

MARKET REPORT

Office
Ottawa Metro Area

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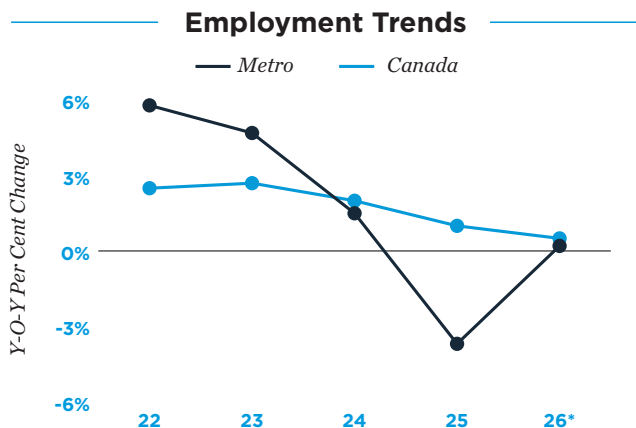
2Q/26

Return-to-Office Mandate Sparks Strategic Reversal in Ottawa's Office Market

Shift in government policy poised to lower vacancy by year-end.

Ottawa's office sector saw a renewed wave of vacancies over the past year as the federal government accelerated its footprint reduction. Within the last 12 months, the government vacated several satellite and suburban properties — including 114,000 square feet at 1550 Carling Avenue, 112,000 square feet at 59 Camelot Drive, and 73,000 square feet at 700 Silver Seven Road — as part of a shift to minimize operating expenses and consolidate employees into owned properties. This exit contributed to a 210-basis-point rise in the vacancy rate between the first quarter of 2025 and the first quarter of 2026. However, this trajectory may be short-lived, as Public Services and Procurement Canada recently signaled a pivot in its real estate strategy. To accommodate the new four-day in-office mandate, the government has acknowledged it may be forced to acquire additional space. This policy shift could reverse recent negative absorption trends and lead to an annual decline in the vacancy rate over the remainder of 2026.

Tenant demand rising for quality assets. In the nongovernment segment, vacancy pressure remains concentrated in older buildings that lack modern layouts and amenities, while Class A properties continue to attract tenant interest. Quarter-to-date data indicate that Class A leasing activity is increasing as tenants prioritize efficiency, employee experience, and long-term space certainty. This bifurcation underscores a widening performance gap, with demand skewed toward higher-quality inventory.



* Forecast

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

Office 2026 Outlook



**2,000
JOBS**

will be created

EMPLOYMENT

Job growth is expected to stay subdued in 2026 as federal hiring slows under the government's efficiency agenda. Still, incremental gains in technology, health care, and defence may offer some upside to employment growth.



**72,000
SQ. FT.**

will be completed

CONSTRUCTION

Deliveries are expected to remain muted, as elevated vacancy continues to discourage development. The only major addition this year is the Silver Seven Corporate Centre, a five-storey Class A building in Kanata, one of Ottawa's fastest-growing submarkets.



**40
BASIS POINT**

decrease in vacancy

VACANCY

The federal government's evolving office-use policy is expected to support leasing in the near term. With limited supply coming to market, Ottawa is positioned to continue recording one of the lowest office vacancy rates nationwide at 9.8 per cent.



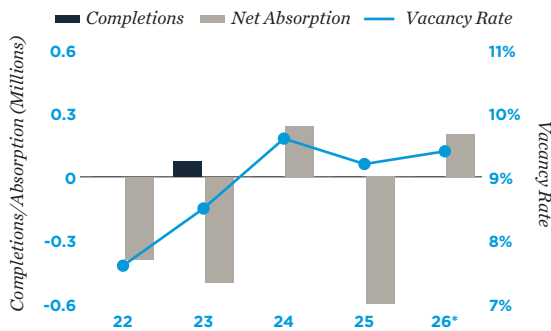
**1.5%
INCREASE**

in asking rent

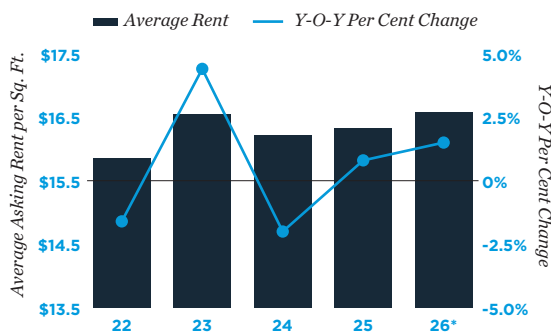
RENT

The average asking rent bottomed in the second quarter of 2025 and has since trended upward. This year, sustained demand for Class A assets will continue; however, it will also leave a larger share of lower-quality space on the market, likely limiting rent gains.

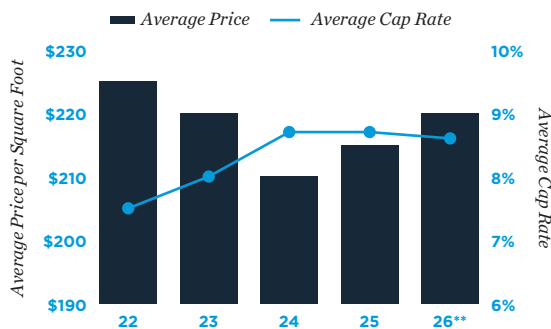
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

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

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1Q 2026: Trailing 12-Month Period

CONSTRUCTION 0 sq. ft. completed

- Ottawa continued to see no new office deliveries, as elevated vacancy rates weighed on developer sentiment. The most recent addition was Zibi Block 207 — a mixed-use project completed in the fourth quarter of 2023.
- Total inventory has grown by 5.7 per cent since 2019, well below the national average of 11 per cent. This has helped keep more stable fundamentals.

VACANCY 210 basis point increase in vacancy Y-O-Y

- This outsized increase in vacancy was driven primarily by a 430-basis-point jump in Class C buildings, while Class A and Class B properties recorded more modest increases of 290 and 20 basis points, respectively.
- Gatineau continued to outperform the broader market, posting the lowest vacancy rate at 4.7 per cent in the first quarter of 2026.

RENT 1.5% increase in the average asking rent Y-O-Y

- The average asking rent increased for the second consecutive quarter, as a 7.5 per cent gain in Gatineau and a 5.4 per cent jump in suburban submarkets more than offset a 3.8 per cent decline in the downtown core.
- Following an annual decline in 2024 and modest gains last year, the mean marketed rate is now nearing the peak reached in the third quarter of 2023.

Investment Highlights

- While trailing 12-month dollar volume in the first quarter rose by 5.7 per cent year over year, overall investment activity remained subdued. Relative to the 2021-2024 average, total volume fell to less than one-third of that level, driven by a sharp decline in large transactions exceeding \$20 million. This trend underscores persistently weak investor confidence amid soft underlying space demand.
- As investment activity has weakened alongside rising vacancy rates in recent years, the average sale price has corrected from its peak of roughly \$245 per square foot in 2021. Pricing edged up slightly in the first quarter of 2026 but remained near a 10-year low. A similar trend is evident in cap rates, which bottomed out at approximately 7.5 per cent in 2023 and have since expanded by about 110 basis points.
- Office-to-residential conversion activity is gaining momentum. Regional Group's plan to transform the office building at 495 Richmond Road into 143 residential units is among the latest projects highlighting this trend. Following Ottawa's introduction of new measures in 2023 to streamline approvals and incentivize conversions, interest in repositioning underutilized office assets has strengthened.