CBRE

Office market hits record low sublease availability

▼ 18.9%
Overall Vacancy Rate

▲ 35K
SF Net Absorption

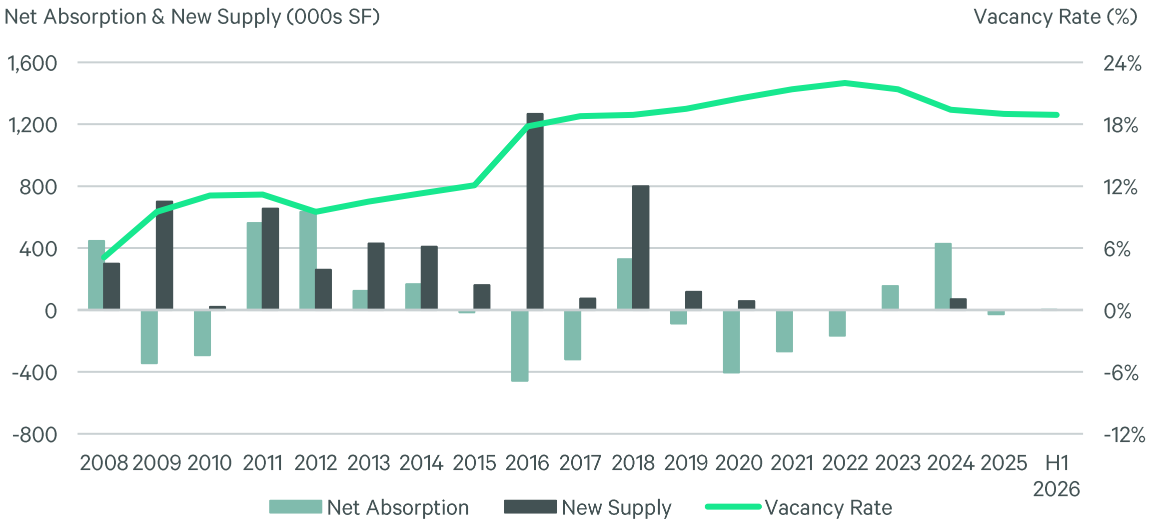
▼ 164K
SF Sublet Space

Note: Arrows indicate change from previous quarter.

Executive Summary

- The Edmonton office market recorded 35,000 sq. ft. of positive net absorption in Q2 2026, contributing to a 10 basis points (bps) decline in vacancy.
- While leasing activity remains measured, elevated construction costs have lengthened deal timelines and shifted tenant priorities towards, built-out, turn-key spaces. Rising tenant expectations is driving demand for modern, amenity-rich, high-quality space, increasing pressure on landlords to maintain competitive, upgraded buildings.
- The Downtown submarket recorded a strong quarter with a vacancy rate decline of 50 bps. The flight-to-quality trend persisted in the Financial submarket with Class AA and Class A vacancy decreasing by 180 bps and 90 bps, respectively, this quarter.
- Downtown sublet vacancy has declined for five consecutive quarters and fell by 55.7% in Q2 2026. With just over 97,000 sq. ft. currently available, this marks the first time since Q4 2012 that the Downtown sublet total has dropped below 100,000 sq. ft.

FIGURE 1: Historical Leasing Fundamentals



Source: CBRE Research, Q2 2026.

Suburban has moderate second quarter

Following a strong start to the year, the Suburban market recorded 45,000 sq. ft. of negative net absorption in Q2 2026, contributing to a 50 bps increase in vacancy.

Multiple submarkets demonstrated strong leasing activity this quarter with both the 118th Avenue- Kingsway and South Henday submarkets experiencing the largest vacancy declines of 150 bps and 110 bps from Q1 2026.

Suburban tenants continue the flight-to-quality

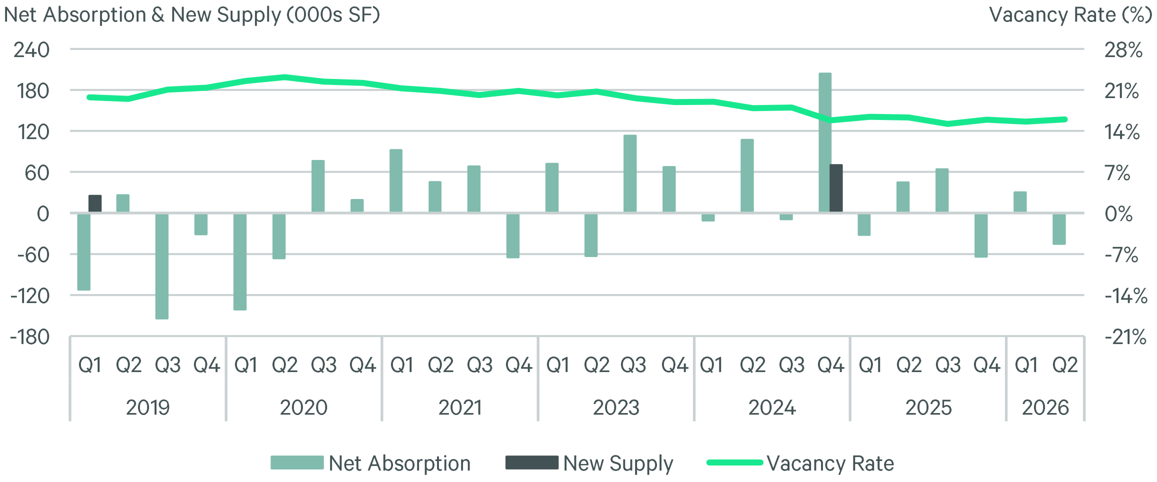
Suburban Class A vacancy held steady across the 118th Avenue- Kingsway submarket, 149th Street submarket, and the Eastgate submarket. It declined moderately in the Southside submarket by 10 bps with the South Henday submarket recording the largest drop in vacancy of 110 bps from Q1 2026.

Suburban Class B vacancy declined across the 124th Street submarket, 149th Street submarket, and Eastgate submarkets by 60 bps, 120 bps and 40 bps, respectively. Class B vacancy remained steady in the 118th Street submarket, West End submarket and Whyte Avenue submarket. This speaks to the reduction of higher quality space in the Suburban market, particularly as it relates to larger tenants, who face a limited availability of higher-quality options within the suburbs.

Suburban sublease mirrors Downtown's sublease decline

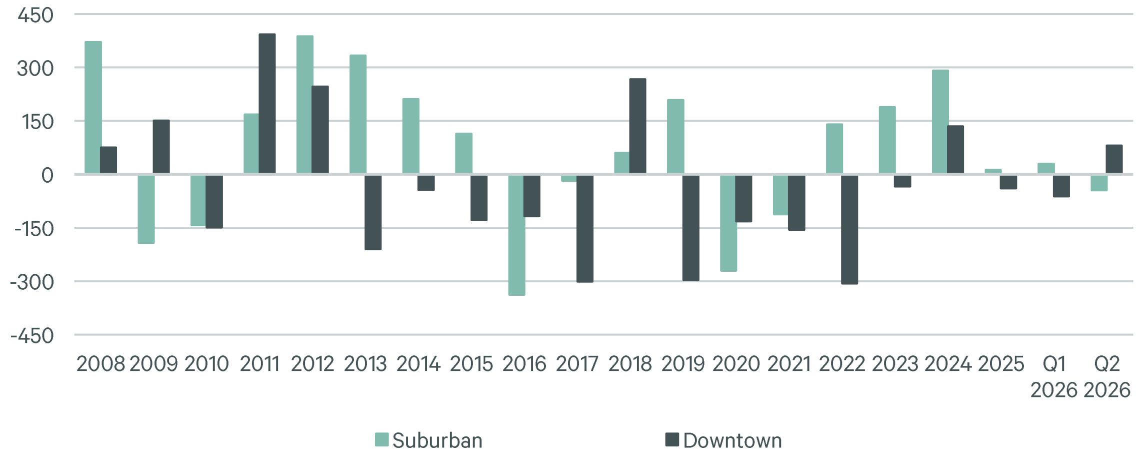
Similarly, to the Downtown market, suburban sublease space has continually declined across the last four consecutive quarters, with 4.3% of vacant space available for sublease, a 90 bps decline from Q1 2026 and a 260 bps decline year-over-year. Sublease space continues to transact as larger professional services tenants relocate and expand within the submarket. Ongoing occupancy commitments by these large sized tenants highlight sustained confidence in the Suburban market.

FIGURE 2: Suburban Historical Leasing Fundamentals



Source: CBRE Research, Q2 2026.

FIGURE 3: Suburban & Downtown Net Absorption (000s SF)



Source: CBRE Research, Q2 2026.

Lowest Downtown vacancy in eighteen quarters

The Downtown submarket recorded a strong second quarter with a vacancy rate decline of 50 bps, with vacancy sitting at 20.7% which was accompanied by 81,000 sq.ft. of positive absorption.

The flight-to-quality trend persisted in the Financial submarket with Class AA and Class A vacancy decreasing by 180 bps and 90 bps, respectively, this quarter, marking the lowest Downtown vacancy since Q3 2021.

Downtown experiences record decrease in sublease space

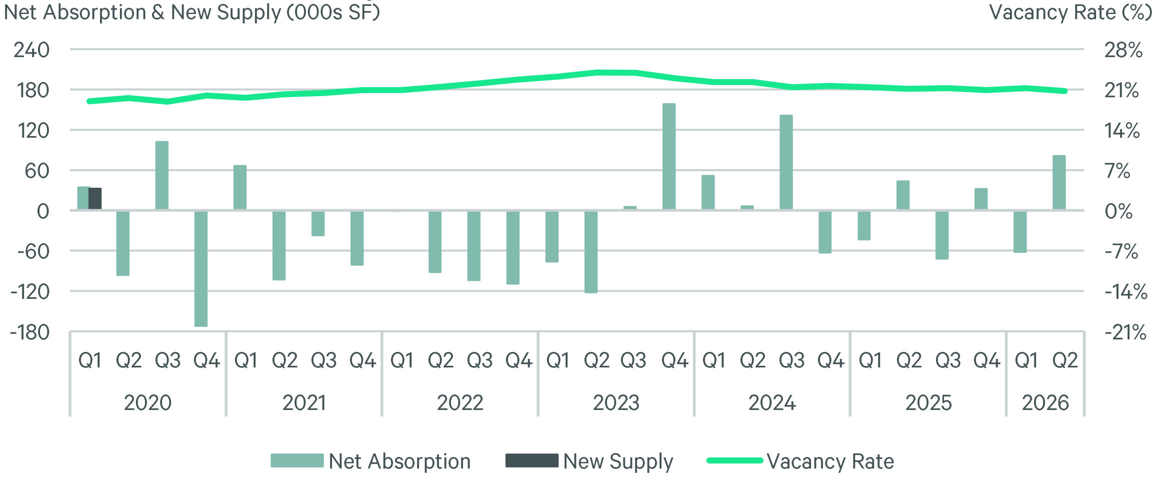
Class B vacancy increased 180 basis points quarter-over-quarter, the largest rise among asset classes, underscoring the flight-to-quality as tenants increasingly favour premium sublease space, which provides quality product at a relative cost advantage.

Several Class AA and A towers saw significant sublease leasing activity this quarter with Stantec Tower and EPCOR Tower recording a combined six-figure total of sublease space leased.

Downtown sublet vacancy has declined for five consecutive quarters, falling 55.7% in Q2 2026. With just 97,000 sq. ft. currently available, this marks the first time since Q4 2012 that total sublet availability has dropped below 100,000 sq. ft.

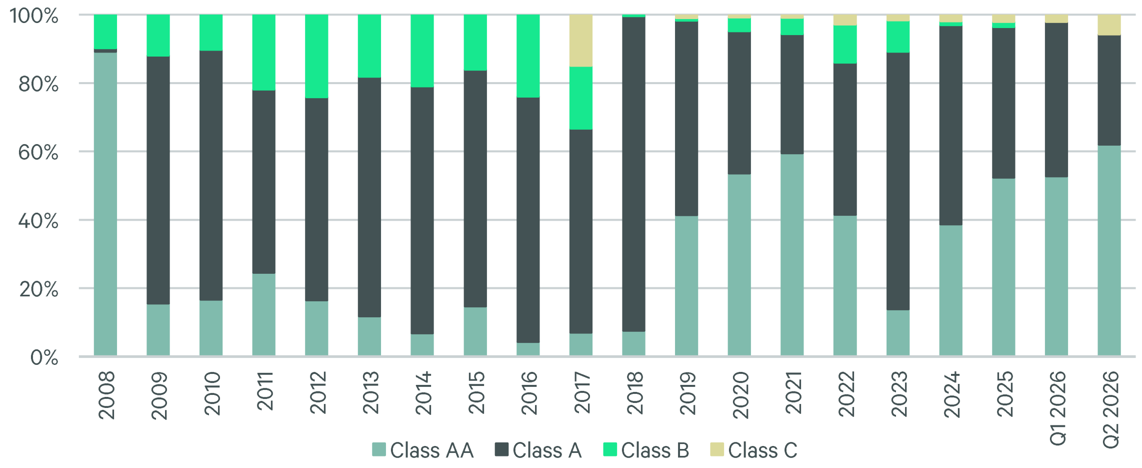
The supply of low-cost, flexible sublease space has largely been absorbed, removing a key source of near-term tenant optionality. In addition, elevated construction costs have lengthened deal timelines and shifted tenant demand toward turn-key spaces, signaling a gradual shift in market leverage toward landlords for premium-quality space.

FIGURE 4: Downtown Historical Leasing Fundamentals



Source: CBRE Research, Q2 2026.

FIGURE 5: Downtown Sublet Vacancy by Class (%)



Source: CBRE Research, Q2 2026.

FIGURE 6a: Q2 2026 Market Statistics - Suburban

SUBMARKET	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	Sublease Space (SF)	Net Rental Rate (PSF)
118 Avenue/Kingsway	609,489	12.8%	9,428	-1,281	0	$15.10
124 Street	809,140	19.7%	613	-843	1,770	$15.53
149 Street	912,234	8.7%	5,400	17,130	0	$15.10
Eastgate	1,146,499	20.4%	2,256	-5,592	0	$15.73
Southside	2,901,952	17.3%	-15,466	12,157	19,735	$14.82
South Henday	941,075	5.0%	9,890	9,505	9,901	$24.56
West End	2,005,446	19.6%	-58,369	-26,474	35,803	$15.54
Whyte Avenue	444,852	16.5%	1,068	-20,137	0	$14.99
SUBURBAN TOTAL	**9,770,687**	**16.0%**	**-45,180**	**-15,535**	**67,209**	**$15.48**
SHERWOOD PARK TOTAL	**1,227,768**	**9.8%**	**-3,213**	**-11,437**	**3,245**	**$16.55**

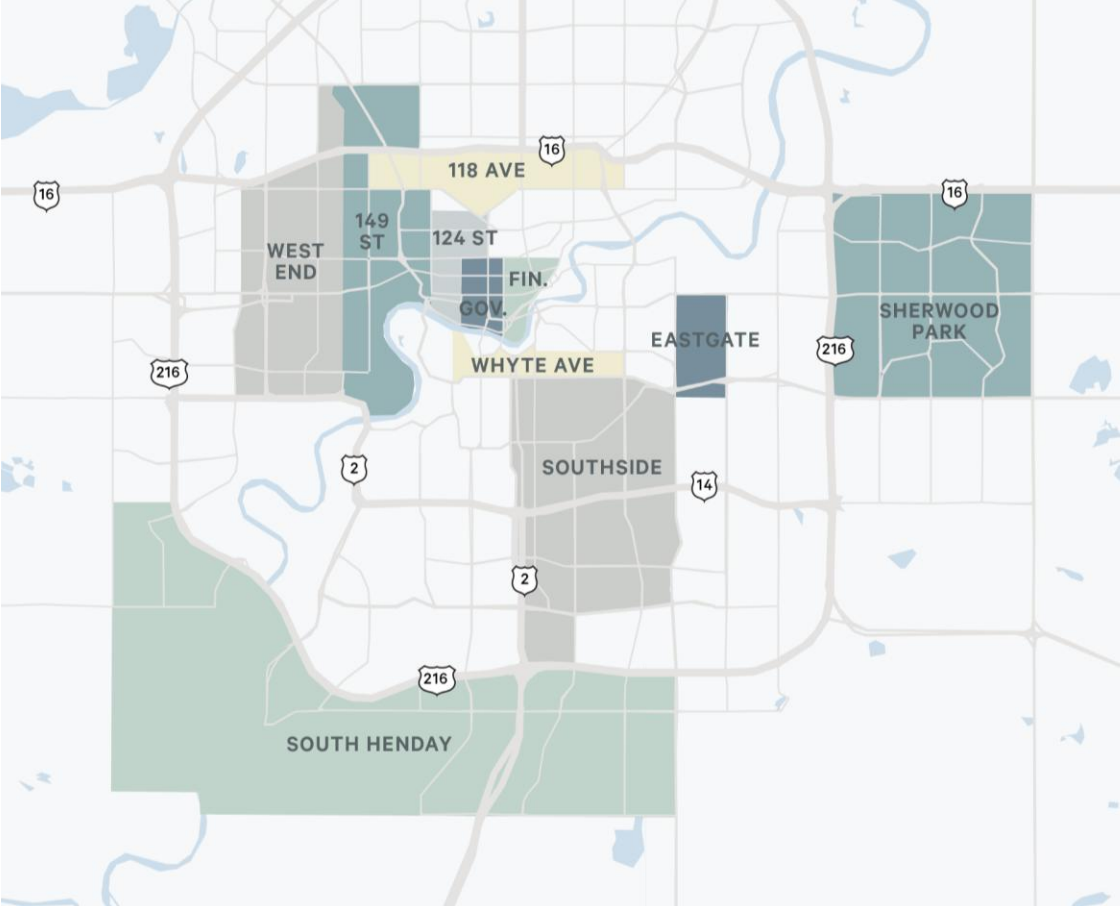
Source: CBRE Research, Q2 2026.

FIGURE 6b: Q2 2026 Market Statistics - Downtown

SUBMARKET	Class	Inventory (SF)	Vacancy Rate (%)	Net Absorption (SF)	YTD Net Absorption (SF)	Sublease Space (SF)	Net Rental Rate (PSF)
Financial	AA	4,495,042	12.6%	81,267	80,308	60,132	$25.60
	A	4,906,727	20.8%	46,095	333,202	31,304	$17.36
	B	1,122,780	60.2%	-19,174	-330,000	0	$15.80
	C	323,233	40.2%	0	4,823	5,629	$12.07
	Total	**10,847,782**	**22.1%**	**108,188**	**88,333**	**97,065**	**$18.43**
Government	A	2,277,303	23.2%	15,343	15,599	0	$15.89
	B	2,282,205	10.6%	-41,196	-79,964	0	$15.48
	C	342,672	27.3%	-1,766	-5,127	0	$9.97
	Total	**4,902,180**	**17.6%**	**-27,619**	**-69,492**	**0**	**$15.13**
DOWNTOWN TOTAL		**15,749,962**	**20.7%**	**80,569**	**18,841**	**97,065**	**$17.53**
EDMONTON TOTAL		**25,520,649**	**18.9%**	**35,389**	**3,306**	**164,274**	**$16.87**

Source: CBRE Research, Q2 2026.

Market Area Overview



Definitions

Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Vacant Sq. Ft.: Space that can be occupied within 90 days.

Survey Criteria

Includes all office buildings 10,000 sq. ft. and greater in size in Edmonton. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Mark Anderson
Managing Director
+1 780 293 6275
Mark.Anderson2@cbre.com

Chelsea Davidson
Senior Research Analyst
+1 780 917 4635
Chelsea.Davidson@cbre.com

Adam Hundert
Research Analyst
+1 780 917 4629
Adam.Hundert@cbre.com

Kora Martin
Associate
+1 780 229 4650
Kora.Martin@cbre.com