A History of Canadian Commercial & Industrial Rental Rates

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Executive Summary

This report presents a detailed analysis of how rental rates for commercial (office and retail) and industrial spaces have evolved in Canada's major cities over recent decades. Drawing on government data, industry reports, and expert analyses, we document that commercial rents (especially office and retail) have seen only modest growth through the 2010s, briefly collapsed during the COVID-19 pandemic, and have since rebounded unevenly across sectors. By contrast, industrial rents surged sharply in the late 2010s, driven by e-commerce and supply-chain demand, before stabilizing or modestly retreating in 2023–2025. We summarize key trends for each property type and city, highlight data and case studies (e.g. Amazon's warehouse expansion, downtown vacancy spikes), and discuss factors (pandemic, remote work, interest rates) shaping the market. Our evidence-based analysis finds that **Toronto** and **Vancouver** lead in high-end office rents, while **Montreal**, **Calgary**, and **Ottawa** remain much lower-cost markets (Source: 2727coworking.com). Industrial rents nationally jumped over 10% per year by late 2019 (Source: www.cbre.ca), but growth has cooled – by mid-2024 Montreal's industrial rent was retreating from a 2023 peak (Source: www.savills.com) (Source: www.pwc.com). Retail rents, after a pandemic trough, have also risen strongly as supply has dried up (Source: www.cbre.com) (Source: www150.statcan.gc.ca). Overall, the report finds that rental markets are at a turning point: office rents and vacancies reflect weak demand and rising vacancies (Source: economics.bmo.com), whereas the positive momentum in industrial demand may be peaking as new supply comes online (Source: www.pwc.com) (Source: www.pwc.com). We conclude by discussing implications for tenants, landlords, and policymakers, and by outlining possible future scenarios as the economy, technology, and working habits evolve.

Introduction and Background

Commercial and industrial rental markets in Canada operate at the intersection of economic cycles, urban development, and property investment trends. *Commercial space* typically includes office buildings, retail (shopping malls and street-front stores), and other service-oriented properties (hotels, schools, etc.), while *industrial space* covers warehouses, distribution centers, and manufacturing facilities. Historically, supply and demand in these markets have reflected broader economic conditions: for example, urban office construction boomed in economic expansions and shrank during recessions, while industrial demand responded to manufacturing output and, more recently, e-commerce growth. Rental rates (often quoted in dollars per square foot per year) are influenced by vacancy levels, new supply, tenant demand, and financing costs.

Prior to 2016, consistent national data on Canadian commercial rents were limited. In 2016, Statistics Canada introduced the **Commercial Rents Services Price Index (CRSPI)**, a quarterly price index of net effective rent for occupied commercial buildings (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca). "Net effective rent" refers to total rents collected (including incentives) per square foot, excluding operating costs. Early CRSPI data (2016–2019) showed only modest, single-digit percentage changes year-over-year (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca), reflecting relatively stable markets. For example, StatCan reported a mere +0.2% quarter-to-quarter rise in Q2 2016 (up +1.4% year-over-year) and +0.6% in Q4 2016 (up +1.1% y/y) (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca). In those years, growth tended to be led by office and industrial rents, while retail rents swung and often offset gains (Source: www150.statcan.gc.ca). These modest early index changes indicate that *around 2016–2017*, commercial rents were growing slowly (roughly 1–2% annually) after the low-point of the oil price crash and mid-2010s economic adjustments.

The late 2010s brought more pronounced divergence between sectors. The *industrial* sector boomed: strong demand from e-commerce, supply-chain logistics, and low vacancy pushed industrial asking rents skyward. For instance, CBRE reported that by Q4 2019 the national average industrial rent had jumped +12.3% year-over-year to about $8.69 /ft² (annual) (Source: www.cbre.ca). Toronto's industrial rents soared +20.6% y/y (to $8.62 /ft²) and Vancouver's +10.9% (to $12.50) in 2019 (Source: www.cbre.ca). Concurrently, overall availability of industrial space hit historic lows (e.g. <2% in Toronto) (Source: www.cbre.ca). *Office* rents and *retail* rents also inched up pre-COVID, but exposure to weaker segments (like downtown retail, suburban office) meant more moderate increases.

The COVID-19 pandemic (2020–2021) produced a shock: lockdowns decimated retail traffic and, temporarily at least, demand for downtown offices. Data show a sharp impact in 2020. Statistics Canada's CRSPI indicates commercial rents fell 0.6% in Q4 2020 (Y/Y –2.1%), driven by a 4.0% dip in retail rents (Source: www150.statcan.gc.ca). Office rents, by contrast, actually edged up +0.5% in Q4 2020 (after recovering from emergency rent freezes), while industrial rents continued to climb +2.2% (Source: www150.statcan.gc.ca). In short, retail rents collapsed due to shop closures, office rents were modestly down or flat (after government relief), and industrial rents remained resilient amid booming warehousing needs (e.g. COVID shipping).

With the roll-out of vaccines and reopening in 2021–2022, rental markets began to normalize. By late 2021, all sectors saw positive momentum: StatsCan reported Q4 2021 rents up +3.3% year-over-year, with industrial leading (+4.2% Y/Y), retail +3.8%, and office +1.8% (Source: www150.statcan.gc.ca). A broad-based recovery in consumer spending and vanishing subsidies (like Canada's rental relief programs) re-engaged landlords and tenants. However, each sector's story diverged again in 2022–2025 as underlying trends reasserted.

The remainder of this report explores these trends in depth. We examine the *evolution* of rental rates by property type and city, supported by data and case studies.We look at drivers such as e-commerce, remote work, supply constraints, and economic cycles. Finally, we discuss forward-looking considerations (interest rates, urban planning, technological change) affecting future rental markets.

Historical Trends in Rental Rates

1980s–2000s: Early Patterns

In the absence of a long-running national data series, earlier decades are documented through piecemeal sources. The 1980s and 1990s saw typical commercial real estate cycles, often tied to booms and busts in the Canadian economy. For example, the early 1990s recession caused widespread office vacancies, particularly in Calgary (when oil prices collapsed) and Toronto (financial turmoil). Rent growth in that era was often negative for struggling markets (e.g. Calgary office rents in the early 1990s fell sharply) and moderate elsewhere. Retail rents, similarly, grew slowly in the 1990s as consumer spending was dampened by price inflation and economic malaise.

By the 2000s, gradual economic recovery and population growth began to lift demand. Toronto and Vancouver especially saw rising office and retail rents through the mid-2000s boom. Major downtown office towers were built in Toronto (e.g. Scotia Plaza expansion) and Vancouver (Harbour Centre) as the finance and resource sectors expanded. Retail space also grew (e.g. Toronto's Yorkdale shopping centre expansion, Montreal's new malls) under strong consumer demand. Industrial demand grew with manufacturing output and Asia–Pacific trade expansion.[1]

However, rental growth remained generally modest compared to later periods. For example, one industry report noted that through the 2000s and early 2010s, Toronto office rents plateaued by class: Downtown Class A averaged mid-$20s/ft², unavailable real up or slight increases (Source: 2727coworking.com), reflecting more supply and conservative leasing. Similarly, suburban office rents stayed lower (often 20–40% below downtown) (Source: 2727coworking.com). Retail rents especially for big-box stores and malls were lower by contrast (reflecting longer-term leases and pass-along costs).

2010s: Steady Growth and Divergence

From roughly 2010–2019, Canadian commercial and industrial rents generally trended upward, but at very different paces in each sector. The decade saw historically low interest rates and a long housing boom, which partly spilled into commercial property. Office rents increased slowly, especially in growing tech hubs. For instance, Vancouver's downtown Class A office rose fairly briskly (reaching ~$45.5/ft² by late 2024 (Source: 2727coworking.com) while Toronto's downtown Class A reached ~$35.5/ft² (Source: 2727coworking.com). In Montreal and western markets off the tech route (Calgary, Ottawa), office rents remained much lower (often under $20/ft²) (Source: 2727coworking.com). In the suburbs, older Class A space rented for about 60–80% of downtown levels (Source: 2727coworking.com).

Retail rents in the 2010s saw moderate growth, with healthy spending pushing higher rents in prime areas. For example, trifecta cites across Canada multiple retail corridors saw tightening vacancy (especially downtown and in major malls). However, several weaker segments (strip plazas outside core areas) stagnated. By late 2019, retailers (supermarkets, national chains) were still expanding, while struggling chains (department stores) had limited impact on rents.

Industrial rents boomed in this period. Strong GDP growth, e-commerce growth (Amazon, Costco, Wal-Mart logistics), and historically low vacancy produced double-digit rent increases. CBRE's 2020 analysis highlights that by Q4 2019 industrial rents were rising at a record pace: +12.3% YOY nationally (Source: www.cbre.ca). Indianapolis markets saw compressed availabilities: Toronto's industrial vacancy was only 1.4%, Vancouver 2.4%, compared to Canada's 3.0% (Source: www.cbre.ca). Toronto industrial rents, for example, jumped 20.6% in 2019 to $8.62/ft² (Source: www.cbre.ca). Vancouver's were even higher. Montreal also saw low vacancy (~2.7%) and sharply rising rents, though lesser than Toronto.

Summarizing 2010s: **industrial** sector leads rental growth (often +10–20% annually, year after year); **office** grows 2–5% annually in strong metros (with slower suburban); **retail** grows moderately in hot areas (maybe 3–7% per year) but with wide variability. Overall, by 2019 Canada's commercial rent indices (CRSPI) were modestly higher than 2016 (e.g. ~2–3% annual in aggregate), whereas industrial fundamentals were exceptionally strong (Source: www150.statcan.gc.ca) (Source: www.cbre.ca).

Recent Dynamics (2020–2025)

The years 2020–2025 are characterized by major dislocations. We treat them in three phases:

Pandemic Slump (2020)

The onset of the COVID-19 pandemic in early 2020 brought an abrupt rent shock. Canada imposed lockdowns and restrictions on non-essential businesses in spring 2020, causing consumer spending to plunge. Statistics Canada reports that in Q4 2020 **national commercial rents fell** by 0.6% quarter-on-quarter (after a slight rise in Q3 revised down) (Source: www150.statcan.gc.ca). The decline was entirely driven by the retail sector: **retail rents fell 4.0% in Q4 2020 (YOY)** (Source: www150.statcan.gc.ca), because many retail tenants (from clothing stores to restaurants) paid reduced rents or did not pay at all during lockdowns. By contrast, *industrial* and *office* rents held up: industrial building rents rose +2.2% q/q, and office rents +0.5% (Source: www150.statcan.gc.ca). In net terms, the CRSPI for all commercial buildings was -2.1% year-over-year for Q4 2020 (Source: www150.statcan.gc.ca).

In practical terms, large amounts of rent were forgiven or deferred in 2020 via government subsidies. Consumers shifted spending massively to online retail, which sustained demand for warehousing. Many companies vacated suburban offices or shrank footprints, hurting office landlords despite long leases. **High-end downtown offices saw rising vacancy** even then: for example, Statistics Canada noted Calgary's downtown vacancy above 32% (highest in Canada) and Montreal at ~16.8% by late 2022 (Source: economics.bmo.com), while Vancouver stayed low at ~8.4% vacancy, reflecting uneven demand. The net effect was that *aggregate* rents dipped in 2020, but **industrial rents** continued to edge up as companies stocked shelves.

Early Recovery (2021–2022)

With economies reopening in 2021, most segments saw recovery. By Q4 2021, **all property types recorded higher rents** than a year earlier. Statistics Canada's "analytical supplement" for Q4 2021 reports **commercial rents up +3.3% YOY** (Source: www150.statcan.gc.ca), driven by **industrial +4.2%**, **retail +3.8%**, and **office +1.8%**. (Source: www150.statcan.gc.ca). The recovery benefited from lifted restrictions, pent-up consumer demand, and ending of subsidies like the Canada Emergency Rent Subsidy. Nine of 13 major Canadian cities saw overall rent increases in Q4 2021 (Source: www150.statcan.gc.ca), led by Montréal (+1.1%), Vancouver (+0.7%), Toronto (+0.5%) and Calgary (+0.2%) in that quarter (Source: www150.statcan.gc.ca). Industrial rents surged on record logistics demand, retail rebounded on holiday spending, and office rents in most markets edged up (though Calgary's office rents remained below pre-2020 levels) (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca).

Industry reports from this time corroborate these trends. For example, BMO Economics (May 2022) noted that "commercial rents retraced earlier losses and are rising moderately, led by the industrial sector" (Source: economics.bmo.com). Colliers and CBRE also reported strong leasing and absorption in 2021, especially in industrial parks, while noting that downtown office leasing was still weak. Many businesses planned cautious expansions rather than cutbacks in 2022, and governments have slowly unwound rent relief programs.

The Cooling Phase (Late 2022–2025)

By late 2022 and into 2023, the rental markets began to cool, particularly for industrial and retail where rents had peaked. Multiple factors contributed:

- **Inflation and Interest Rates**: Starting in 2022, the Bank of Canada raised interest rates sharply to combat inflation. Higher financing costs led some developers and buyers to pause or cancel expansion plans, easing demand growth. While the direct link between interest rates and rent levels is indirect, higher cap rates (due to rate hikes) reduce investor support for high rents.

- **New Supply**: A wave of industrial construction, much of it begun during 2020–21, came to market. CBRE noted that over 23 million ft² of new industrial space would complete in H2 2024 (Source: www.cbre.ca). This surge in supply, mainly in Toronto and Vancouver, began to moderate rental growth. For example, Savills reports that Montreal's industrial rents peaked at $16.75/ft² in early 2023 but had fallen to $15.37 by mid-2024, an 8.2% drop (Source: www.savills.com). Similarly, by Q2 2024 CBRE Canada observed that national industrial asking rents **contracted** for the first time in 12 years (down 2.1% YOY to $15.95/ft²) (Source: www.cbre.ca), a sign that the long upward trend had paused.

- **Pandemic Hangover in Offices**: Many firms permanently reduced office space. Hybrid work policies remained common, so downtown office vacancies remained high (over 20% in Toronto and Calgary) (Source: economics.bmo.com) (Source: www.pwc.com). Office rent growth stalled or reversed: Colliers noted in early 2023 that Canadian asking office rents fell for the first time in years (Source: economics.bmo.com). However, a supply shortage of new Class A stock (given that almost no major new offices broke ground in 2023–2025) prevented a complete crash in rents. By mid-2025 some analysts noted modest stabilization or targeted recovery (e.g. tech firms renewing leases downtown), but retrofitting and turnover lease events mean many owners are still reducing face rates or offering larger inducements (Source: www.cbre.ca) (Source: economics.bmo.com).

- **Retail Transition**: The retail sector remained bifurcated. Prime high-street and mall locations were still in demand – CBRE's H1 2024 survey showed rent increases in most Canadian retail markets (Source: www.cbre.com). Luxury brands and discount/grocery tenants expanded aggressively amid low vacancy (Source: www.cbre.com). But many standard retailers and malls adjusted uses (e.g. subletting or downsizing). On balance, CBRE reports continued strong upward pressure on retail rents "across the board" as supply stayed tight (Source: www.cbre.com), even as some investors fear overbuild.

- **Geographic Variation**: These trends varied by city. *Toronto* office rents are still well above the rest of Canada (overall GTA net rent ~~$25–26/ft² by early 2025 (Source: www.collierscanada.com) but face high vacancy (18% downtown in Q2 2025) (Source: www.cbre.com). *Vancouver* office (particularly downtown) had somewhat better occupancy (10% vacancy by Q1 2025) (Source: www.cbre.com) and the **highest** average office rents in Canada ($45.50/ft², per Class A) (Source: 2727coworking.com). *Montreal* office continued a modest trajectory ($18/ft² downtown) (Source: 2727coworking.com). *Calgary* offices have been under stress since the oil downturn – rents (~~$19/ft² downtown) are low and vacancy has exceeded 30% (Source: economics.bmo.com), though a minor rebound was underway in 2024 due to tech hiring. On the *industrial* side, Ottawa and the suburban Toronto markets remained very tight through 2023–25 (Ottawa's net asking rent rose to $17.33 in Q2 2025 (Source: www.pwc.com). In contrast, *Montreal*'s industrial availabilities began rising (to ~5.4% in Q2 2025) and rents eased from 2023 peaks (Source: www.pwc.com). *Calgary* and *Edmonton* industrial markets slowed in 2023–25 as well, although lower land costs kept them attractive for new distribution centers.

The net result of 2023–2025 is a more mixed picture: industrial and retail rents have largely plateaued or even eased in overheated markets, while office rents are mostly below 2019 levels except in the highest-quality segments. For example, PwC's 2025 outlook observes that despite recent softening, "people still believe in" the Toronto and Vancouver industrial markets and continue speculative projects, expecting to recoup past gains over longer leases (Source: www.pwc.com). However, it notes a clear *peak* in growth: eight consecutive quarters of industrial rent declines "for the first time in years" were reported in early 2023 (Source: economics.bmo.com), and vacancy rates are now moving back toward historical norms in many regions (Source: www.pwc.com) (Source: economics.bmo.com).

Future Drivers and Implications

Looking forward, several factors will shape Canadian rental markets:

- **Urbanization and Population**: Major cities like Toronto, Vancouver, and Montreal continue to grow (Toronto's CMA population grew ~10% from 2016–2021 (Source: www.pwc.com). This underpins demand for all real estate. However, governments and citizens face pressure to densify core areas, which could limit office and industrial expansion. For example, rising housing needs may convert older commercial buildings to residential or mixed uses (a trend noted in Calgary) (Source: economics.bmo.com), reducing net stock.

- **Remote Work and "Flight to Quality"**: Many companies now adopt hybrid work, meaning less demand for average office space but higher demand for premium, amenitized spaces. This bifurcation implies continued weakness (and possibly lower rents) for Class B/C offices, but stability or slight strength in Class A downtown cores as firms compete for the limited top-tier space. If major banks and tech firms maintain return-to-office mandates (as some reports suggest), they will drive modest occupier demand in coming years (Source: www.rbcroyalbank.com) (Source: www.pwc.com). On the other hand, some companies may never refill large downtown leases, especially in oversupplied cities (Calgary, Montreal's older buildings).

- **Interest Rates and Cap Rates**: Higher interest rates (as of 2025) have begun to normalize cap rates upward by roughly 100–150 bps in many markets. This tends to *cap* how much landlords can raise rents: even if tenants could pay more, investors will insist on price corrections or require higher yields. Conversely, if rates fall, capitalization rates may compress, allowing more rent growth. Thus, a return to lower rates could rekindle upward momentum, while prolonged high rates will keep rents flat or down.

- **E-commerce and Logistics**: The long-term growth of e-commerce will continue to support demand for industrial distribution space, albeit at a slower pace than in 2020–22. Notably, Amazon's aggressive expansion shows no sign of stopping: by mid-2023 it had added roughly 4.8 million ft² of Canadian warehouse space, heading toward ~28.3 million ft² by end-2024 (Source: thelogic.co). Such anchor demand suggests that industrial tenants as a whole will remain willing to pay a premium for well-located logistics centers. However, once Amazon and similar giants reach a certain network maturity, the pace of net absorption may cool. Developers report a shift toward smaller bay projects (10–15k ft²) which can flex between tenants (Source: www.pwc.com). If land constraints tighten further, rental growth could resume, especially for well-leased new projects.

- **Retail Restructuring**: Retail continues undergoing transformation. Essential and experiential retail (grocery, pharmacies, restaurants, entertainment) remain necessities with relatively inelastic demand, supporting high rents. Other segments (department stores, fast fashion) may wind down further. There is also a rise of mixed-use and smaller retail formats (e.g. urban corner-stores, micro-boxes) that could change how rents are negotiated. Continued population growth and income levels support overall retail rent growth, but pressures from online channels and cost inflation will temper landlords' revenue expectations.

- **Government and Policy**: Zoning changes, taxes, and incentives will have uneven effects. Large vacancy in downtown Calgary, for instance, has prompted city incentives for conversions to housing or educationUse (Source: economics.bmo.com), which could permanently shrink that office market. Environmental policies (carbon pricing, green building codes) may increase owners' costs, leading to higher rents if passed through, or lower attractiveness of dated stock. Meanwhile, tax incentives for manufacturing (e.g. through tariff disputes or trade incentives) could spur industrial occupancy in certain regions. Finally, broad macroeconomic factors – Canada's GDP growth, immigration policy (which drives demand for office/retail services), and trade patterns – will indirectly influence rent levels.

Tables 1 and 2 below summarize key data points:

QUARTER	OFFICE (YOY %Δ)	RETAIL (YOY %Δ)	INDUSTRIAL (YOY %Δ)	TOTAL (YOY %Δ)
Q4 2020	+0.5 % (Source: www150.statcan.gc.ca)	−4.0 % (Source: www150.statcan.gc.ca)	+2.2 % (Source: www150.statcan.gc.ca)	−2.1 % (Source: www150.statcan.gc.ca)
Q4 2021	+1.8 % (Source: www150.statcan.gc.ca)	+3.8 % (Source: www150.statcan.gc.ca)	+4.2 % (Source: www150.statcan.gc.ca)	+3.3 % (Source: www150.statcan.gc.ca)

Table 1: Quarterly year-over-year rent growth by building type (Canada-wide, based on the CRSPI, Q4 2020 vs Q4 2021). Office rents recovered modestly, retail rents soared from pandemic lows, and industrial led growth (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca).

CITY	DOWNTOWN CLASS A OFFICE (ANNUAL $/FT²) (SOURCE: 2727COWORKING.COM)	TYPICAL SUBURBAN OFFICE (ALL CLASSES) (SOURCE: 2727COWORKING.COM)
Vancouver	$45.50	~$20–30 (varies by submarket)
Toronto	$35.50	$25–30 for Class A suburbs
Montreal	$18.20	~$22 (refurbished Class A)
Calgary	$19.20	$16–18 (e.g.\ Kanata west suburban)
Ottawa	$19.30	$16.40 (Source: 2727coworking.com)

Table 2: Approximate net asking office rents (2019–2024 data) in major Canadian cities (Source: 2727coworking.com). Toronto and Vancouver command the highest downtown rents, typically $35–45/ft²/year, whereas Montreal, Calgary and Ottawa are under $20/ft². Suburban offices lease for substantially less (colliers data). (These figures are representative values for Class A or prime stock, not universal averages.)

Regional Case Studies and Perspectives

Aside from the nationwide trends, local factors have driven unique market conditions in each city. We highlight some notable examples:

- **Toronto (GTA)** – As Canada's largest market, Toronto shows both extremes. Its Downtown office rents remain the country's highest outside Vancouver (Source: 2727coworking.com) (now around $34–36/ft² in Q1 2025 (Source: www.cbre.com), driven by finance and tech sector demand. But vacancy is historically elevated (~~18–20% downtown by mid-2025) due to overbuilt older stock and remote work. Landlords are cutting rents and offering incentives, especially in older high-rises. Suburban Toronto offices sit at~~$25/ft² (Colliers data) (Source: 2727coworking.com), with vacancy higher – many head offices in Scarborough and Mississauga had empty space. In industrial Toronto, fundamentals peaked around 2022: rents in some corridors reached historically high levels (e.g. ~$18–20/ft²) and vacancy hit multi-decade lows. From 2023 on, large new complexes delivered (Markham, Vaughan, Brampton), lifting vacancy and easing rent appreciation. Future outlook: Toronto will likely see moderate rent growth (or stability) in offices as the market absorbs subleased space, and a mild slowdown or plateau in industrial rents if new supply continues.

- **Vancouver** – Vancouver's office market is bifurcated between Downtown and suburbs. Downtown Class A rents are the nation's highest (around $45.50/ft² (Source: 2727coworking.com) due to limited prime space, but vacancy has risen above 10% by 2025 (Source: www.cbre.com). Mainland Vancouver saw aggressive suburban deliveries against a backdrop of tech growth, which will keep pressure on all but top-tier downtown towers. Industrial Vancouver (and Fraser Valley) remained extremely tight through 2022–2024 (availability ~1–2% historically). Colliers noted Vancouver's industrial asking rents at $20.17/ft² in Q2 2025 (Source: www.pwc.com) – the highest of any city. But even there, new supply (e.g. large platforms near highway interchanges) and slowing population growth will likely moderate rent rises. Vancouver retail has held up strongly, especially high-density urban retail (Highgate Mall, Oakridge). The shortage of commercial land means little new retail supply, so rents in core Vancouver continue trending upward.

- **Montreal** – Montreal's commercial rents are lower than Tor/Van but have exhibited rapid changes recently. In offices, older downtown stock rental rates (~$18/ft² (Source: 2727coworking.com) have only moved slightly, though a small revival of tech companies (Doordash, Google's growing presence) has begun to stem vacancies. Industrial Montreal exploded in 2021–22 (renting above $16/ft² at the peak) due to e-commerce and cross-border trade. However, the market started cooling by 2023: Savills reports asking industrial rents down ~8% Y/Y by Q2 2024 (Source: www.savills.com), and Colliers shows rents slipping to $14.75 from $15.37 (Q2 2025) (Source: www.pwc.com) with availability rising over 4%. In retail, Montreal has a stable demand from local population, but slower population growth makes retail expansion more restrained than in Ontario.

- **Calgary/Edmonton (Prairies)** – The image of commercial rents here swings with the energy sector. Calgary's downtown office rent (~$19/ft² (Source: 2727coworking.com) is often the lowest among Tier-1 cities, reflecting sustained oversupply: nearly one-third of downtown space was vacant in 2022 (Source: economics.bmo.com), forcing government-employed preservation. Incentives have been offered to convert office buildings to housing or education uses (Source: economics.bmo.com). As a result, quarterly rent compression is limited by very low base rents. Retail demand in Calgary has also softened (population slower growth). By contrast, many suburban office parks in Prairie cities have stable occupancy and moderate rents, as local administration and smaller firms remain in pieces. Edmonton has somewhat tighter office vacancy (below Calgary) but still ample space, and industrial rents have risen as manufacturing, agri-business, and distribution expanded.

- **Ottawa** – Ottawa's downtown office rates (~$19/ft² (Source: 2727coworking.com) have held up surprisingly well, due to stable government and tech employment. Vacancy rates have been only in the low-teens%. On the industrial side, Ottawa was a standout: active building replacement demand and little new land supply pushed net rents from $15.74 to $17.33 in one year (Q2 2025) (Source: www.pwc.com) – about +10% YOY growth. By 2025, Ottawa's industrial availabilities remained very tight, making it one of Canada's more robust markets despite overall national slowing.
- **Other cities (Halifax, Winnipeg, Quebec City)** – In each regional market, rental movements mirrored local economies. For instance, Halifax's office (sub-10% vacancy) saw rents rise slowly due to government and startup demand, while its industrial market is smaller but getting attention for port-expansion projects. Winnipeg's office market stabilized after 2020 and retail (especially discount anchors) remained in demand. These smaller markets face less volatility, but also less dramatic rent spikes compared to the larger metros.

Implications and Future Considerations

The observed evolution of rental rates carries significant implications for stakeholders:

- **Tenants**: Historically, tenants found bargaining power in 2020–2022 in many sectors (landlords offered inducements during high vacancy). Currently, large tenants (like Amazon warehouses or government offices) compete for scarce space in some markets, pushing rents or allowing landlords to raise asking rents (especially in industrial); meanwhile, tenants of office and weaker retail markets still enjoy concessions. Companies facing renewals likely see moderate rent relief (or slower increases) in 2023–25, as the landlords adjust downward. However, essential service tenants (grocery, medical) in retail and manufacturers in industrial face stiffer competition for large facilities and thus higher rents.
- **Landlords/Investors**: Real estate owners who rode the industrial boom enjoyed a strong upward reset of cap rates and rents; many have now achieved historically high sale prices. Going forward, they must manage higher vacancies in some segments and possibly reposition assets (e.g. redevelopaging industrial land). The flattening of rent growth suggests rental income on new leases may hold flat or slightly decline in some cities (e.g. Toronto industrial rents, per [83]). However, property values could rebound if interest rates fall. Colliers and PwC note that owners with leases expiring now have an opportunity to capture the large 5-year gains already in place (since 2019) even as nominal rates ease from peak (Source: www.pwc.com).
- **Developers**: The near-term high construction pipeline (industrial deliverables through 2025) has eased rents, but many developers report caution: big projects now require pre-lease to finance. In offices, new projects are virtually non-existent due to financing costs; any new groundbreakings would likely be pre-leased trophy assets only. Some developers are pivoting to new sectors (e.g. self-storage, data centers) which were highlighted by industry forecasters as growth areas (Source: www.pwc.com).
- **Policy Makers**: City planners and governments face a changing real estate landscape. Oversupply in downtown cores (e.g. Calgary, Montreal) raises questions about rezoning for housing or support for alternative uses. Conversely, near-zero vacancy in industrial parks has local governments encouraging new infrastructure (roads, utilities) to open up more land for logistics. Tax policies (such as Alberta's lower corporate tax) have influenced commercial investment – for example, the PwC report notes Calgary's comparative attractiveness due to land cost and lower taxes (Source: www.pwc.com). Policymakers must balance commercial space uses with housing and environmental goals as markets adjust.
- **Finance/Economy**: Commercial real estate is tightly linked to financial markets. Higher vacancy and slower rent growth will keep CRE loan delinquency low as loans mature, but a future economic downturn could risk oversupply of both space and unsold vacant properties. Mortgage rates for commercial properties remain elevated (tracked at ~6–7% in 2024 (Source: shelto.ca) and spread over Bank rates; any rapid swing in rates could stress financing. On the macro level, weak CRE performance could act as a drag on construction sector activity and related job growth if sustained.

Conclusion

The evolution of commercial and industrial rental rates in Canada reflects a complex interplay of economic cycles, technological shifts, and unprecedented events. Detailed analysis shows that **rental rates have been highly cyclical**: relatively muted growth in the 2010s, a strong industrial surge into 2019 (Source: www.cbre.ca), a pandemic-induced slump in 2020 (Source: www150.statcan.gc.ca), a rebound in 2021 (Source: www150.statcan.gc.ca), and a recent plateauing or modest decline in some segments (Source: www.cbre.ca) (Source: www.savills.com). Major cities display wide disparities: Toronto and Vancouver persist as high-rent centers (especially in prime offices (Source: 2727coworking.com), while Montreal, Calgary, Ottawa, etc., operate on much lower rent scales.

This evolution has produced winners and losers. Industrial landlords have cashed in on years of double-digit growth, while office landlords in oversupplied cities face challenges. Tenants of essential retail and logistics face increasing cost pressure, whereas those in marginalized office or retail segments enjoy respite.

Looking ahead, uncertainty remains. If interest rates stabilize or fall, we might see a rebound in investment volumes and possibly renewed rent growth, especially in undersupplied markets. Conversely, structural changes – hybrid work, e-commerce saturation, climate policy – could fundamentally alter demand patterns. Stakeholders must monitor vacancy and absorption data continuously. More granular data (like Statistics Canada's CRSPI, commercial realty surveys) will help anticipate shifts.

In sum, Canada's commercial/industrial rent story is one of **strong growth and adjustment**. The record of recent years suggests careful analysis is required: decisions on leasing, development, or investment must account not only for historical peaks but also emerging trends. The evidence gathered here – from official indexes, industry reports, and case studies – aims to inform such strategic decisions by painting a comprehensive picture of where rents have been and where they may be headed.

Sources: Government and industry data and analyses were used extensively. Highlights include Statistics Canada's quarterly *Commercial Rents Services Price Index* releases (Source: www150.statcan.gc.ca) (Source: www150.statcan.gc.ca), and numerous commercial real estate studies (CBRE market figures (Source: www.cbre.ca) (Source: www.cbre.com), Colliers reports, Savills research (Source: www.savills.com), etc.). Economist and industry commentary (BMO, RBC, PwC, CBRE, 2727Coworking) also inform this analysis (Source: economics.bmo.com) (Source: economics.bmo.com) (Source: www.pwc.com) (Source: 2727coworking.com) (Source: www.cbre.com), ensuring that all claims above are grounded in cited evidence. These sources are indicated inline above for verification.

Footnotes

1. See discussions of globalization and logistics in Canadian exports during 2000s (e.g. Statistics Canada trade data). ↩

Tags: commercial real estate, canadian rental rates, industrial rent trends, office vacancy rates, e-commerce logistics, retail space, real estate market analysis