CBRE

Office inventory rebalances as demand shows signs of broadening

▼ 24.0%
Vacancy Rate

▼ $13.51
PSF Avg. Asking Lease Rate

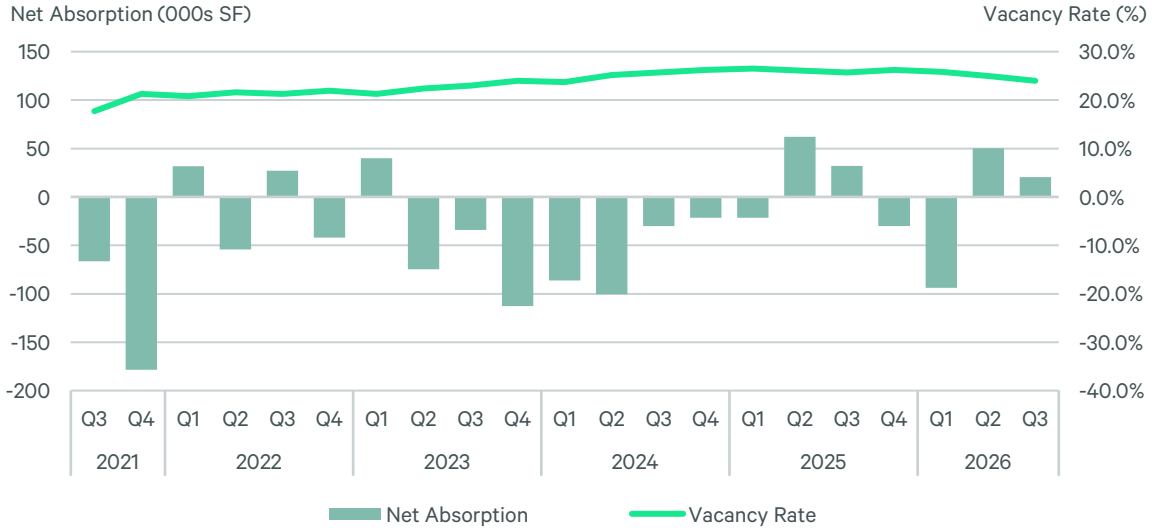
▼ 20K
SF Net Absorption

Note: Arrows indicate change from previous quarter.

Executive Summary

- London's office market maintained positive momentum in Q3, with improving conditions extending beyond the Class A and B properties that drove activity in the previous quarter. Class C recorded 58,797 sq. ft. of positive net absorption, outweighing the combined space returned by Class A and B properties.
- Available core sublease space remained 58.9% below its level a year earlier, providing further indication that occupiers are gradually working through London's available office inventory.
- 317,742 sq. ft. of space associated with planned residential conversions has exited the tracked inventory in 2026, supporting the market's gradual rebalancing despite softer employment and rental conditions.

FIGURE 1: London Fundamentals – Historical Analysis



Source: CBRE Research, Q3 2026.

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Class C absorption broadens office recovery

London's office market continued its gradual recovery in Q3, although the composition of demand shifted from the previous quarter. After Class A and B properties drove leasing activity in Q2, Class C space led absorption this quarter, recording 58,797 sq. ft. of positive net absorption and outweighing the combined space returned by Class A and B properties. Combined with available core sublease space remaining 58.9% below year-ago levels, the broadening of absorption into Class C provides an encouraging indication that demand may be progressively working through London's available office inventory.

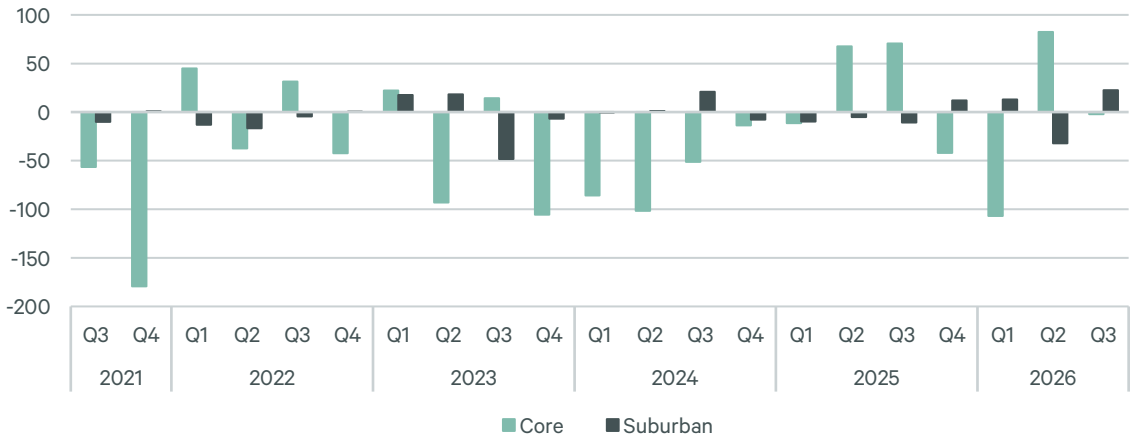
The improvement comes despite a softer local labour market, with London employment declining approximately 1.0% quarter-over-quarter in Q3 and unexpected job losses in August and September nationally.[1] Asking rents softened this quarter, although the decline was partly influenced by changes to the composition of tracked inventory, particularly in Core Class C where the removal of 424 Wellington Street lowered the segment average. Together, these trends suggest that the office recovery is continuing, but remains gradual rather than being driven by strong employment or rental-rate growth.

Inventory reductions support gradual market rebalancing

London's competitive office inventory continued to contract in Q3, with planned residential conversions accounting for a total of 317,742 sq. ft. removed from the tracked market in 2026. This includes three buildings owned by Farhi Holdings totalling 165,258 sq. ft. that exited the inventory this quarter, as well as 383-391 Richmond Street, which left earlier this year.

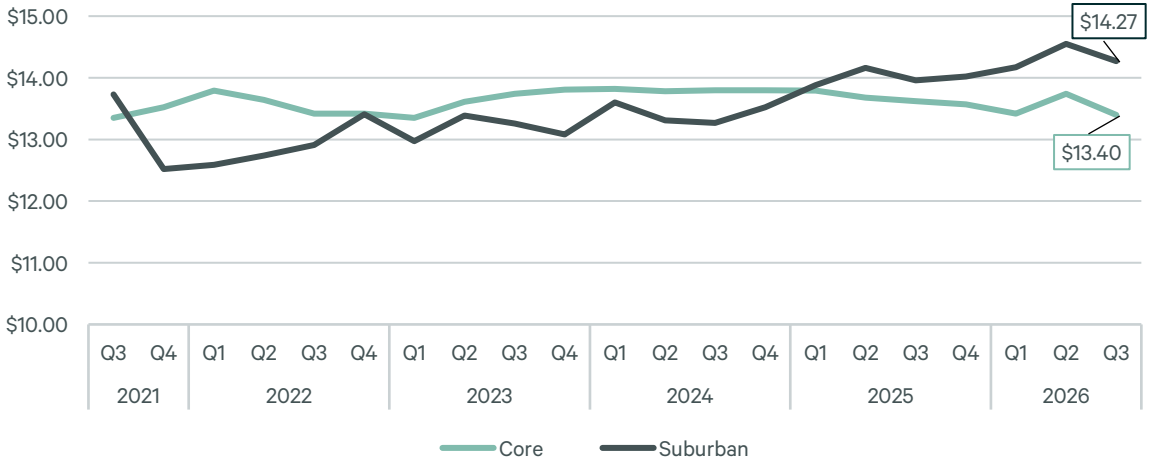
The reduction represents a meaningful step toward addressing the excess office inventory that has contributed to elevated vacancy in recent years. Combined with continued positive absorption, fewer buildings competing for tenants should gradually improve the balance between supply and demand. However, the impact of the planned conversions will depend on the projects proceeding, with timelines for the Farhi properties yet to be established.

FIGURE 2: Historical Core versus Suburban Net Absorption (000s SF)



Source: CBRE Research, Q3 2026.

FIGURE 3: Historical Core versus Suburban Rental Rates All Classes ($PSF)



Source: CBRE Research, Q3 2026.

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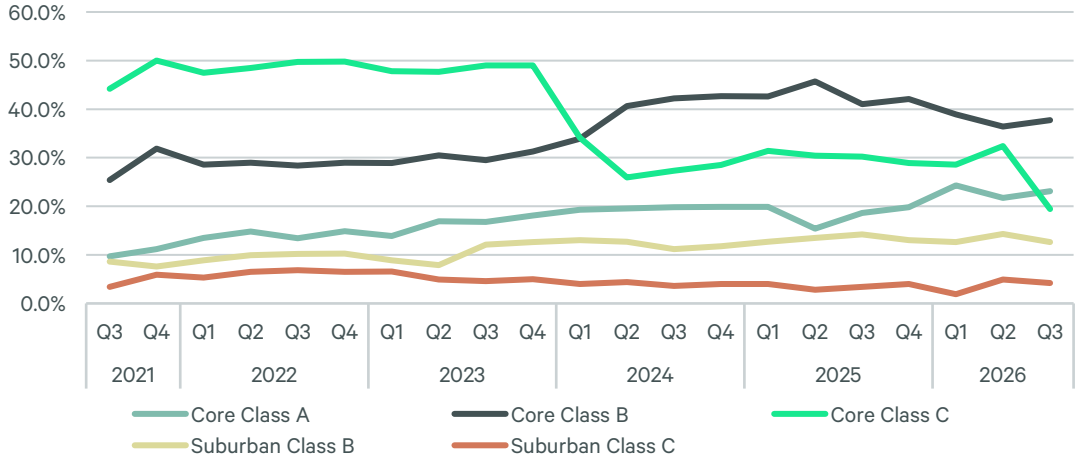
FIGURE 4: Historical Vacancy Rate by Class (%)



Source: CBRE Research, Q3 2026.

FIGURE 5: Historical Rental Rates ($PSF)

Source: CBRE Research, Q3 2026.

FIGURE 6: Year-over-Year Net Rental Change (%)

Source: CBRE Research, Q3 2026.

FIGURE 7: Q3 2026 Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Under Construction (SF)	Net Absorption (SF)	Net Asking Rent (PSF)
Core	4,110,326	29.1%	0	-2,026	$13.40
Suburban	1,559,529	10.6%	0	22,379	$14.27
London Total	**5,669,855**	**24.0%**	**0**	**20,353**	**$13.51**

Source: CBRE Research, Q3 2026.

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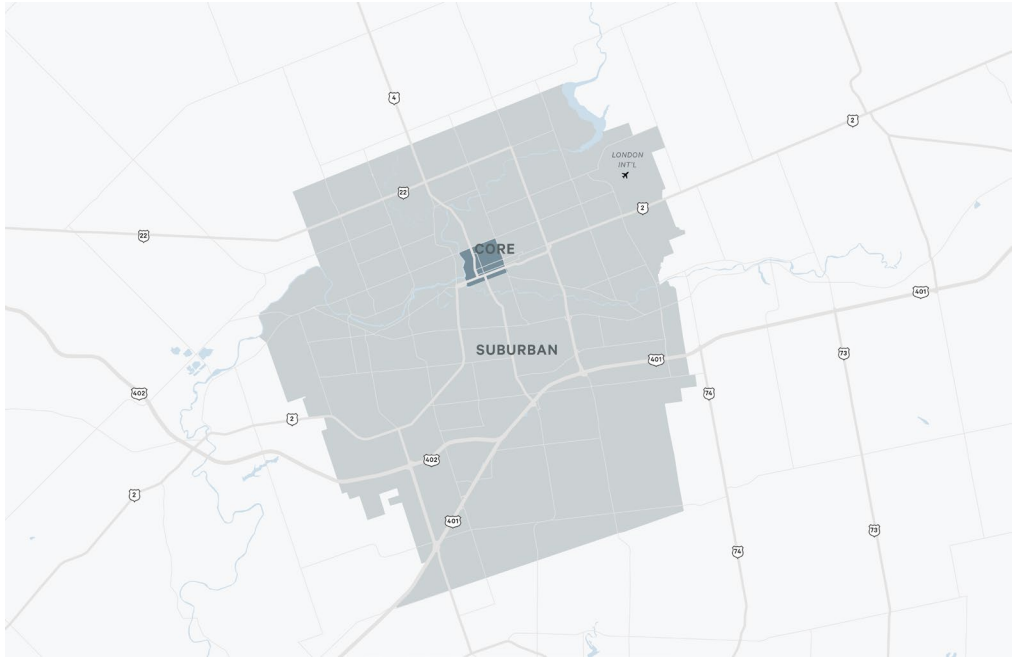
Market Area Overview



Definitions

Vacant sq. ft.: Space that can be occupied within 30 days.
Vacancy Rate: Total vacant sq. ft. divided by the total building area.
Available sq. ft.: Existing space in a building, ready for occupancy within three months; can be occupied or vacant.
Availability Rate: Total available sq. ft. divided by the total building area.
Average Net Asking Lease Rate: A calculated average of the net lease rate weighted by its corresponding available square footage; building must be existing, not under construction or planned.
Gross Lease Rate: Average asking lease rate in addition to real property taxes, building insurance, and maintenance.
Net Absorption: The change in occupied sq. ft. from one period to the next.
Occupied sq. ft.: Inventory subtracted by total available sq. ft.

Survey Criteria

Includes all existing office availabilities 500 sq. ft. and greater in size in London.
Under construction is defined by buildings which have begun foundation work or otherwise has foundations in place.

Notes

1. Statistics Canada, Oxford Economics. Forecasts are consistent with Oxford Economics' national outlook published on September 21, 2026

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