

Local Resilience to Improve Office Market Amid Federal Caution

Government realignment meets opposing forces. Ottawa's office market showed mixed conditions in 2025, with overall vacancy increasing to roughly 10.5 per cent as lingering trade risks slowed leasing velocity. Even so, office-to-residential conversions are beginning to reshape the metro's office landscape. Roughly 200,000 square feet of space was removed from inventory last year, helping contain further upward pressure on vacancy. Looking ahead, counterbalancing forces are set to emerge. The federal government's recent budget suggests public sector employment will fall sharply over the next five years; however, new full-time return-to-office mandates from local levels of government may lift overall utilization, with the federal government also planning to follow suit this year. At the same time, growing investment in defense and infrastructure should underpin a baseline level of private-sector demand. If Canada successfully renews its trade agreement with the United States, additional momentum could also materialize. Combined with Ottawa's expanding technology ecosystem and continued conversions, these dynamics point to a market that is beginning to stabilize, with high-quality assets leading the recovery.

INVESTMENT TRENDS

- Investment has cooled amid the widespread adoption of hybrid work. Over the past year ended September 2025, dollar volume traded was 67 per cent below the trailing 10-year average.
- This pullback in investment has brought the average sale price down significantly from recent highs. These lower prices have helped aid office sales with the intention of conversion.

2026 Office Trends



**72,000
SQUARE FEET**
will be completed

CONSTRUCTION:

The trend of minimal supply growth will continue this year. Openings will increase compared to last year though, as the metro is expected to deliver some office space in the Kanata submarket.



**40
BASIS POINT**
decrease in vacancy

VACANCY:

Vacancy will inch lower to around 10 per cent, aided by conversions and a modest uptick in demand. However, government efficiency plans, trade uncertainties and shadow vacancies pose a risk to this outlook.

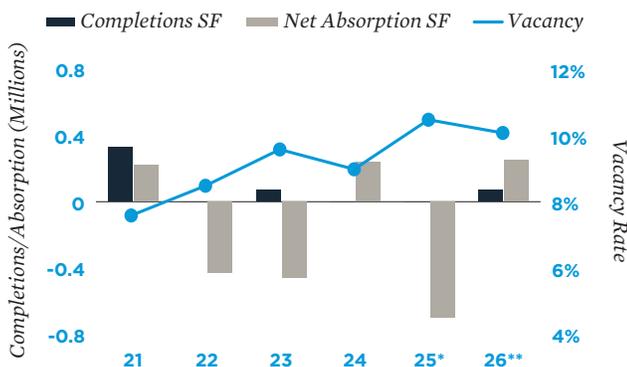


**1.5%
INCREASE**
in asking rent

RENT:

After two years of decline, the average asking rate has likely hit bottom amid a stabilizing vacancy rate. Meanwhile, net effective rents are also expected to improve as property owners scale back incentives and market fully built-out suites.

Supply and Demand

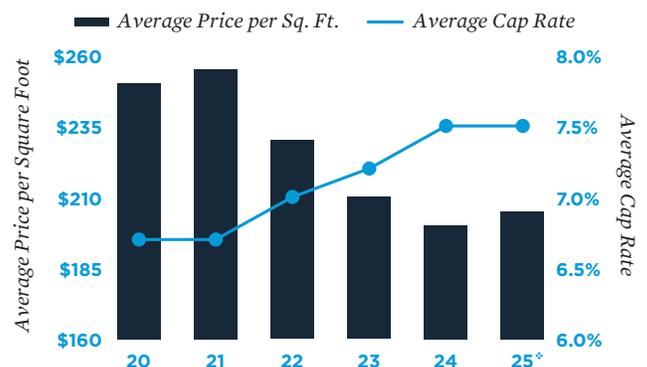


* Estimate ** Forecast; * Trailing 12 months through 3Q

Sources: Altus Data Solutions; CoStar Group, Inc.; Statistics Canada

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Price and Cap Rate Trends



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