MARKET REPORT

Office

Edmonton Metro Area

INSTITUTIONAL PROPERTY ADVISORS
A DIVISION OF MARCUS & MILLICHAP, BROKERAGE

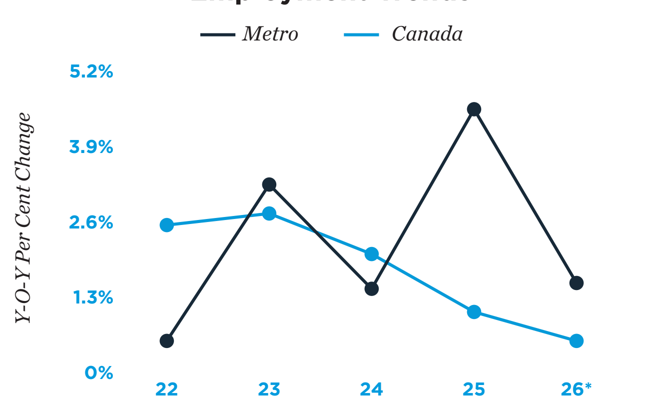
2Q/26

Government Policy and Growth Drivers Improve Office Fundamentals

Workplace mandates lift space demand. The Alberta government's return-to-office mandate is aiding office demand in Edmonton, particularly downtown, where thousands of public-sector employees were required to return full-time in early 2026. This policy shift — impacting roughly 12,000 employees — has increased occupancy and foot traffic, supporting leasing momentum in a government-heavy submarket. While the impact is more pronounced in stabilizing utilization rather than driving large new lease requirements, it has improved sentiment for centrally located space, and it may have spill-over effects in the coming quarters. Edmonton's growing tech sector is also supporting leasing activity. However, these firms generally maintain more flexible workplace strategies, again tempering the extent to which return-to-office policies translate into space expansion.

Demographics and employment bode well for office sector. Strong population growth is expected to support longer-term office demand in Edmonton, with the metro forecast to expand by 8.4 per cent over the next five years — well above the national average. This influx of residents will drive increased demand for professional and business services, underpinning office space needs. Over that same period, Edmonton's stable base of public and education employment, combined with a growing tech sector and renewed strength in the energy industry, is also expected to support office-using job growth of 7.6 per cent — more than double the national pace. Together with no supply growth, Edmonton's office outlook is turning more optimistic.

Employment Trends



* Forecast

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

Office 2026 Outlook

13,000 JOBS *will be created*

EMPLOYMENT

Job growth will remain solid in 2026 and outpace the national average, despite showing some moderation. This is being supported by public sector stability, an outperforming provincial economy, healthy population gains, and energy sector strength.

0 SQ. FT. *will be completed*

CONSTRUCTION

Construction remains stalled, with no supply forecast for 2026 — extending seven years of minimal development, aside from a single 2024 completion. This is mainly due to weak office performance over the past decade, due to oil price volatility and the pandemic.

120 BASIS POINT *decrease in vacancy*

VACANCY

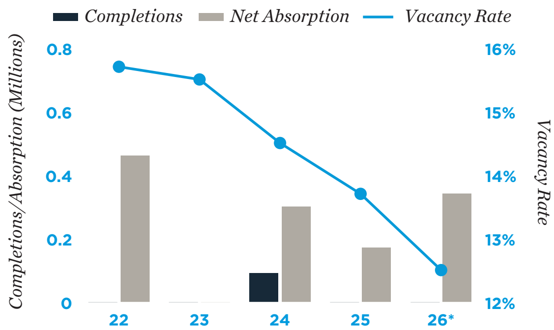
Office vacancy will dip to just above 12 per cent as a lack of new supply, ongoing removals through conversions, and steady demand from government, tech, and energy-related users continue to absorb excess space. This will mark the fifth straight annual decline.

0.4% INCREASE *in asking rent*

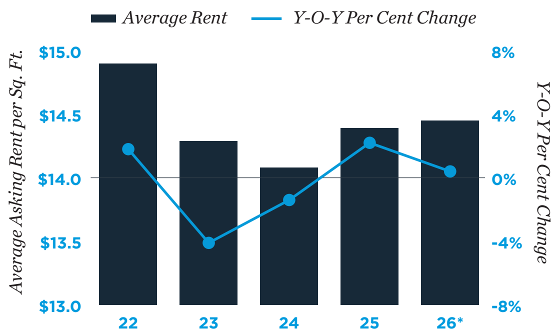
RENT

Office rents have generally stabilized over the past few years, with this trend expected to continue as vacancy gradually tightens and the absence of new supply limits downward pressure. Property owners are increasingly holding firm on pricing, especially for well-located, higher-quality space.

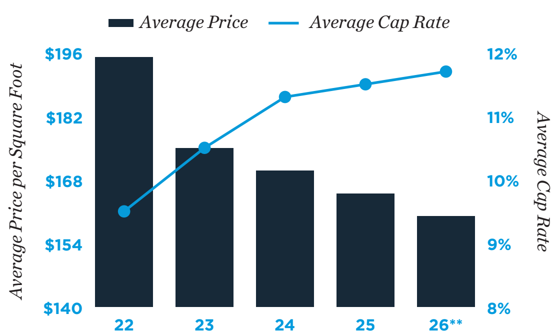
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

Sources: Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

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1Q 2026: Trailing 12-Month Period

CONSTRUCTION

0 sq. ft. completed

- No new space was added over the past year, continuing a trend that has largely persisted since 2019. This marks a decline from the prior year, however, when a single building was delivered in the South Side suburbs.
- There are no large-scale incentives, as seen in Calgary, for office-to-residential conversions, resulting in more limited and gradual activity.

VACANCY

200 basis point decrease in vacancy Y-O-Y

- Net absorption reached its strongest levels since 2018 in late 2025 and early 2026, driven by a provincial return-to-office push and midsized leasing activity, bringing vacancy to just below 12.5 per cent.
- Downtown vacancy remained elevated due to weaker demand for older space, while suburban vacancy held lower at 8.5 per cent.

RENT

1.4% increase in the average asking rent Y-O-Y

- The average asking rent largely stabilized in early 2025 and has since been broadly trending higher. As of March, it sat at $14.86 per square foot.
- Downtown asking rents outpaced the suburbs largely due to a compositional shift, with more higher-quality space being marketed for lease, lifting the average, despite limited underlying pricing power.

Investment Highlights

- Following a solid 2024, office investment in Edmonton softened last year, with total trades declining roughly 15 per cent and dollar volume falling just under 35 per cent to approximately $125 million — about 40 per cent below the 10-year average. This pullback reflects limited institutional appetite for Edmonton office, as capital is flowing to larger, more liquid markets and assets. Besides a shift toward smaller, private transactions, the ongoing uncertainty around long-term fundamentals is also restraining sales volumes.
- Private Canadian buyers accounted for nearly 85 per cent of office investment volume over the past two years. These groups are targeting below-replacement-cost opportunities to significantly renovate and, in select cases, reposition to residential — though activity remains more limited than Calgary due to the lack of large-scale incentives. Developers and suburban owner-users drove the remaining share of volume, the latter capitalizing on favourable pricing to gain control over their real estate.
- The average sale price has trended downward since 2016, pressured by the oil downturn and then the global health crisis, though values are showing some signs of stabilizing. The average cap rate also expanded during that time and is now hovering just above 11.5 per cent as of last year.

Price: $250

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for $1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Altus Data Solutions; CoStar Group, Inc.; Oxford Economics; Statistics Canada

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