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.

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:

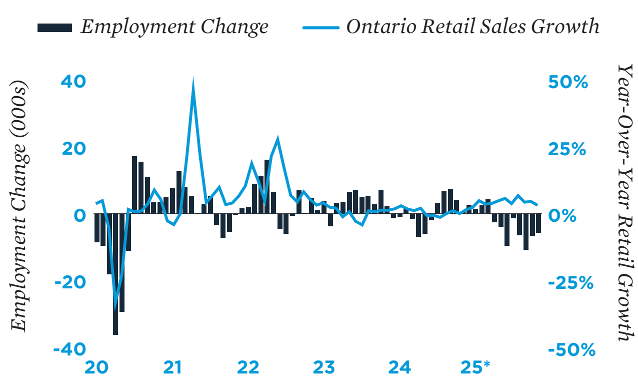
Macro challenges — including public-sector job cuts and limited population growth — will weigh on space demand, pushing vacancy higher. The rate is projected to approach 3.0 per cent by year-end.

0.8% INCREASE
in asking rent

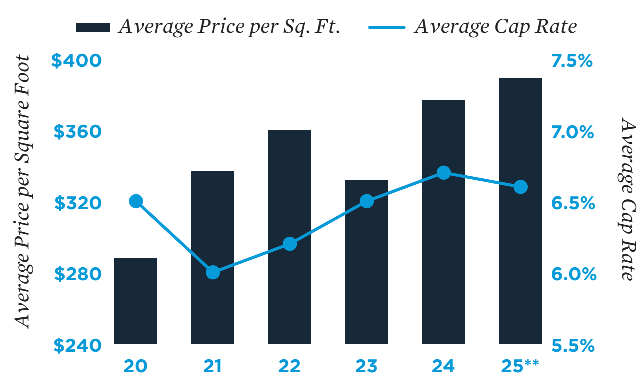
RENT:

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.

Employment vs. Retail Sales Trends



Price and Cap Rate Trends



* Employment through November, retail sales through September; ** Trailing 12 months through 3Q

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

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