Flight to Quality Continues Across Canada's Office Sector

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New forecast shows vacancy and rent growth will post the best results in higher-end assets

ARLINGTON, Va.--(BUSINESS WIRE)--Sep. 14, 2026-- Canada's overall office vacancy rate is expected to decline steadily through 2028, with higher-end buildings continuing to significantly outperform the rest of the market, according to a new forecast from CoStar Group, the leading global provider of online real estate marketplaces, information and analytics in the property markets.

The national office vacancy rate peaked at 10.4% in the second quarter of 2025 and has since fallen to 9.8% in the second quarter of 2026, as net absorption has turned positive and new deliveries have all but stopped in the same period. CoStar's updated forecast calls for the total vacancy rate to continue declining, reaching 9.3% by the end of 2027 and 8.7% by the end of 2028 – both improvements from the firm's previous forecast of 10% and 9.4%, respectively, reflecting somewhat stronger absorption than previously expected.

The forecast decline in vacancy will be driven primarily by a thin construction pipeline rather than a surge in demand. Net absorption is expected to remain modest by historical standards, averaging 1 million square feet per quarter in 2027 and 1.75 million square feet per quarter in 2028. Net deliveries, however, are expected to fall quickly following a delivery peak in 2026 – led by the second phase of CIBC Square in Toronto – to just 200,000 square feet by the end of 2027.

"The story in the office sector today is really a tale of two markets," said **Mario Lefebvre, chief economist for Canada at CoStar Group**. "Higher-end assets have posted positive net absorption averaging 1 million square feet per quarter since the second half of 2021, while absorption in all other office assets combined was deeply negative over that same stretch – though it, too, has turned positive since the second half of 2025." Rent growth for higher-end assets is forecast to reach 4%, compared with an average of about 2% for all other assets combined.

"The balance of risks in this forecast remains tilted to the downside," **Lefebvre** said. "Trade and tariff uncertainty, higher fuel costs, and a declining population could further weigh on the economy and alter expected absorption results. Over the longer term, however, we expect equilibrium to be restored in the Canadian office sector as demand for office space grows in tandem with the broader economy and the development pipeline remains modest."

The full forecast can be found here.

About CoStar Group

CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, online marketplaces, and 3D digital twin technology. Founded in 1986, CoStar Group is dedicated to digitizing the world's real estate, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group's major brands include CoStar, a leading global provider of commercial real estate data, analytics, and news; LoopNet, the most trafficked commercial real estate marketplace; Apartments.com, the leading platform for apartment rentals; Homes.com, the fastest-growing residential real estate marketplace; and Domain, one of Australia's leading property marketplaces. CoStar Group's industry-leading brands also include Matterport, a leading spatial data company whose platform turns buildings into data to make every space more valuable and accessible; STR, a global leader in hospitality data and benchmarking; Zonda, a leading provider of data, analytics, software, and marketplace solutions for the residential construction industry; Ten-X, an online platform for commercial real estate auctions and negotiated bids; and OnTheMarket, a leading residential property portal in the United Kingdom.

CoStar Group's websites attracted over 118 million average monthly unique visitors in the second quarter of 2026, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit CoStarGroup.com.

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