

Leasing momentum drives first quarter of positive net absorption since Q2 2025

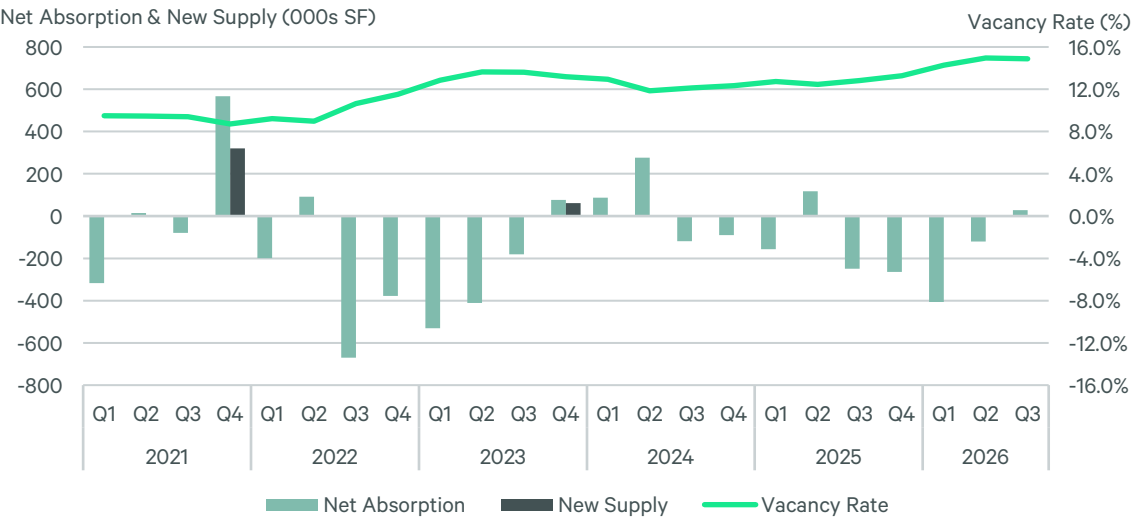


Note: Arrows indicate change from previous quarter.

Market Summary

- Market fundamentals continued to improve as Ottawa recorded its first quarter of positive net absorption since Q2 2025. Increased clarity surrounding the federal government's office portfolio and workplace strategy has helped bolster market confidence, supporting a more optimistic outlook for leasing activity in the short to medium term.
- Ottawa's office market recorded 28,000 sq. ft. of positive net absorption during the quarter, resulting in a 10 basis points (bps) decline in the overall vacancy rate to 14.9%. Flight-to-quality remained a key leasing driver, with Class A assets accounting for 112,000 sq. ft. of positive net absorption. Occupiers have continued to prioritize amenitized, higher-quality buildings.
- Select federal departments have reported insufficient space to accommodate current occupancy levels as part of the latest return-to-office mandate. Accordingly, PSPC issued an Expression of Interest in July to identify potential office vacancies capable of meeting future accommodation needs. While no commitments have been announced, these ongoing discussions have generated optimism among landlords regarding potential leasing demand.

FIGURE 1: Ottawa office market fundamentals



Source: CBRE Research, Q3 2026.

Office fundamentals improve due to increased market clarity and response to federal return-to-office mandate

Ottawa's office vacancy rate dropped by 10 bps this quarter, equating to 28,000 sq. ft. of positive net absorption. This marks Ottawa's first quarter of positive net absorption since Q2 2025, dropping from the market-high level of 15.0% in Q2 2026. Major deals this quarter include the Department of National Defense (DND) leasing 55,000 sq. ft. of office at 35 Fitzgerald Road and the Workplace Safety and Insurance Board (WSIB) leasing 38,000 sq. ft. of space at 340 Albert Street. Offsetting the absorption was the 102,000 sq. ft. of space at 2204 Walkley Road becoming available after being vacated by the Canada Revenue Agency.

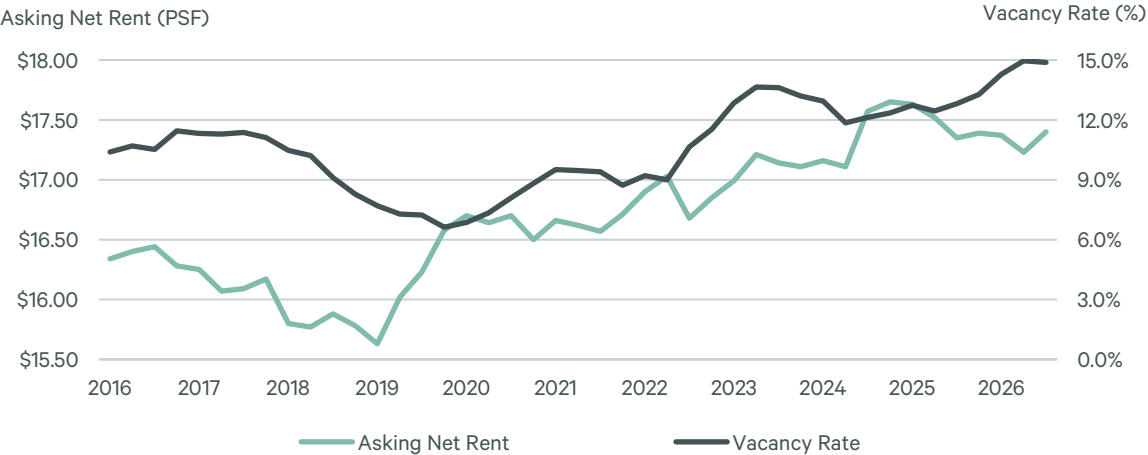
Net asking rents have seen a quarter-over-quarter increase, going from \$17.23 per sq. ft. in Q2 2026 to \$17.40 per sq. ft. Despite the noticeable jump this quarter, net rents have ultimately remained stable throughout the latter half of 2025 into 2026, with net rents seeing a year-over-year increase of only \$0.05 per sq. ft. from Q3 2025.

Overall, market confidence has improved significantly with the federal government's return-to-office mandates coming into effect in July 2026, coupled with PSPC's Expression of Interest to identify potential office vacancies capable of meeting future accommodation needs.. The discussions have [generated optimism for landlords and investors alike](#), who are expecting investment activity in office buildings to increase substantially for both domestic and international buyers.

Class A buildings drive net absorption as flight-to-quality continues

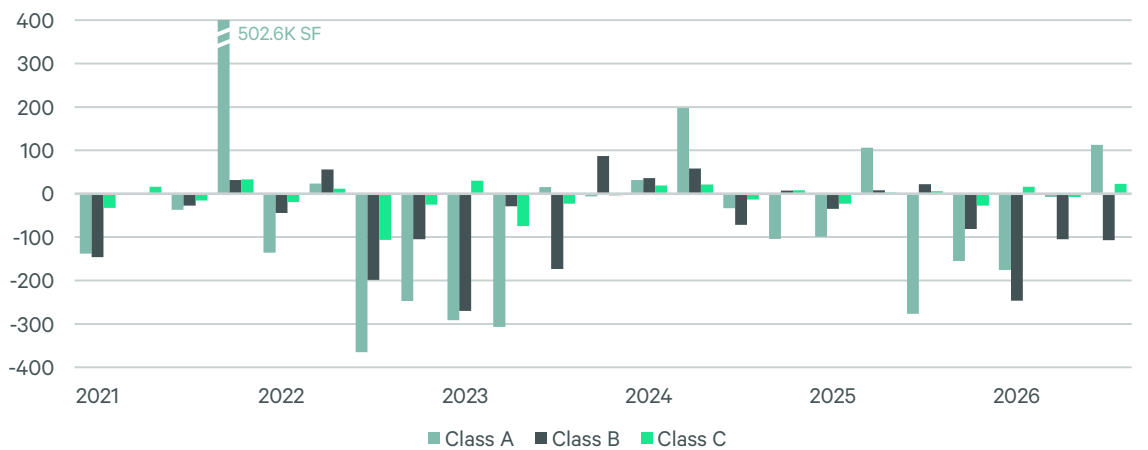
The trend of tenants choosing to prioritize higher-quality buildings has continued, with Class A assets accounting for 112,000 sq. ft. of positive net absorption this quarter. The extra benefits of occupying amenity-rich buildings have consistently guided potential tenants, with Class A assets consistently being the highest sources of positive net absorption over the past few years. Trophy assets are primed to receive an influx of new leasing volume with lower-class buildings being either renovated or possibly sold and repositioned.

FIGURE 2: Historical average net asking rent and vacancy rate



Source: CBRE Research, Q3 2026.

FIGURE 3: Quarterly absorption by office class (000s SF)



Source: CBRE Research, Q3 2026.

Central and suburban vacancy rates begin to converge as occupiers shift downtown

Ottawa's central and suburban office markets have experienced different changes in their underlying fundamentals. Despite the suburban vacancy rate being lower than the central vacancy rate in Q3 2026, there is a clear trend throughout 2026 of downtown office space seeing a drop in overall vacancy while suburban office space has experienced a continually increasing vacancy rate. This can be indicative of prospective tenants choosing to be near the city's core and having access to various amenities located in the immediate surrounding area.

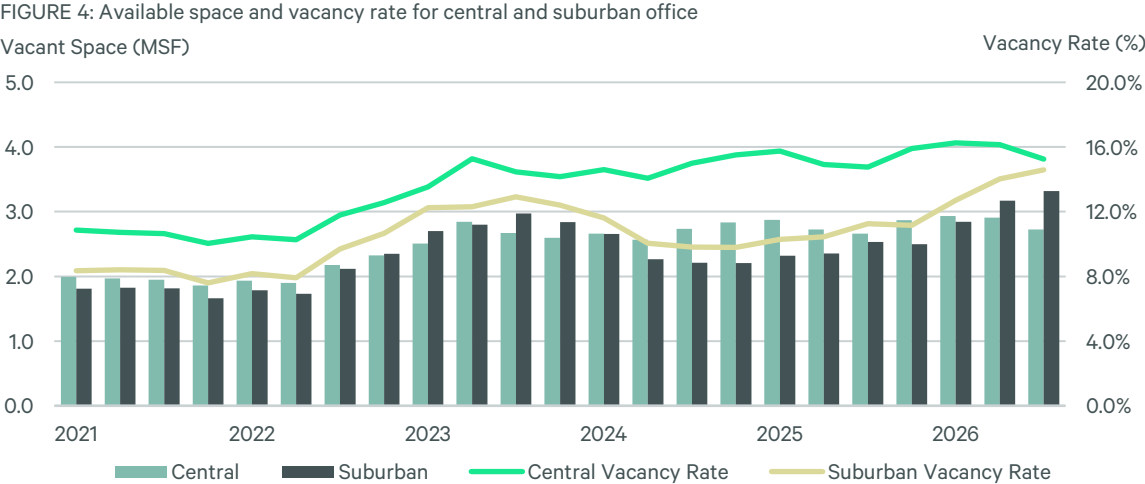
The fluctuations in vacancy can be attributed to standard leasing activity as well as evolutions in the office-to-residential conversion pipeline. Metcalfe Realty has [chosen to explore repositioning options](#) for its downtown assets at 85 Albert Street and 116 Albert Street, although no formal plan has been announced. In suburban areas, buildings such as 1601 Telesat Court have been relisted on the market after originally being slated for residential conversion, contributing to the overall vacancy.

As a result, many factors have had an influence on vacancy levels and have helped shape the differing trajectories of the central and suburban office markets.

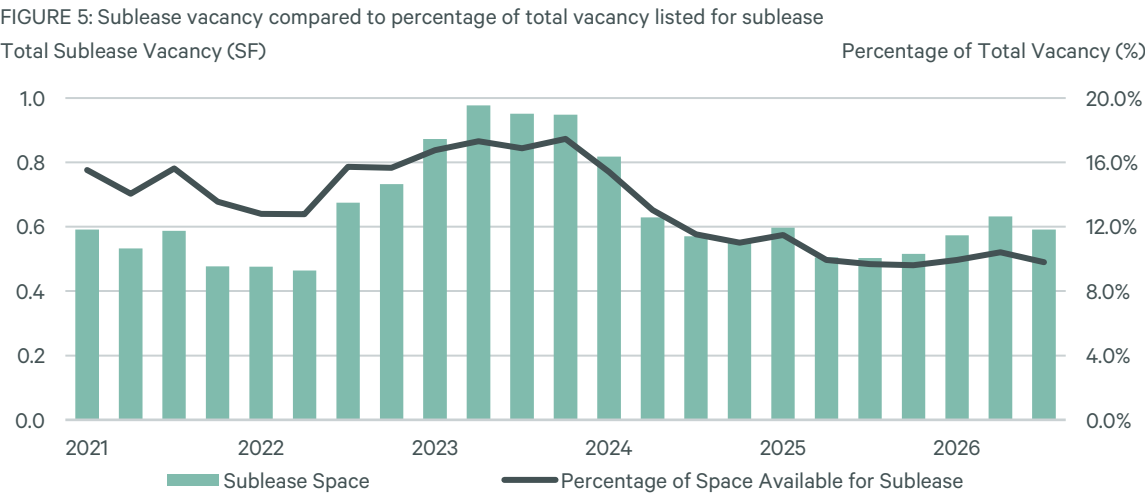
Sublease vacancy continues to be in a steady state after all-time market high

The sublease market has continued its trend of stability throughout 2026. There is currently 592,000 sq. ft. of office space available for sublease in Ottawa, accounting for 9.8% of all vacant space available. Ottawa experienced a market all-time high of vacant space for sublease in Q2 2023 but ultimately recovered and has remained stable ever since. Recent subleases include Robotics Centre Inc. taking over 71,000 sq. ft. of space at 365 March Road and Henry Schein Canada leasing 10,000 sq. ft. at 36 Steacie Drive.

As occupiers continue to right-size their space, sublease vacancies will continue to appear, but current market trends indicate that there is a healthy balance of spaces appearing on the market and eventually either being re-absorbed or occupied by a new tenant.



Source: CBRE Research, Q3 2026.



Source: CBRE Research, Q3 2026.

FIGURE 6: Notable office lease transactions

Size (SF)	Tenant	Address	Market
71,000	Robotics Centre Inc.	365 March Road	Kanata
55,000	Department of National Defense	35 Fitzgerald Road	Bells Corners/Crystal Beach
38,000	WSIB	340 Albert Street	Central Business District

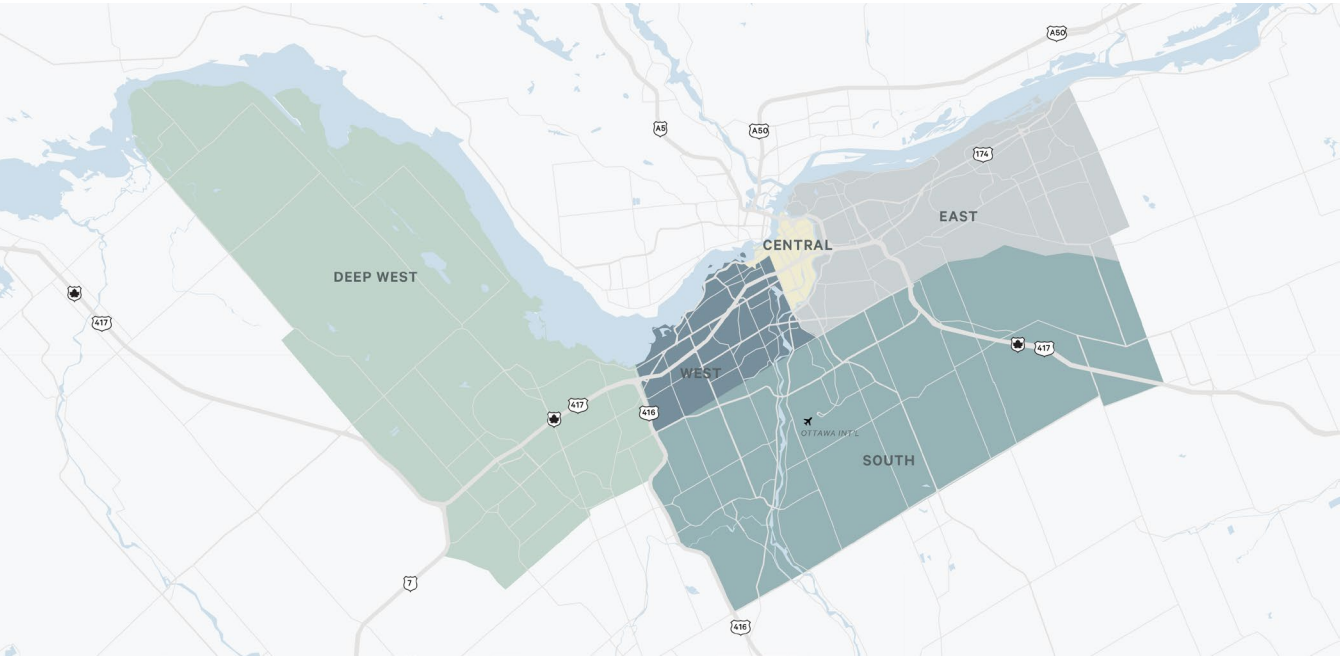
Source: CBRE Research, Q3 2026.

FIGURE 7: Office market statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Availability Rate (%)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Net Absorption (SF)	New Supply (SF)	Under Construction (SF)	Net Asking Rent (PSF)	T&O (PSF)
Central Business District (CBD)	15,007,872	14.1%	14.2%	1,801,807	312,512	37,011	0	0	\$20.64	\$21.38
Class A	10,215,197	13.1%	13.1%	1,049,295	283,867	14,971	0	0	\$23.82	\$23.52
Class B	4,224,824	15.0%	15.3%	611,662	23,888	549	0	0	\$16.88	\$18.98
Class C	567,851	25.6%	25.6%	140,850	4,757	21,491	0	0	\$13.22	\$15.83
Central (Excl. CBD)	2,846,230	21.4%	21.9%	588,392	20,348	28,460	0	0	\$17.25	\$16.62
Central	17,854,102	15.3%	15.5%	2,390,199	332,860	65,471	0	0	\$19.80	\$20.21
South	3,476,583	15.6%	16.8%	527,712	13,398	-150,937	0	0	\$15.77	\$15.57
East	4,963,467	14.6%	15.6%	689,303	35,413	11,836	0	0	\$15.29	\$17.94
West	6,700,292	14.4%	15.5%	929,918	32,680	21	0	0	\$16.29	\$17.74
Deep West*	7,598,227	14.3%	14.6%	911,042	177,445	101,522	0	0	\$14.73	\$15.13
Suburban	22,738,569	14.6%	15.4%	3,057,975	258,936	-37,558	0	0	\$15.51	\$16.63
TOTAL	40,592,671	14.9%	15.4%	5,448,174	591,796	27,913	0	0	\$17.40	\$18.20

*Kanata submarket makes up approximately 80% of the Deep West
Source: CBRE Research, Q3 2026.

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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