

MARKETBEAT

CANADIAN NATIONAL

OFFICE Q3 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
15.6% Vacancy Rate	▼	▼
2.8M YTD Net Absorption, SF	▲	▲
$43.30 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
20.9M Total Nonfarm Employment	▲	▲
5.4M Office Using Employment	▲	–
6.5% Canadian Unemployment Rate	▼	▲

Source: Statistics Canada
September 2026 Labour Market Survey

ECONOMIC OUTLOOK

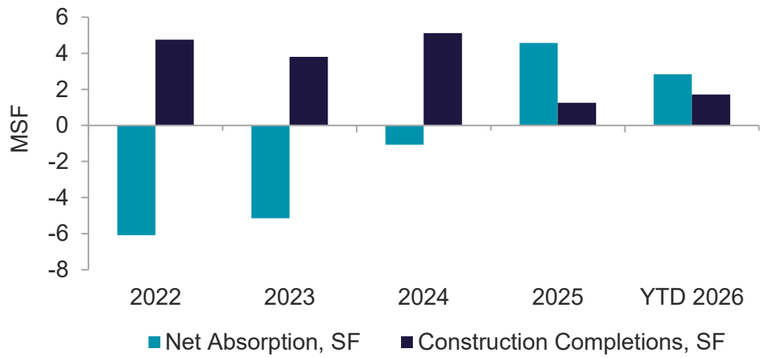
In its September 2026 Labour Force Survey, Statistics Canada reported that Canadian employment declined by 68,000 from the previous month, while the unemployment rate rose 10 basis points (bps) to 6.5%. Office using employment did bump up in September 2026 by 10,000 positions, after contracting by 42,000 in the previous month. On a year-over-year (YOY) basis employment in these sectors is almost unchanged, with a minor increase of 10 bps from September 2025

OFFICE MOMENTUM BUILDS

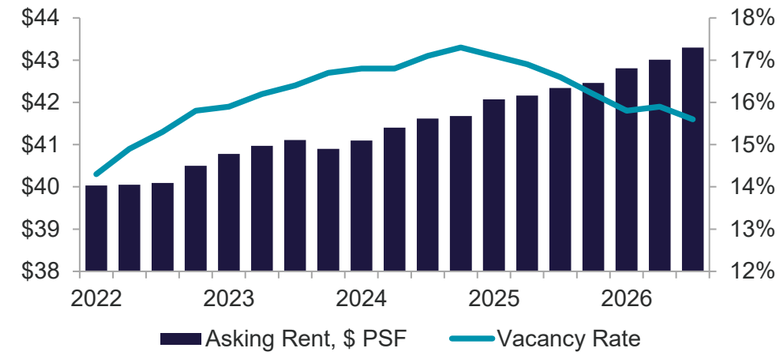
Overall office vacancy declined to 15.6% in Q3 2026, its lowest level of the year and a full percentage point below the rate recorded one year ago. The Class A segment was the primary driver, with vacancy in both the Central and Suburban markets falling quarter-over-quarter (QOQ) to 14.9% and 14.4%, respectively. Much of the improvement in Central Class A was driven by continued tightening within trophy, or Class AAA, assets. Vacancy in this premium segment fell to 10.0% in Q3 2026, a significant improvement from the recent peak of 14.6% recorded just over two years ago. Conditions within the Class B and C segments have been more volatile throughout 2026, with vacancy rates lacking a consistent QOQ trend. In Q3 2026, combined Central Class B/C vacancy declined to 20.5%. In contrast, Suburban Class B/C vacancy increased to 13.0%, its highest level since Q1 2024.

Absorption strengthened in Q3 2026, reaching approximately 1.5 million square feet (msf), the highest quarterly total since Q4 2018. This brought adjusted year-to-date absorption to 2.8 msf, surpassing the level recorded during the same period in 2025. While most major markets posted limited absorption this quarter, Toronto drove national performance with nearly 1.2 msf of positive absorption. At the national level, occupancy gains in the Class A segment continued to outpace new vacancy for the sixth consecutive quarter, resulting in approximately 1.7 msf of absorption in Q3 2026. Although absorption in lower-tier Central assets rebounded from last quarter, negative absorption of approximately 380,000 square feet (sf) in non-Class A Suburban properties offset a portion of the gains achieved elsewhere.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



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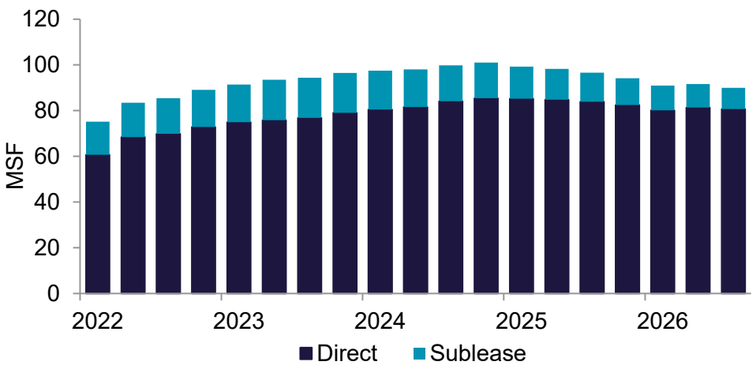
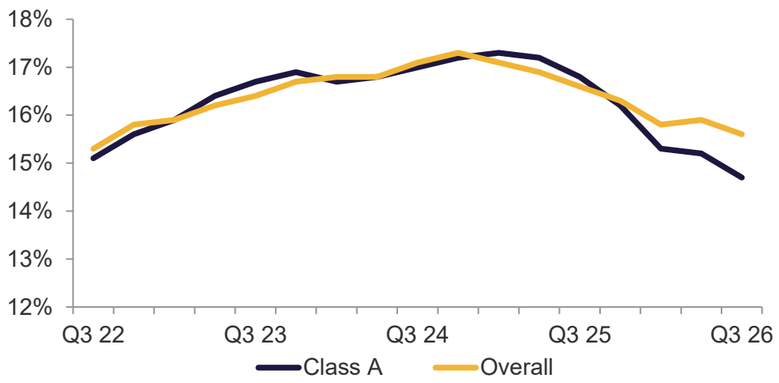
CANADA
OFFICE Q3 2026

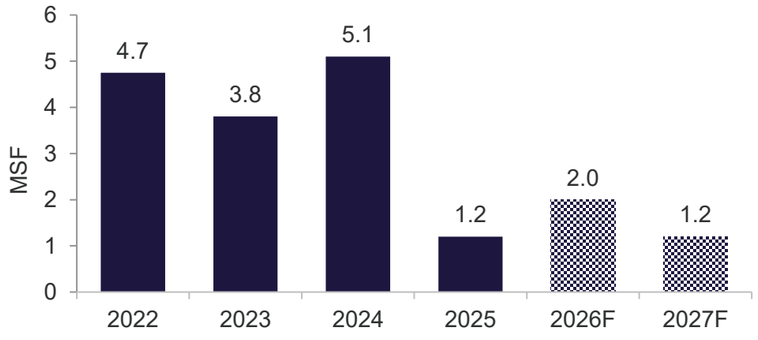
DIRECT VS. SUBLEASE VACANCY



CLASS A VS. OVERALL VACANCY



NEW SUPPLY



Following a momentary increase last quarter, direct vacant space continued to trend downward. Despite fluctuations in direct available space throughout 2026, the direct vacancy rate remained largely unchanged, settling at 14.0% in Q3 2026 after moving only 20 bps QOQ since the beginning of the year. Class A properties led the improvement, with direct vacant space declining 7.7% YOY. Meanwhile, sublet vacancy continued to shrink, accounting for a record-low 10.4% of total vacant space this quarter. The distribution of sublet vacancy has remained largely unchanged over the course of 2026, with blocks of sublet vacancy spread fairly evenly between both original term expiry date and size segments. That said a few shifts have occurred. The primary one is a decrease in the blocks of sublet vacancy over 20,000 sf, declining by close to 24.0% QOQ, largely driven by the decline in large block sublet vacancy within the overall Class A market.

New leasing activity held firm in Q3 2026 at 5.9 msf, essentially in line with last quarter's result. Demand remained heavily concentrated in the Class A segment, which captured nearly two-thirds of all new leasing activity. Central Class A transactions continued to set the pace, recording the largest footprints and longest commitments, averaging approximately 12,200 sf and 6.5 years. Among disclosed tenants, Finance and Insurance remained the most active sector, leasing close to 2.1 msf across 138 transactions year-to-date. Government Services emerged as a growing source of demand, with leased space increasing by roughly 700,000 sf compared with the same period in 2025.

Canadian rental rates continued to strengthen in Q3 2026, with the average direct net rent climbing to $23.32 per square foot (psf). As additional rent remained largely unchanged at $19.98 psf, the average gross rent reached $43.30 psf. The Central Class A market led the increase, posting an average net rent of $32.13 psf, up 2.5% QOQ and 5.2% YOY. Much of this momentum came from the Class AAA segment, where average direct net rents rose to $39.86 psf.

With the arrival of the 1.4-msf tower in Toronto last quarter, new supply deliveries slowed dramatically to reach 138,000 sf in Q3 2026, courtesy of three buildings arriving in Vancouver’s Central market. Approximately 1.8 msf remains under construction, largely located within the Vancouver market, and marks a quarterly low not seen in fourteen years.

OUTLOOK

- While there remains some uncertainty due to the current economic climate, particularly as it relates to tariffs and trade, the office sector is poised to build on its recent momentum as demand strengthens, sublease space continues to be absorbed, and vacancy rates gradually decline. The recovery is being underpinned by sustained improvement in the Class A market, reflecting occupiers' ongoing focus on securing high-quality office space.
- Heading into 2027 the construction pipeline is minimal, with little change expected in the near term as developers are facing rising construction costs which will likely work to deter any new significant projects from kicking off. This lack of new supply, coupled with the strengthening demand, will likely lead to further compression in vacancy rates, particularly within top-tier space.

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MARKET STATISTICS Q3 2026

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Vancouver	70,588,412	1,135,651	7,187,359	11.8%	-18,065	-45,650	273,937	1,122,958	$53.40	$60.79
Edmonton	29,790,437	167,281	5,069,034	17.6%	-18,878	198,661	0	0	$33.21	$37.70
Calgary	67,605,716	2,359,671	11,850,176	21.0%	-62,734	-440,382	0	0	$35.49	$41.28
Saskatoon	6,833,997	0	868,211	12.7%	71,720	62,871	0	0	$38.60	$46.07
Winnipeg	16,005,041	199,949	2,044,850	14.0%	166,847	42,366	0	36,520	$33.04	$41.09
Toronto	187,620,856	2,957,428	23,903,944	14.3%	1,205,416	3,948,397	1,435,512	342,061	$54.05	$59.53
London	7,725,810	58,985	1,553,325	20.9%	-107,842	-209,330	0	0	$26.61	$31.03
Kitchener	5,388,508	95,905	1,390,987	27.6%	-2,447	63,858	0	0	$31.10	$33.07
Waterloo	7,225,788	29,677	1,419,166	20.1%	26,098	2,726	0	0	$29.46	$30.81
Ottawa	43,329,165	524,295	5,516,892	13.9%	-170,973	-1,050,451	0	0	$35.99	$38.60
Montreal	108,407,377	1,656,379	16,468,999	16.7%	235,252	110,960	0	260,750	$36.21	$42.35
Fredericton	2,278,872	0	207,518	9.1%	-11,968	-9,375	0	0	$28.28	$31.73
Saint John	2,476,133	1,463	775,900	31.4%	36,340	73,966	0	0	$24.15	$29.28
Moncton	3,153,541	35,661	293,984	10.5%	27,697	28,346	0	0	$27.76	$32.33
Halifax	12,631,212	103,522	1,338,504	11.4%	63,215	9,316	0	0	$31.93	$35.13
Charlottetown	1,261,403	0	58,090	4.6%	9,621	-32,401	0	0	$25.50	$26.74
St. John’s	3,929,839	25,755	706,608	18.6%	62,403	82,878	0	0	$35.89	$39.33
NATIONAL TOTALS	**576,252,107**	**9,351,622**	**80,653,547**	**15.6%**	**1,511,702**	**2,836,756**	**1,709,449**	**1,762,289**	**$43.30**	**$49.65**

**Rental rates reflect full service asking*

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METHODOLOGY

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database, and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

EXPLANATION OF TERMS

Total Inventory: The total amount of office space (in buildings of a predetermined size by market) that can be rented by a third party.

Overall Vacancy Rate: The amount of unoccupied space (new, relet, and sublet) expressed as a percentage of total inventory.

Direct Vacancy Rate: The amount of unoccupied space available directly through the landlord, excludes sublease space.

Absorption: The net change in occupied space between two points in time. (Total occupied space in the present quarter minus total occupied space from the previous quarter, quoted on a net, not gross, basis.)

Leasing Activity: The sum of all leases over a period of time. This includes pre-leasing activity as well as expansions. It does not include renewals.

Overall Weighted Asking Rents: Gross average asking rents weighted by the amount of available direct space in office properties.

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