

Vacancy continues to tighten but recovery is concentrated

▼ 17.3%

Vacancy Rate

▲ 558K

SF Net Absorption

► 0

SF Under Construction

▼ \$19.50

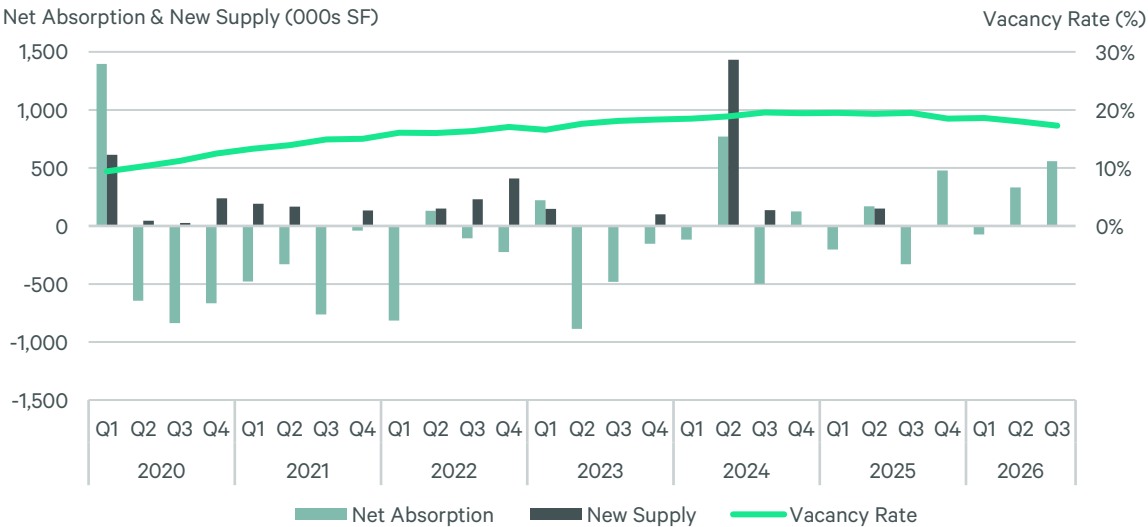
PSF Net Asking Lease Rate

Note: Arrows indicate change from previous quarter.

MARKET SUMMARY

- Net absorption of 558,000 sq. ft. was the strongest quarter since Q2 2024, lifting the year-to-date total to 816,000 sq. ft.
- Class AAA vacancy dropped 330 basis point (bps) to a record-low 3.0%, leaving 171,000 sq. ft. available across six properties. Direct vacancy is tighter at 1.5%
- Overall vacancy fell 70 bps to 17.3%, a second consecutive quarterly decline and the lowest rate since Q1 2023.
- Q3 2026 activity was specific rather than broad: deals larger than 40,000 sq. ft. accounted for 94.0% of net absorption. Furthermore, Central Core, Midtown, and West Island brought together 573,000 sq. ft. of positive absorption.
- Sublet space fell to 1.1 million sq. ft., down 61.1% since peak and the lowest level since 2020, further distinguishing this period from the pandemic leasing cycle where sublets were a significant driver of vacancy.

FIGURE 1: GMA Supply & Demand



Source: CBRE Research, Q3 2026.

Class AAA practically full

After two quarters of little activity, trophy space saw the last significant portion of large available space leased, reducing total Class AAA vacancy rate to 3.0%, and direct vacancy to 1.5%. FIRE tenants have been some of the most active occupier profiles moving net absorption in recent years. As a result, only a total of 171,000 sq. ft. remains available across six trophy properties. This has exerted further upward pressure on net rent as the spread has narrowed to \$34.00-\$42.00 per sq. ft. in trophy assets. The largest available contiguous space in these properties is under 30,000 sq. ft., and as seen throughout 2026, occupiers requiring larger blocks of space will turn to amenitized Class A and premium B buildings. With no new supply on the horizon, the direct vacancy rate trend is expected to continue trickling downward for the near-term.

The City of Montreal has also been active leasing space. The local government has committed to two different locations for approximately 44,000 sq. ft. in Midtown North and 111,000 sq. ft. in Downtown East. The municipal government has been active following an increase in mandatory days in office to three days per week starting September 14th. The City is expected to review its options in 2027 for their other locations as its leases reach expiry by the end of that year¹.

Sublease overhang runs dry

Comparing levels since the peak of Q3 2024 exhibits how much available sublet space has declined across every class. Class AAA is down 42.9%, while class A and B are at a 65.2% and 59.3%, respectively. Each class had a significant contribution to reaching 17.3% vacancy rate, an over three-year low. The largest contributor to this reduction this quarter was Bombardier's return to its offices at 2351 Alfred-Nobel Boulevard, re-absorbing nearly 200,000 sq. ft. of Class A sublet space in the West Island. This suburban-led occupancy continues the drawdown of the sublet overhang, which has reached a six-year low after falling 61.1% since the sublet peak.

Similar movement has appeared on smaller scales throughout the year, though re-absorption was concentrated in the suburbs. Return-to-office mandates have helped occupiers re-assess their sq. ft. per employee needs and reversing the COVID-led sublet surge. As 30.0% of sublet space on market is over three years old, re-absorption is becoming an attractive option for tenants as they re-assess their needs.

1 – La Presse, Montréal resserre l’usage du télétravail, April 2nd 2026.

FIGURE 2: GMA Historical Total Vacancy Rate by Class (%)



Source: CBRE Research, Q3 2026.

FIGURE 3: GMA Historical Sublet Space in the GMA (000s SF)



Source: CBRE Research, Q3 2026.

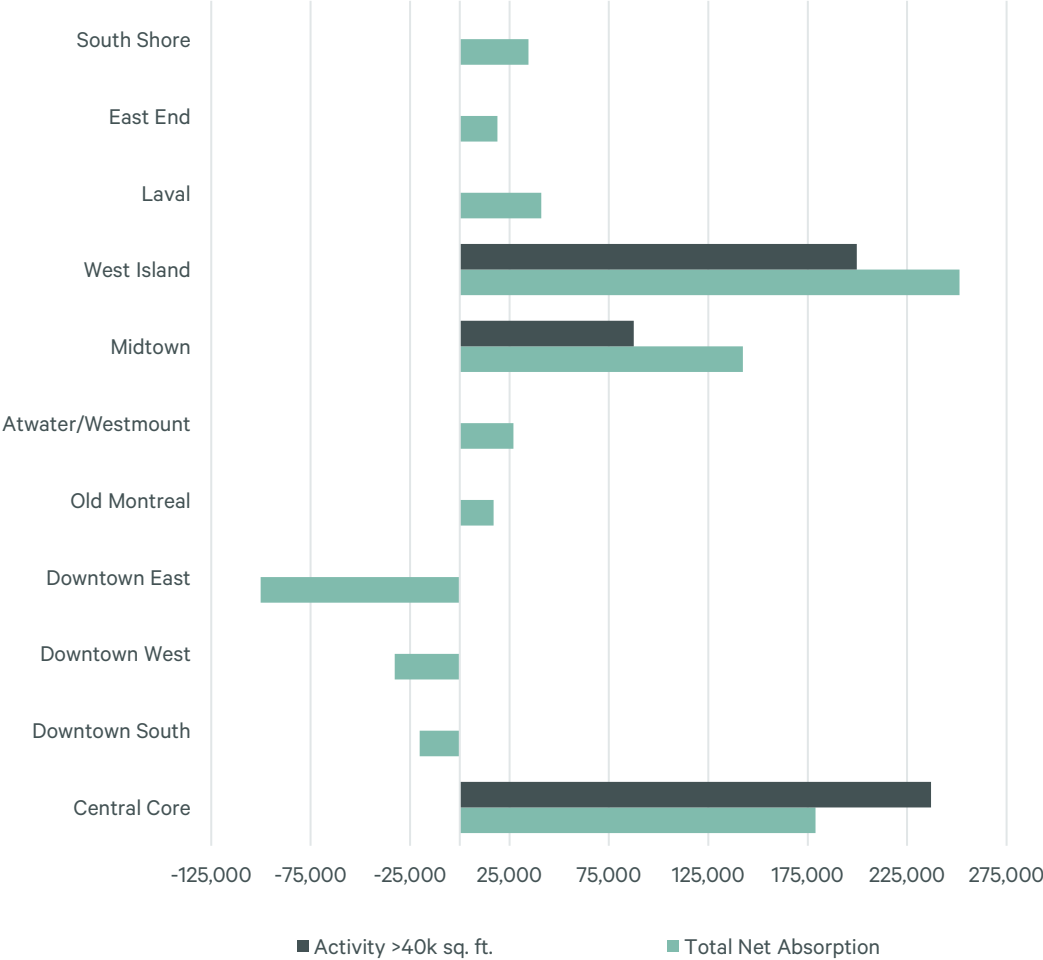
Muted recovery beneath the performance

The 558,000 sq. ft. of positive net absorption could be read as an inversion of post-COVID trends and the continuation of a market-wide turn that started in late 2025. Q3 was driven by a small number of large occupiers acting at once. West Island, Central Core, and Midtown together produced more than 570,000 sq. ft. of absorbed space. The figure was prominently driven by deals greater than 40,000 sq. ft. Excluding these transactions leaves a far more muted 33,740 sq. ft. The same concentration appears by class: Class AAA vacancy fell 330 bps to 3.0% and Class A tightened 110 bps to 14.7%, while Class B was unchanged at 21.5%. An important fact to consider is while outside a select number of transactions, there has been far less space coming to market to counteract. With no new supply on the horizon, vacancy is expected to continue tightening except in commodity Class B and C buildings.

Recovery is concentrated in competitive product and remains sparse everywhere else. Downtown has absorbed 474,000 sq. ft. over the last three quarters. Adding to that figure are Class AAA and A deals expected to be signed by year-end, largely by FIRE tenants, who account for more than 56.0% of year-to-date net absorption. Furthermore, flagship deals within FIRE industries have trended towards expansions.

The suburban recovery remains uncertain where the trend of expansion seen is not as prevalent as it is downtown. Instead, bifurcation is positioned to continue as leasing in suburban space has been concentrated in a select few buildings instead of broad market activity. The one bright spot is active demand from public institutions, which could lift occupancy in 2027.

FIGURE 4: Submarket Net Absorption Highlighting Activity Greater than 40,000 sq. ft.



Source: CBRE Research, Q3 2026.

FIGURE 5: Current GMA Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Sublet Space (% of Vacant Space)	Net Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg. Net Asking Rent (PSF)	Avg. Additional Asking Rent (PSF)	Avg. Gross Asking Rent (PSF)
Central Core	25,272,857	16.3%	5.9%	178,897	391,360	0	\$21.92	\$22.82	\$44.74
Downtown South	7,466,342	16.4%	8.9%	-20,151	115,198	0	\$25.13	\$23.09	\$48.22
Downtown West	3,784,923	17.0%	0.9%	-32,693	14,862	0	\$18.83	\$19.68	\$38.51
Downtown East	5,825,767	14.1%	24.8%	-100,228	23,257	0	\$17.86	\$17.02	\$34.88
Old Montreal	3,314,422	25.0%	7.6%	17,072	-37,093	0	\$21.52	\$20.56	\$42.08
Atwater/Westmount	1,738,066	19.0%	10.9%	26,999	-33,172	0	\$24.57	\$18.39	\$42.96
CBD TOTAL	47,402,377	16.8%	8.3%	69,896	474,412	0	\$21.86	\$21.68	\$43.54
Midtown	16,699,949	20.4%	7.6%	142,370	67,652	0	\$16.81	\$14.37	\$31.18
West Island	8,318,789	15.0%	2.0%	251,314	257,526	0	\$17.23	\$14.24	\$31.47
Laval	3,916,140	19.3%	5.1%	40,960	-65,888	0	\$15.86	\$14.35	\$30.21
East End	1,908,312	22.7%	2.3%	18,857	17,655	0	\$14.83	\$18.52	\$33.35
South Shore	5,103,408	12.9%	12.1%	34,604	64,604	0	\$16.98	\$13.69	\$30.67
SUBURBAN TOTAL	35,946,598	18.1%	6.3%	488,105	341,549	0	\$16.66	\$14.57	\$31.23
GMA TOTAL	83,348,975	17.3%	7.4%	558,001	815,961	0	\$19.50	\$18.45	\$37.95
LOFT OFFICE	5,553,108	15.4%	9.6%	-27,420	27,317	0	\$18.00	\$9.90	\$27.90

Source: CBRE Research, Q3 2026.

Market Area Overview



Definitions

- Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage.
- Net :** 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 Space:** Space that can be occupied within 30 days.

New in this report

After reviewing methodology practices, Class AA properties have now been migrated into Class AAA or A, depending on their performance, discontinuing Class AA from being reported.

Survey Criteria

CBRE's market report analyses fully modern office buildings of 20,000+ sq. ft. across the GMA. 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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