Core footprint expansion drives strongest absorption since 2017

▼ 25.0%
Vacancy Rate

▲ $13.85
PSF Avg. Asking Lease Rate

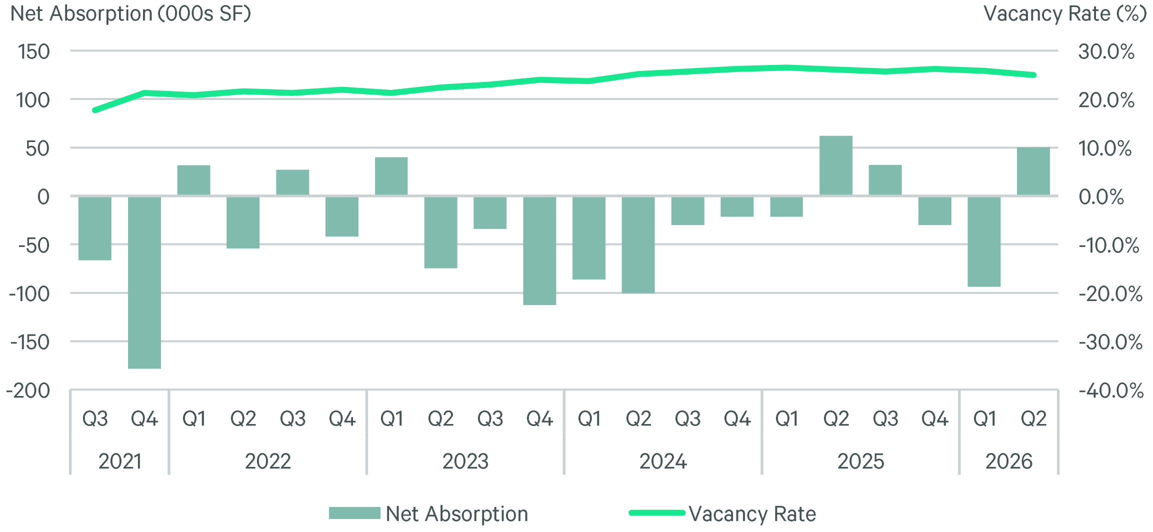
▲ 50K
SF Net Absorption

Note: Arrows indicate change from previous quarter.

Executive Summary

- London's office market recorded 50,000 sq. ft. of positive net absorption in Q2 2026, driven primarily by leasing activity in Core Class A and B buildings.
- The overall vacancy rate decreased 80 basis points (bps) to 25.0%, with broad-based improvements across the Core as downtown leasing activity and occupancy growth reduced available space.
- The London City Center complex accounted for a significant share of net absorption through new tenant commitments and an increasing in-person headcount.
- Net asking rents increased 2.6% quarter-over-quarter to $13.85 per sq. ft., supported by continued demand for higher-quality office space and growth in office-using employment.

FIGURE 1: London Fundamentals – Historical Analysis



Source: CBRE Research, Q2 2026.

Class A and B spaces drive office demand

In a reversal from the preceding quarters, Core Class A and B office experienced a significant decrease in vacancy, resulting in a quarter of positive absorption for the City of London. Notably, at 29.6%, London's Core vacancy rate is now below that of the Waterloo Region, and quarterly net absorption was the highest in nearly a decade, at 82,000 sq. ft. London City Center saw nearly 48,000 sq. ft. of absorption alone due to a combination of leasing activity, the conversion of office space into a shared tenant space, and TD Bank (the complex's largest occupier) expanding it's in-person employee headcount. Downtown as a whole saw several new tenants arrive in recent months, including those new to London, and others relocating from the suburbs. This signals the continuation of the return-to-office trend, which remains concentrated in high quality space with amenities that create an attractive workspace.

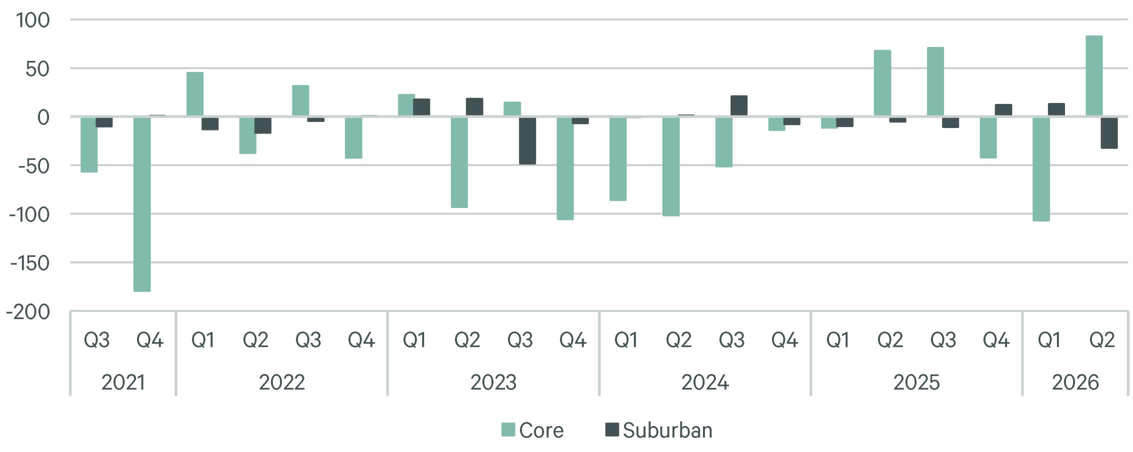
Vacancy mixed, rental rates firmed across the board

Consistent with the ongoing flight-to-quality trend, suburban office vacancy rose to 12.0% this quarter from 9.9%, suggesting demand growth is the strongest among Class A office product. Rental rates advanced city wide however, increasing 2.4% to $13.74 per sq. ft. in the Core and 2.7% to $14.55 per sq. ft. in the suburbs quarter-over-quarter.

Financial sector growth supports occupier demand

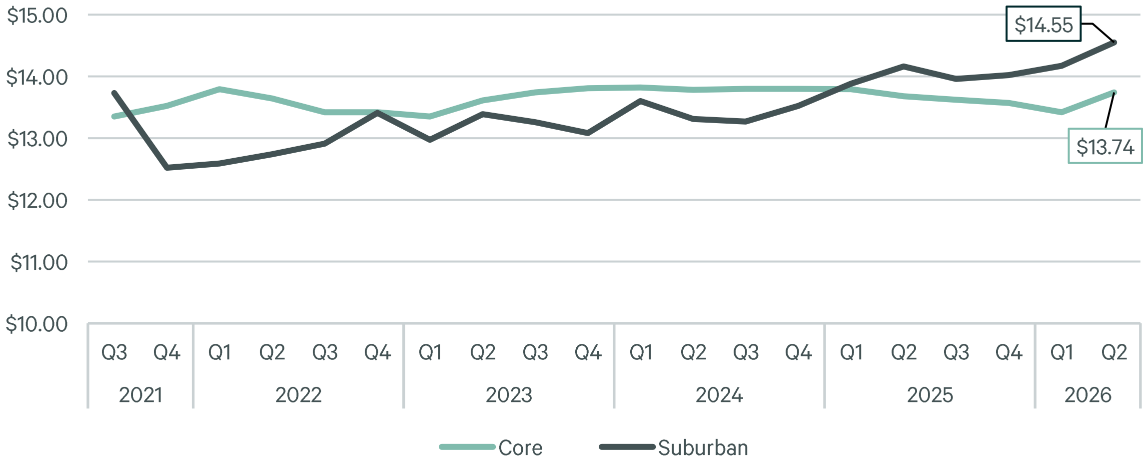
Several of London's employment and broader economic measures improved during the second quarter. Most notably, the city's GDP grew at a rate of 10.0% annualized, and the unemployment rate dropped from 9.2% to 7.5% quarter-over-quarter, albeit alongside a falling labour force participation rate and total employment level. Despite the overall nominal employment decrease, an aggregate of office-occupying employment grew modestly by 0.9%, showing resilience.[1] The financial sector served as a major contributor to growth, with Q2 earnings of the big five banks up over 20.0% year-over-year, and an index comprising of the same companies nearly doubling,[2] reflecting strong investor confidence in the sector. The improving fundamentals of downtown London's biggest occupiers and resulting in-person employment growth is a positive sign for long term demand for high quality office space in the city.

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



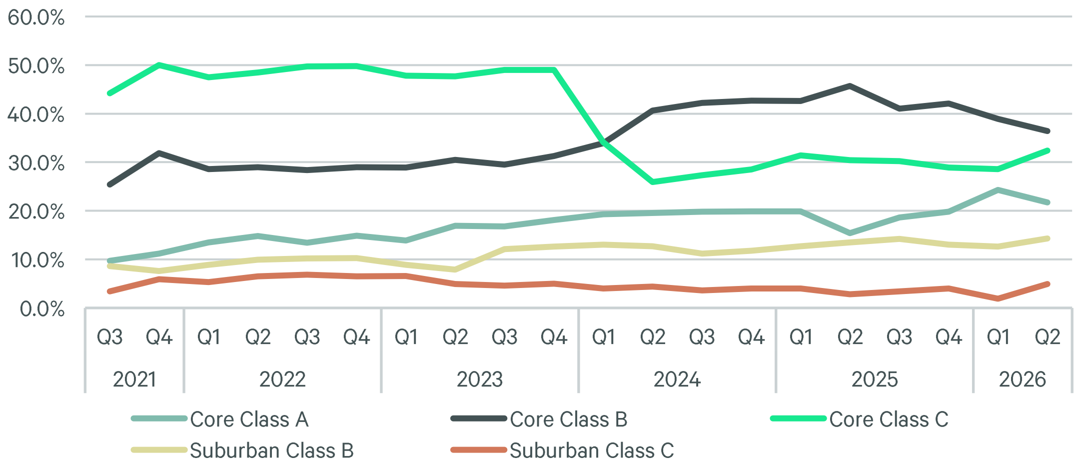
Source: CBRE Research, Q2 2026.

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



Source: CBRE Research, Q2 2026.

FIGURE 4: Historical Vacancy Rate by Class (%)

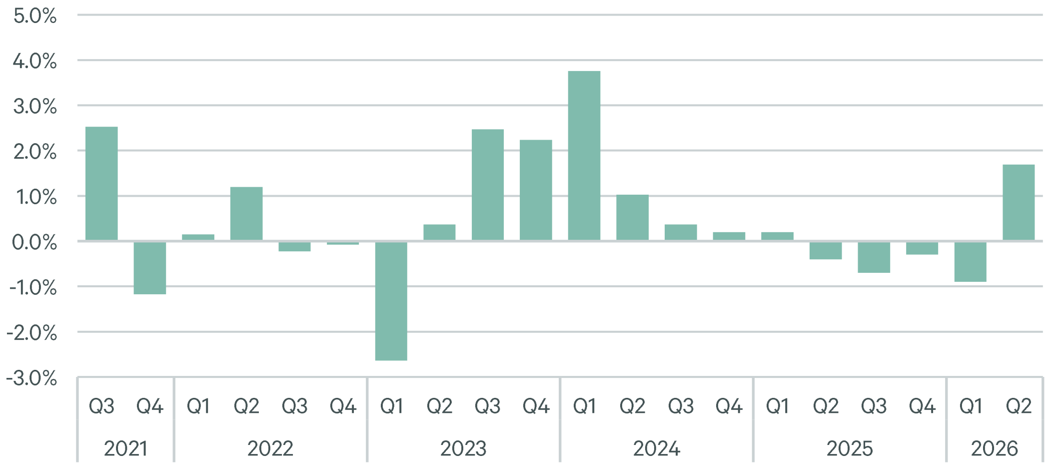


Source: CBRE Research, Q2 2026.

FIGURE 5: Historical Rental Rates ($PSF)

Source: CBRE Research, Q2 2026.

FIGURE 6: Year-To-Date Net Rental Change (%)



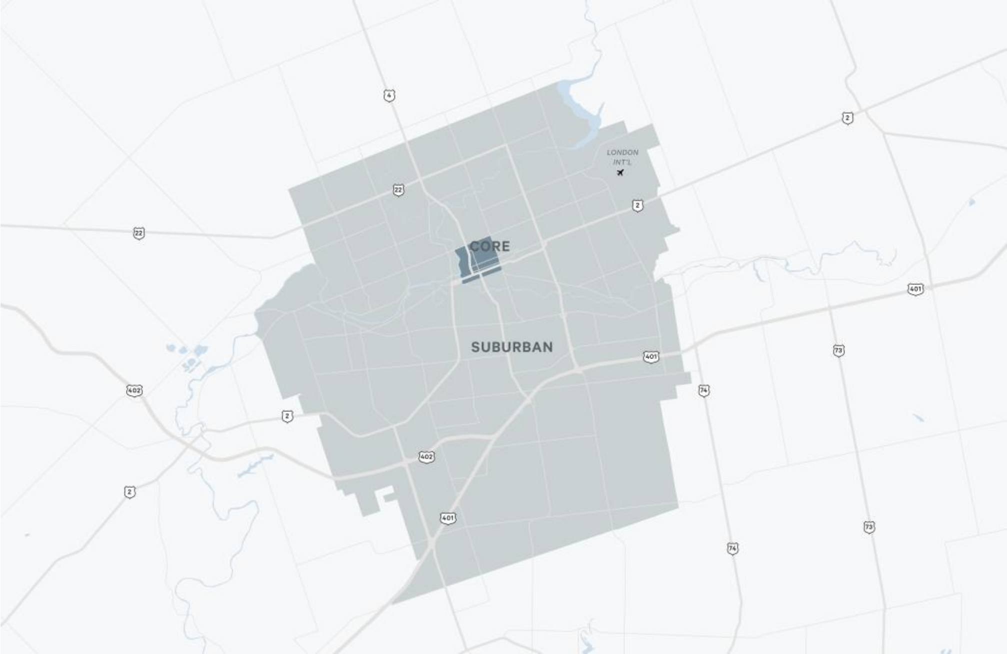
Source: CBRE Research, Q2 2026.

FIGURE 7: Q2 2026 Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Under Construction (SF)	Net Absorption (SF)	Net Asking Rent (PSF)
Core	4,380,809	29.6%	0	82,380	$13.74
Suburban	1,559,529	12.0%	0	-32,041	$14.55
London Total	**5,940,338**	**25.0%**	**0**	**50,339**	**$13.85**

Source: CBRE Research, Q2 2026.

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; June 2026 forecast update. Forecasts are consistent with Oxford Economics' national outlook published on 19 June 2026
2. Big Five bank earnings based on quarterly earnings releases and reports to shareholders for RBC, TD, BMO, Scotiabank and CIBC; index performance based on the Solactive Equal Weight Canada Banks Index GTR, ISIN DE000SLA3UC1

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