Canada's Retail Market Is Still Recuperating From the Closure of Hudson's Bay Stores

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New forecast finds that rent growth will continue to slow in 2027 before rebounding in 2028

ARLINGTON, Va.--(BUSINESS WIRE)--Sep. 8, 2026-- Canada's retail vacancy rate is expected to hold relatively steady near 2.5% over the next year as the sector continues to absorb the fallout from the closure of Hudson's Bay stores, 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 closure of the Bay stores dealt a significant blow to Canada's retail sector in 2025. Vacancy in the country's shopping malls jumped from 3% to 8% in the second quarter of 2025 alone, as net absorption in that quarter came in at negative 5 million square feet. Canada's retail construction, meanwhile, is at its weakest point in a decade. Construction starts have remained below 1 million square feet per quarter since the third quarter of 2025, and only about 5 million square feet of retail space was under construction in the second quarter of 2026 – the lowest level since the pandemic.

Across the retail sector as a whole, the Bay closures pushed the overall vacancy rate from 1.8% to 2.5%. That rate has held steady over the past year, as soft absorption has been matched by similarly soft construction activity.

“Notwithstanding a relatively tight market overall, we expect rent growth to continue decelerating over the next four quarters,” said **Mario Lefebvre, chief economist for Canada at CoStar Group**. “Rent growth stood at about 4% in the first quarter of 2025, before the Bay closures, and has already decelerated to just above 2% in the second quarter of 2026. We expect it to bottom out around 0% by the second quarter of 2027, before climbing back to about 3% by the end of 2028 as absorption strengthens.”

“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 delay the recovery in retail space absorption. Over the longer term, however, we expect demand for retail space in Canada to increase as consumer spending grows and the development pipeline remains modest.”

The full forecast can be found here.

For more information about the company and its products and services, please visit costargroup.com.

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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