

Market uncertainty continues to weigh on core office availability

▼ 25.8%

Vacancy Rate

▼ \$13.50

PSF Avg. Asking Lease Rate

▼ -111K

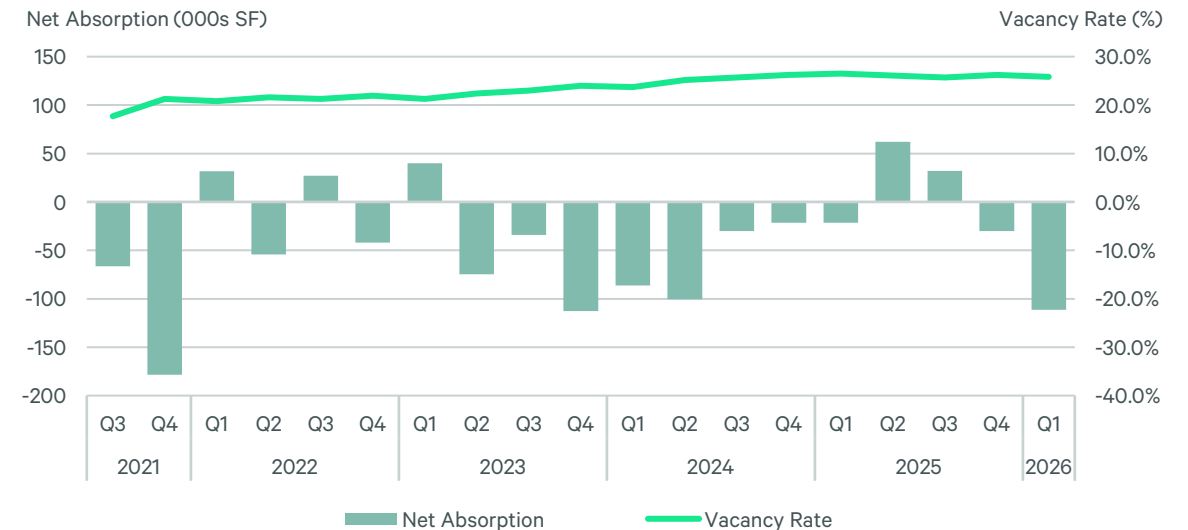
SF Net Absorption

Note: Arrows indicate change from previous quarter.

Executive Summary

- Overall office net absorption recorded its second consecutive quarter of negative net absorption, with over 110,000 SF coming back to market this quarter. This was driven by core activity, which recorded around 124,000 sq. ft. of negative absorption this quarter.
- Core vacancy rates remained flat quarter-over-quarter, remaining at 31.5%. It is expected to see vacancy rates drop in the coming years, as there are multiple Class B spaces in the Core that will most likely be converted into residential and mixed-use spaces.
- There was a Class B core office building at 383-391 Richmond Street (former Royal Bank building) that was announced as the next conversion project for the core. Farhi Holdings plans to build two mixed-use residential/commercial buildings on the site.
- Overall Net asking rents remained stable this quarter, dropping less than 1.0% to \$13.50 per sq. ft., while class A net asking rents dropped 2.2% to \$14.48 per sq. ft.

FIGURE 1: London Fundamentals – Historical Analysis



Source: CBRE Research, Q1 2026.

Class A core activity drives negative net absorption

Q1 2026 marks the third straight quarter of negative net absorption for Class A office space in the core. Over 84,000 sq. ft. of Class A office space in the core came back to market this quarter. The market continues to see the trend of right-sizing, where key office tenants are scaling back their office footprint to match their operation’s needs. There are a few key tenants in the market that should absorb the newly vacated spaces in the core over the next couple of quarters.

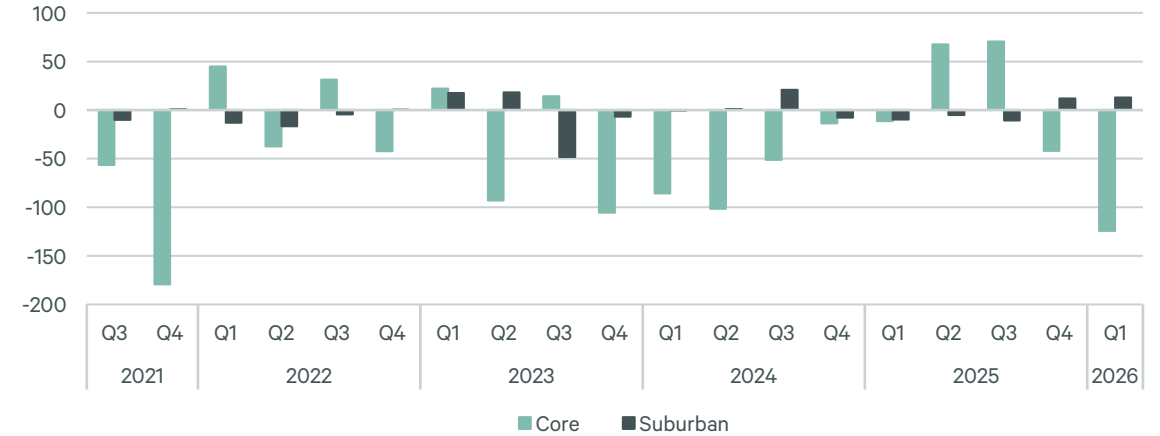
Net asking lease rates slightly decline

Across the board net rental rates dropped, with overall rates lowering around 1.0% to \$13.50 per sq. ft. The main driver of net rental rate movement was core office space, where the majority of London office inventory resides. Class A core office space saw net rental rates drop 2.2% to \$14.48 per sq. ft., largely caused by Class A space coming back to market. We also saw Class C office space drop to its lowest rates in 3-years, reaching \$13.64 per sq. ft. Suburban rates held steady, recording no notable changes.

Quarter highlighted by core conversion project

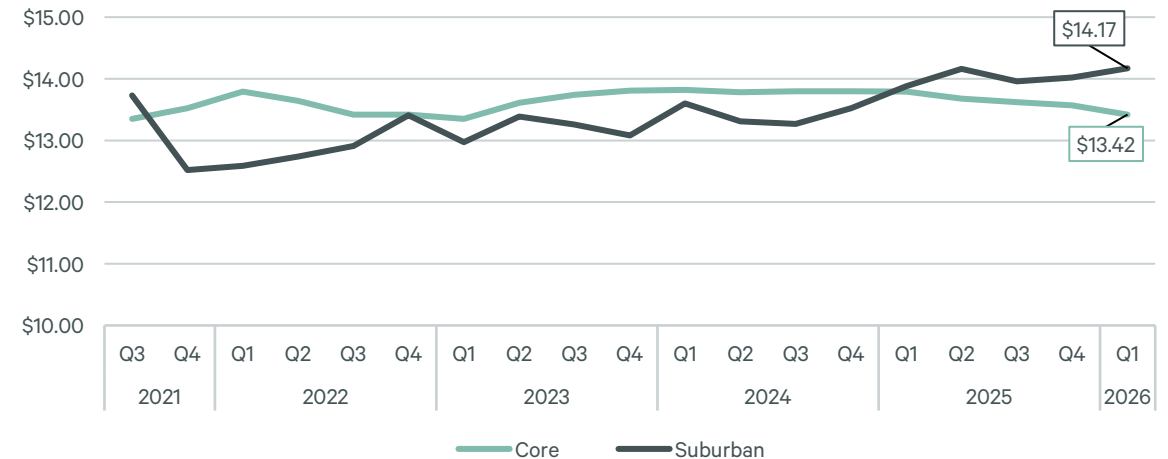
The highlight of Q1 2026 was two relatively major conversion projects announced for core office space. The first being a two-phase conversion of the former Royal Bank Building at 383-391 Richmond Street, where owner Farhi Holdings has announced a proposition to convert the building into a 140-unit residential building as phase 1 of the project, then another 352 units as phase 2 of the project. This conversion is in response to the housing shortage in London and aids in bringing down core vacancy for Class B office space. These conversion projects aid in providing housing for London but also make London’s stats appear more attractive for real estate investors and new tenants.

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



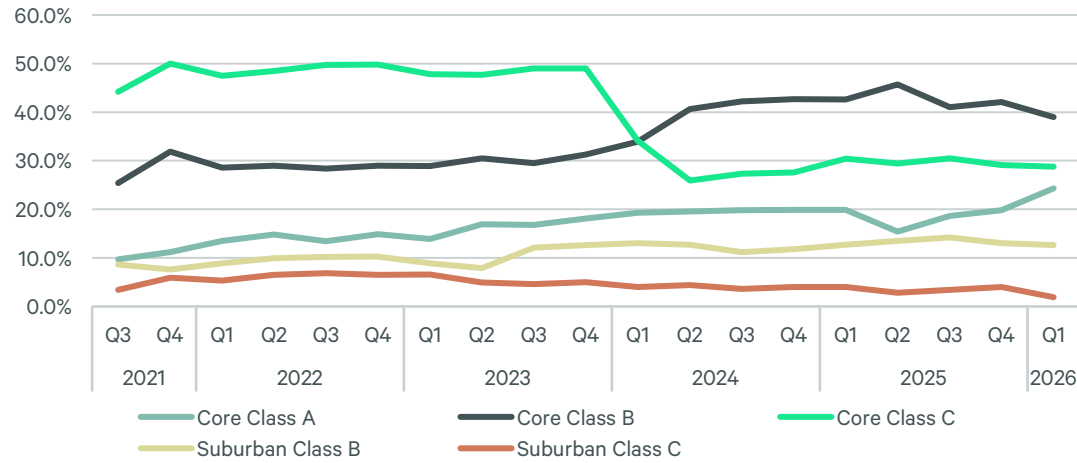
Source: CBRE Research, Q1 2026.

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



Source: CBRE Research, Q1 2026.

FIGURE 4: Historical Vacancy Rate by Class (%)



Source: CBRE Research, Q1 2026.

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



Source: CBRE Research, Q1 2026.

FIGURE 5: Historical Rental Rates (\$PSF)



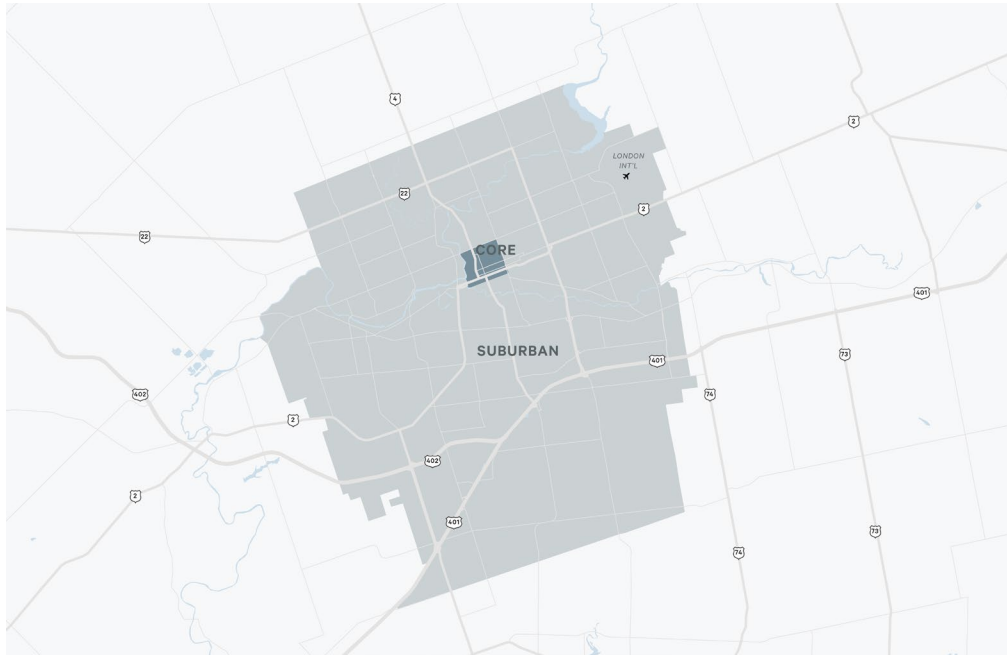
Source: CBRE Research, Q1 2026.

FIGURE 7: Q1 2026 Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Under Construction (SF)	Net Absorption (SF)	Net Asking Rent (PSF)
Core	4,350,625	31.5%	0	-124,235	\$13.42
Suburban	1,559,529	9.9%	0	12,910	\$14.17
London Total	5,910,154	25.8%	0	-111,325	\$13.50

Source: CBRE Research, Q1 2026.

Market Area Overview



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