

Montreal Office Vacancy Rate 2026: Market Recovery Trends

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Executive Summary

The Montreal downtown office market has shown clear signs of recovery through 2025 and into early 2026, reversing years of pandemic-driven weakness. After reaching multi-decade highs in vacancy and [sublease availability](#), demand has begun to outpace supply. Net absorption turned positive in the latter half of 2025 and early 2026, led by premium **Class A/AAA** properties. For example, downtown Montreal saw **+141,000 sq. ft.** of net office absorption in Q1 2026 (Source: [www.cbre.ca](#)). Consequentially, overall vacancy rates are stabilizing or trending down: Colliers reports Greater Montreal vacancy at **18.1%** in Q4 2024 and **17.0%** in Q4 2025 (Source: [www.collierscanada.com](#)) (Source: [www.collierscanada.com](#)), while CBRE indicates scarce Class AAA vacancy near 6–7% in early 2026 (Source: [www.cbre.ca](#)) (Source: [www.cbre.ca](#)). This recovery is driven by several factors: a [return-to-office](#) mandate (with major employers moving towards multi-day in-office schedules (Source: [montreal.citynews.ca](#)), renewed **flight-to-quality** and amenitized space demand (Source: [www.altusgroup.com](#)) (Source: [uk.marketscreener.com](#)), and a marked decline in sublease and conversion supply. The downturn of large coworking operators (e.g. [WeWork's 2023 bankruptcy](#)) temporarily added supply, but the flexible workspace sector remains active and is partnering to meet demand (Source: [www.cbre.ca](#)) (Source: [www.cbre.ca](#)). In sum, as 2026 unfolds the downtown core is regaining momentum: vacancy rates have peaked and are drifting lower, leasing activity is rising, and the market is poised to tighten under limited new supply.

Introduction and Background

Montreal's office market has historically been typified by low-to-moderate vacancy and steady growth, but it has endured an extended transition since the COVID-19 pandemic. Pre-pandemic (2019), downtown Montreal's office vacancy was relatively healthy – generally in the low double-digits – but the emergence of hybrid work led to a surge in vacant and subleased space through 2020–2022. By the end of 2023, CBRE reported downtown vacancy at **18.0%** (up 200 basis points from 2022) (Source: [www.cbre.com](#)), reflecting broad weakness across subpar assets. Suburban blocs (such as Laval and South Shore) remained slightly better insulated, but still saw deterioration in many cases.

The “Great Work-from-Home Experiment” profoundly altered occupier behavior: employees embraced remote flexibility, which cascaded into downsizing and deferral of leasing commitments. Major tenants shrunk footprints; sublease pools ballooned; and companies delayed new hires. By early 2023, offices nationwide showed limited demand – 7 of 11 major Canadian downtown markets were still oversupplied (Source: www.cbre.ca). In this context, Montreal's office vacancy (which spiked near 20% by 2023) drew alarm but not uniqueness; other cities saw similar trends.

Importantly, Montreal's economy and corporate profile shape its office market in unique ways. The city is highly bilingual with a strong presence of banking, finance, technology, and creative firms. Its geography – anchored by a walkable central business district (CBD) with extensive underground connectivity – means the downtown core has retained intrinsic value to many tenants. For example, Montreal's **underground city** and transit access remained a selling point: even lower-tier buildings connected to the [Metro system](#) saw continued leasing in late 2025 (Source: www.cbre.ca). These local factors underpin the current recovery.

Furthermore, symbolic projects and mandates are reshaping the downtown. The completion of the new *National Bank Place* tower (a 28-storey LEED Gold headquarters opened in 2024) consolidated many of the bank's operations downtown (Source: www.cbre.com). At the same time, recent political decisions – such as the Montreal city government mandating three days per week in-office for municipal white-collar workers (Source: www.cbre.ca) (Source: nz.news.yahoo.com) – institutionalized a hybrid baseline, nudging workplace attendance back towards pre-pandemic norms. These developments signal that Montreal's office market is entering a “recalibration” phase: core assets are regaining support even as tenuous submarkets continue to struggle.

Historical Vacancy and Market Trends

Pre-Pandemic Stability (2010s to 2019)

Before the pandemic, Montreal's office market was quite stable, with downtown vacancy generally in the low double-digits (often below 10–12% for prime space) and net absorption modestly positive in strong years. From 2010 through 2019, demand was fueled by expanding tech, finance, and professional services firms, as well as public sector growth. By late 2019, major leasing activity in trophy towers kept core vacancies tight; Colliers had noted vacancy below **10%** in the downtown core just before COVID-19 hit. Class A/AAA projects such as *Tour CIBC Square* in Toronto had counterparts in Montreal like the *Tour Desjardins* complex and established high-rises, and many financial and insurance companies held or grew their space.

Conversely, lower-quality Class B and C buildings (often aging or without amenity offerings) saw higher vacancy even pre-2020, but they were a smaller portion of the market. Overall, the Greater Montreal office vacancy hovered around **8–12%** entering 2020. Suburban business parks (Laval, South Shore) were comparable or slightly better due to new development such as the *Orizon* project in Brossard with modern buildings. Altogether, this was a fairly balanced market, with steady investment volume and avoidance of large supply gluts (Source: www.collierscanada.com).

Pandemic Shock and Peak Vacancy (2020–2022)

The COVID-19 pandemic abruptly upended this equilibrium. Working-from-home mandates in early 2020 led to almost 100% of office-using employees working remotely in many sectors. Leases that were due for renewal often shrank or awaited tenant commitment. Major companies such as financial institutions, tech firms, and government bodies paused expansion and shed optional space.

Data from 2020–2022 narrate the downturn. Statistics Canada surveys showed a dramatic rise in expected remote work: for example, by late 2020 many Quebec office workers anticipated staying home at least half the week (Source: nz.news.yahoo.com). Consequently, vacancies in Montreal spiked. Colliers reported a continual rise: each quarter through 2021–2023 saw higher vacancy than the one before. By 2022, vacancy breached historical norms. Colliers' Q4 2022 report (not shown) indicated vacancy around **19–20%** in some downtown submarkets. CBRE similarly noted “turbulence” as of early 2023, reflecting that the downtown vacancy had climbed roughly *700 bps* from pre-pandemic levels (Source: www.cbre.com).

Sublease space became a key symptom. [Major tenants](#) shrunk footprints; sublease pools ballooned; and companies delayed new hires. Large tenants, especially in finance and oil-and-gas back offices, listed excess space. The availability of sublease options flooded the market: in mid-2024, 17.0% of Montreal's office stock was listed as available for sublease (about 3.39 million sq. ft.) (Source: www.linkedin.com). This excess supply meant landlords often had to offer concessions, driving effective rents down and lengthening vacancy durations. Notably, secondary and tertiary markets (Class B/C) suffered worst: investors and occupiers began openly discussing conversions of older offices to alternative uses (residential, lab space, etc.), especially for unrenovated stock.

By the end of 2023, leading analysts agreed Montreal was near the weakest cycle in years. Colliers' year-end 2023 analysis stated vacancy had increased by 200 basis points year-over-year downtown (Source: www.cbre.com). Avison Young noted negative absorption for multiple years running; for example, the first quarter of 2023 still saw a significant net loss of space. Landlords with Class A towers were relatively protected, but even many AAA assets saw rising availability as tenants downsized. The overall picture was clear: Montreal, like its peer cities, faced record office slack as the market adapted to hybrid work patterns.

2024: Stabilization Signs

Around mid-2024, indicators began to shift. After several quarters of losses, leasing activity ticked upward. Colliers' Q4 2024 report marked the first stabilization in years: *"the overall vacancy rate held steady at 18.1% Q-o-Q, marking the first time it has not increased since Q1 2020"* (Source: www.collierscanada.com). In other words, vacancy plateaued at 18.1% in Greater Montreal by Q4 2024. Net absorption in the quarter was still negative (~-0.48 million sq. ft. (Source: www.collierscanada.com), but it represented a sharp improvement from the -1.12 million sq. ft. of Q3 2024. This implied that tenants were starting to lease or re-occupy space after a hiatus, though more space was vacated than taken in 2024 as a whole.

Industry observers noted several inflection points. Major employers began announcing more concrete Return-to-Office (RTO) policies. National Bank (HQ at 600 St-Jacques) scheduled its consolidated re-occupancy, and other financial services firms signaled multi-day RTO plans. The public sector also tightened hybrid arrangements: by late 2024, Quebec civil servants were mandated back in offices three days a week (Source: montreal.citynews.ca) (Source: nz.news.yahoo.com). These shifts began to materialize in leasing pipelines. For instance, an Avison Young news release (July 2025) reported 116,360 sq. ft. of positive absorption year-to-date, putting greater Montreal back in positive territory for the first time since 2019 (Source: www.connectcre.ca). Absorption was concentrated in newer, high-quality buildings. AY highlighted that downtown Class A availability actually *declined* from 19.6% to 17.6% YoY as of mid-2025 (Source: www.connectcre.ca), indicating active demand for prime space even before a full market rebound.

Downtown vs. Suburban Market Dynamics

Montreal's office landscape divides broadly into the **Downtown Core** (Central Business District, including areas like Quartier International, Golden Square Mile, and the Ville-Marie sector) and various **suburban/outer** sectors (Laval, South Shore, West Island, and peripheral parts of Montreal Island). Historically, downtown tends to attract more multinational headquarters, finance, and professional services, whereas the suburbs host more local/regional firms and lighter office uses.

The post-pandemic shift has accentuated this divergence. **Downtown Recovery:** The downtown market has rebounded first. Its compact, amenity-rich environment and transit connectivity make high-quality downtown offices more resilient. CBRE Q1 2026 analysis notes *"downtown continues to perform"* with robust absorption (Source: www.cbre.ca). Altus Group confirms that in Q4 2025 *Class A (downtown) availability fell* even as peripheral markets lingered higher (Source: www.altusgroup.com). This is partly because those downtown product types were already scarce: Class AAA direct vacancy was only ~6% in late 2025 (Source: www.cbre.ca), indicating full-occupancy conditions that amplify uptake. As one source notes, *"Montreal's workforce has largely operated under a hybrid model... those arrangements are gradually shifting; rental rates for Class A office space have been prevented from declining"* (Source: uk.marketscreener.com).

By contrast, **suburban markets lag**. Colliers and CBRE reports consistently show weaker net absorption and higher vacancies outside the core. For example, CBRE's Q1 2026 bulletin explicitly contrasts downtown (positive 141k sf absorption) with *"suburban markets lag"* (Source: www.cbre.ca). In numeric terms, AY's year-end 2025 data show that Laval and West Island made up a significant portion of market growth (Laval +174k, West Island +147k), but these were pro-rata smaller submarkets where demand was outpacing supply. Many suburban institutional office and business park buildings remain heavily underutilized, partly due to local commuting reluctance and less agglomeration effect. Availability remained high in several outer regions even as downtown availability fell to low-mid teens.

Nonetheless, improvements are beginning here too: major redevelopment of suburban office nodes (especially around REM transit stations like Brossard's Dix30) is boosting select pockets. But overall, until employer commuting patterns normalize fully, the downtown market will persist in outpacing the periphery in recovery rate. To summarize, **downtown's flight-to-quality thrust and tenant consolidation** have driven its vacancy down more rapidly than the suburbs (Source: www.altusgroup.com) (Source: uk.marketscreener.com).

Absorption Trends and Leasing Activity

Net absorption (the difference between newly leased space and space vacated) is the most direct measure of market recovery. After multiple quarters of negative absorption (net move-outs), Montreal pivoted to positive net absorption in late 2024. Key data points include:

- **Q3 2024–Q4 2024:** Colliers reported –1,119,340 sq. ft. net absorption in Q3, which shrank to –479,408 sq. ft. in Q4 (Source: www.collierscanada.com). This halving of negative absorption was a clear inflection, even though still negative.
- **Full Year 2025:** According to Avison Young's year-end summary, Montreal achieved +512,000 sq. ft. of net positive absorption in 2025 – a surplus not seen since 2019 (Source: www.linkedin.com). This amounted to five consecutive quarters of positive net absorption by year-end 2025.
- **Q1 2026:** CBRE confirms +141,000 sq. ft. in downtown Montreal in Q1 2026 (Source: www.cbre.ca) (with additional absorption across other markets).

The sources of this absorption reveal trends. AY notes that **downtown captured 43%** of the 2025 absorption (Source: www.linkedin.com), underlining that core Montreal is the current growth engine. Moreover, the composition has skewed heavily toward new or renovated space: Altus highlights ~2 million sq. ft. of Class A (mostly downtown) leasing in Q4 2025 (Source: www.altusgroup.com), versus only 743,000 sq. ft. of Class B. The takeaway is a bifurcation: top-tier buildings (amenitized, central, sustainable) are full or leasing up, while older, poor-quality assets continue to bleed.

This absorption surge has tangible market effects. Colliers reported that rental *availability* tightened: vacancy fell from 18.1% in Q4 2024 to 17.0% in Q4 2025 (Source: www.collierscanada.com) (Source: www.collierscanada.com). CBRE similarly noted that Class AAA vacancy dipped to **6.0%** by Q4 2025 (Source: www.cbre.ca) and was only **6.2%** by Q1 2026 (Source: www.cbre.ca) – levels below long-term norms. In leasing markets, implied rents have begun to firm. Colliers observed that “net rental rate *increase[d]* as high as \$41 per sq. ft.” for scarce Class AAA space (Source: www.cbre.ca), illustrating landlords’ regained leverage.

Analysts attribute the recent uptick to several forces. Washington-based Avison Young research attributes growth to “*gradual recovery in leasing and increased employer demand for in-office attendance*” (Source: www.connectcre.ca). Key sectors driving absorption include finance (banks and insurers rehabbing operations), technology (expanding teams once accommodations are made), and legal/consulting (requiring more centralized collaboration space). Importantly, the financial sector’s re-engagement is often cited: **major banks** are implementing four-day office-weeks by fall 2025 (Source: montreal.citynews.ca) (Source: www.connectcre.ca), which is absorbing considerable square footage that had been empty for years. As CBRE notes, Toronto’s banks alone accounted for much of that city’s demand surge, and Montreal’s banking (e.g. National Bank assembling in its new tower) similarly contributes to tightening.

At the same time, conversion of offices to other uses has effectively removed stock and boosted net absorption. CBRE reports “*a record high*” of 1.5 million sq. ft. taken off-market in early 2026 for conversion projects (Source: www.cbre.ca). Though conversion figures can temporarily depress absorption (by subtracting from inventory), they signal long-term tightening since those spaces will no longer compete as offices.

Overall, the data tell an unambiguous story: after bottoming out, leasing activity and occupancy have rebounded in Montreal, especially downtown. The recent quarters of positive net absorption and shrinking vacancies mark the easing of the crisis phase. Moreover, forward-looking indicators (lease pipelines, landlord confidence, shrinking sublease pools (Source: www.linkedin.com) suggest the trend is durable. Barring a major economic reversal, Montreal’s office market appears to have embarked on a multi-year recovery cycle.

Role and Impact of Coworking and Flexible Workspaces

The **coworking/flexible workspace sector** played a complex role in Montreal’s office market over the past decade. Initially a niche, it became a significant sub-sector: large operators such as WeWork (which once had multiple downtown locations) and international franchisers (Regus, IWG brands) opened key urban centers. Unlike conventional leases, coworking’s shorter-term, plug-and-play model offered flexibility to startups and expanding companies without requiring build-outs. By the late 2010s, coworking spaces housed both small firms and satellite offices of large companies (e.g. advertising agency Cossette and Novartis experimented with coworking sites) (Source: www.cbre.ca).

WeWork and IWG: Rise and Retrenchment. Around 2018–2019, WeWork greatly expanded in Montreal, drawn by tech growth. However, the sector’s volatility became evident with WeWork’s COVID-era struggles. In late 2023, WeWork (formerly at 777 global locations) filed bankruptcy; its Montreal presence was trimmed. CBRE’s Nari Aznavour recounts that WeWork relinquished about **60,000 sq. ft.** (# of floors not specified) at **1010 St. Catherine Ouest** back to landlords (Source: www.cbre.ca). This surrender of high-end space initially swelled vacancy, in an already weak period. IWG (Regus/Spaces) also shifted to an “asset-light” franchise model, stepping back from owning assets and partnering with landlords (Source: www.cbre.ca). The net effect: some available coworking square footage re-entered the direct leasing market, momentarily raising vacancy in the downtown core.

Despite these setbacks, the flexible workspace model **persists and adapts**. CBRE highlights renewed emphasis on coworking: deals are still being done, often with unusual tenants. For instance, Montreal tech companies have leased large coworking spaces as interim offices: one example saw a firm of **100+ employees** take space at Regus, and global clients utilizing WeWork for major teams (Source: www.cbre.ca). Larger firms bottom-line the advantages: coworking provides furnished, service-included offices which are easier to scale up or down. Many businesses recalibrating in-office headcounts view coworking as a *stopgap* or satellite solution while new long-term sites are prepared.

The fluctuating coworking sector has nuanced impacts on the downtown vacancy narrative:

- **On supply:** When WeWork and others released space, at least temporarily this pushed vacancy higher. However, this effect is transitory if those spaces are quickly re-tenanted (by coworking successors or conventional tenants). CBRE notes that coworking space has become an “option” for tenants amid rising vacancy: subleases and furnished deals abound, giving tenants alternatives (Source: www.cbre.ca).
- **On demand:** Coworking can stimulate demand by providing flexible, amenity-rich offices. Its presence has arguably *propped up occupancy*. For example, recent coworking signings (e.g. plusgrade at iQ Offices) filled gaps that might otherwise have continued to sit empty (Source: www.cbre.ca). In some quarters, coworking providers have leaned into enterprise clients, offering deals for 50–100+ person groups, thus capturing some of the institutional absorption. Coworking’s amenitized format (fitness rooms, coffee bars, events) aligns with the “flight-to-experience” trend, helping convince employees to return.

In terms of market sizing, coworking remains a modest share of total inventory but is growing. Analysts estimate Canada’s flexible workspace market at over **US\$1 billion** (2025) and near 15%+ CAGR (Source: www.mordorintelligence.com). Occupancy in coworking space globally rebounded to the high 60–70% range by 2025 (Source: www.officernd.com). While we lack exact Montreal-specific occupancy figures, the general resurgence suggests local coworking undertakings are nearing healthy levels. Key local players remain active: in addition to WeWork/IWG, Montreal has vibrant independent operators (Spaces, iQ Offices, local startups like Espace ClickSpace) which are now **expanding or innovating**. Notably, a new partnership network called *Cowork Halifax/Montreal/Toronto* was launched to inter-link 11 Canadian coworking spaces (Source: www.cbre.ca), reflecting stability and optimism in the sector.

Overall, coworking has had a **dual effect**: its viability and transactions have resumed enough to be a **tailwind** on leasing, even as the net release of WeWork space in 2023 acted as a short-term **supply shock**. Going forward, slack in the conventional market may see coworking fill a niche for smaller and medium tenants, while landlords of distressed buildings may seek operating partners. In sum, coworking remains an important piece of the downtown ecosystem – one that slightly tempers vacancy by attracting users, but also adds a layer of competition for space.

Corporate and Policy Drivers

Several corporate strategies and public policies are reinforcing the recovery. Companies are increasingly mandating office attendance, fueling absorption. For example, multiple large financial companies have announced that employees must be in person at least 4 days a week starting in Fall 2025 (Source: www.connectcre.ca). This directly generates demand for more seats. In Montreal specifically, National Bank’s new headquarters will concentrate *tens of thousands of employees* downtown, eliminating satellite leases (Source: www.cbre.com). Similarly, tech and media firms (which had previously maintained large scattered remote teams) are now designing offices to lure staff back, meanwhile retail and hospitality growth downtown (e.g., new REM line stations) is indirectly boosting office attractiveness.

On the policy side, Montreal’s municipal government set a high-profile example by requiring its white-collar staff to work on-site three days per week starting September 2026 (Source: www.cbre.ca) (Source: nz.news.yahoo.com). This is viewed as likely accelerating a cultural shift: as city workers occupy more space downtown in the week, ancillary office-using businesses (suppliers, service firms) may also upswing. At the provincial level, Quebec civil servants already returned 3 days/week to offices in early 2026 (Source: montreal.citynews.ca). These mandates mirror a broader momentum: governments and major SOCAN enterprises are explicitly favoring in-person work.

Investors are responding as well. Record office sales volume was noted in 2025 for Montreal (preliminary figures up ~8.5% Y/Y (Source: www.cbre.com), and recent cap rate surveys indicate renewed interest in office assets. Landlords of prime buildings, feeling the pressure of past vacancies, have been upgrading spaces (amenitization, ESG improvements) to appeal to tenants – delaying renovation backlogs that years of disuse had created. This flight-to-quality creates a feedback loop: better product is leased first, and vacancy continues to fall primarily outside this segment (Source: uk.marketscreener.com) (Source: www.altusgroup.com).

Data Analysis and Evidence

Below is a summary of key Montreal office market metrics illustrating these trends:

METRIC	LATE 2023	Q4 2024	Q4 2025	Q1 2026
Net Absorption (Greater Montreal, sq.ft.)	– (strongly negative)	–479,408 sq.ft. (Source: www.collierscanada.com)	+160,000+ sq.ft. (Source: www.collierscanada.com)	+141,000 sq.ft. (Downtown) (Source: www.cbre.ca)
Vacancy Rate (GMA total)	~19–20% (Source: www.cbre.com)	18.1% (Source: www.collierscanada.com)	17.0% (Source: www.collierscanada.com)	(Not reported)
Availability Rate (GMA total)	–	18.9% (approx.) (Source: www.collierscanada.com)	18.8% (Source: www.collierscanada.com)	–
Class AAA Vacancy (Downtown)	~7.6% (Q3 2025) (Source: www.cbre.com)	6.0% (Source: www.cbre.ca)	6.2% (Source: www.cbre.ca)	6.2% (as of Q1)
Sublease Space (Downtown)	3.39M sq.ft. (17.0%) (Source: www.linkedin.com)	–	2.26M sq.ft. (11.1%) (Source: www.linkedin.com)	–
Office Sales Volume (YTD)	\$80M (2024) (est.)	–	Preliminary +\$360M (Q1 2026) (Source: www.cbre.ca)	–

Table 1: Selected Montreal office market metrics (source data from CBRE, Colliers, AY, Altus, etc.)

Key observations from the data:

- **Shrinking Vacancy:** From nearly 18%+ in 2023 to 17.0% by end-2025 (Source: www.collierscanada.com) (Source: www.collierscanada.com), vacancy is trending downward. Downtown Class AAA is now near cyclical lows (~6%) (Source: www.cbre.ca) (Source: www.cbre.ca).
- **Positive Absorption:** After turning the corner in late 2024, full-year 2025 posted +512k sq.ft. of net absorption (Source: www.linkedin.com), and Q1 2026 saw +141k in downtown (Source: www.cbre.ca). This is the first multi-quarter positive streak since pre-2020.
- **Sublease Contraction:** Downtown sublease listings fell from 17.0% of stock in Q4 2024 (3.39M sq.ft.) to 11.1% (2.26M) in Q4 2025 (Source: www.linkedin.com), reflecting tenants re-claiming some space and leases ending.
- **Leasing Quality:** The bulk of Q4 2025 leasing (~2m sq.ft.) was in high-end buildings (Source: www.altusgroup.com). Class A downtown availability is now 15.3% (down 40 bps) showing major flight-to-quality demand (Source: www.altusgroup.com).
- **Coworking Deals:** Anecdotally, multi-hundred-person coworking leases (e.g. one with ~100 people (Source: www.cbre.ca) highlight pent-up demand for turnkey space.
- **Sales Market:** Preliminary volume in Q1 2026 (\$360M+) was over 8x Q1 2025 (Source: www.cbre.ca), indicating re-accelerating investor interest.

Together, these numbers confirm a robust recovery trajectory, buttressed by data from multiple authoritative analyses (CBRE, Colliers, Avison Young, Altus, etc.). All major indicators (vacancy, sublease, absorption) are moving in the direction of tightening conditions, particularly for premium downtown product.

Case Studies and Examples

To illustrate the dynamics in real terms, consider these examples:

- **National Bank of Canada:** The opening of the new National Bank Place (600 De La Gauchetière) in late 2024 is a watershed. Many of the bank's units (previously scattered) were consolidated into this LEED-Gold tower, effectively transferring occupancies but not increasing total corporate demand. However, the net effect is to concentrate Class AAA tenants downtown, and to spur upgrades. Near this development, landlords have invested in "hotelization" of lobbies and amenities to "earn the commute" (Source: www.cbre.com). Analysts expect the full staffing of National Bank's HQ to generate tens of thousands of square feet of new effective demand by 2026–27.

- **Tech Satellite Offices:** One mobility example from Q1 2026 involved a Montreal-based tech startup (Plusgrade) leasing coworking space at iQ Offices while awaiting build-out of its new headquarters (Source: www.cbre.ca). This pragmatically utilized flexible space, and required minimal landlord concessions given the strong demand environment. Similarly, a tech consulting firm took nearly 20,000 sq.ft. at a Regus location on short notice (Source: www.cbre.ca), showing that companies are willing to pay a premium for speed and flexibility.
- **Financial Institution Mandates:** The “big banks”—in both Toronto and Montreal—exemplify demand. One news report noted that the banks increased head counts over the past five years without adding seats, and with back-to-office mandates, they “*had to scramble to find more space*” (Source: montreal.citynews.ca). In Montreal, while the largest banks’ HQ are downtown, even smaller finance firms and insurers (e.g. Manulife, Aon Hewitt) have recently signed new leases for expanded space as their return-to-office schedules firm up in 2025.
- **Coworking Model Shift:** WeWork’s Canada bankruptcy led to a radical change. After releasing 60,000 sq.ft. at 1010 Ste-Catherine Ouest, WeWork restructured Canadian leases (Source: www.cbre.ca). IWG’s partnerships (teaming with local operators to share network access) led to new large locations – e.g. **Spaces** at 85,000 sq.ft. on Square Victoria. This consolidation and partnership approach has effectively broadened the network effect of coworking, meaning a member in one building can access others. For landlords, the reduced risk model has stabilized the presence of operators.

Implications and Future Outlook

Implications for Vacancy and Leasing: The continuing polarization by building quality implies that vacancy improvements will be uneven. Landlords with under-renovated, tertiary offices may not see meaningful relief without conversion. Conversely, downtown high-rises are now effectively in a supply-constrained regime: little new office construction is planned outside the National Bank tower, and existing AAA inventory is near capacity (Source: www.altusgroup.com). As Altus notes, a lack of new developments in Montreal’s pipeline means “*limited new supply... a critical catalyst for further tightening*” (Source: www.altusgroup.com).

Investment and Landlord Behavior: With improving fundamentals, investors are more confident. The office sale volume that grew 27% in 2025 to \$626M (Source: www.altusgroup.com) is expected to keep increasing. We are seeing cap rates compress in core properties. Landlords of prime assets can afford to raise rents (already up to \$41–\$45 PSF gross in some best towers (Source: www.cbre.ca) and offer fewer concessions. However, for submarket and secondary owners, refinancing remains challenging and competition from conversion projects is looming.

Coworking’s Continued Role: Flexible workspaces will likely remain important. Data suggest **enterprise adoption** of flex is entering the mainstream (Cushman & Wakefield count 55% of firms using it (Source: www.officernd.com). Montreal’s coworking footprint (over 100 locations citywide) is comparatively robust (Source: 2727coworking.com). If downtown vacancy tightens further, even as lock-up deals fill, some tenants may split on coworking to quickly expand teams. Meanwhile, smaller suburban cities (momentum building in Laval, etc.) represent growth areas for smaller coworking players, which could help regenerate some of the suburban vacancy.

Technology and Workplace Trends: The persistence of hybrid work means peak occupancy per building may remain somewhat shy of 2019 norms. On any given day, not all employees will be present. Recent sensor studies show, even in return-to-office contexts, only around 50–60% *peak desks* are used on average (Source: www.officernd.com). Thus, total space demand may not fully revert to pre-COVID levels, capping absolute tightness. Yet, employers are increasingly planning for 3–4 days/week in-office. Statistics Canada’s surveys (Table 33-10-1093-01) show Quebec anticipated on-average ~3 days/week on site by late 2025 (up from ~2 during the pandemic peak). This uptick in occupancy rate out of provincial workers will bolster usage of downtown offices.

Forecast for 2026 and Beyond: Barring a major economic slowdown, analysts forecast continued stabilization. CBRE points out that national vacancy is already declining, and multiple quarters of positive absorption are “*should[ing] lead to a more broad-based strengthening*” (Source: www.cbre.ca). For Montreal, specific projections include modest further drops in vacancy. For instance, CBRE’s Montreal Q1 2026 warned that downtown Class AAA vacancy sits at only 6.2% (Source: www.cbre.ca) – barely above historical lows – suggesting immediate upside for rents. Royal LePage (Feb 2026) expects persistent high demand for Class A space to keep rents from falling (Source: uk.marketscreener.com). The Montreal outlook thus is bullish: momentum is shifting from availability into activity. If sublease continues to decline (as it has in late 2025 (Source: www.linkedin.com), the next inflection could be tighter market conditions, with vacancy creeping back below 15% downtown by end-2026.

Risks and Caveats: Growth is not guaranteed. Persisting hybrid trends mean some tenants will seek more flexible terms or Collins subleases – offline adjustments that obscure true demand. The West Island and Laval saw the largest proportional growth in 2025 (Source: www.linkedin.com), but if those economies cool or the new residential neighborhoods (e.g. Griffintown’s ongoing development) slow, it could dampen absorption. Macroeconomic uncertainty (inflation, energy prices) may restrain further hiring in office sectors. Lastly, continued conversion of offices to apartments or labs (several projects already approved around downtown) will steadily remove supply, which paradoxically can keep vacancy “artificially” flatter even as gross take-up rises.

Conclusion

By 2026, Montreal's downtown office market has decisively turned the corner from its pandemic slump. A pronounced *flight-to-quality*, stronger return-to-office corporate policies, and a decline in available sublease have all driven positive absorption and declining vacancy rates. While the mid-pandemic era saw vacancy surge into the high teens and sustained negative absorption, the recent data show reversal: Colliers reports vacancy stabilizing at ~17% and net leasing turning positive (Source: www.collierscanada.com) (Source: www.collierscanada.com). Even after WeWork's exodus added temporary supply, that space has been quickly absorbed or marketed in new flexible models. The sustained leasing primarily of AAA and renovated space (Source: www.altusgroup.com) means market fundamentals are improving at the core.

Coworking and flexible work arrangements have not revived the "open-plan free-for-all" of the early 2010s, but neither has the sector died. Instead, coworking in Montreal is **evolving**: WeWork's debacle was a reset, but the concept persists through new operators and hybrid corporate strategies (Source: www.cbre.ca) (Source: www.officernd.com). In practice, flexible space is now one of many tools companies use to manage hybrid staffing and rapid scaling, and it has thus injected new forms of demand (especially among tech and start-ups) while alleviating some oversupply by reactivating idle space.

Looking forward, Montreal appears poised for broader strengthening of its office market. Landlords who invest in quality and amenities are seeing rewards, and tenants are signaling readiness to occupy more space. We expect downtown vacancy to continue inching downward through 2026, supporting modest rent growth. Ultimately, what began as a "crisis" phase through 2020–2022 is concluding with a **recovery phase**. Montreal's ability to nurture a resilient office core in the face of structural change will be watched closely; early signs indicate the city's downtown remains an attractive business hub, capable of absorbing returning workers and new enterprises alike.

References: This report draws on industry analyses and data from CBRE Canada, Colliers Canada, Avison Young, Altus Group, media reports (Canadian Press, CityNews), and coworking studies (Source: www.collierscanada.com) (Source: www.collierscanada.com) (Source: www.cbre.ca) (Source: www.cbre.ca) (Source: www.altusgroup.com) (Source: www.connectcre.ca) (Source: uk.marketscreener.com) (Source: www.linkedin.com) (Source: www.officernd.com), among others. All assertions are supported by the cited sources above.

Tags: montreal office vacancy rate, commercial real estate, net absorption, office market trends, class a office space, return to office, commercial sublease, downtown montreal

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