter to the flight-to-quality phenomena seen across major Canadian markets.

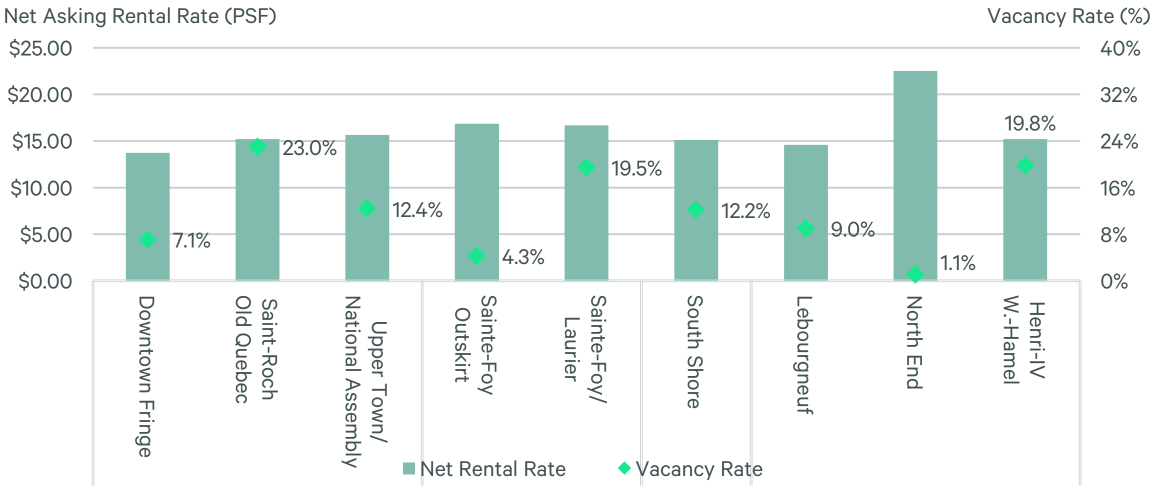
Vacancy has also climbed far more sharply in Class A (860 bps since Q2 2022) than in Class B (370 bps over the same duration). Class A has succeeded in maintaining a roughly $5.00 to $7.00 per sq. ft gap in gross asking rent between itself and Class B buildings since 2022 across the GQA despite having lower occupancy. The rental gap has been widening since 2024, reaching a over five year peak this quarter with $7.35 between Class A and B.

Conversions gains traction in National Assembly & Downtown Fringe

Conversion activity continues to accelerate. Nearly 1.2 million sq. ft. was slated for conversion over the last six months, 82.1% of it in Class B buildings. By shifting underperforming assets to residential stock, these projects are tightening Class B supply. Immostar and THM Immobilier are two firms who have acquired office properties with the intent to convert. Recent trends point towards Upper-Town/National Assembly and Downtown Fringe as these submarkets are among the largest sources of vacant space. This helps explain the more than 1.0 million sq. ft. removed since the start of the year.

Most buildings removed were anchored by tenants such as SQI and RBC at 710 D'Youville occupying over 80.0% of their building's leasable area, who have exited or will exit by the end of the year. .

FIGURE 2: GQA Vacancy Rates and Net Rental Rates, per Submarket



Source: CBRE Research, Q2 2026.

FIGURE 3: Vacancy Rate in the GQA by class

Source: CBRE Research, Q2 2026.

Flight-to-affordability illustrates tenant interest

A major reason for Class B's performance is that besides major occupiers in the FIRE and Legal industries; the rest of the Quebec City office market consists of small business owners. Statistics Canada's *Canadian Business Counts* of December 2025 shows that, in the Quebec Census Area, 68.0% of businesses employ fewer than ten workers and over 81.8% employ fewer than 20. Affordability carries significant weight for occupiers of this profile. Class A pricing is more likely to pressure their margins while offering limited differentiating factors.

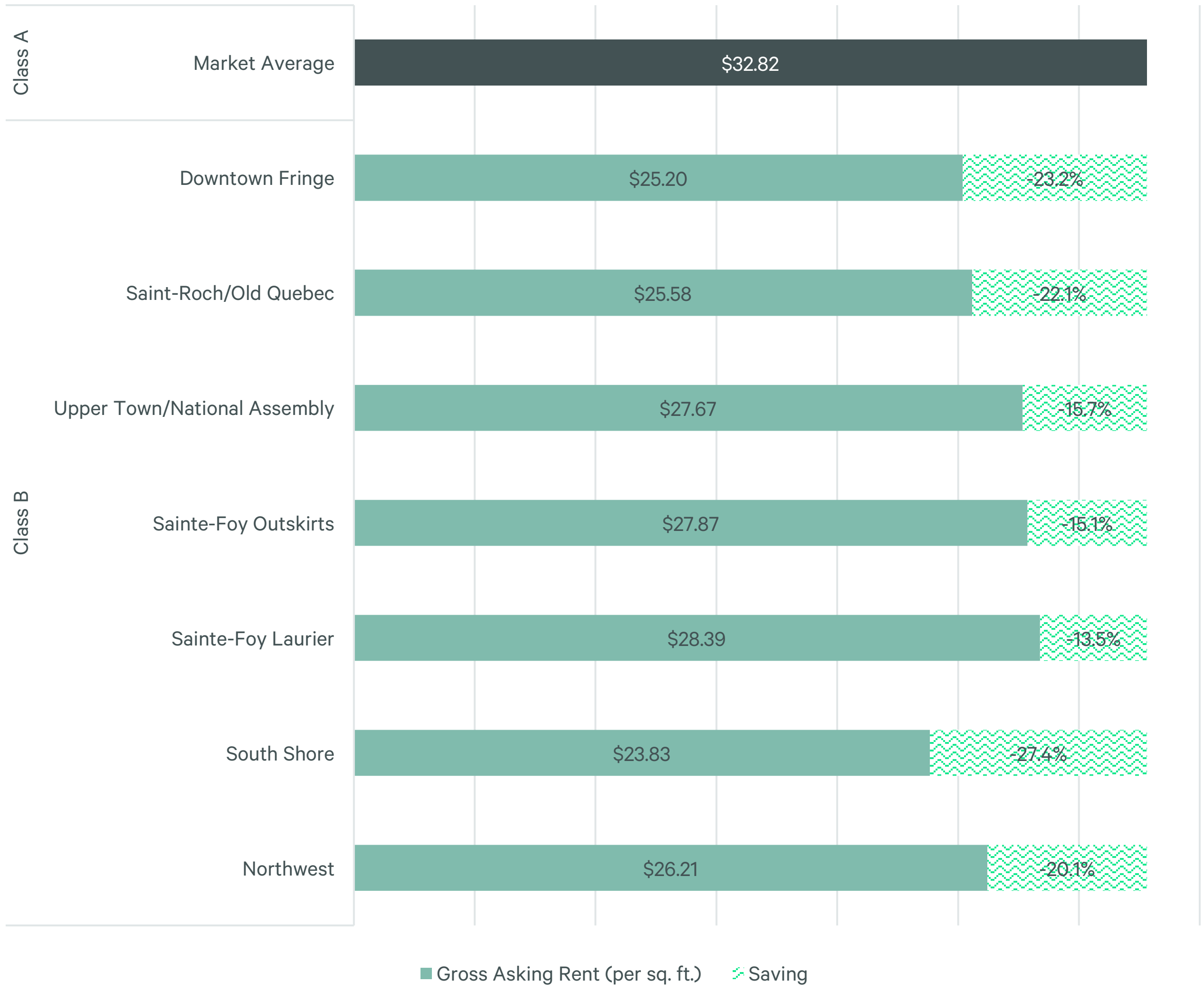
The cost-saving chart on this page compares the Class A average asking gross rent for the GQA with the Class B average asking gross rent for each submarket. The cost-saving percentage is obtained by dividing the Class B value by the Class A value, allowing us to identify how affordable Class B is relative to higher-quality buildings.

On year-one values, Class B buildings are 13.5% to 27.4% more affordable than the Class A alternatives in the GQA, allowing meaningful savings for price-conscious tenants and greater flexibility to scale their footprint.

Further compounding this issue is the fact that the expected superior amenities offered in Class A assets is rarely a real distinguishing factor in Quebec City. Amenities for employee well-being such as gyms, food courts, and easy access to commerce are usually absent from the premises in both classes. Furthermore, the main amenity preference in the city is parking, which Class B options fulfill equally well. This exacerbates the gap in rental rate as the value proposition can be unclear.

Source: CBRE Research, Q2 2026. Statistics Canada, 2026, Table 33-10-1097-01

FIGURE 4: Gross Rental Rates Comparison, per Submarket



Source: CBRE Research, Q2 2026.

Market Area Overview

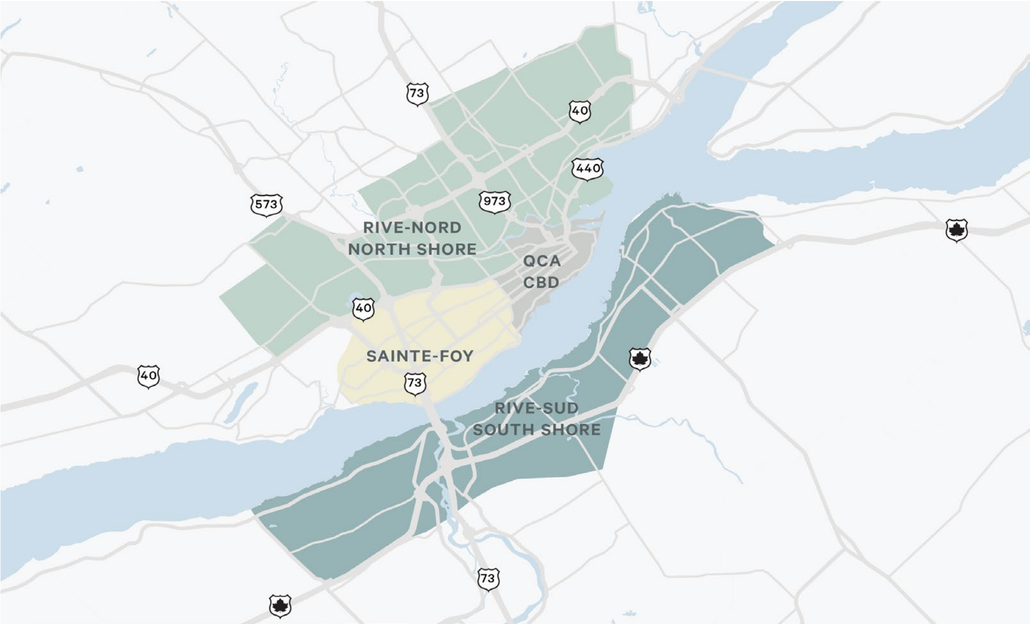


FIGURE 5: Statistics Summary of Submarkets in Quebec City, Q2 2026

SUBMARKET	INVENTORY (SF)	VACANCY RATE (%)	SUBLET SPACE (% OF VACANT)	NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	AVG. NET ASKING RENT (PSF)
Downtown Fringe	1,581,238	7.1%	0.0%	48,585	0	$13.74
Saint-Roch Old Quebec	2,161,656	23.0%	4.8%	-9,741	0	$15.21
Upper Town/ National Assembly	3,039,306	12.4%	0.0%	17,561	0	$15.66
Sainte-Foy	4,959,597	12.7%	9.5%	11,226	0	$16.71
South Shore	2,147,646	12.2%	0.0%	-18,051	0	$15.11
Northwest	4,610,227	11.1%	1.2%	33,899	0	$14.93
TOTAL	**18,499,670**	**12.9%**	**3.8%**	**83,479**	**0**	**$15.51**

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Definitions

Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance.

Net Absorption: The change in Occupied sq. ft. from one period to the next.

Net Lease Rate: Rent excludes one or more of the ”net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate.

Vacancy Rate: Total vacant sq. ft. divided by the total building area.

Vacant sq. ft.: Space that can be occupied within 30 days.

Survey Criteria

CBRE’s market report analyses fully modern office buildings of 20,000+ sq. ft. across the GQA. CBRE assembles all information through telephone conversations and listings received from owners and members of the commercial real estate brokerage community.

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