FIRST QUARTER MARKET REPORT **2025**

GREATER EDMONTON, ALBERTA

Economic Outlook

The region's economic outlook has been at the forefront of many minds since the beginning of 2025, with economic turbulence and uncertainty abound. There are countless unanswered questions surrounding tariffs being put in place by the United States against countries across the world, including Canada, and the outcome of Canada's end-of-April federal election could have significant impacts on the economy moving forward. That said, Alberta remains relatively stable in terms of provincial migration, and there is still a strong desire to invest in local markets.

Despite economic uncertainty, the average home sale price increased 14% year-over-year, showing a strong resurgence in activity as inflation and interest rates dip, and the number of listings also increased 14% year-over-year, indicating growing seller confidence and a strong residential market. While not tied directly to the commercial real estate landscape, it is an undeniable fact that the residential and commercial markets are intertwined in many ways. An increase in net migration to the region, and an increase in overall economic activity, points to strong investor confidence and is often tied into positive commercial activity, as well.

As always, the industrial sector is playing heavily into the region's success in this sense, and while oil prices have decreased, production is expected to continue to rise, which should fuel continued growth. Simultaneously, the Edmonton region's logistics and distribution hubs have stood consistently strong despite changes, though there is the potential for tariffs to cause supply chain disruptions over the coming quarter.

In other markets – specifically with an eye on retail and office occupancy and development – activity has largely remained untouched, though that could change in the near future. Construction cost increases are estimated to jump by up to 6% in the short-term, as a result of the trade war between Canada and the US. This could result in a decrease following a year that saw $4.2 billion issued in construction permits by the City of Edmonton, marking a 31% year-over-year increase for 2024. This initially led to strong development projections for 2025, which may be challenged due to economic uncertainty.

Still, there's hope on the horizon. The office market in Edmonton continues to be turbulent, with a vacancy rate of 11.2% across the City, against a suburban vacancy rate of just 7.1%. Both, however, are set up to trend in a positive direction, and are likely to be supported by a retail sector with an overall vacancy rate of just 3.5%.

Meanwhile, in February, the Government of Alberta announced a $106-million investment, in partnership with the City of Edmonton and Oilers Entertainment Group, to fund downtown revitalization for the capital city. Aimed at enhancing infrastructure, promoting economic development, and supporting cultural initiatives, the investment is expected to stimulate commercial real estate development and a higher occupancy rate in Edmonton's downtown core.

On the whole, the economic outlook for the Edmonton region is difficult to pin down right now, due to the number of factors that could influence future development and investment early in the second quarter of 2025. Still, statistics through Quarter 1 point to a high level of market resilience for the capital region. If existing investment announcements are able to sustain through Quarter 2 and markets stabilize, the second half of 2025 could still see increased investment to the extent initially anticipated. Call it cautious optimism.

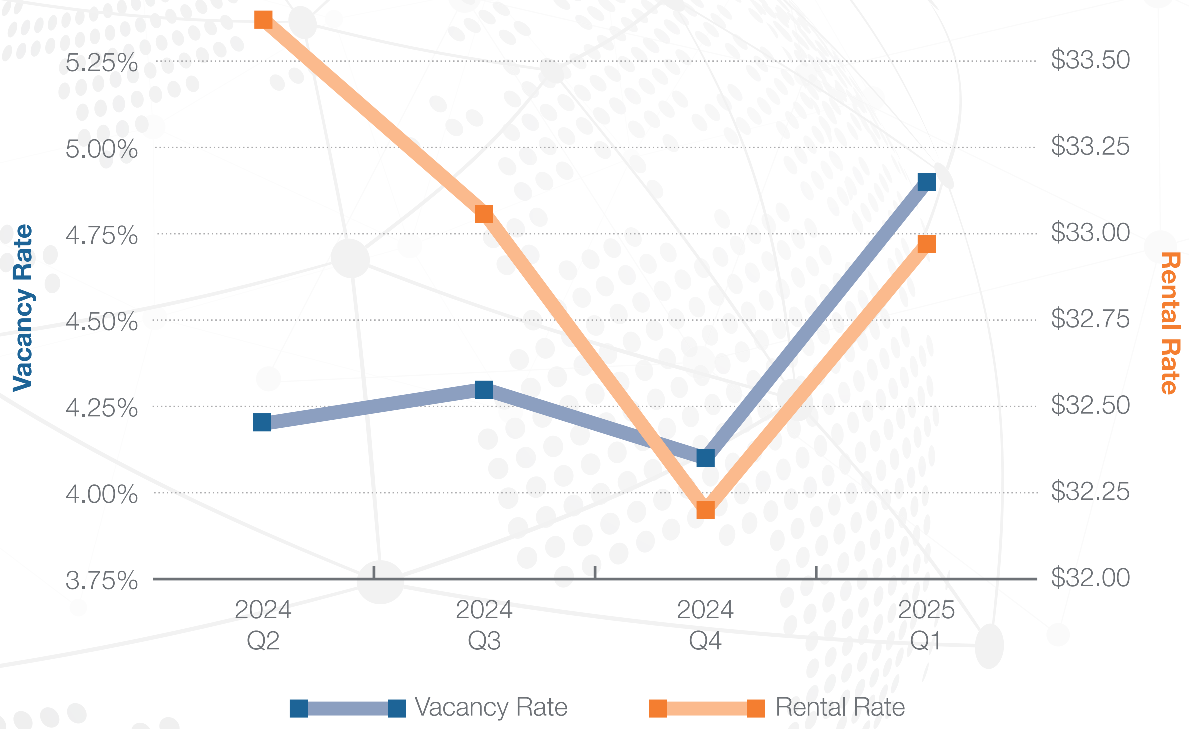
2025-Q1 Greater Edmonton

Market Highlights

GREATER EDMONTON AT A GLANCE OVERALL VACANCY TRENDS	2024-Q2	2024-Q3	2024-Q4	2025-Q1
Buildings Surveyed: 12,437 Existing SF: 329.2M	**4.2%**	**4.3%**	**4.1%**	**4.9%**

Average Rental Rates vs. Vacancy

GREATER EDMONTON AT A GLANCE OVER THE PAST 12 MONTHS



About NAI Commercial

https://www.naiedmonton.com/about-us/

NAI Commercial is a market-leading, full service commercial real estate brokerage providing exceptional service and expertise in Edmonton and surrounding areas since 1966. We are your ideal partner given our depth of local market knowledge and the transaction volume we close on year after year for our clients.

We build our network of successful relationships based on trust and loyalty, and many of our clients choose to deal with us exclusively for all their commercial real estate needs. We offer trusted advice in Edmonton, across Canada and around the world.

Retail Market

The start of the year has been marked by a tale of three trends for the Edmonton area's market.

The first is seen in the massive influx of American fast food chains flooding the local market, including Chipotle, Krispy Kreme, and Chick-fil-A, marking Edmonton as a desirable landing place for investors. The second story, however, continues the storyline of big box store closures, with Hudson's Bay stores shuttering their doors, and leaving 300 years of history and a significant amount of space on the market. The closure of these three locations, though, isn't exactly new for Edmonton, with major retailers from Sears to Target disappearing altogether, and others like Best Buy and Holt Renfrew closing major locations across the city.

What could come in their place, however, is exciting, with these locations sitting in large malls that could redevelop the big-box locations for innovation – which brings us to our third trend, the continued investment in Edmonton-based opportunities. Most recently, this came in the form of a move by Primaris REIT to acquire a 50% stake in Edmonton's Southgate Centre. Along with a 100% interest in Ontario's Oshawa Centre, the total investment came to $585 million.

Further positive action has been seen in occupancy, with vacancy rates landing at just 3.5% across the City, 3.6% in Leduc, and a measly 2.2% and 2.1% in Sherwood Park-Fort Saskatchewan and St. Albert, respectively. Across the board, these low rates show continued confidence in the local economy, though there are obviously questions surrounding the tariff back-and-forth between Canada and the United States, which could cause costs to increase at the consumer level, covered up-front by retailers. Small businesses, in particular, may struggle with some of these increases.

Still, the amount of activity across the region is encouraging. Developments like Glenridding Village (a 13.3-acre site in the southwest, with around 150,000 square feet of retail space), have been pivotal to Edmonton's retail expansion, with many new centres nearly fully pre-leased before opening, which points to a continued thriving demand for retail space. The same can be said for large-scale investments in markets like Sherwood Park, where L'OCA Quality Market's 40,000-square-foot location has inspired plans for a second store in St. Albert, indicating continued confidence in the region's retail potential. Downtown Edmonton is poised for retail revitalization, as well, with business organizations proposing a $427-million investment plan targeting 19 specific improvements, including a potential airport rail link.

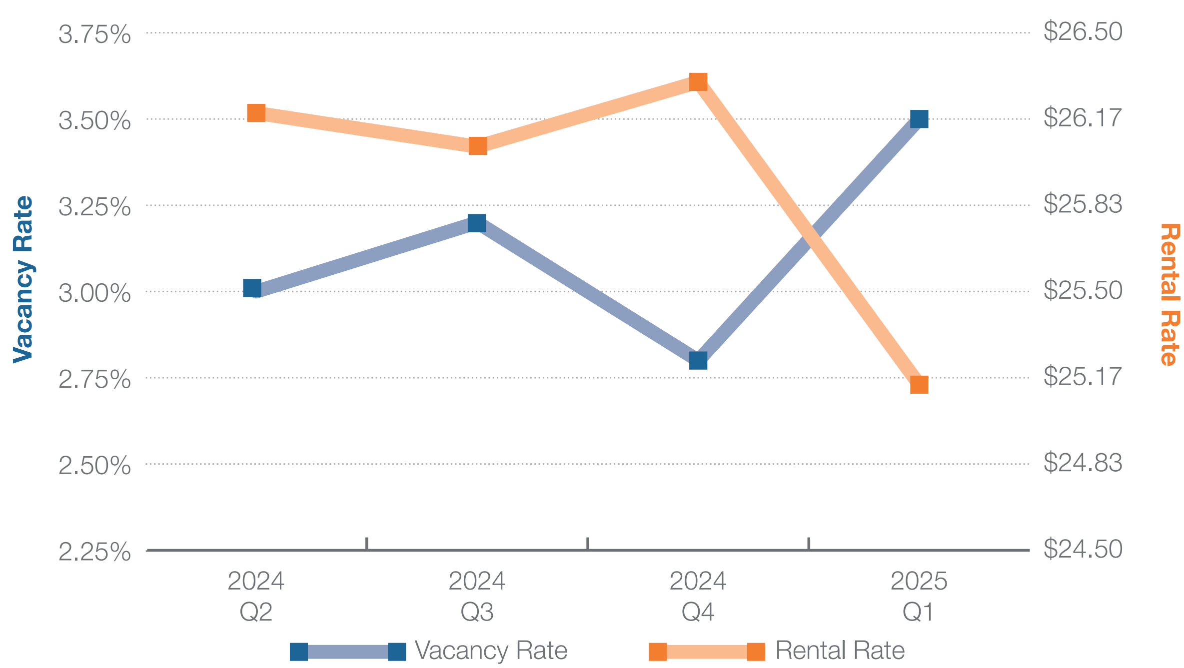
The good news stories coming out of the region are strong enough to temper some of the uncertainties in today's economy. That said, it would be naïve to discount the potential impacts that tariffs may have on small businesses. Those operating businesses reliant on imported supplies may struggle, with some companies already pointing to business deals that have been cancelled as a direct result of the tariffs.

Still, interprovincial migration has continued to create consumers in Alberta, and Edmonton remains one of the most affordable landing spots in the country, driving continued population growth. It's yet to be seen whether residents in the area will put a lock on their pocketbooks, but in the short-term, new retail centres continue to pop up, with major developments on the way and a relatively high median income across the region that should feed retail success despite challenges.

RETAIL
Vacancy Trends

	2024-Q2	2024-Q3	2024-Q4	2025-Q1
GREATER EDMONTON Buildings Surveyed: 4,933 Existing SF: 76.2M	3.0%	3.2%	2.8%	3.5%
EDMONTON WEST Buildings Surveyed: 1,195 Existing SF: 23.1M	4.3%	4.4%	3.6%	5.8%
EDMONTON SOUTH Buildings Surveyed: 1,530 Existing SF: 24.1M	2.8%	3.3%	2.8%	2.7%
EDMONTON CENTRAL Buildings Surveyed: 615 Existing SF: 8.0M	5.7%	5.5%	4.2%	10.4%
LEDUC Buildings Surveyed: 164 Existing SF: 2.1M	1.9%	1.8%	3.2%	3.6%
ST. ALBERT Buildings Surveyed: 222 Existing SF: 3.6M	1.3%	1.2%	2.2%	2.1%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 416 Existing SF: 6.3M	2.0%	1.8%	1.4%	2.2%
WHYTE AVENUE / GARNEAU Buildings Surveyed: 190 Existing SF: 1.6M	6.6%	6.8%	7.0%	7.9%

Average Rental Rates vs. Vacancy
GREATER EDMONTON OVER THE PAST 12 MONTHS



Office Market

The first quarter of 2025 was a period of nuanced shifts within the Edmonton region's office realty market, reflecting broader national trends that are mitigated by increased local investment.

Edmonton's downtown office vacancy rate is the talk of the region when it comes to office space, despite the vacancy rate increasing by two percentage points to 15.9%. The increase itself is partly due to 65,000 square feet of negative net absorption. Interestingly enough, the situation is improving by attrition. The approved conversion of existing office space to residential units will remove 127,000 square feet from the market, which will bear an immediate positive impact on the vacancy rate and occupancy outlook for the downtown core.

Meanwhile the Government of Alberta's recent announcement of downtown investment exceeding $100 million has brought back some of the excitement for an area that has struggled for around five years now. From an investment and improvement standpoint, there's action to be taken. That should temper some of the negative stories that have come out recently, noting concerns with the "vibrancy" of downtown as downtown office buildings sit empty. If "vibrancy" is on the table, though, there's no denying that another Oilers playoff run should have a positive impact, bringing people to Edmonton's Ice District and to the downtown core, as a whole.

It will be interesting to keep an eye on the downtown core, particularly as governments grapple with their own structures in the face of economic challenges. While the federal government ordered its employees to work in-office again in the fall of 2024, the City of Edmonton is now looking to sell two of its downtown office buildings at a cost approaching $23 million. There are some market assessments that have excluded government buildings from their evaluation of the downtown office landscape, which could create an issue as those City buildings see thousands of vacant square feet added to the market. What's done with that square footage is important to keep an eye on, as they could be converted for non-office use.

Where positive change is expected in the mid- and long-term for the downtown area, however, the suburbs are seeing long-term stability, with a vacancy rate of 7.1% marking a dip of 1.1% quarter-over-quarter, but a half-percent improvement year-over-year. With continued migration to the region, it's anticipated that office occupancy improve in all areas in and around the city. This is further stabilized as companies secure their working models in a post-pandemic world, where employers have cemented their in-office needs, establishing either hybrid or in-person structures that are rejuvenating some of the office spaces that have been sitting empty.

When all is said and done, industrial and retail markets are more impacted by the current economic uncertainty than the office market. Independent private investors have continued putting money into the Edmonton market. That may slow in the current climate, but not as a direct impact of the economic outlook, per say. Tariffs, for instance, don't have the impact on office real estate that they will on other sectors. Still, there are so many economic unknowns at play right now that investors may pull back to gain a better understanding of what's happening, creating a pause in market activity until economic stability returns.

It's not particularly unexpected, but it is worth keeping an eye on, and it could spell next steps for what the Edmonton region's office landscape looks like.

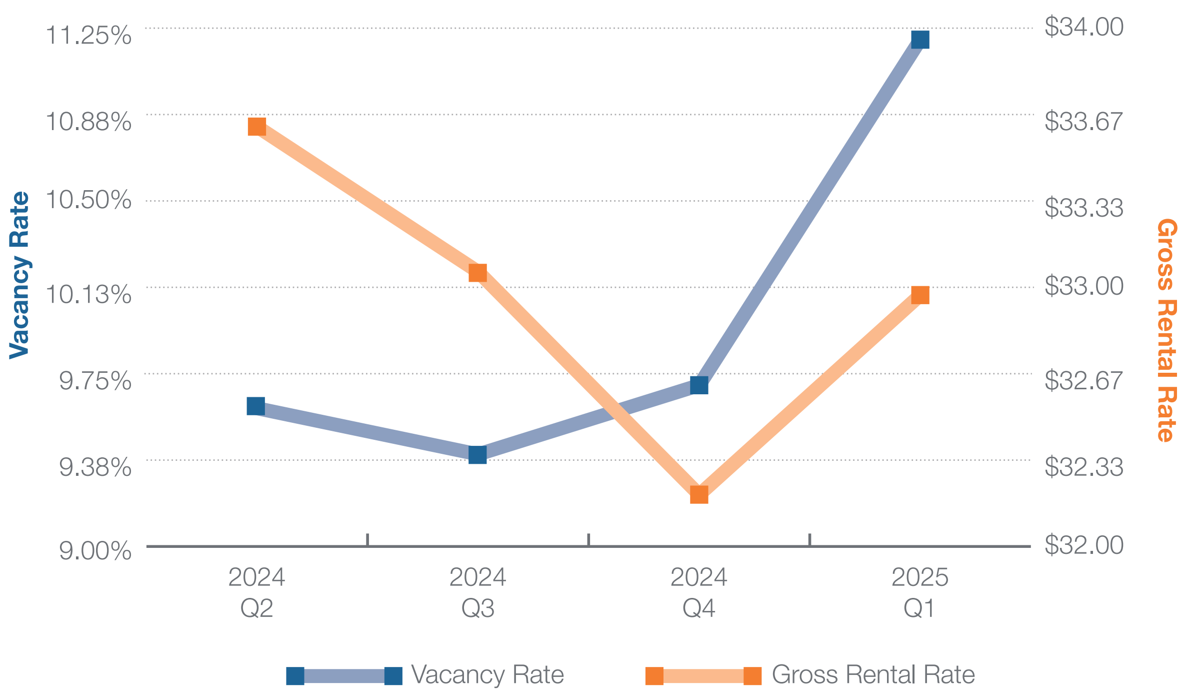
**Some reports show a significant higher vacancy, as they do not account for all downtown office properties.*

OFFICE Vacancy Trends

	2024-Q2	2024-Q3	2024-Q4	2025-Q1
GREATER EDMONTON Buildings Surveyed: 1,382 Existing SF: 47.9M	9.6%	9.4%	9.7%	11.2%
EDMONTON DOWNTOWN Buildings Surveyed: 276 Existing SF: 23.1M	13.1%	13.1%	13.9%	15.9%
EDMONTON SUBURBAN Buildings Surveyed: 830 Existing SF: 19.6M	6.6%	6.1%	6.0%	7.1%
WINDERMERE / SUMMERSIDE Buildings Surveyed: 69 Existing SF: 2.0M	3.1%	1.2%	2.7%	4.3%
UNIVERSITY / GARNEAU Buildings Surveyed: 60 Existing SF: 890.6K	11.8%	9.0%	10.7%	17.0%

Average Gross Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



Industrial Market

Resilience and growth seem to be a common theme for the Edmonton area's industrial real estate market, as the area outperformed numerous other markets across the country. The national industrial availability rate climbed to 5% in the first quarter of 2025, but the Edmonton region has maintained a vacancy rate of just 3.9%.

The last time the region saw a vacancy rate above 4% was midway through 2022. This extended stability creates a desirable investment opportunity in the region, and numerous groups are now looking at the potential of regional diversification that could further enhance the area's opportunity proposition. For example, there are numerous efforts being made to attract hydrogen technology-based industry to the area, and a significant focus are being placed on growing Alberta's position in hosting large-scale data centres. These data centres require a great deal of self-sustaining energy, which would further fuel local diversification efforts.

Efforts being undertaken align with the City's strategic initiatives to diversify the economy, particularly through investments in clean energy and technology. This is important based on the strength that's been developed in the Edmonton region's distribution and logistics sector, which is now perhaps more important than ever, given the tariff war that could disrupt supply chains.

The positive shifts coming to the region, both in enhancing existing industrial offerings and through diversification, could have a significant impact on the Leduc-Nisku region, which boasts the largest vacant inventory of industrial space across the Edmonton area, at 6.9%. While still low, that leaves opportunity for growth, particularly in an area that has seen nearly four million square feet of additional serviced industrial space added in just the past four years. Similarly, the suburbs may experience an influx of growth outside the capital city, such as in Sherwood Park-Fort Saskatchewan, where a 2.0% vacancy rate to end 2024 increased to a still-low 3.1% to round out the first three months of 2025.

In Fort Saskatchewan, in particular, there's been a fair amount of attention given to industrial innovation, not the least of which was the transportation of a massive 1,600-tonne Ethylene Oxide reactor transported from south Edmonton to Shell Scotford in the Fort in early-2025, requiring a trailer with nearly 850 tires for transportation.

In the city itself, meanwhile, the south industrial area carries a vacancy rate of just 3.6%, while the northwest area's vacancy rate sits at just 4.0%. This is good news for a City that marked its best year in total property sales volume in 2024 since 2016, with industrial and other commercial property sales up 10% year-over-year. This marks a continued climb in local investment since 2021, again branding the City and its surrounding municipalities as a sustainable landing spot for investors, developers, and operators alike.

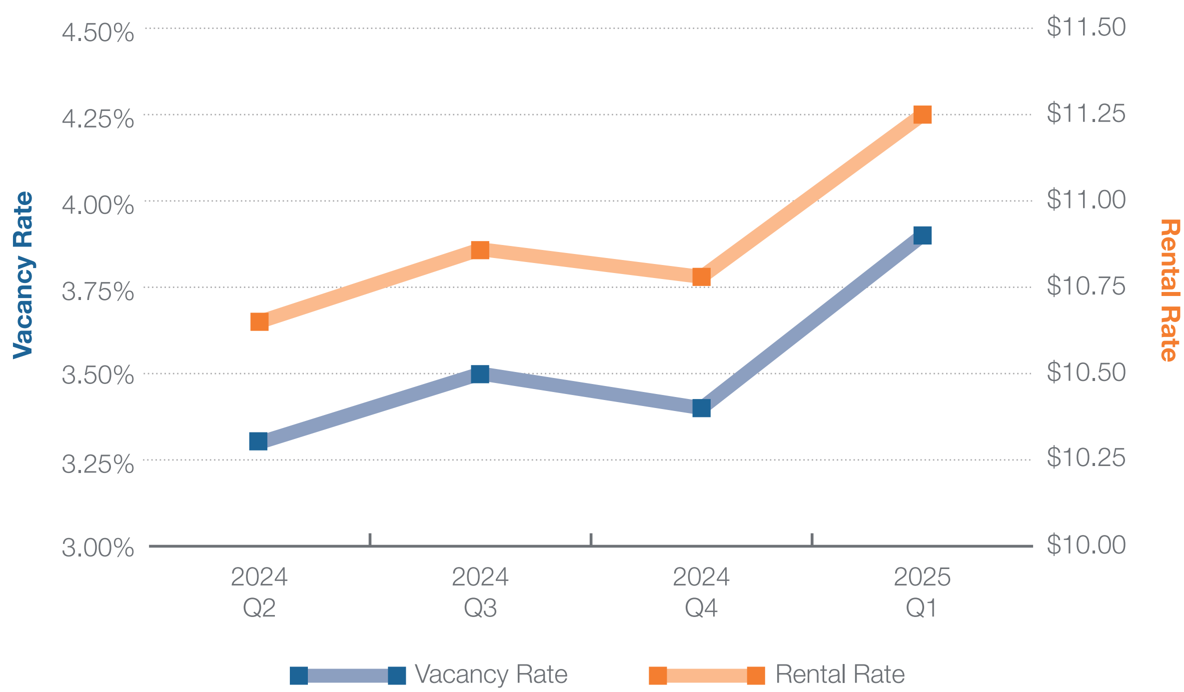
Finally, while the turbulence created by global economic uncertainty has been underlined in all economic outlooks this year, it would be unfair not to acknowledge the potential positive impacts that could come from Canadian economic unknowns. The federal election has brought forward talks around "one project, one review" processes that would allow for faster approvals and turnarounds on industrial pitches, along with discussions around increased interprovincial trade which could open industrial corridors even further. The outcome of these discussions won't be known until the national vote at the end of April, and timelines around policy implementation are even less clear; however, some of the platform points put forward amongst candidates could create far more certainty in uncertain times.

INDUSTRIAL Vacancy Trends

	2024-Q2	2024-Q3	2024-Q4	2025-Q1
GREATER EDMONTON Buildings Surveyed: 6,119 Existing SF: 205.1M	3.3%	3.5%	3.4%	3.9%
EDMONTON WEST Buildings Surveyed: 1,949 Existing SF: 71.2M	2.3%	2.8%	3.1%	4.0%
EDMONTON SOUTH Buildings Surveyed: 1,804 Existing SF: 66.4M	3.9%	3.8%	3.3%	3.6%
SHERWOOD PARK / FORT SASKATCHEWAN Buildings Surveyed: 390 Existing SF: 12.2M	3.4%	3.4%	2.0%	3.1%
LEDUC / NISKU Buildings Surveyed: 868 Existing SF: 28.2M	6.6%	6.0%	6.6%	6.9%

Average Rental Rates vs. Vacancy

GREATER EDMONTON OVER THE PAST 12 MONTHS



Notable Transactions in the Market

PROPERTIES **SOLD**

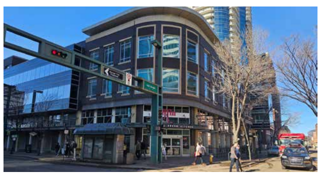
NOTES PROUDLY SOLD BY NAI COMMERCIAL

15423 - 131 Avenue NW
Price: $26,500,000
$108.50/sq.ft.
Area: Mistatim Industrial
Property Type: Industrial
Size: 244,230 sq.ft.
on 10 acres

2304 - 23 Avenue NW
Price: $24,250,000
$514.08/sq.ft.
Area: Silver Berry
Property Type: Retail
Size: 47,172 sq.ft.
on 6.41 acres

9880 - 47 Avenue NW
Price: $11,650,000.00
$121.66/sq.ft.
Area: Papaschase Industrial
Property Type: Industrial
Size: 95,760 sq.ft.
on 4.65 acres

17204 - 114 Avenue NW
Price: $11,200,000.00
$107.60/sq.ft.
Area: Armstrong Industrial
Property Type: Industrial
Size: 104,085 sq.ft.
on 6.8 acres



10404 Jasper Avenue NW
Price: $10,500,000
$169.42/sq.ft.
Area: Downtown
Property Type: Office
Size: 61,977 sq.ft.
on 21,958 sq.ft.

7 & 9 St. Anne Street NW
Price: $4,750,000
$101.04/sq.ft.
Area: St. Albert
Property Type: Office
Size: 47,009 sq.ft.
on 1.35 acres

16101 - 101 Street NW
Price: $3,820,000,000
$144.54/sq.ft.
Area: Clairmont
Property Type: Industrial
Size: 26,428 sq.ft.
on 2.32 acres

1820 - 4 Street NW
Price: $3,000,000
$147.05/sq.ft.
Area: Nisku
Property Type: Industrial
Size: 20,400 sq.ft.
on 2.38 acres

NAI Listing Highlights

AVAILABLE PROPERTIES **FOR SALE AND/OR LEASE**

9742 - 54 Avenue NW
Sale Price: $6,200,000
Area: Coronet Industrial
Property Type: Industrial
Size: 44,500 sq.ft.±
1.05 acres±

10882 - 98 Street NW
Sale Price: $8,383,000
Area: McCauley
Property Type: Multi-Family
Size: 18,059 sq.ft.±
0.22 acres±

1102 - 6 St | 510 - 11 Ave
Sale Price: $4,599,000
Area: Nisku
Property Type: Industrial
Size: 20,600 sq.ft.±
8.31 acres± (total)

9636 - 51 Avenue NW
Lease Rate: $9.00/sq.ft./annum net
Area: Coronet Industrial
Property Type: Office
Size: 1,928 - 20,136 sq.ft.±