

INVESTMENT FORECAST

Retail
Ottawa

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

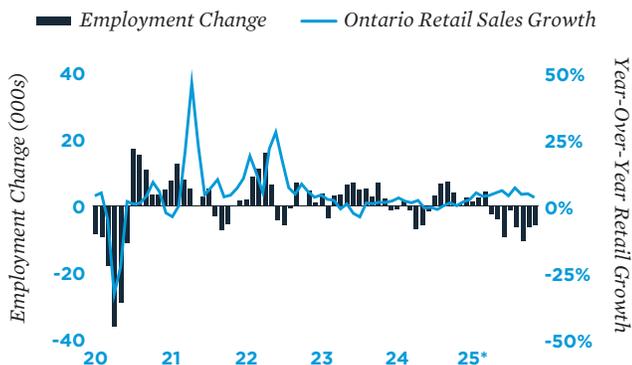
Vacancy to Edge Higher as Interest Rate Relief Collides With Demand Headwinds

Muted leasing amid mounting challenges. Ottawa's retail outlook for 2026 warrants caution following softening fundamentals last year. Trade disruptions and weaker consumer sentiment weighed on space demand in 2025, resulting in a 60-basis-point rise in vacancy. Entering this year, lower interest rates will continue to support consumer spending, but underlying headwinds are likely to persist. Population growth is projected to stay subdued as federal policies continue to restrict the intake of international students and foreign workers, limiting the expansion of the metro's consumer base. More notably, the federal government's ongoing efforts to rein in operational spending could lead to significant job reductions across departments, posing risks to Ottawa's retail fundamentals given the metro's dependence on public-sector employment. These factors are expected to mute leasing activity through the year. On the supply side, construction is forecast to remain restrained, with developers hesitant to launch new projects amid elevated costs and uncertain demand. This limited pipeline should help prevent a significant rise in vacancy and maintain overall market stability despite modest space absorption.

INVESTMENT TRENDS

- Despite uncertainties, sales activity picked up in 2025. Deals like Meadowlands Mall and Greenbank Hunt Club Centre underscored sustained buyer interest in Ottawa's tight retail market.
- Downtown could become the next investment hub as government-led initiatives enhance public spaces, boosting foot traffic and creating new leasing opportunities.

Employment vs. Retail Sales Trends



* Employment through November, retail sales through September; ** 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.

2026 Retail Trends



**200,000
SQUARE FEET**
will be completed

CONSTRUCTION:

After the completion of SmartCentres Carleton Place last year, construction is projected to slow. Most additions are expected to consist of small, free-standing projects within strip centres in Kanata.



**20
BASIS POINT**
increase in vacancy

VACANCY:

Macro challenges — including public-sector job cuts and limited population growth — will weigh on space demand, pushing vacancy higher. The rate is projected to approach 3.0 per cent by year-end.

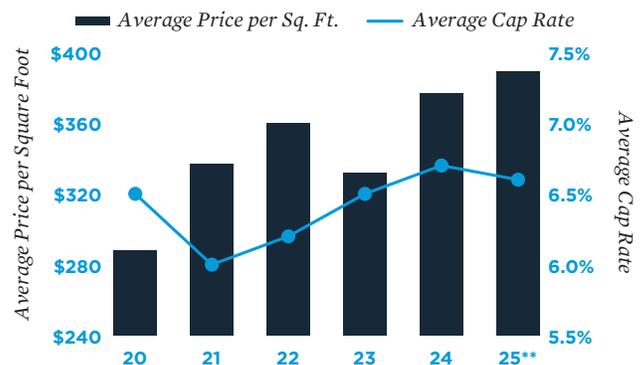


**0.8%
INCREASE**
in asking rent

RENT:

Following significant growth last year, the rate of rent increase is expected to moderate in 2026 as the vacancy rate continues to tick up. Nevertheless, well-located properties in core submarkets could see stronger rent gains.

Price and Cap Rate Trends



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