Office Market Report

Edmonton CAN

PREPARED BY

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OFFICE MARKET REPORT

Overview

Leasing conditions in Edmonton's office market appear to have stabilized following a sustained decline in activity that began in mid-2023. Over the final three quarters of 2025, quarterly leasing volumes levelled off at approximately 250,000 square feet. Despite this stabilization, total leasing for the year marked the lowest annual volume recorded over the past three years. Early leasing indicators suggest this steadier pace has continued into 2026.

Market-wide vacancy currently stands at 10.9%, reflecting office assets across all sizes, ownership profiles, and uses. When smaller buildings and government or education-oriented properties are excluded, vacancy increases to roughly 16%. Net absorption over the trailing 12 months reached approximately 350,000 SF, a strong result when compared with the five-year trailing average, which has recorded annual absorption losses totalling 48,000 SF. Absorption has been concentrated in suburban submarkets, notably South Central and West Edmonton, where vacancy rates have compressed most significantly over the past year. Population growth and rising demand for office-based services continue to underpin suburban performance.

Market participants continue to observe a focus on right-sizing office footprints. However, relocation decisions are increasingly constrained by elevated tenant improvement costs. Ongoing, though increasingly normalized, economic uncertainty has kept space reductions top of mind, with tenants pressing for stronger incentives, particularly within Edmonton's downtown core.

Government occupiers remain a key source of stability in downtown. Both the City of Edmonton and the Province of Alberta maintain significant office commitments. The Province implemented a full-time return-to-office mandate in February, while the City continues to support hybrid work arrangements. Employment within public administration has increased by an estimated 15% to 20% since late 2019, and municipal and provincial tenants collectively account for roughly 25% to 30% of downtown occupancy.

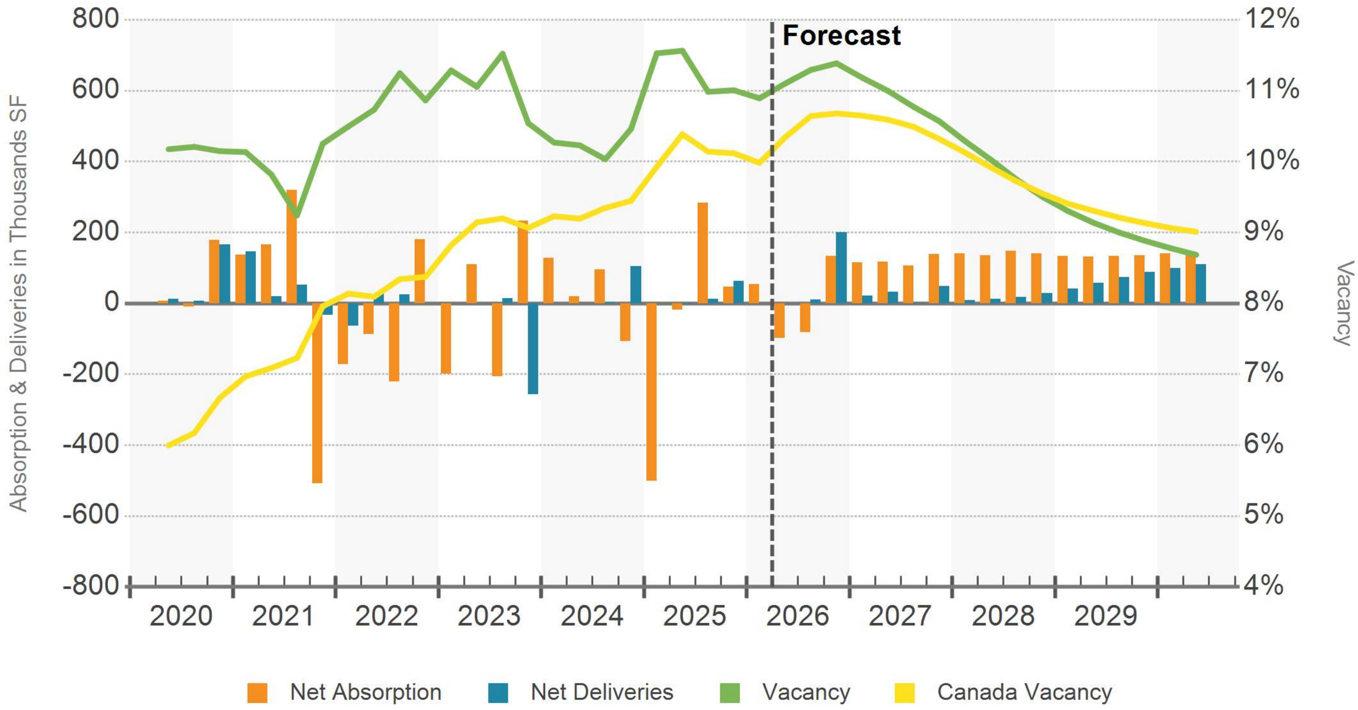
The few office-to-residential conversions remain largely concentrated downtown, though progress has been limited by high costs and the absence of government incentives. That said, landlords who have reinvested in older assets are seeing improved leasing outcomes, as renovation programs differentiate their properties from the broader B- and C-class inventory.

Despite persistent headwinds tied to trade uncertainty and moderating economic growth, Edmonton continues to outperform many Canadian peers. The office sector appears to have moved beyond its most challenging period, with leasing activity expected to improve modestly. Additional demand is anticipated from technology and pharmaceutical users, supporting greater sector diversification. After marginal rent declines over the past three years, asking rents are forecast to edge higher over the next two years.

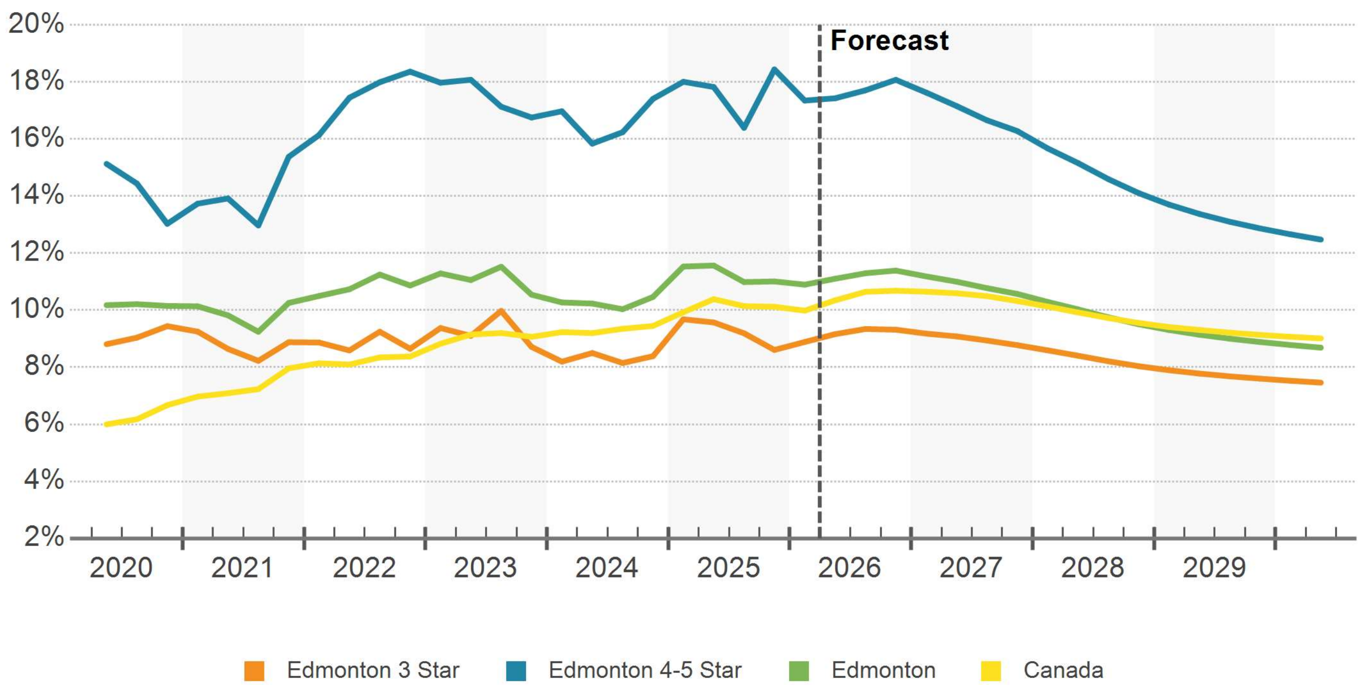
Average gross asking rents across the metro area are approximately $30.00/SF. Top-tier assets are achieving roughly $37.00/SF, while trophy buildings in the financial core command rents exceeding $50.00. Vacancy within these premier properties sits near 10%, underscoring sustained demand.

No major additions to office inventory are anticipated. While Edmonton has been considered overbuilt for nearly a decade, large-scale inventory reduction through conversions remains unlikely due to high construction costs, slowing residential rent growth, and limited government support.

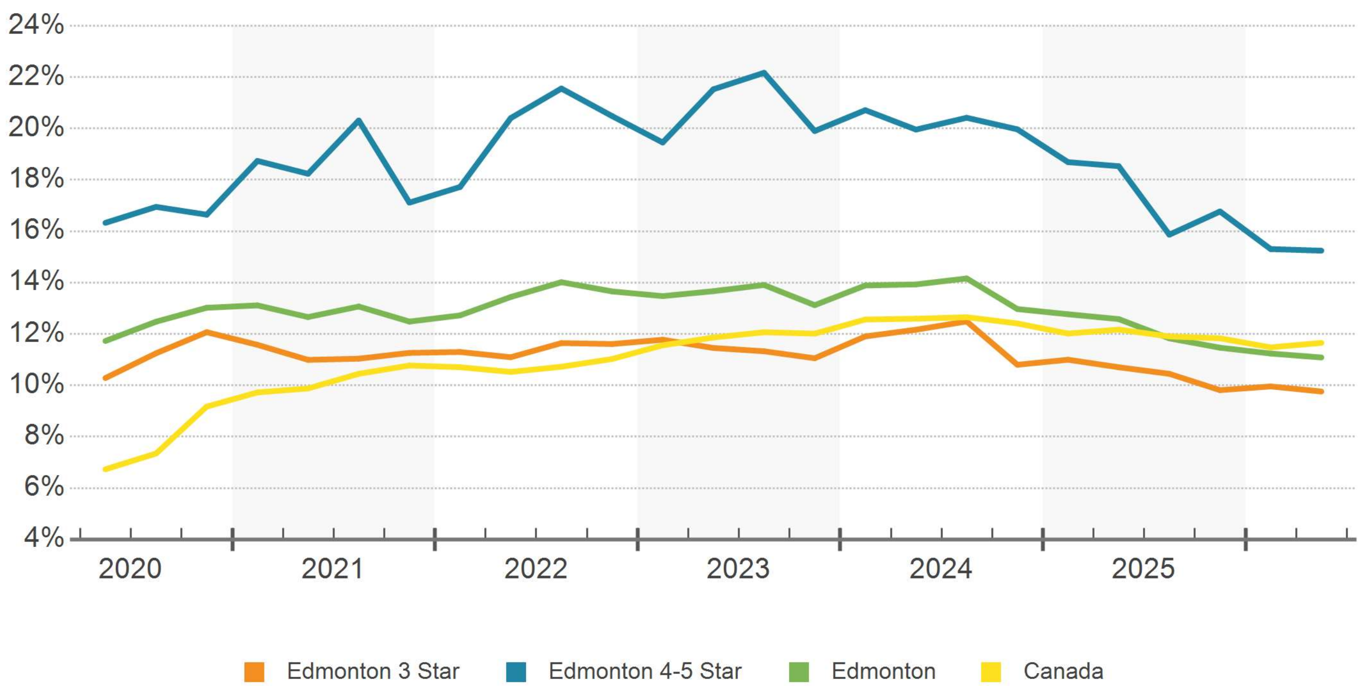
NET ABSORPTION, NET DELIVERIES & VACANCY



VACANCY RATE



AVAILABILITY RATE



Rent

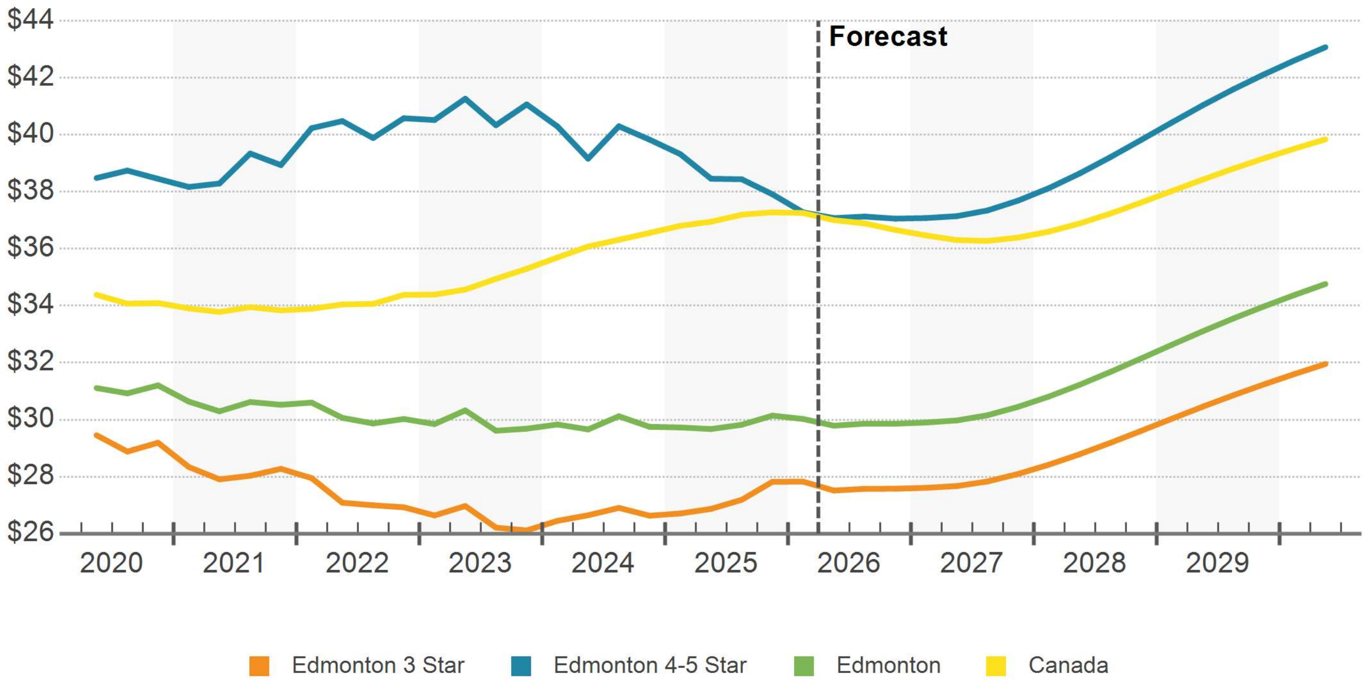
Edmonton's office sector has been contending with vacancy challenges that predate the pandemic, largely tied to oil price volatility and the resulting economic slowdown. While the pandemic's impact on office utilization was felt, it was less severe than in markets that entered 2020 with stronger momentum. Rental rates were already near their lowest point and have remained flat year-over-year, marking a 2.3% decline over the past five years.

Today, average office rents across the Edmonton region hover around $30.00/SF gross, with premier downtown assets commanding over $40.00 gross and top-tier spaces reaching $55.00 gross. Sublet availability remains modest, accounting for less than 10% of total available office supply. Most sublet spaces are fully vacant, including entire floors in EPCOR Tower, Stantec Tower, and Telus House at ATB Place, all prominent downtown properties.

Sublet rates often come with steep discounts. For example, Telus House at ATB Place offers sublet space at $24 gross, where operating costs alone represent $18 of that figure. At EPCOR Tower, tenants can secure two floors for $34/SF gross, despite recent deals in the same building closing at $55.00 to $57.00/SF gross. In suburban markets, sublet discounts typically range from 15% to 25% below the usual $26.00 to $28.00 gross. Downtown landlords are increasingly investing in show suites to compete with turnkey sublet options and attract prospective tenants.

Encouragingly, vacancy rates for top-tier properties have been trending downward over the past two years. Demand for high-quality buildings with modern amenities continues to outpace older assets, keeping Class A vacancy near 10%, and approximately 14% when 4 Star properties are included. However, construction costs for tenant improvements remain elevated. While landlords are offering generous improvement allowances as part of aggressive lease-up strategies, it's becoming more common for tenants to manage suite-level upgrades themselves and cover any cost overruns beyond the incentive package.

MARKET ASKING RENT PER SQUARE FEET



After a relatively robust 2024, investment volumes in 2025 have returned to Covid-era levels, in the $80 to $120 million range. Over the trailing 12 months, investment volumes have totalled just $77.9 million, well below the trailing three and ten-year averages of $151 million and $192 million, respectively.

Last year, volumes reached $125 million after a last-minute $24 million contribution, driven by Josan Properties' acquisition of the downtown Intact Insurance Building. The valuation represents a price per square foot of $103 and yields an estimated going-in cap rate of 10%. The property was extensively renovated in 2017, bringing its rating up to 4 Star. At the time of sale, the building was roughly 70% occupied.

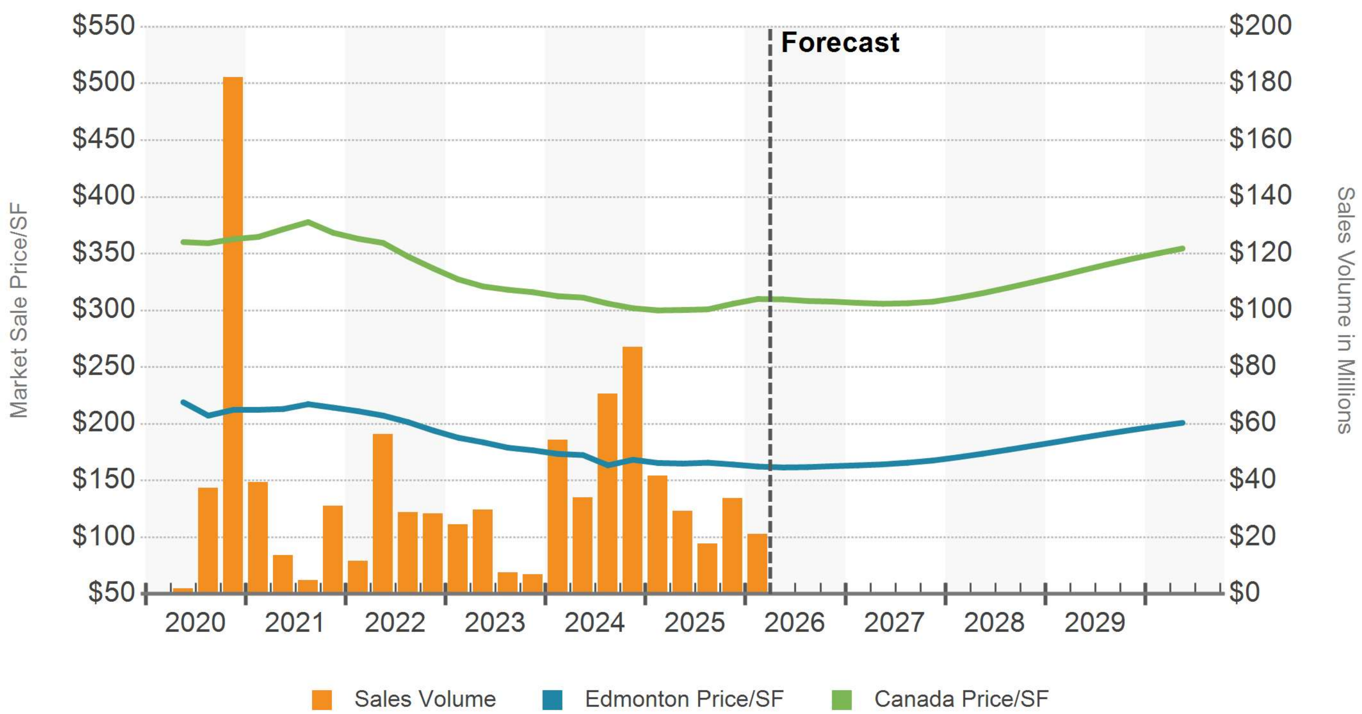
Josan's acquisition lends credence to the ongoing market chatter about growing interest in office assets, particularly among local private investors seeking below-replacement-cost pricing and intent on implementing a renovation program to attract a wider tenant base. Josan is expected to introduce a new amenity space to the building as part of a broader strategy focused on tenant attraction and retention.

Private capital has exclusively driven downtown acquisitions over the past 18 months. In suburban areas, owner-user purchases remain prevalent. The primary motivation behind tower transactions has been the strategic acquisition of established assets within a growing region, followed by assertive leasing and renovation campaigns to fill vacancies, a strategy carried out by Josan almost exactly.

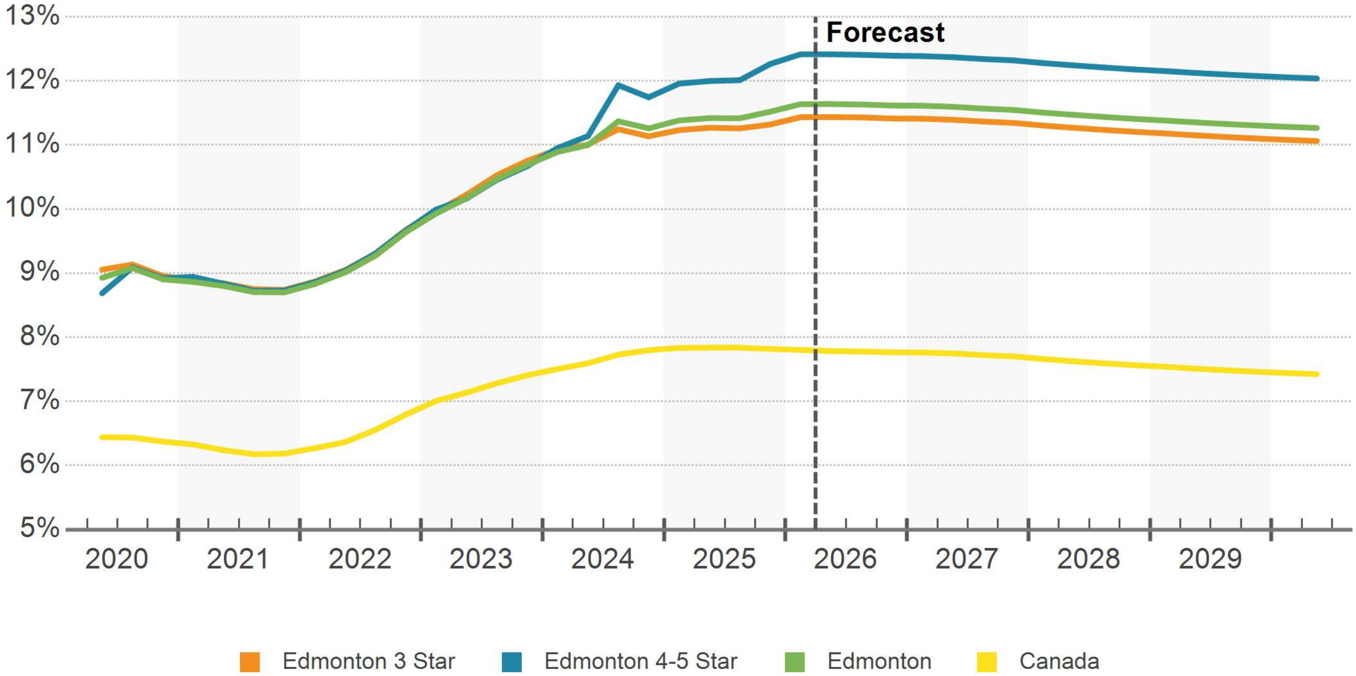
Another significant deal last year saw Armco Capital acquire Revillon/Boardwalk, two heritage office buildings connected by a modern atrium. Armco acquired the 288,000 SF for $19 million ($66/SF). Located downtown, the property had significant vacancy at the time of sale and has been brought to the lease market with rates ranging from $15 to $21/SF net, or $32 to $38/SF gross. Allied, the vendor, has made similar moves in Vancouver, unloading older brick-and-beam buildings while transitioning from partial to full ownership stakes in more modern buildings, such as Vancouver's Deloitte Tower and M4, and Toronto's Toronto House. Further non-core sales by Allied are anticipated.

Cap rates for true office assets over $10 million are expected to remain stable, currently ranging between 10.5% and 11.5%. Over the past four years, yields have decompressed by 200−250 basis points, depending on asset quality and location. Investors with a long-term view of office assets may benefit from future price appreciation, provided they can manage vacancy risk and remain competitive in Edmonton's core leasing market.

SALES VOLUME & MARKET SALE PRICE PER SF



MARKET CAP RATE



North America with a population of over one million and serves as Alberta’s provincial capital. It remains a key hub in Alberta’s energy economy, supporting upstream and downstream oil and gas activity, logistics, and field services, and is well positioned for future pipeline and carbon capture (CCUS) development.

Improved market access following the completion of the Trans Mountain Expansion in 2024 has strengthened export capacity, while trade pressures have been partially offset by CUSMA and growth in sectors such as logistics, finance, real estate, and construction. Government investment and the removal of retaliatory tariffs have further improved near-term economic conditions.

Edmonton continues to diversify, with growing momentum in AI, clean technology, agri-tech, and global logistics, supported by the University of Alberta’s research commercialization. Strong population growth—averaging 3.5% annually since 2023—driven by housing affordability and in-migration is supporting demand for goods, services, and commercial real estate. Energy investment is also rebounding, with $10 billion currently under construction across Alberta and major proposed projects such as the $16.5 billion Pathways Alliance CCS hub underpinning long-term economic resilience.

OVERALL SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2030	48,218,368	446,770	0.9%	579,365	1.2%	0.8
2029	47,771,598	260,330	0.5%	532,130	1.1%	0.5
2028	47,511,268	65,871	0.1%	563,730	1.2%	0.1
2027	47,445,397	100,481	0.2%	477,921	1.0%	0.2
2026	47,344,916	209,951	0.4%	7,254	0%	28.9
YTD	47,134,965	0	0%	36,866	0.1%	0
2025	47,134,965	71,621	0.2%	(192,334)	-0.4%	-
2024	47,063,344	107,403	0.2%	133,419	0.3%	0.8
2023	46,955,941	(243,254)	-0.5%	(65,533)	-0.1%	-
2022	47,199,195	(13,108)	0%	(298,996)	-0.6%	-
2021	47,212,303	182,298	0.4%	114,242	0.2%	1.6
2020	47,030,005	220,969	0.5%	(335,328)	-0.7%	-
2019	46,809,036	10,323	0%	(363,620)	-0.8%	-
2018	46,798,713	1,016,126	2.2%	2,164,893	4.6%	0.5
2017	45,782,587	625,191	1.4%	(86,652)	-0.2%	-
2016	45,157,396	1,274,252	2.9%	578,539	1.3%	2.2
2015	43,883,144	-	-	0	0%	-

OVERALL RENT & VACANCY

	Market Asking Rent			Vacancy		
Year	Per SF	% Growth	Vs Hist Peak	SF	Percent	Ppts Chg
2030	$35.48	4.4%	6.6%	4,110,098	8.5%	-0.4%
2029	$33.97	5.7%	2.1%	4,243,523	8.9%	-0.6%
2028	$32.15	5.6%	-3.4%	4,515,984	9.5%	-1.1%
2027	$30.45	2.0%	-8.5%	5,014,182	10.6%	-0.8%
2026	$29.86	-0.9%	-10.3%	5,390,640	11.4%	0.4%
YTD	$29.87	0.5%	-10.3%	5,150,639	10.9%	-0.1%
2025	$30.14	1.3%	-9.4%	5,187,505	11.0%	0.5%
2024	$29.75	0.2%	-10.6%	4,923,550	10.5%	-0.1%
2023	$29.68	-1.1%	-10.8%	4,949,566	10.5%	-0.3%
2022	$30.02	-1.6%	-9.8%	5,127,287	10.9%	0.6%
2021	$30.52	-2.2%	-8.3%	4,840,178	10.3%	0.1%
2020	$31.20	1.3%	-6.3%	4,772,122	10.1%	1.1%
2019	$30.81	0%	-7.4%	4,215,825	9.0%	0.8%
2018	$30.82	1.4%	-7.4%	3,838,929	8.2%	-2.7%
2017	$30.38	-3.2%	-8.7%	4,987,696	10.9%	1.4%
2016	$31.37	-5.8%	-5.8%	4,275,853	9.5%	1.3%
2015	$33.29	-	0%	3,580,140	8.2%	-