

Federal office mandate provides optimism despite large vacancies coming to market

▲ 14.3%

Vacancy Rate

▼ -413K

SF Net Absorption

▶ 36K

SF Under Construction

▼ \$17.37

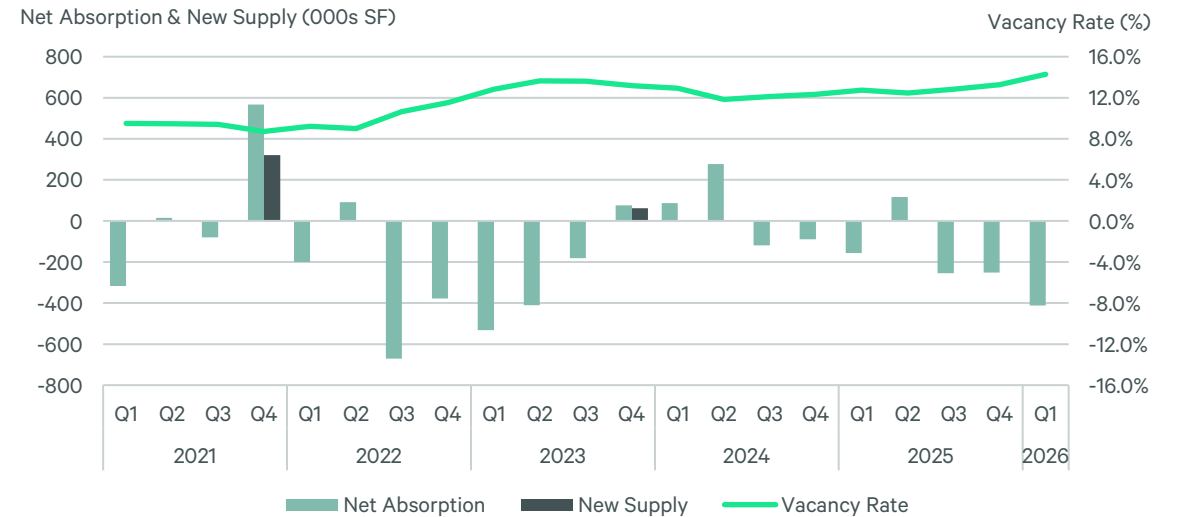
PSF Net Asking Rental Rate

Note: Arrows indicate change from previous quarter.

Market Summary

- Ottawa’s office vacancy rate saw a quarter-over-quarter increase of 100 basis points (bps) to 14.3%. This equates to 413,000 sq. ft. of negative net absorption. This was largely driven by previously government-occupied spaces coming to market such as 114,000 sq. ft from the former “Revlon Building” at 1550 Carling Avenue and 112,000 sq. ft. at 59 Camelot Drive.
- In regard to the federal government, the further reduction of their workforce has continued to apply a pronounced pressure on Ottawa’s labor market. Additionally, the federal government has issued a return-to-office mandate, with public servants going back at least four days a week. Concerns from real estate community and federal unions have emerged regarding the mismatch between the long-term plan to downsize the federal government’s office portfolio and their new in-office policy.
- Ottawa’s transit system has faced increased pressures with bus cancellations, train disruptions, and delays to the Line 1 extension, resulting in many experts and workers concerned about the upcoming office mandate. Progress has been steady with new bus acquisitions and transit priority projects underway. Other projects with progress include the ByWard Market revitalization plan and the Alto High-Speed Rail project.

FIGURE 1: Ottawa Office Market Fundamentals



Source: CBRE Research, Q1 2026.

Central and suburban offices see rent prices hold despite availability increase

Across Ottawa, average net asking rents have remained at their current levels throughout a period of continued negative net absorption. Ottawa’s total office vacancy rate has seen a year-over-year increase of 160 bps, going from 12.7% to 14.3%, driven by large block vacancies such as 114,000 sq. ft. at 1550 Carling Avenue and 112,000 sq. ft. at 59 Camelot Drive. Despite this increase, lessors have remained confident in their ability to keep rent prices at current market value. In central regions, average net asking rents have seen a minimal year-over-year decrease, going from \$19.57 per sq. ft. in Q1 2025 to \$19.41 per sq. ft. Suburban areas have experienced a slight uptick in rent prices, with average net asking rents seeing a year-over-year increase from \$15.14 in Q4 2025 to \$15.27.

As the year continues, downtown office space may see an increase in rental rates as vacancies are absorbed due to more firms choosing to have employees in-office. Additionally, as older office buildings are converted to residential projects, supply may diminish and drive prices up.

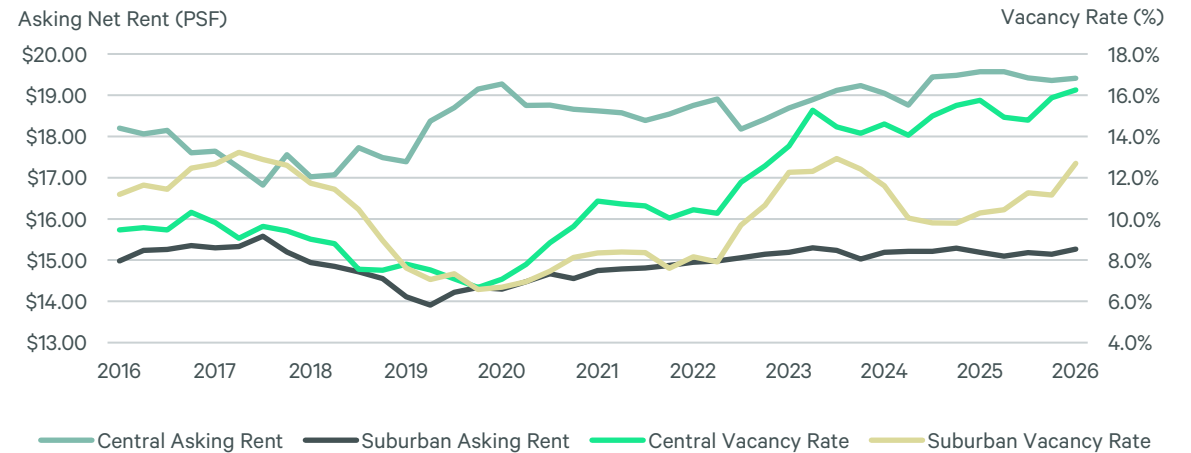
Subleases continue to normalize below peak vacancy

Sublease vacancies have seen a moderate rise this quarter with 573,000 sq. ft. of space available, up 63,000 sq. ft. from Q4 2025. A significant portion of this increase can be attributed to Satcom Direct Avionics listing 34,000 sq. ft. of space for sublease at 1260 Teron Road.

In Ottawa, sublease vacancy accounts for 9.9% of all available space in Ottawa and 1.4% of the total inventory, numbers that have remained stable within the last year. Despite the increase in Q1 2026, sublease vacancy has seen an overall large decline in volume since its peak of 977,000 sq. ft. in Q2 2023. This came from a mix of positive net absorptions, with sublistings expiring or being terminated as well as lessors choosing to retain their space.

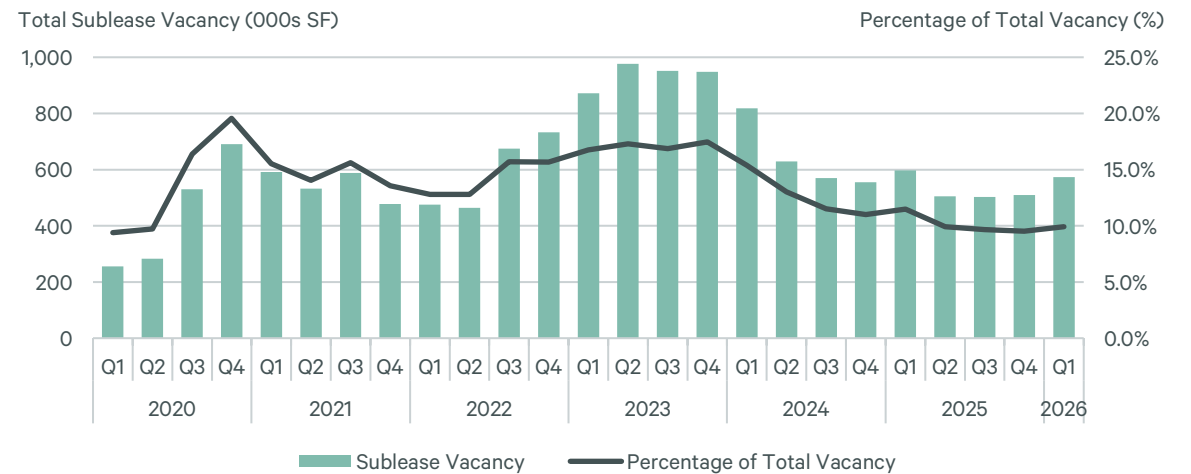
Going forward, return-to-office mandates, smarter workplace optimization, and increasing market confidence provide a stable framework for the sublease vacancy to trend towards pre-pandemic levels.

FIGURE 2: Historical Average Net Asking Rent and Vacancy Rate in Central and Suburban Office



Source: CBRE Research, Q1 2026.

FIGURE 3: Total Sublease Vacancy and Percentage of Total Vacancy Listed For Sublease



Source: CBRE Research, Q1 2026.

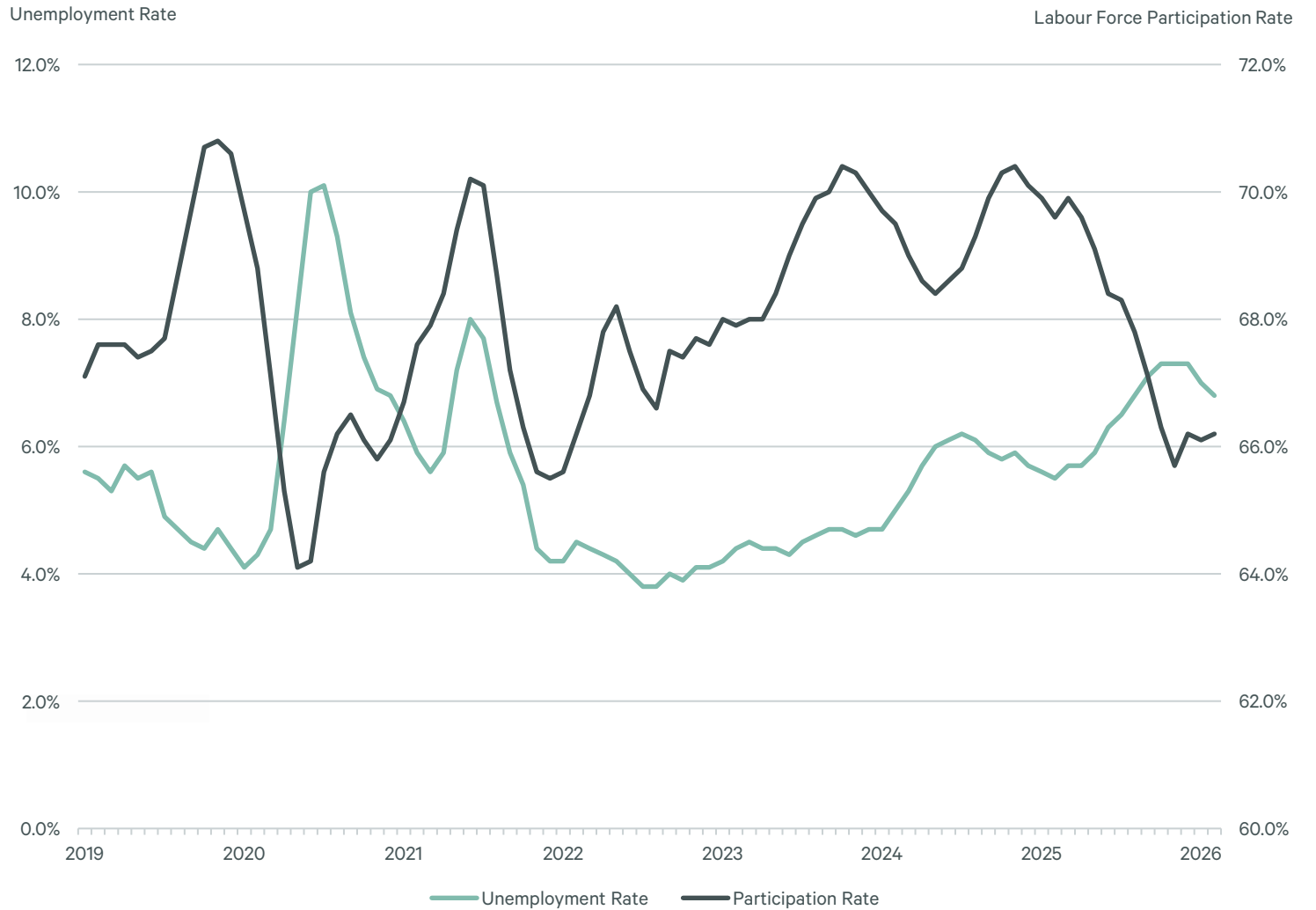
New federal office mandate for public servants provides both optimism and concerns

The federal government implemented a [new return-to-office mandate for their public servants](#), with executives returning full-time by May and all other workers returning to the office at least four days a week. This has provided the real estate community with some optimism that this could translate into increased leasing momentum and improved fundamentals in the later half of 2026.

Nonetheless, many federal workers and experts have expressed concern, such as the implementation of the policy and strain on current public transit. The availability of space remains a major issue with many stakeholders and workers citing [a lack of adequate office space to support a four-day in-office mandate](#). Additionally, the federal government has outlined further how they plan to reduce the size of their departments, with many workers having received letters of termination or early retirement.

Although Ottawa’s unemployment rate and labour participation rate had been negatively trending in the back half of 2025, the labour market has shown signs of improvement in the early months of 2026. Furthermore, [PSPC has also acquired another office building at 131 Queen Street from Morguard for \\$148.2 million](#). Purchased in February 2026, this sale represents another federal acquisition for buildings near Parliament Hill, following its purchase of 181 Queen Street in March 2024.

FIGURE 4: Ottawa’s Historical Unemployment Rate and Labour Force Participation Rate



Source: Statistics Canada, CBRE Research, Q1 2026.

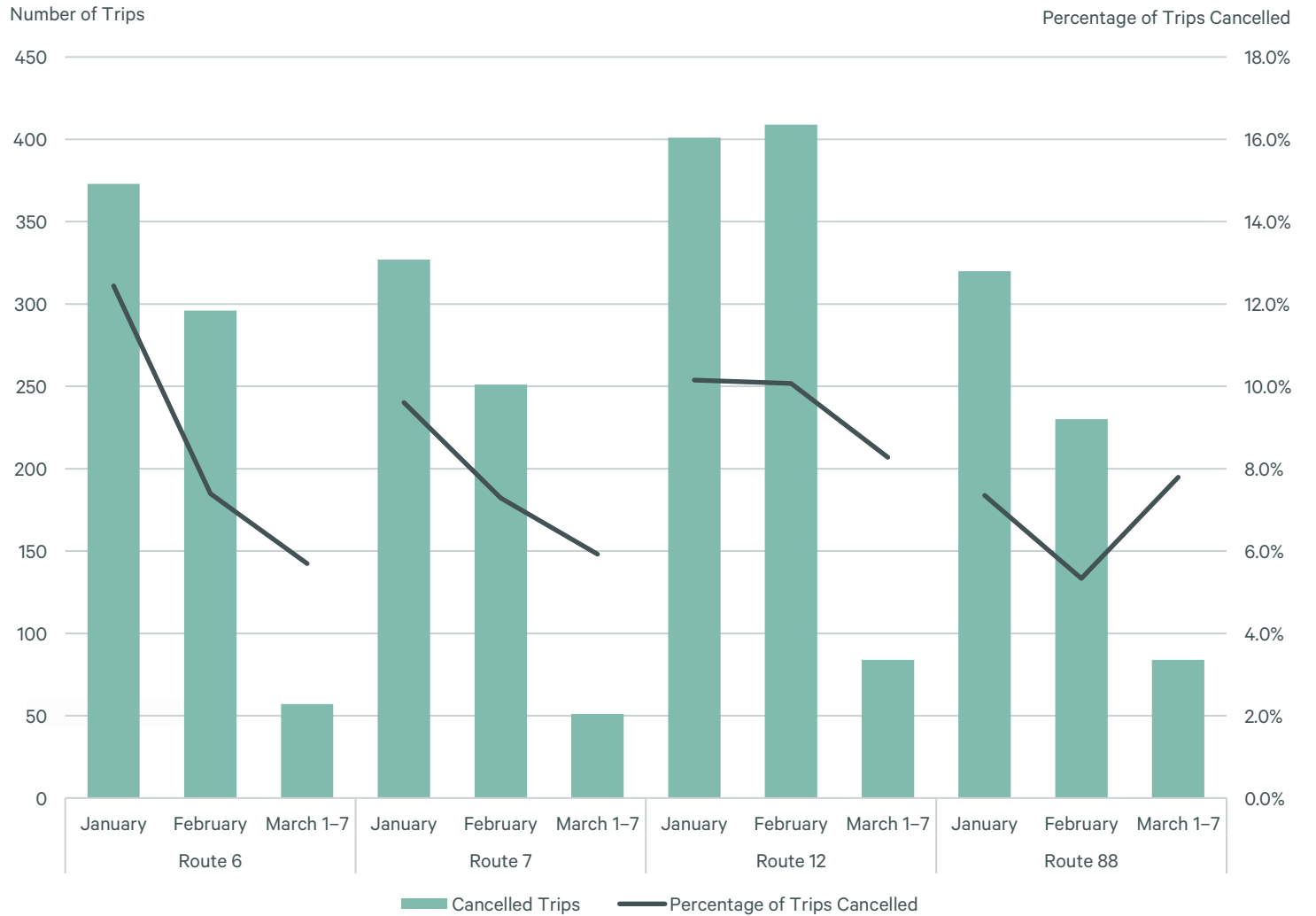
More city-level projects inbound for Ottawa amid ongoing challenges to transit

OC Transpo has experienced some setbacks as [bus cancellations](#) and [reduced train capacities](#) plagued the transit system while [Line 1's east extension has been delayed to mid-2026](#). Excluding weather events, these service disruptions were due to combination of issues such as bus and operator availability, mechanical breakdowns, and on-street adjustments, with these issues likely stemming from [OC Transpo's ongoing budget deficit](#). Different experts, politicians, and advocacy groups have [vocalized concerns about the current state of transit](#), especially with the federal office mandate coming in May.

Nevertheless, there was continued progress to replace OC Transpo's aging bus fleet and hire more drivers and mechanics. Different transit priority projects such as the [Bank Street Corridor](#) also provide optimism at improving transit efficiency and reducing downtown congestion.

Furthermore, Ottawa has inched closer towards realizing the ByWard Market revitalization after the city council approved several key amendments in the plan. The [\\$200-million proposal](#) includes transforming key historic buildings into vibrant public spaces, pedestrianizing certain sections of the plaza, and increased social and capital infrastructure investment for downtown social services. Additionally, the Alto High-Speed Rail project observed more progress, with [Ottawa-Montreal being chosen as the first segment to start on](#). Alto has kicked off the public engagement process, with [Mayor Mark Sutcliffe endorsing bringing the rail station to the former Union Station in downtown](#).

FIGURE 5: Number of Cancelled Trips and Percentage of Scheduled Trips Cancelled from January to March by OC Transpo Bus Route



Source: OC Transpo, CBRE Research, March 2026.

FIGURE 6: Notable Office Lease Transactions

Size (SF)	Tenant	Address	Market
22,000	SkyAlyne Canada	3000 Solandt Road	Kanata
20,000	Adobe Canada	343 Preston Street	Tunney's Pasture
11,600	Government of the Grand Duchy of Luxembourg	45 O'Connor Street	Central Business District

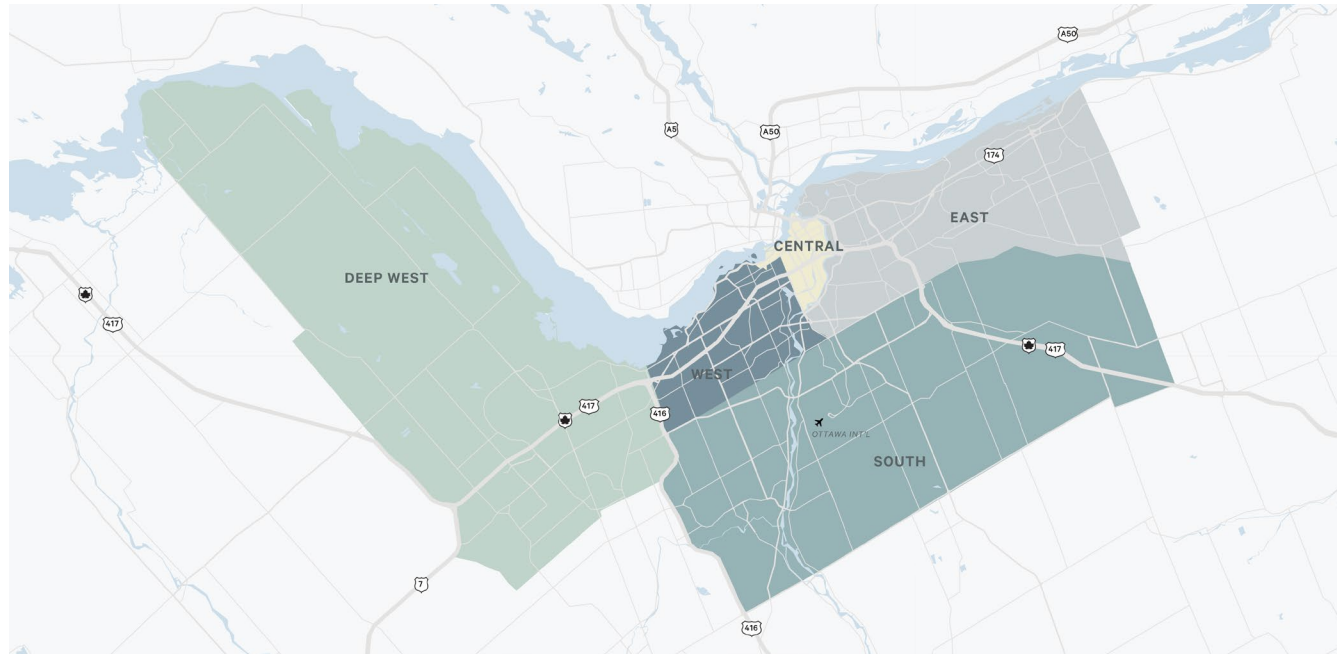
Source: CBRE Research, Q1 2026.

FIGURE 7: 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	15.2%	15.6%	2,055,173	257,790	-73,251	0	0	\$20.05	\$21.15
Class A	10,215,197	13.4%	13.8%	1,130,981	234,986	-38,540	0	0	\$23.83	\$23.92
Class B	4,315,349	16.5%	16.6%	706,590	5,128	-40,049	0	0	\$16.31	\$18.29
Class C	658,044	35.8%	36.4%	217,602	17,676	5,338	0	0	\$12.53	\$16.03
Central (Excl. CBD)	2,846,230	21.7%	22.6%	585,152	33,590	4,724	0	0	\$17.16	\$16.62
Central	18,034,820	16.3%	16.7%	2,640,325	291,380	-68,527	0	0	\$19.41	\$20.15
South	3,475,535	12.3%	17.0%	425,727	3,092	-192,322	0	0	\$15.58	\$15.22
East	4,748,546	9.4%	9.5%	424,468	19,869	-2,902	0	0	\$15.42	\$19.48
West	6,589,292	11.7%	13.2%	749,581	24,328	-58,912	0	0	\$15.88	\$14.62
Deep West*	7,567,464	15.8%	17.1%	960,770	234,723	-90,093	0	36,000	\$14.59	\$15.45
Suburban	22,380,837	12.7%	14.3%	2,560,546	282,012	-344,229	0	36,000	\$15.27	\$15.84
TOTAL	40,415,657	14.3%	15.4%	5,200,871	573,392	-412,756	0	36,000	\$17.37	\$18.02

*Kanata submarket makes up approximately 80% of the Deep West
 Source: CBRE Research, Q1 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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