

Market has achieved clarity for 2026 despite vacancy uptick

▲ 13.2%

Vacancy Rate

▼ -240K

SF Net Absorption

▶ 36K

SF Under Construction

▲ \$17.44

PSF Net Asking Rental Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- Ottawa’s vacancy rate recorded a quarter-over-quarter increase of 40 basis points (bps) from 12.8% to 13.2%, equating to 240,000 sq. ft. of negative net absorption. New vacancies stemmed from a mix of public sector tenants shedding space and private sector tenants right-sizing their portfolio.
- 495 Richmond Road, which came to market fully vacant in the previous quarter, has emerged as the next confirmed office-to-residential conversion project. The seven-storey building will see 111,000 sq. ft. converted into 143 residential units. Other potential conversion projects that remain in the planning process include the Jackson Building at 122 Bank Street, 240 Bank Street, and 396 Cooper Street.
- With a new federal budget tabled, the market has gained more clarity on the government’s plans for their office portfolio. The budget focuses on austerity with plans to reduce the size of the federal public service by 40,000 jobs by 2028 or 2029 via job cuts, attrition, and early retirement. Additionally, the federal government has hinted at an update to their current return-to-office policies, insinuating that there could be different levels of return based on seniority, capacity, and role.

FIGURE 1: Ottawa Office Market Fundamentals



Source: CBRE Research, Q4 2025.

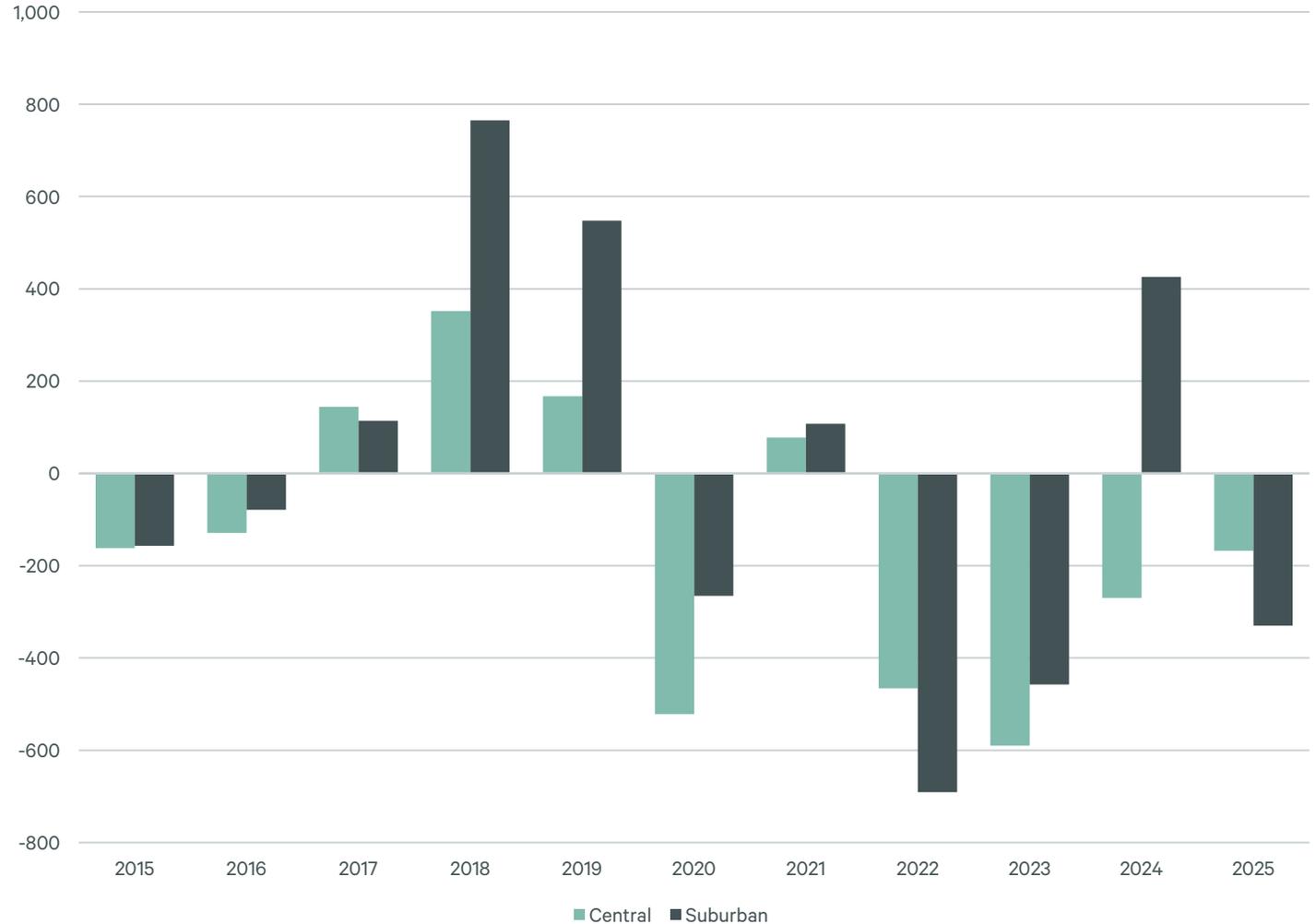
Public and private sector vacancies result in availability uptick

Closing out 2025, Ottawa recorded a 40 bps quarterly increase in the vacancy rate, rising from 12.8% to 13.2%. This equates to 240,000 sq. ft. of negative net absorption and a year-to-date negative net absorption of 498,000 sq. ft. Some large listings by the federal government and shadow vacancies from the private sector drove this movement. Weighted average net rental rates have continued to remain relatively consistent at \$17.44 per sq. ft.

In the core, the vacancy rate rose by 140 bps from 13.4% to 14.8% with a quarterly negative net absorption of 213,000 sq. ft. Large blocks of vacancies emerged from the federal government, with 119,000 sq. ft. coming from their offices at 333 Laurier Avenue West and 34,000 sq. ft. at 222 Queen Street. Accordingly, the Class A vacancy rate observed a spike, going from 11.4% to 13.1%. Additionally, weighted average rents decreased from \$24.36 per sq. ft. to \$23.73 per sq. ft., affected primarily by the asking rents at 333 Laurier Avenue West.

In Kanata, the vacancy rate saw a minor uptick by 20 bps from 14.9% to 15.1% with a quarterly negative net absorption of 12,000 sq. ft. Listings such as Marvell Technology at 340 Legget Drive and Deloitte/Innovapost at 365 March Road contributed to the vacancy this quarter, adding 106,000 sq. ft. of vacant space this quarter. However, this was offset by positive transactional activity, such as the removal of Deloitte/Innovapost’s sublisting at 425 Legget Drive as well as the sale of 362 Terry Fox Drive from KRP Properties to Santec Canada.

FIGURE 2: Historical Annualized Net Absorption for the Central and Suburban Market (000s SF)



Source: CBRE Research, Q4 2025.

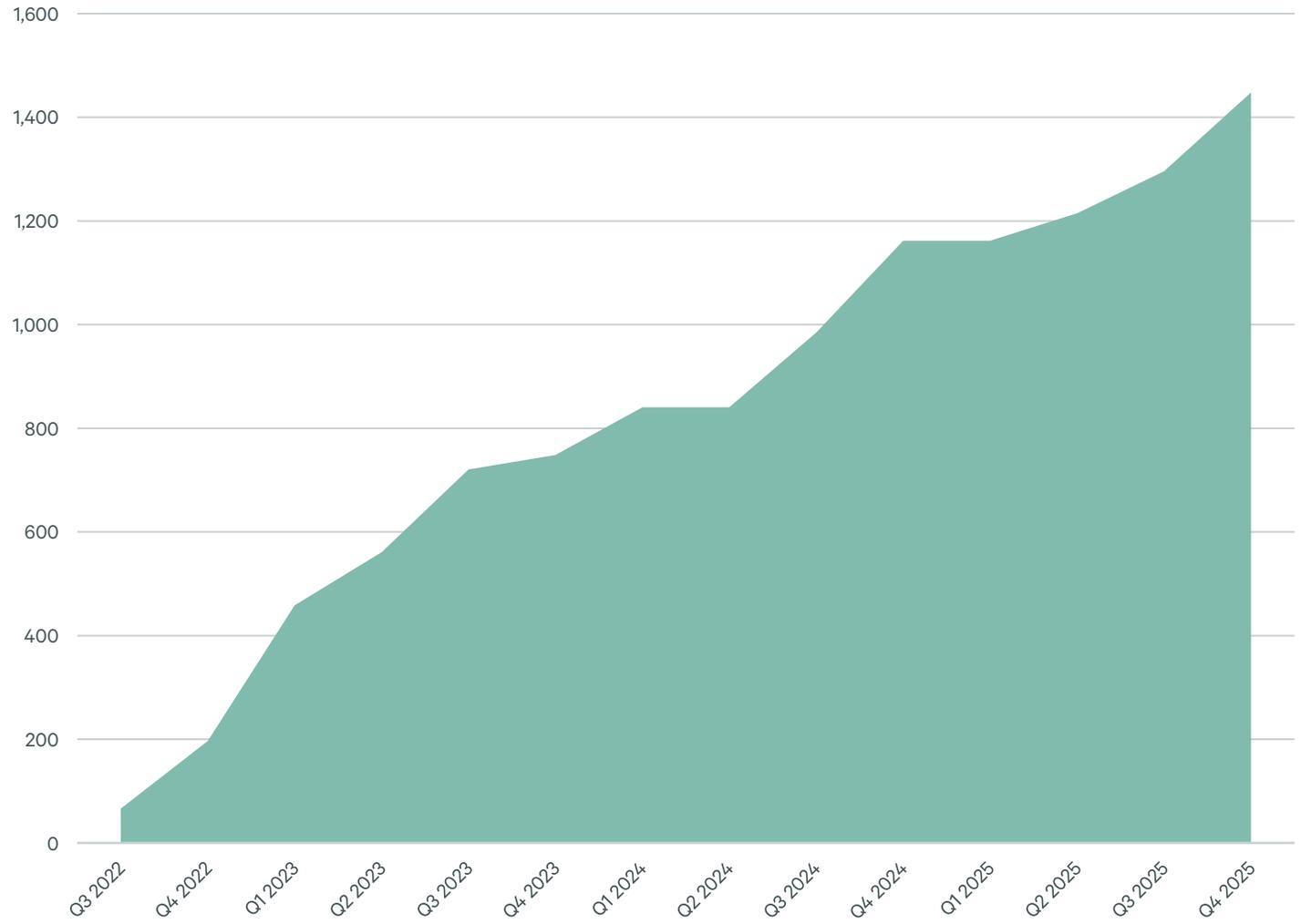
Federal budget offers a rough blueprint to help shape future market expectations

The recent federal budget has provided some more clarity for the market in visualizing the direction the government is headed regarding their office utilization plans. This has the added benefit of accelerating decision-making, with the current administration working towards [workforce adjustments of the public sector](#) as well as a [potential return-to-office based on their position](#).

PSPC’s long term plan is to [reduce their office portfolio by 50% over 10 years](#), although an internal audit has shown that the federal government would only be on track to reduce 30% at its current rate. Since mid-2022, the Ottawa’s office market has recorded at least 1.4 million sq. ft. of federally leased space coming to market. While some of these spaces were relocations or expansions that got reabsorbed, most other instances represent the government downsizing their overall footprint. In select cases, some of these vacant buildings were being converted to residential units, such as CRA’s previous space at 360 Laurier Avenue West and Nav Canada’s former offices at 77 Metcalfe Street.

A new analysis has shown that [increased in-office presence would run into conflict with PSPC’s current workplace model](#) as more than 50% of the staff do not have their own assigned workspace. As they potentially shift towards return-to-office, their hoteling system would likely create conflicts with the current number of employees, requiring concessions on either their current footprint or their workforce. In light of the government [canceling their co-working contract](#) and [cutting 40,000 jobs within three to four years](#), the outlined federal budget promises austerity while catalyzing investments. At its core, policies should ensure that they are able to find the balance between achieving fiscal responsibility, maximizing productivity and equity, and delivering on their results.

FIGURE 3: Cumulative Total of Leased Office Vacancies That Came to Market by the Federal Government (000s SF)



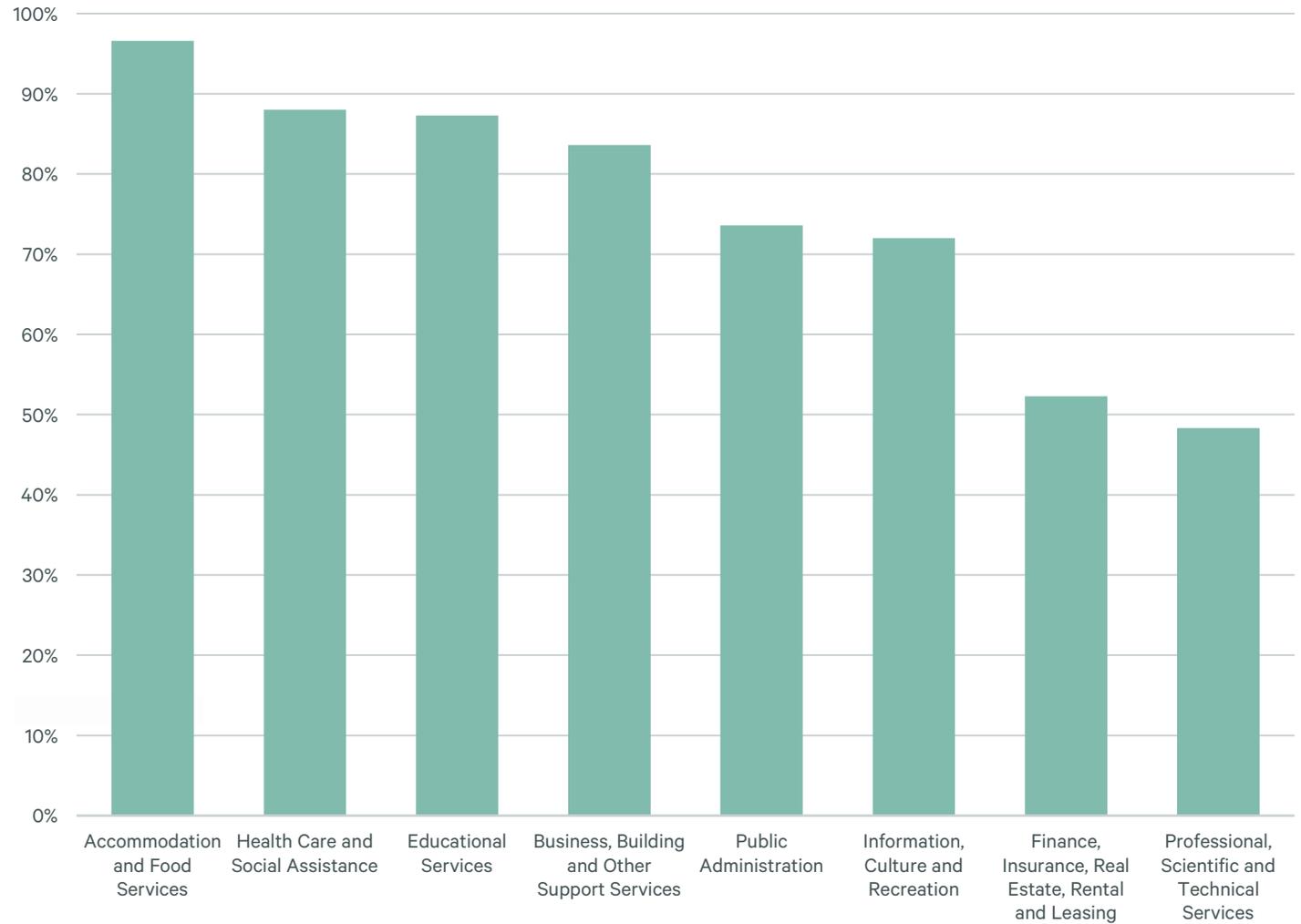
*Data includes known office vacancies by Government of Canada departments and crown corporations
Source: Directory of Federal Real Property, CBRE Research, Q4 2025.

Office-to-residential conversions and future work trends continue to be relevant

One new office-to-residential conversion project has emerged at 495 Richmond Road, the former office for the Canadian Institute for Health Information which came to market fully vacant last quarter. The seven-storey building will see 111,000 sq. ft. converted into 143 residential units. Other potential conversion projects that remain in the planning process include the Jackson Building at 122 Bank Street, 240 Bank Street, and 396 Cooper Street. Although conversions can be an enticing method for repurposing vacant and outdated office assets, [the process comes with a myriad of considerations](#) such as engineering challenges, environmental factors, and compliance with municipal regulations. As such, adaptive reuse has served as a specialized solution for landlords who can solve for the economics of conversion. Nevertheless, Ottawa sits just behind Calgary with the 2nd most conversion projects in Canada.

Return-to-office remained a relevant topic as conversations regarding productivity, work-life balance, and work culture continue between employers and employees. While [some companies have achieved a steady state of office utilization](#), others are still seeking to vamp up their in-office presence. According to Statistics Canada, more than 80% of workers in non-office industries, such as those in the accommodation or education sector, have returned to pre-pandemic norms, spending most of their time working outside their home. Other sectors, such as those working in the FIRE economy or professional services, lag behind, although [recent return-to-office announcements by some of the large Canadian banks](#) will shift some of these figures. Companies and employees should aim to achieve a workplace strategy that maximizes productivity, efficiency, and worker retention.

FIGURE 4: Proportion of Workers by Industry Who Spend Half or More Hours at Their Work Location Outside of Home



*Industry types are based on the North American Industry Classification (NAICS) System Canada 2022
 Source: Labour Force Survey, Statistics Canada, CBRE Research, May 2025.

FIGURE 5: Notable Office Lease Transactions

Size (SF)	Tenant	Address	Market
20,000	MNP LLP	343 Preston Street	Tunney's Pasture
13,000	Bird Construction	1600 Carling Avenue	Woodward/Carling
12,800	TCC Canada	1000 Innovation Drive	Kanata

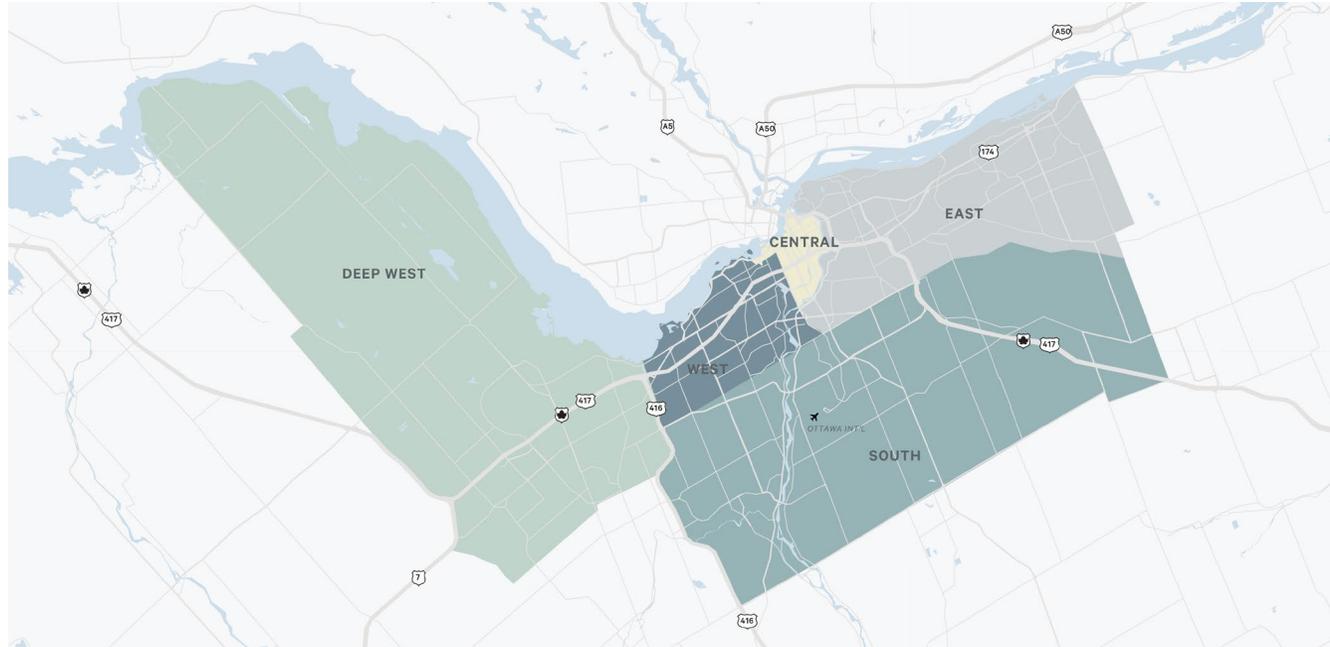
Source: CBRE Research, Q4 2025.

FIGURE 6: Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Availability Rate (%)	Direct Vacancy (SF)	Sublet Vacancy (SF)	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Net Asking Rent (PSF)	T&O (PSF)
Central Business District (CBD)	15,188,590	14.8%	15.2%	2,003,543	242,691	-212,861	0	0	\$20.02	\$21.02
Class A	10,215,197	13.1%	13.5%	1,115,398	218,029	-164,614	0	0	\$23.73	\$23.73
Class B	4,315,349	15.6%	15.9%	660,448	11,743	-24,788	0	0	\$16.30	\$18.18
Class C	658,044	36.6%	37.3%	227,697	12,919	-23,459	0	0	\$12.64	\$15.99
Central (Excl. CBD)	2,846,230	21.9%	23.0%	581,023	42,443	10,546	0	0	\$17.11	\$16.52
Central	18,034,820	15.9%	16.4%	2,584,566	285,134	-202,315	0	0	\$19.37	\$20.01
South	3,283,370	7.2%	15.6%	236,497	0	6,932	0	0	\$15.41	\$15.28
East	4,748,546	9.3%	9.3%	427,958	13,477	19,655	0	0	\$15.54	\$19.43
West	6,589,292	10.3%	12.5%	647,616	28,763	-56,215	0	0	\$16.12	\$14.75
Deep West*	7,567,464	14.4%	16.0%	892,979	194,424	-8,284	0	36,000	\$14.27	\$15.21
Suburban	22,188,672	11.0%	13.5%	2,205,050	236,664	-37,912	0	36,000	\$15.18	\$15.90
TOTAL	40,223,492	13.2%	14.8%	4,789,616	521,798	-240,227	0	36,000	\$17.44	\$18.12

*Kanata submarket makes up approximately 80% of the Deep West
 Source: CBRE Research, Q4 2025.

Market Area Overview



Definitions

Vacancy Rate: Total Vacant Space divided by the NRA. Calculated as a percent.
Vacant Space: The sum of existing Direct and Sublet Space that can be immediately occupied or within 30 days.
Availability Rate: Total Available Space divided by the NRA. Calculated as a percent.
Available Space: The sum of existing Direct and Sublet Space that can be occupied, regardless of occupancy date.
Net Absorption: The change in Occupied Space from one quarter to the next as a measure of market activity. Includes Pre-leased space upon delivery as New Supply.

Survey Criteria

CBRE’s market report analyses office buildings of 15,000 sq. ft. and above, across the Ottawa market. 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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