

MARKET FUNDAMENTALS

	YOY Chg	Outlook
17.2% Vacancy Rate	▲	▬
-511K YTD Net Absorption, SF	▼	▲
\$42.15 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
20.7M Total Nonfarm Employment	▲	▬
5.4M Office Using Employment	▲	▬
7.0% Canadian Unemployment Rate <small>Source: Statistics Canada</small>	▲	▲

OFFICE MARKET CONTINUED TO FIND ITS FOOTING IN Q2 2025

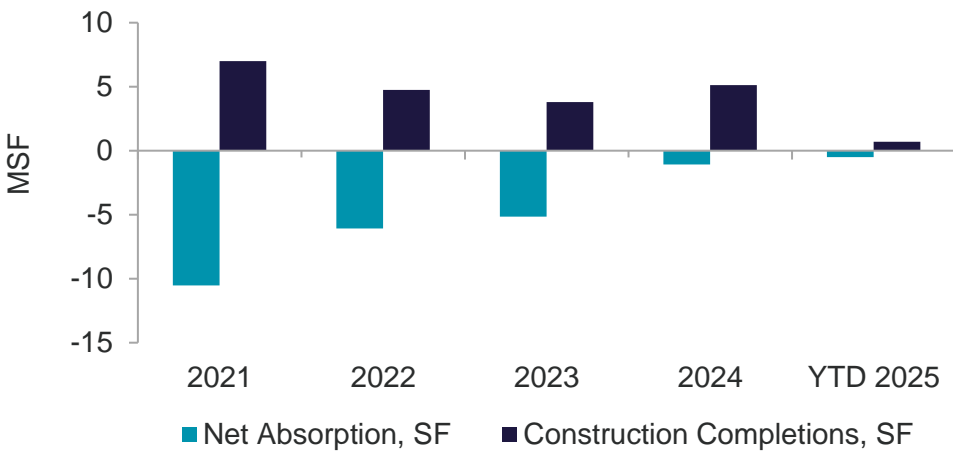
In its May 2025 Labour Force Survey, Statistics Canada reported that Canadian employment levels remained essentially flat for a second consecutive month. However, the unemployment rate rose 10 basis points (bps) from April to reach 7.0%. Currently there are 1.6 million unemployed people in Canada, a notable increase of 13.8% from one year ago. This is indicative that people are facing challenges finding work in the current labour market, and as such the unemployment rate is anticipated to continue to climb.

In the second quarter of 2025, overall office vacancy was 17.2%, showing minimal change from the previous quarter. Most market segments and asset classes echoed this trend, with one exception: the Central Class A segment. This market witnessed a more pronounced quarter-over-quarter (QOQ) drop in vacancy to 17.3%—a notable shift after more than a year of relatively stable movement, where changes had hovered within a tight ±10 bps range.

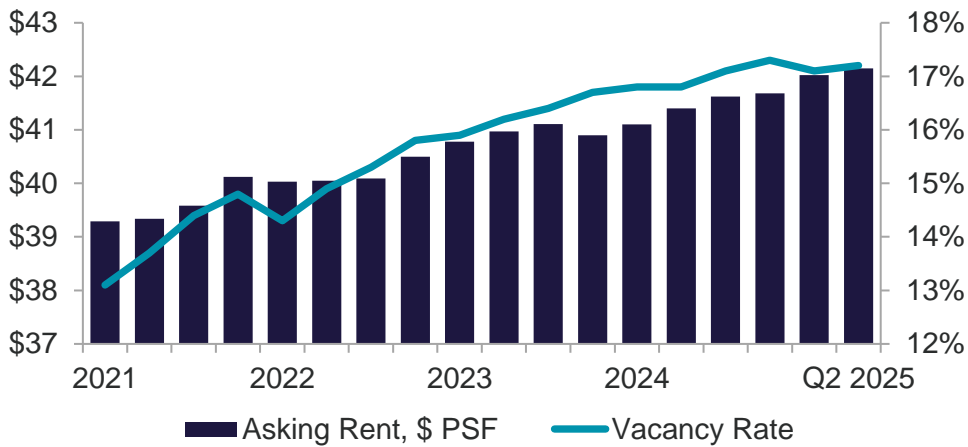
Across major Canadian cities, vacancy fluctuations remained modest QOQ, with Calgary once again proving to be the exception. This market continued to see a reduction in vacant office space in large part driven by ongoing conversion projects—transforming commercial office space into other uses, primarily multi-residential. Despite Calgary still holding the highest vacancy rate among Canada’s key metros, it also posted the most significant year-over-year improvement, with vacancy declining by 300 bps.

While the overall office market remained in negative absorption territory this quarter, posting 78k square feet (sf), it was a notable improvement over last quarter’s figures. Most market segments and asset classes witnessed negative absorption in the second quarter of 2025, although Central Class A stood out with a robust 650k sf of positive absorption. Notably, this growth was not fueled by new supply, which was limited to just 98k sf. Instead, it came from tenants actively occupying space at a rate that outpaced new vacancies. Across Canada’s major office markets, positive momentum was the theme—except in Montreal, where the arrival of new vacancy continued to outstrip demand, keeping absorption in negative territory.

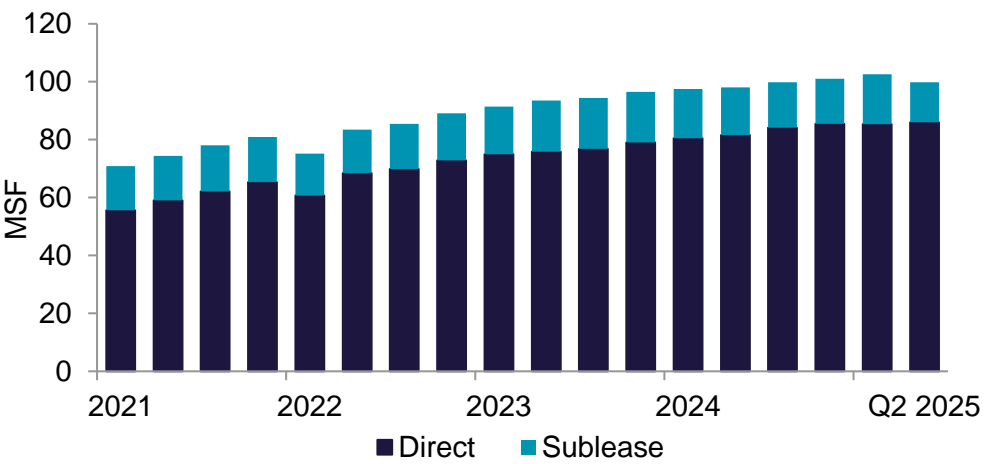
SPACE DEMAND / DELIVERIES



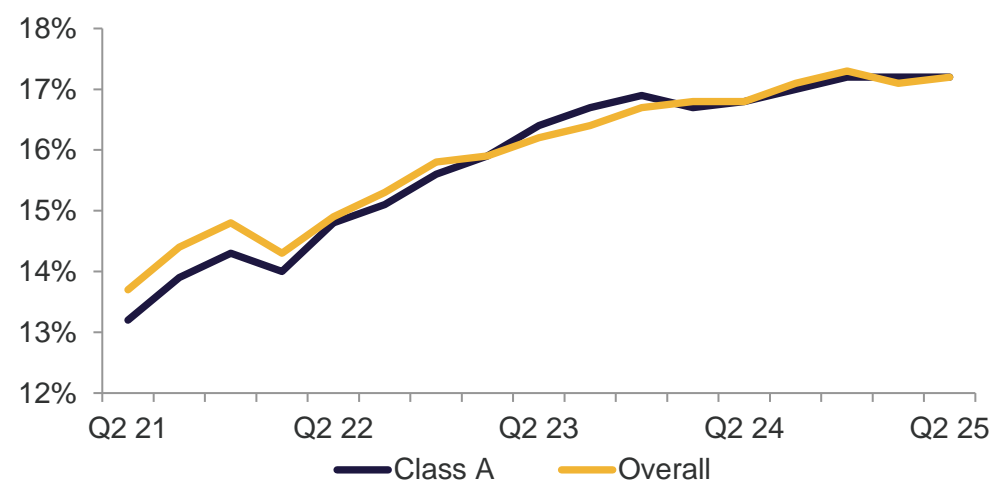
OVERALL VACANCY & GROSS ASKING RENT



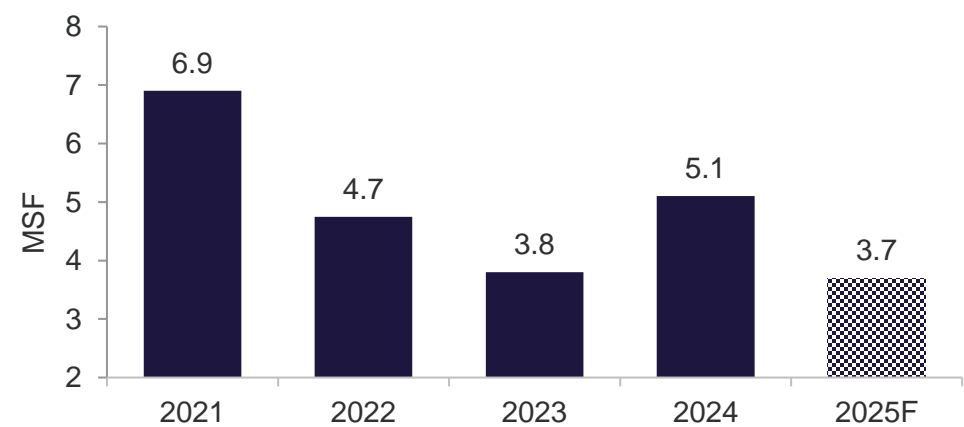
DIRECT VS. SUBLEASE VACANCY



CLASS A VS. OVERALL VACANCY



NEW SUPPLY



Direct vacancy had a modest uptick this quarter, while sublet vacancy has continued to decline—now comprising just 13.8% of total vacant space. That is a drop of 370 bps from one year ago and a sharp decline from its peak of 21.5% in the first quarter of 2021. Several factors contributed to this shift: some sublet space exited the market without being leased, others transitioned into direct vacancy, and a notable 779k sf of sublet space was leased this quarter. Looking ahead, an additional 472k sf of sublet space—primarily situated in the Class A market, with a strong concentration in Central Class A—is tied to original lease terms set to expire by year-end 2025.

Overall new leasing activity in the second quarter of 2025 remained close to the total posted last quarter, reaching just shy of 7.3 million square feet (msf). Close to two-thirds of the overall leasing activity was located within the Central market this quarter, with Class A transactions outpacing lower tiered space. For new leases completed this quarter, the average square footage leased was approximately 5k sf, which bumped up closer to 8k sf for transactions involving Class A space.

Although there were minor changes in the overall average asking net rent throughout the major markets in comparison to last quarter, the overall Canadian average net rental rate remained unchanged from last quarter at \$22.50 per square foot (psf), with the overall gross rate increasing slightly QOQ to \$42.15 psf as the additional rent component escalated from last quarter. This stability in the net asking rental rate is anticipated to continue through the remainder of 2025.

New supply deliveries in the second quarter of 2025 did accelerate from last quarter to reach 461k sf. Vancouver accounted for the majority of the new inventory with four new buildings delivered totaling 357k sf. There remains an additional 2.9 msf that is anticipated to be completed by the end of 2025, split fairly evenly between the Central and Suburban markets. Currently 2.1 msf, or approximately 73.1%, of this inventory has been preleased and therefore the arrival of these new buildings will not notably move the needle on overall vacancy rates. Absorption levels on the other hand will likely be impacted later this year as 141 Bay Street in Toronto is set to be delivered in the fourth quarter of 2025. As just over 1.0 msf of this building is preleased, this completion will provide a notable short-lived boost to absorption totals.

OUTLOOK

- The Canadian office market appears to have entered a period of some stability. However there remain concerns amongst many occupiers - trade tensions, economic uncertainty, and rising unemployment - all factors that may play into the decision-making process of office tenants when considering their space requirements.
- Despite these potential challenges, there is room for positivity with the office outlook. Vacancy is forecasted to peak by the end of 2025, stabilize in early 2026 and perhaps begin to contract later that year.
- The market that is expected to witness a sustained decline in vacancy will be the Central Class A market; unsurprising given the importance tenants are placing not only on the quality of the space and the amenities that are offered in the building, but also on the overall employee experience of being in a high-quality office environment.

MARKET STATISTICS Q2 2025

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	70,622,658	1,482,824	6,621,553	11.5%	314,165	486,402	582,641	2,177,200	\$54.26	\$59.59
Edmonton	29,629,276	404,975	5,130,272	18.7%	66,857	-5,809	65,000	40,000	\$33.14	\$37.45
Calgary	66,719,292	2,462,676	12,948,213	23.1%	13,594	315,203	0	0	\$33.84	\$39.96
Saskatoon	6,833,997	2,813	823,091	12.1%	27,419	94,942	0	0	\$35.73	\$41.70
Winnipeg	22,509,721	174,140	2,975,344	14.0%	-223,140	-235,887	0	37,955	\$29.83	\$33.98
Toronto	187,624,681	5,299,894	26,497,767	16.9%	477,758	245,007	0	1,777,573	\$51.40	\$55.91
London	7,988,654	88,906	1,566,396	20.7%	110,314	72,440	0	0	\$25.46	\$30.22
Kitchener	5,388,508	244,100	1,405,684	30.6%	-50,084	-195,731	0	0	\$31.09	\$32.52
Waterloo	7,225,788	70,066	1,327,384	19.3%	104,925	-93,173	0	0	\$29.99	\$31.13
Ottawa	43,493,411	565,126	4,775,246	12.3%	7,768	22,130	0	72,000	\$36.96	\$41.87
Montreal	108,102,172	2,819,107	18,199,806	19.4%	-1,154,815	-1,544,102	39,177	133,122	\$36.46	\$43.58
Fredericton	2,278,872	16,294	242,598	11.4%	-4,111	15,463	0	0	\$27.29	\$30.97
Saint John	2,476,133	42,972	813,753	34.6%	74,474	73,705	0	0	\$23.52	\$30.74
Moncton	3,063,541	14,557	476,507	16.0%	31,582	35,950	0	38,764	\$26.75	\$31.18
Halifax	12,737,455	112,032	1,353,541	11.5%	105,883	211,022	0	0	\$30.55	\$32.76
Charlottetown	1,232,903	0	44,117	3.6%	13,800	12,685	0	0	\$24.86	\$25.73
St. John's	3,920,083	23,199	792,230	20.8%	5,763	-22,520	0	0	\$34.51	\$40.10
National Totals	581,847,145	13,823,681	85,993,502	17.2%	-77,848	-511,326	686,818	4,276,614	\$42.15	\$48.20

*Rental rates reflect full service asking

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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