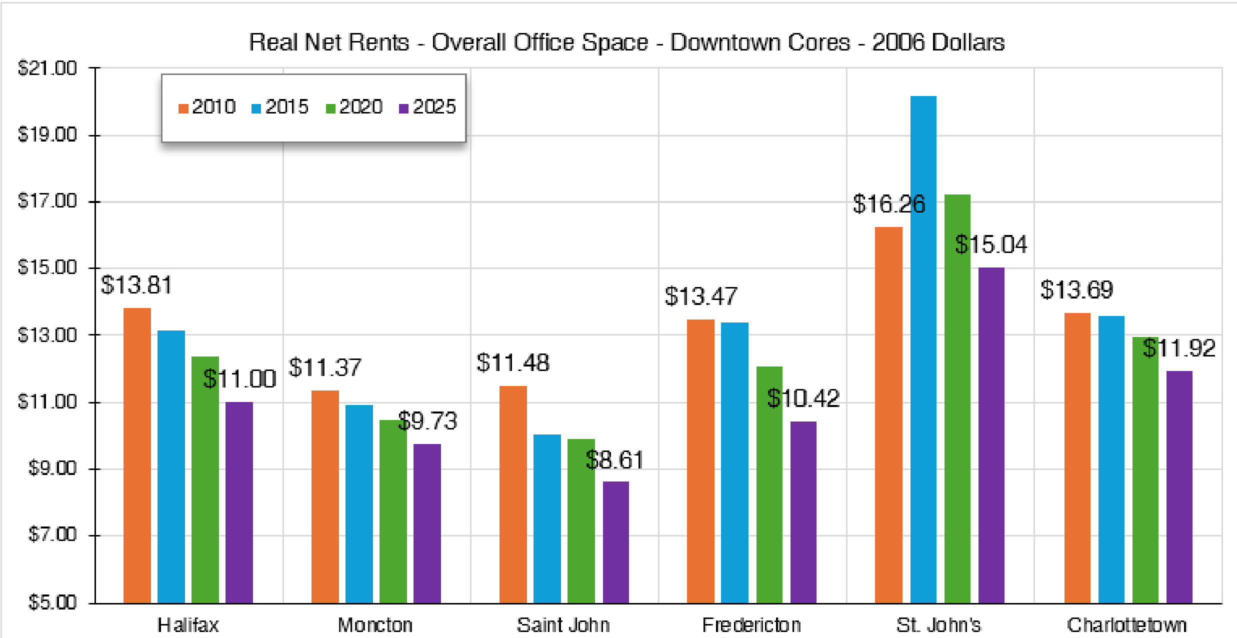
The Real Cost of Office Space: What Adjusted Rents Reveal About Downtown Markets in Atlantic Canada

The Case for Looking at Real Rents



Source: TDP EIU

Much of the national and industry commentary on office markets still leans on a familiar storyline: asking rents continue to rise, even as vacancy increases. The implicit message is that landlords are holding rate discipline, markets remain fundamentally strong, and weakness is mostly transitional.

The problem is that this narrative is derived almost exclusively from nominal asking rents. It rarely accounts for inflation, inducements, concessions, or changing lease structures. In other words, it tells us what landlords would like to achieve, not what occupiers are actually paying in real economic terms.

Once we adjust rents for inflation and look across time, the story changes. Real rents across downtown office markets in Atlantic Canada have not been rising. In most cities, they peaked sometime between the mid-2000s and early-2010s and have since declined by $3–6 per square foot in inflation-adjusted terms, depending on market and class.

In some places, such as Halifax and Moncton, the erosion has been gradual but persistent. In others, such as St. John's, the market first experienced a powerful commodity-led surge, followed by a pronounced retracement and a long period of elevated vacancy.

When commentators say that office rents are "resilient," they are usually referring to nominal face rates. But what matters for investment, taxation, asset value, and municipal revenue is real economic rent and sustained lease-up.

This analysis shows that when we strip away inflation and look at what's actually happened in the downtown cores of Atlantic cities over the past two decades, the trend is unambiguous: real office rents have generally fallen, while vacancy has materially increased. Skip to the end of the study to look at how real rents were calculated.

Ignoring that reality leads to flawed planning and policy conclusions. It risks overstating market strength at the very time when many downtown office districts are undergoing structural adjustment that will define their urban economies for the next decade.

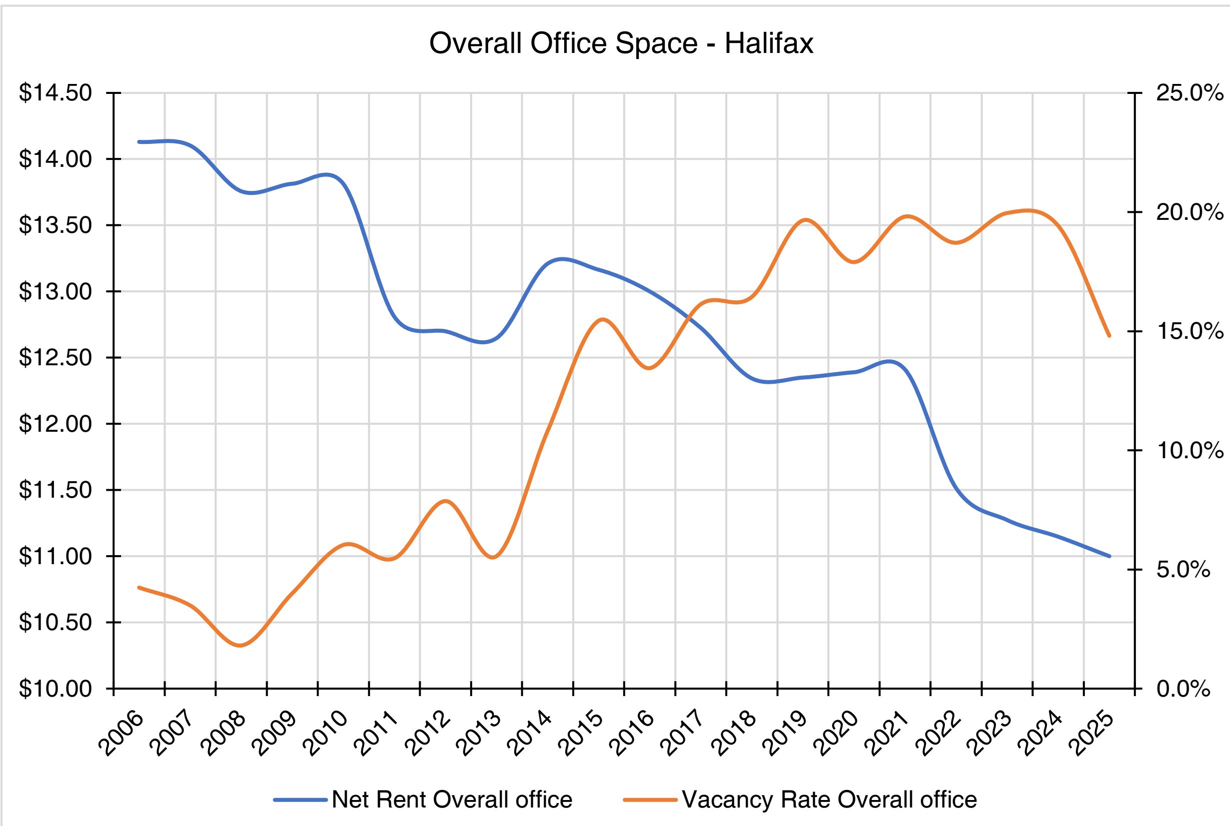
We now take a look at each of the downtown cores of Atlantic Canada's largest cities, and how their office markets fared in real terms.

Notes and Considerations

- All analyses done in this study are for the downtown areas of city Atlantic Canada city. The study does not include any area outside the downtown core.
- Inflation adjustment used provincial CPI.
- Vacancy reflects space physically available, not shadow vacancy.

Halifax

1. Overall Market



Source: TDP EIU

The Halifax office market has undergone a slow but clear structural adjustment over the past two decades. Real net asking rents have been trending downward since their mid-2000s peak, while vacancy has climbed and remained persistently elevated since 2012. More recently, vacancy has begun to retreat from post-pandemic highs.

Overall real net rent across all office classes peaked in the period immediately preceding 2010, reaching $14.13 per square foot in 2006 and remaining near that level through 2009–2010. Since then, rents have gradually softened, falling into the mid-$12 range between 2016 and 2021. The post-COVID period saw a more noticeable repricing, where, overall net rent fell from $12.41 in 2021, to $11.51 in 2022, then to $11.27 in 2023, reaching $11.15 in 2024 and most recently to $11.00 in 2025.

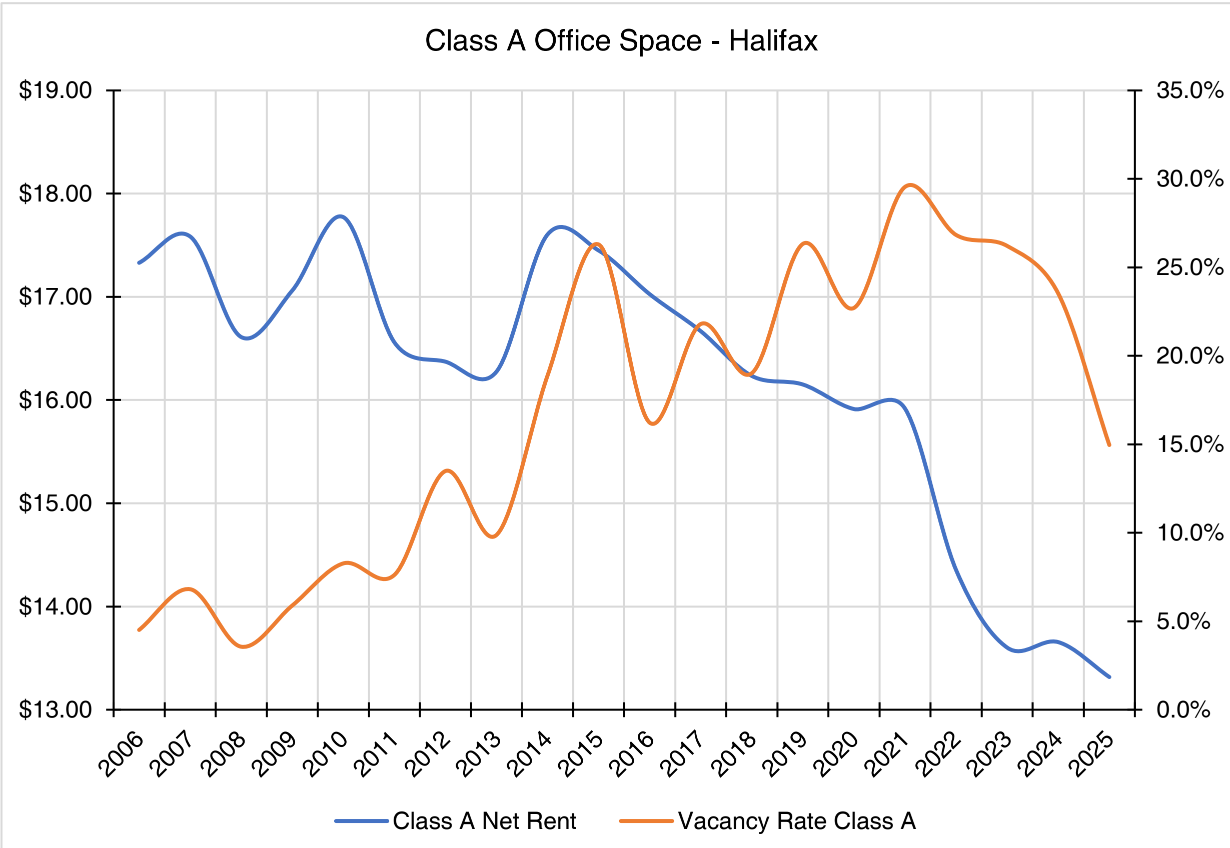
In total, the market has shed roughly $3 per square foot in asking rent from its mid-2000s peak to 2025.

Overall vacancy was extremely tight in the pre-2010 period, averaging 4.0% to 6.0% between 2006 and 2010. Beginning in 2012, however, vacancy broke above 7.9% and has not returned below that threshold since. The market entered a prolonged period of double-digit vacancy beginning in 2014, reaching 10.8% that year, 15.4% in 2015, and remaining persistently above 15% through the late 2010s.

Post-pandemic weakness in office space demand pushed vacancy to 19.8% in 2021, peaking at 20.0% in 2023.

A notable turning point emerges in the most recent data: vacancy declined from 20.0% in 2023 to 19.4% in 2024, with a more substantial decline in 2025 to 14.8%. The 2025 decline marks the first decisive contraction in office vacancy in more than a decade.

2. Class A Office



Source: TDP EIU

Class A space has experienced the most volatile cycle. It has historically commanded a significant premium, but vacancy has been exceptionally high for much of the past decade.

Real rents in the Class A segment peaked in the pre-2015 period, averaging $17–18 per square foot. For example, Class A net rent was $17.77 in 2010, $17.61 in 2014, and $17.45 in 2015. After 2015, Class A rent stabilized at approximately $16–17 through 2019. The COVID era marks a break in trend, where, Class A net rent declined to $15.91 in 2020 and $15.92 in 2021, before falling further to $14.35 in 2022 and $13.60 in 2023. In 2024, Class A rent registered at $13.65 per square foot, with a further decline to $13.32 in 2025.

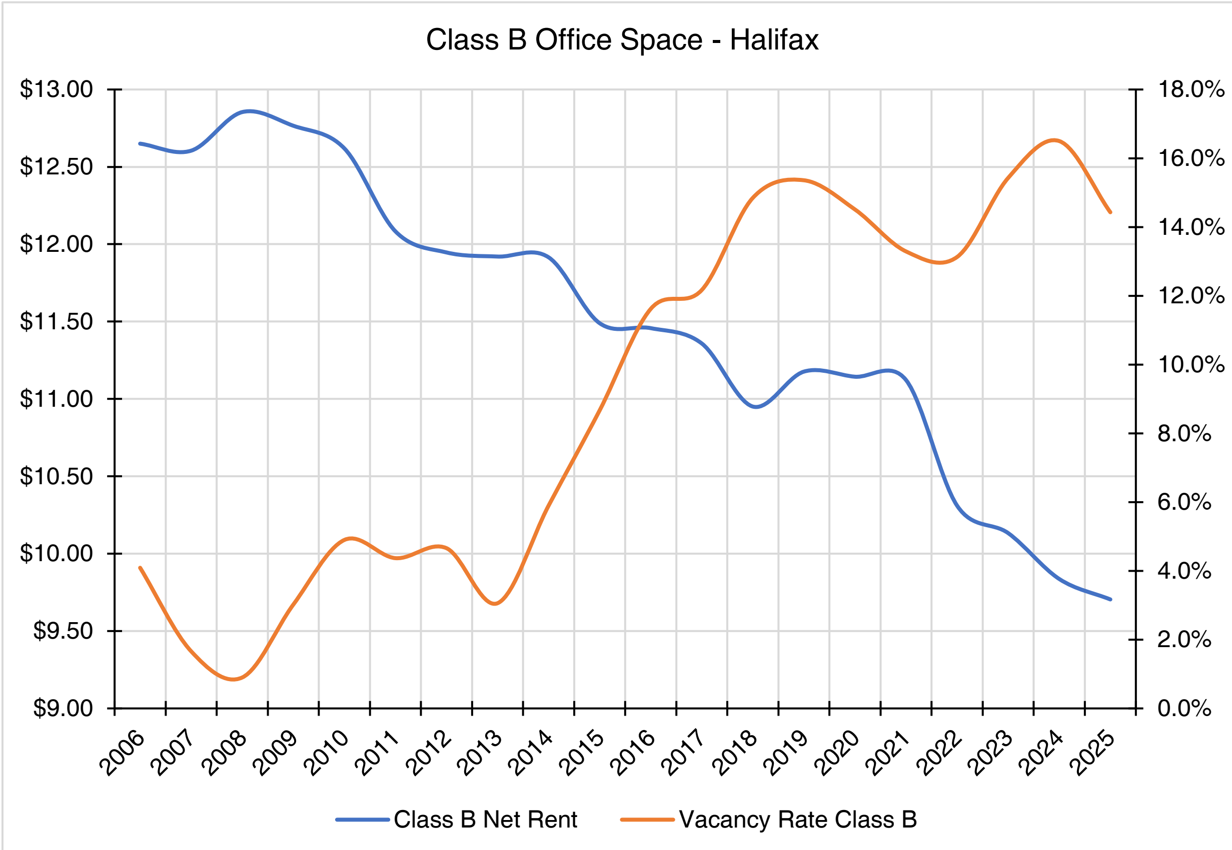
This represents a $4–5 per square foot reduction compared to pre-2015 levels.

Vacancy in Class A space has been structurally elevated for more than a decade. Class A vacancy was already 13.5% in 2012, then surged to 18.9% in 2014 and 26.3% in 2015. Unlike other asset classes, Class A vacancy remained extremely high, fluctuating between 19.0% and 30.0% from 2016 onward. The market peaked at 29.6% vacancy in 2021, followed by 26.8% in 2022, 26.2% in 2023, and 23.5% in 2024.

The first meaningful improvement occurs in 2025, when Class A vacancy fell to 15.0%. This is still elevated, but materially better than the near-30% level observed earlier in the decade.

The implication is straightforward. Class A supply significantly overshot demand in the mid-2010s, hybrid work amplified the imbalance, and only now is absorption meaningfully catching up.

3. Class B Office



Source: TDP EIU

Class B has emerged as the market's "middle anchor," being less volatile than Class A, but clearly enduring pricing pressures in the post-COVID cycle.

Real net rent for Class B space remained remarkably stable around $11–12.5 per square foot for more than a decade. It registered $12.65 in 2006, $11.95 in 2012, and $11.49 in 2015, before returning to $11.18–11.14 in the 2019–2021 period.

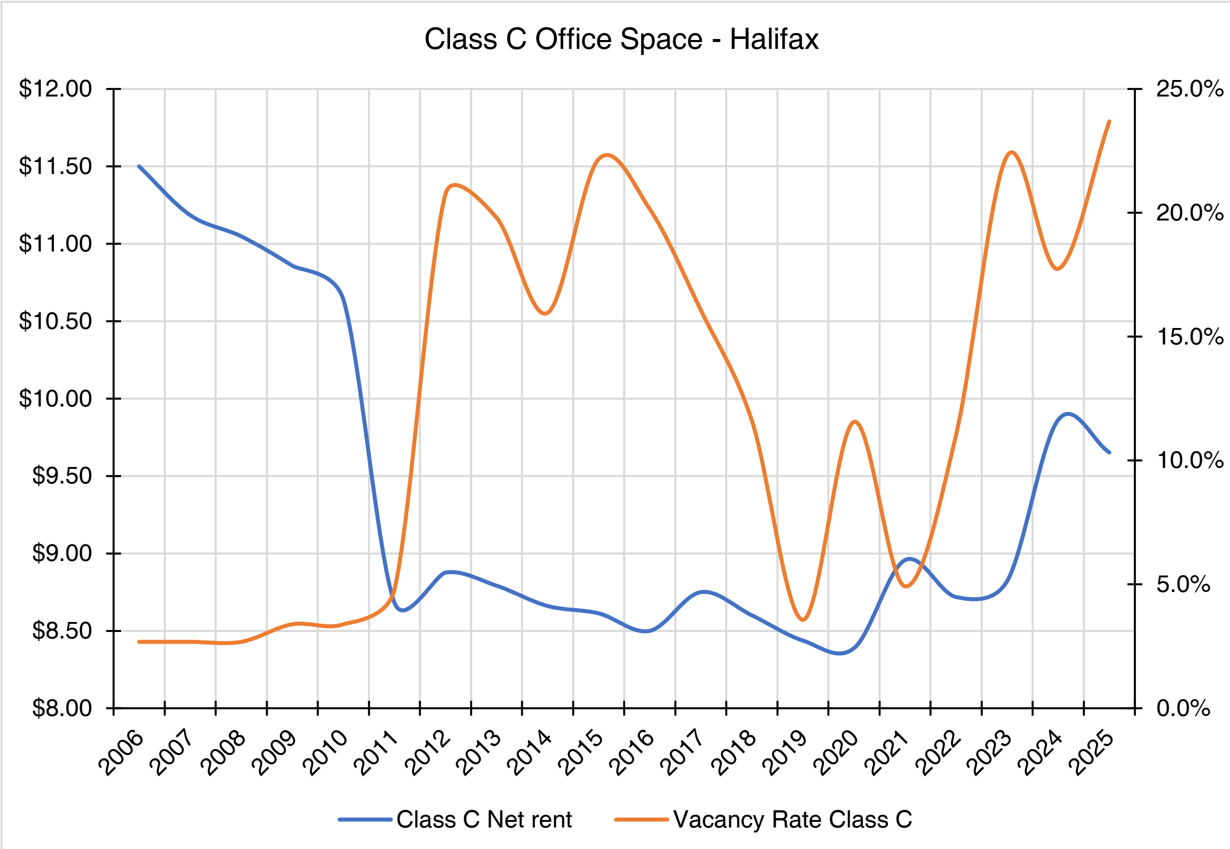
The recent decline is notable. Class B rent fell to $10.31 in 2022, $10.13 in 2023, and $9.84 in 2024, and most recently to $9.70 in 2025.

This places Class B real rent below $10 for the first time in at least 20 years.

Vacancy in Class B space has followed a gentler but consistent upward path. It was only 4–6% pre-2010, then increased to 8–12% between 2014 and 2018, and has remained broadly in the 13–16% range since 2019. The most recent readings are 15.4% in 2023, 16.5% in 2024, and 14.4% in 2025.

Class B space remains leasable, but tenants are pricing-sensitive and landlords have been compelled to adjust.

4. Class C Office



Source: TDP EIU

Class C space is the most volatile segment and the clearest illustration of structural obsolescence.

Real rents declined earlier and further in this category. Class C net rent was $11.50 in 2006, but fell below $9 by 2011, and remained largely in the range of $8.5–9.0 for the next decade. More recently, Class C rent registered $8.72 in 2022 and $8.82 in 2023 before jumping to $9.86 in 2024, which is an unusual increase. Real rent for Class C space was $9.65 2025.

This increase likely reflects opportunistic leasing rather than sustained rent growth.

Vacancy volatility is far more revealing. Class C vacancy surged to 20.8% in 2012, 19.8% in 2013, and 22.2% in 2015, before intermittently dropping below 10% in later years. However, in 2023 vacancy again spiked to 22.3%, then moderated to 17.7% in 2024, and rose again to 23.7% in 2025.

This pattern signals instability rather than recovery. A meaningful share of Class C stock is unlikely to regain consistent occupancy without repositioning, conversion, or functional reinvestment.

5. Main Takeaways

A. Halifax's office market has structurally repriced lower.
   - ➢ Overall rent has fallen from approximately $14/sf in the mid-2000s to $11/sf today.

B. The major adjustment occurred via vacancy, not rent collapse.
   - ➢ Vacancy rose from 4–6% pre-2010 to 15–20%+ for the past decade.

C. Class A vacancy was the true shock absorber.
   - ➢ It reached nearly 30% in 2021, representing chronic oversupply relative to demand.

D. Class B has been the market's stabilizer.
   - ➢ Rents have softened but space remains broadly absorbable.

E. Class C faces existential risk.

- ➢ Vacancy repeatedly exceeds 20%, reflecting functional obsolescence.

F. A turning point may be emerging.

- ➢ Overall vacancy declined sharply from 20.0% in 2023 to 14.8% in 2025.

6. Outlook

The data indicates that the Halifax office market is entering a period of stabilization following more than a decade of incremental oversupply and three years of pandemic-era demand shock.

However, stabilization should not be misunderstood as recovery to pre-2010 conditions. Hybrid work, efficient space planning, and sectoral shifts mean that total office space demand per worker is structurally lower than it once was. As such, it is unlikely that rents will revert to the $14–17 per square foot environment of the mid-2000s. Instead, the likeliest trajectory is a slow consolidation phase, characterized by:

- Moderate absorption of higher-quality space;
- Continued selective tenant movement "up market";
- Stagnant or declining values for obsolete stock; and
- A widening performance gap between viable and non-viable assets.

Class A space will remain the preferred location for institutional and professional tenants, but landlords should expect sustained negotiation leverage from occupiers.

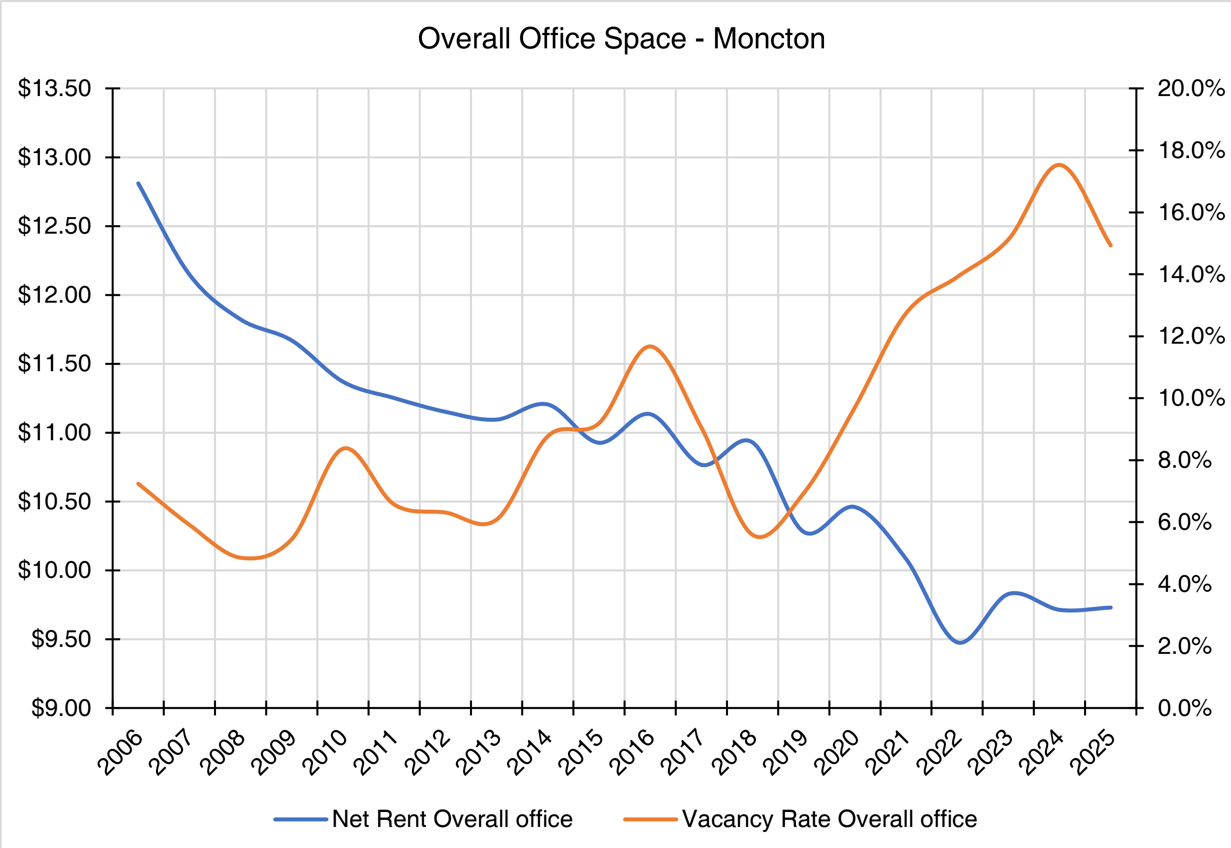
Class B will continue to serve cost-sensitive demand and is likely to remain the true backbone of the market.

Class C faces the most difficult future. Without reinvestment, significant portions of this inventory will continue to experience chronic vacancy.

The reduction in overall vacancy to 14.8% in 2025 is encouraging. If realized, it would indicate that the worst of the imbalance has passed. But the recovery is likely to be slow, uneven, and selective. The market will favour quality, location, and adaptability rather than age or vintage alone.

Moncton

1. Overall Market



Source: TDP EIU

The Moncton office market has experienced long-term rent softening paired with a pronounced and more recent surge in vacancy. Unlike Halifax, where vacancy has been elevated for over a decade, Moncton's structural loosening is largely a post-2019 phenomenon, and it has been sharper.

Overall real net rent peaked in the mid-2000s at $12.81 per square foot in 2006, gradually declining to the $10–11 range through the 2010s. The market averaged between $10.77 and $11.37 from 2015 to 2021. In the post-pandemic period, rents retreated further: $10.08 in 2021, $9.48 in 2022, $9.83 in 2023, and $9.71 in 2024, and most recently to $9.73 in 2025.

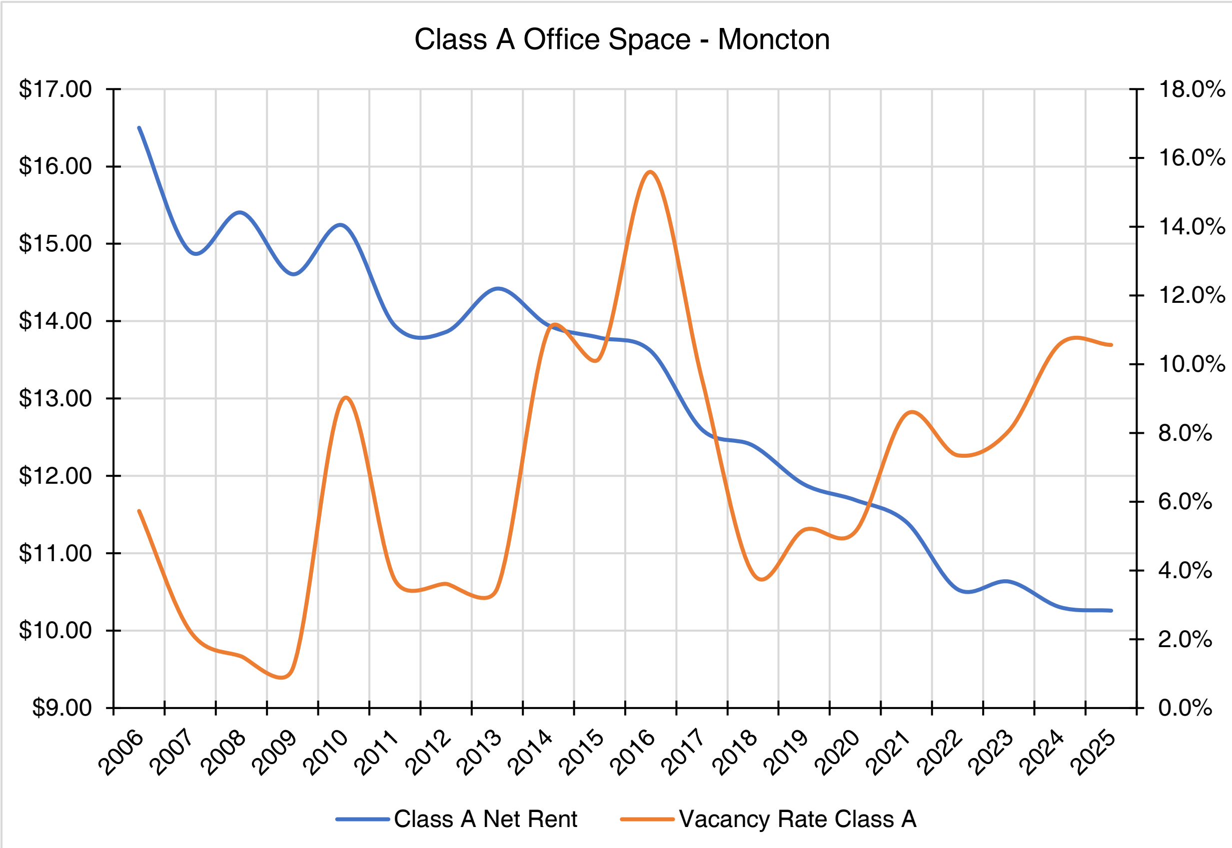
This places Moncton rents roughly $3 per square foot lower than their early-cycle peak; effectively the same magnitude of reset observed in Halifax.

Vacancy in Moncton, however, tells a different story from Halifax. Moncton maintained comparatively healthy market balance for more than a decade, with overall vacancy ranging between 4.9% and 9.2% from 2008 to 2019. The break point is 2020 onward. Vacancy rose to 9.7% in 2020, then surged to 12.7% in 2021, 13.9% in 2022, 15.1% in 2023, and 17.5% in 2024 — nearly tripling from pre-pandemic levels.

Vacancy eased to 14.9% in 2025. This represents improvement, but from a significantly weakened demand base.

Moncton's office market remained relatively tight for years, then softened rapidly during and after COVID, leading to today's elevated vacancy and rent compression environment.

2. Class A Office



Source: TDP EIU

Class A office in Moncton has seen meaningful rent erosion and a sharp increase in vacancy.

Rents peaked in the $15–16 per square foot range in the mid-2000s, including $16.50 in 2006 and $15.40 in 2008. Through the 2010s, Class A rent declined into the $13–14 range, with $13.79 in 2015 and $13.62 in 2016. The post-pandemic period saw rents fall further to $11.40 in 2021, $10.53 in 2022, and $10.63 in 2023, before settling at $10.30 in 2024 and $10.26 in 2025.

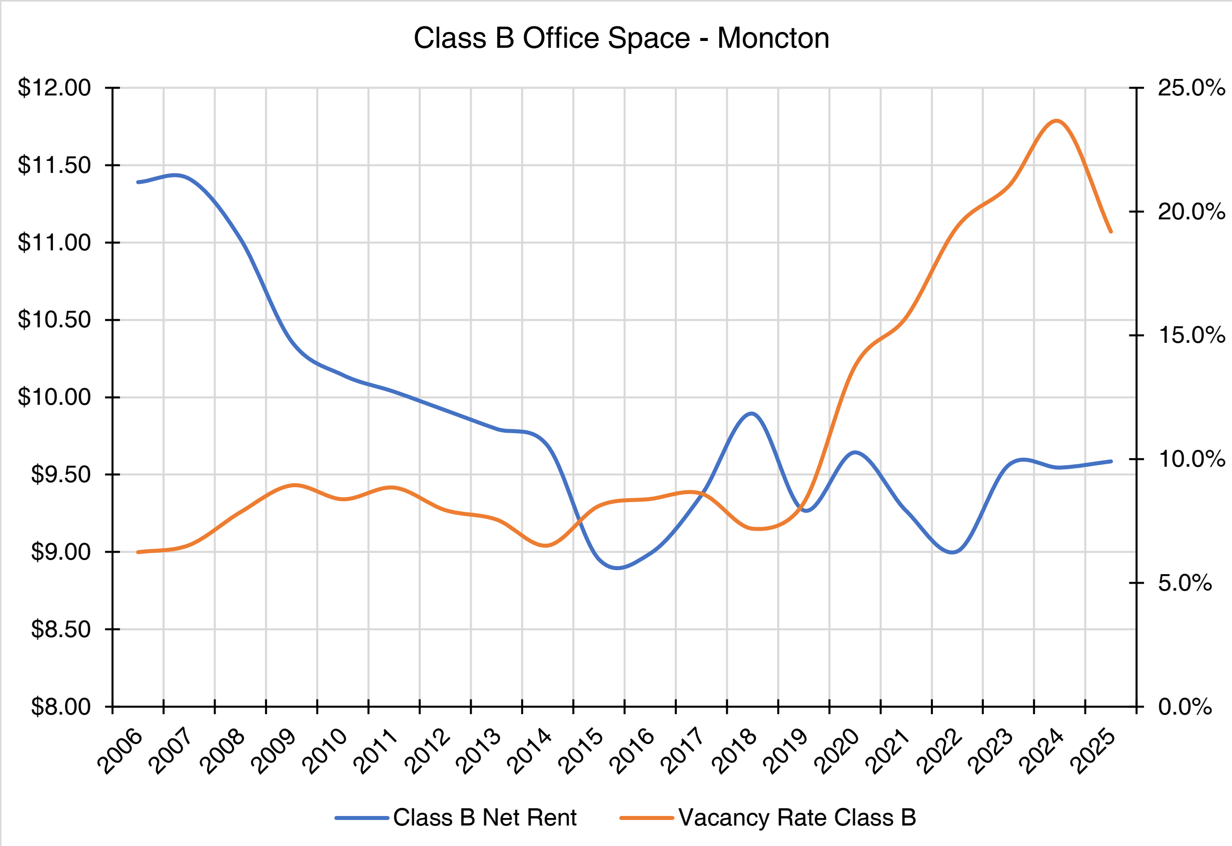
This represents a decline of approximately $6 per square foot from cycle peak to present.

Vacancy has followed an even more dramatic trajectory. While Class A vacancy averaged 2%–10% through most of the pre-COVID period, it spiked to 15.6% in 2016, retreated to 3.9% in 2018, then moved sharply higher post-2020: 8.6% in 2021; 7.4% in 2022; 8.1% in 2023; and 10.6% in both 2024 and 2025.

These numbers are lower than Halifax Class A vacancy but still represent a meaningful deterioration from historical norms.

The pattern suggests that while Class A demand remains comparatively resilient, it has not been immune to downsizing and hybrid-work dynamics.

3. Class B Office



Source: TDP EIU

Class B space represents the functional core of the Moncton office market and it is where the most pronounced structural loosening has occurred.

Class B real rent has historically clustered around $9–11 per square foot. It was $11.39 in 2006, $10.36 in 2009, $9.92 in 2012, and $9.89 in 2018. More recently, rents slipped from $9.64 in 2020 to $9.27 in 2021, $9.00 in 2022, and $9.56 in 2023, before registering $9.55 in 2024 and $9.59 in 2025.

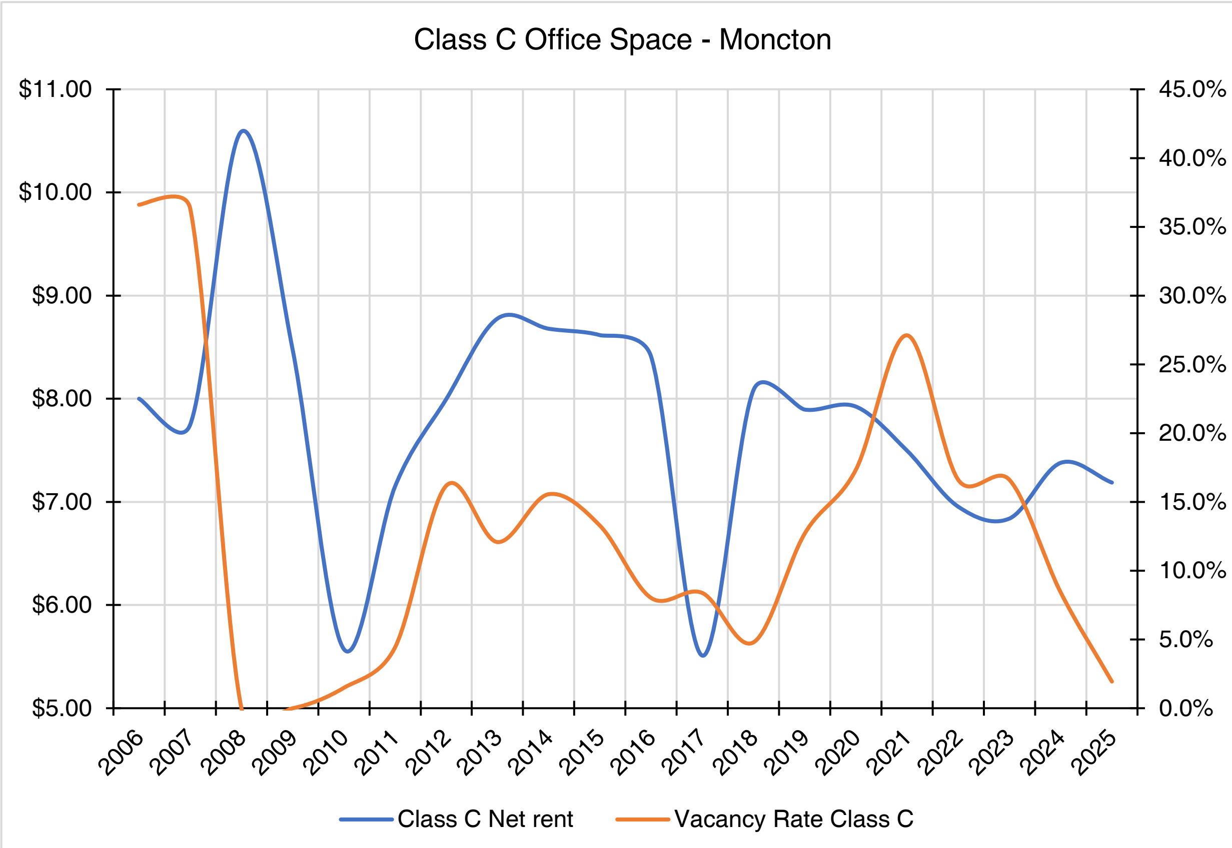
There is stability in the market, but it is at the low end of the historical range.

Class B vacancy averaged 6–10% through the 2010s, before rising to 13.8% in 2020, 15.7% in 2021, 19.4% in 2022, 21.0% in 2023, and 23.6% in 2024. A modest improvement was observed in 2025 at 19.2%.

This places Class B vacancy higher than in Halifax and firmly in excess-supply territory.

The implication is that a material share of Moncton's mid-market office inventory has become surplus to current occupier needs.

4. Class C Office



Source: TDP EIU

Class C space remains the smallest, least stable, and most volatile portion of the Moncton market.

Real rents have been structurally lower, averaging $7–9 per square foot, though occasionally spiking due to small-sample distortions. Class C rent was $8.00 in 2006, $7.15 in 2011, $8.62 in 2015, and $7.90–8.08 from 2018–2019. More recently, Class C rents moved from $7.50 in 2021 to $6.95 in 2022, $6.84 in 2023, $7.38 in 2024, and $7.19 in 2025.

Volatility is even more apparent in vacancy trends. Class C vacancy was extremely high in the mid-2000s, including 36.6% in 2006 and 36.3% in 2007, then briefly fell to 0% in 2008–2009, before oscillating sharply in subsequent years. More recently, vacancy reached 27.1% in 2021, 16.6% in 2022 and 2023, then fell further to 8.4% in 2024. Vacancy stood at 1.9% in 2025.

Class C space in Moncton illustrates a market that is small in inventory, highly price-sensitive, and capable of extreme swings driven by a limited number of deals. Moncton's Class C office market is unstable and marginal.

5. Main Takeaways

A. Moncton's office market has structurally weakened since 2020.

- ➢ Overall vacancy has risen from 6.9% in 2019 to 17.5% in 2024, before an improvement to 14.9% in 2025.

B. Rents have repriced downward, but in a controlled fashion.

- ➢ Overall rent has declined from $12.81 in 2006 to ~$9.7–9.8 today.

C. Class A is losing pricing power but remains preferred.

- ➢ Rents have declined from $16–15/sf historically to ~$10.3, while vacancy has lifted into the ~10% range.

D. Class B is structurally oversupplied.

- Vacancy now exceeds 20%, signalling space redundancy rather than temporary softness.

E. Class C remains volatile and marginal.

- Occupancy shifts reflect episodic leasing rather than durable demand.

F. The post-pandemic period represents a decisive break in trend.

- Vacancy growth has been faster and broader than earlier cycles.

6. Outlook

Moncton's office market now sits in a materially softer position than it did prior to COVID. Vacancy levels above 15% indicate meaningful surplus capacity, particularly in the mid-market segment. Unlike earlier cycles, this surplus is unlikely to be absorbed quickly. Hybrid work, more efficient space usage, and disciplined corporate cost management have structurally lowered demand for traditional office footprints.

The decline in vacancy to 14.9% in 2025 suggests that withdrawal of obsolete space, selective tenant movement, or incremental leasing momentum may already be improving balance. However, the market still must contend with:

- reduced space per employee;
- value-driven tenant behaviour; and,
- and an aging building stock in need of modernization.

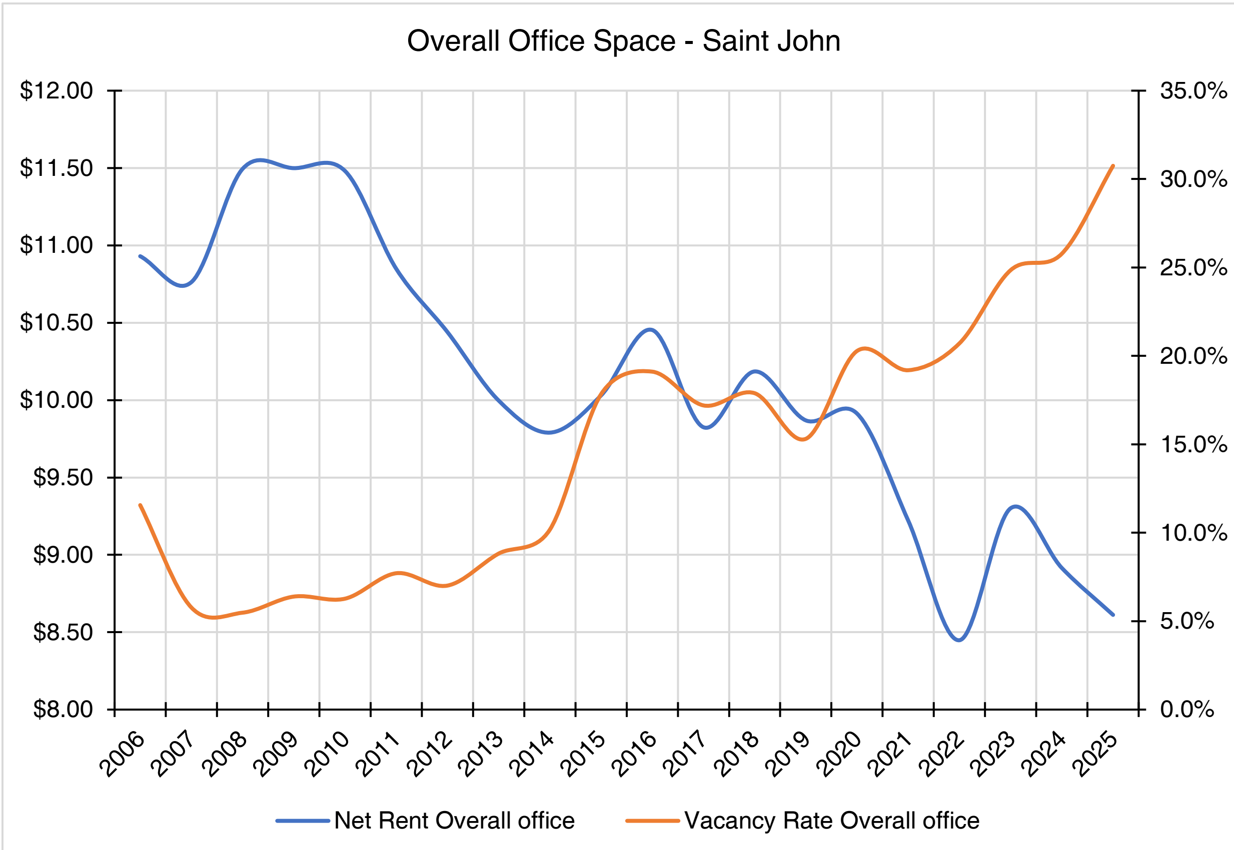
Class A will remain the strongest-performing segment, though landlords should expect tenants to retain bargaining leverage.

Class B space will continue to bear the most pressure, particularly where buildings lack modernization or location advantages.

Class C will remain highly tactical. It will be viable primarily where users prioritize cost above all else, or where buildings can be repurposed or repositioned.

Saint John

1. Overall Market



Source: TDP EIU

Saint John's office market shows a long-term erosion in rents combined with a decisive and ongoing surge in vacancy that has intensified materially in the past five years.

Overall real net rent peaked in the late-2000s at $11.49–11.50 per square foot in 2008–2009, before gradually declining through the 2010s. Rents moved from $10.44 in 2012 to $10.03 in 2015, $9.87 in 2019, and $9.22 in 2021, before falling further to $8.45 in 2022. Modest volatility followed, with overall rent rebounding to $9.30 in 2023, then softening again to $8.91 in 2024 and $8.61 in 2025.

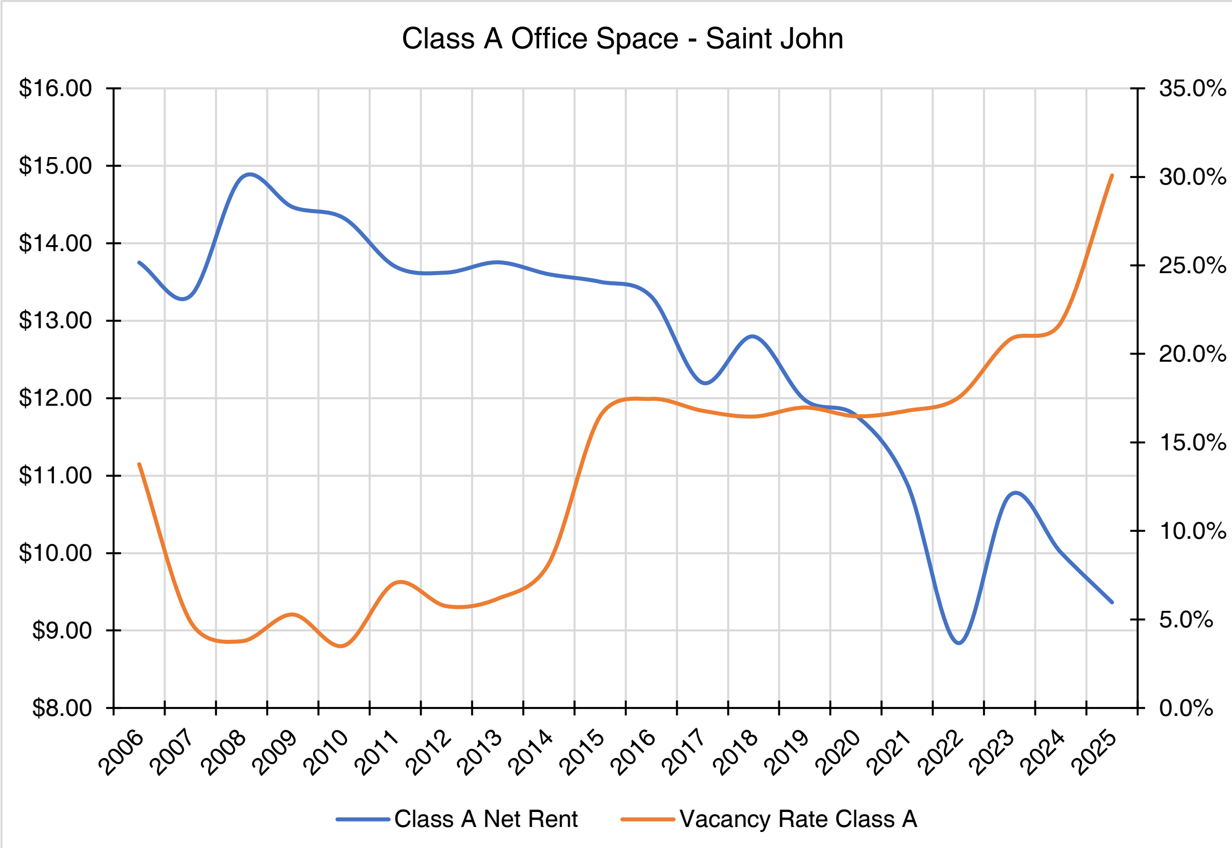
Real rents in Saint John have declined by roughly $3 per square foot from peak to present, placing the market among the lowest-priced urban office environments in Atlantic Canada.

Vacancy is the more decisive indicator. Saint John entered the mid-2010s with vacancy still in single-digits: 6.3% in 2010, 7.7% in 2011, and 7.0% in 2012, before conditions loosened materially. Vacancy rose to 10.2% in 2014, then spiked to 17.8% in 2015 and 19.1% in 2016, entering a prolonged period of oversupply. After fluctuating between 15% and 20% through 2021, vacancy accelerated again, reaching 24.9% in 2023, 25.8% in 2024, and 30.8% in 2025.

This places Saint John among the most heavily oversupplied office markets in the region.

Rents have repriced downward over time, but the real adjustment has occurred through vacancy, which has now reached structurally high levels.

2. Class A Office



Source: TDP EIU

Class A space in Saint John has not been immune to this deterioration, and in the most recent period it has been hit particularly hard.

Class A rent peaked near $14–15 per square foot, including $14.84 in 2008 and $14.47 in 2009. Through the 2010s, rents drifted down into the $12–13.5 range, sitting at $13.31 in 2016, $12.20 in 2017, and $12.80 in 2018. In the pandemic and post-pandemic period, rents continued to decline: $11.78 in 2020, $10.89 in 2021, $8.84 in 2022, $10.74 in 2023, and $10.01 in 2024. By 2025, Class A rent had fallen to $9.36 per square foot.

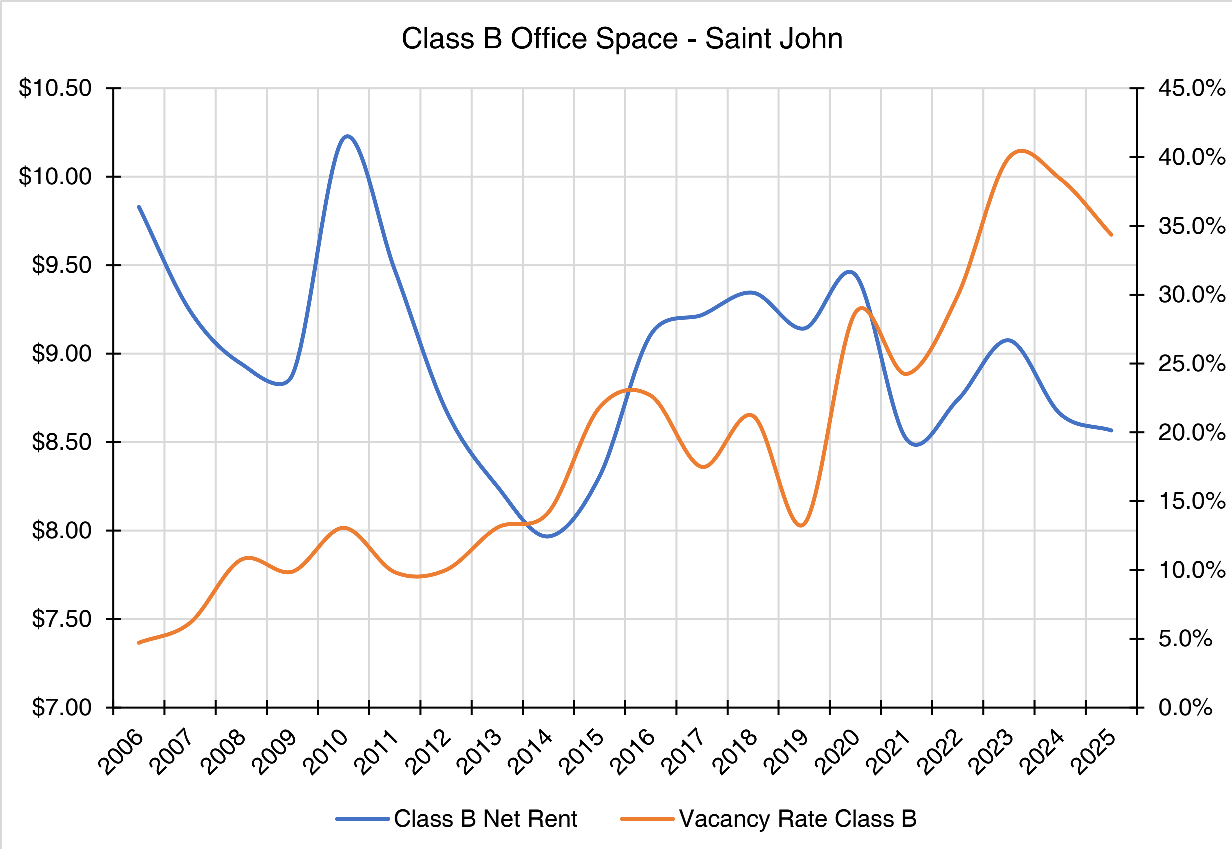
Compared to the late-2000s peak, this represents a $5–6 per square foot decline, and it places Class A rents only modestly above Class B.

Vacancy trends are even more striking. Class A vacancy sat within 3%–7% through the 2006–2012 period, then began to climb: 16.5% in 2015, 17.5% in 2016, 16.8% in 2017, and 16.5% in 2020. After 2021, vacancy accelerated, increasing from 16.8% in 2021 to 17.5% in 2022, 20.8% in 2023, 21.8% in 2024, and 30.1% in 2025.

This means that nearly one-third of Class A office space in Saint John is now vacant.

The premium segment of the market, which is traditionally the most resilient, is now absorbing the full force of excess supply.

3. Class B Office



Source: TDP EIU

Class B space has experienced softer but still significant deterioration in both rents and occupancy.

Real net rent in Class B space averaged $8–10 per square foot through most of the past 20 years. It was $9.83 in 2006, $10.22 in 2010, $9.11 in 2016, and $9.34 in 2018. Since 2019, rents have remained relatively flat within a narrow band: $9.14 in 2019, $9.45 in 2020, $8.52 in 2021, $8.74 in 2022, $9.08 in 2023, $8.66 in 2024, and $8.57 in 2025.

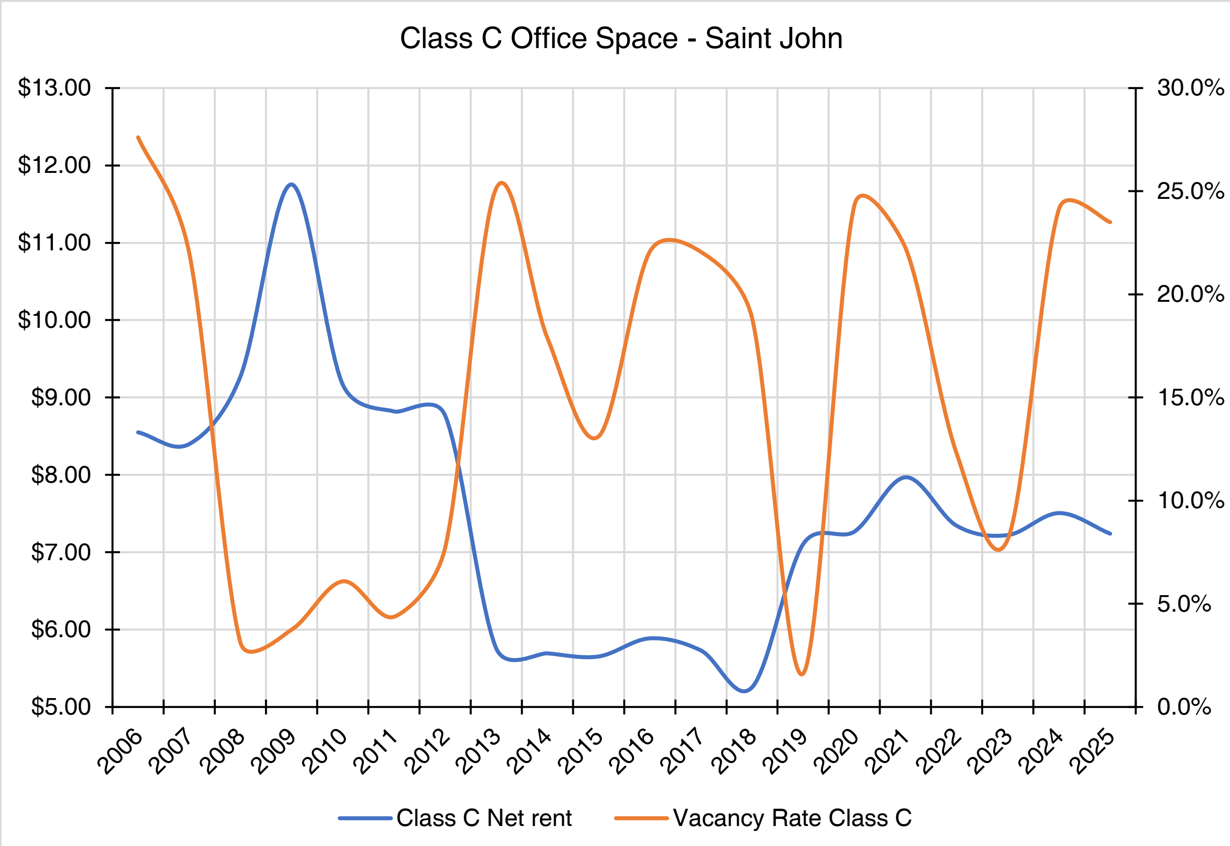
In other words, pricing has softened, but not collapsed.

Class B vacancy averaged 4%–14% through the pre-2015 period, before rising sharply to 21.8% in 2015, 22.7% in 2016, and stabilizing in the mid- to high-teens through 2019. The pandemic-era shift toward hybrid work and portfolio rationalization pushed vacancy materially higher: 28.7% in 2020, 24.2% in 2021, 30.0% in 2022, 40.0% in 2023, 38.4% in 2024, and 34.4% in 2025.

This means that roughly one-third to two-fifths of Class B office space in Saint John is now vacant, signalling deep structural oversupply.

Tenants appear to be consolidating into either higher-quality Class A space (at heavily negotiated economics) or more efficient non-office accommodation, leaving Class B as the least defensible middle tier.

4. Class C Office



Source: TDP EIU

Class C space in Saint John has long been structurally marginal, with rent and vacancy trends reflecting utility-based rather than strategic occupancy.

Class C real rents averaged $5–8 per square foot over the observed period. Real rents ranged from $11.75 in 2009 (an outlier spike) to a prolonged period between $5.25 and $7.97 from 2013 onward. More recent figures include $7.27 in 2020, $7.97 in 2021, $7.34 in 2022, $7.22 in 2023, $7.51 in 2024, and $7.24 in 2025.

Vacancy has been volatile but persistently high. Class C vacancy sat at 27.6% in 2006, moderated in the mid-2010s to 13.1% in 2015, then surged again to 24.3% in 2020. The pattern continues in the most recent period: 22.3% in 2021, 12.3% in 2022, 8.1% in 2023, 24.1% in 2024, and 23.5% in 2025.

This volatility underscores the reality that Class C occupancy is opportunistic rather than strategic. Tenants in this segment lease primarily on the basis of cost minimization or specific use-case suitability, not building quality.

5. Main Takeaways

A. Saint John’s office market is now one of the softest in Atlantic Canada.
- ➢ Overall vacancy has risen from 7.0% in 2012 to 30.8% in 2025.

B. Real rents have structurally reset downward.
- ➢ Overall rent has fallen from $11.49–11.50 in 2008–2009 to $8.61 in 2025.

C. Class A is no longer insulated.
- ➢ Vacancy now sits at 30.1%, representing deep oversupply even at the top end of the market.

D. Class B is under the most severe pressure.
- ➢ Vacancy reached 40.0% in 2023 and remains 34.4% in 2025 signalling fundamental demand loss.

E. Class C remains unstable and largely marginal.

- Vacancy exceeding 20–25% continues to be commonplace.

F. The post-2015 period marks a structural turning point.

- Vacancy prior to 2015 rarely exceeded 10%; now 30%+ is the norm.

6. Outlook

Saint John's office market faces the most challenging environment among the Atlantic urban centres reviewed. With overall vacancy now exceeding 30%, the market is firmly in surplus-capacity territory, and traditional cyclical improvement will not be sufficient to restore balance.

Hybrid work has amplified pre-existing weakness, but it did not cause it. The more fundamental issue is demand contraction in a market with limited net new tenant growth and an aging building inventory. Combined, these forces have eroded both occupancy and pricing power.

Going forward, the following dynamics are likely:

- Class A landlords will compete aggressively on economics, trading face-rate stability for concessions, inducements, and flexibility.

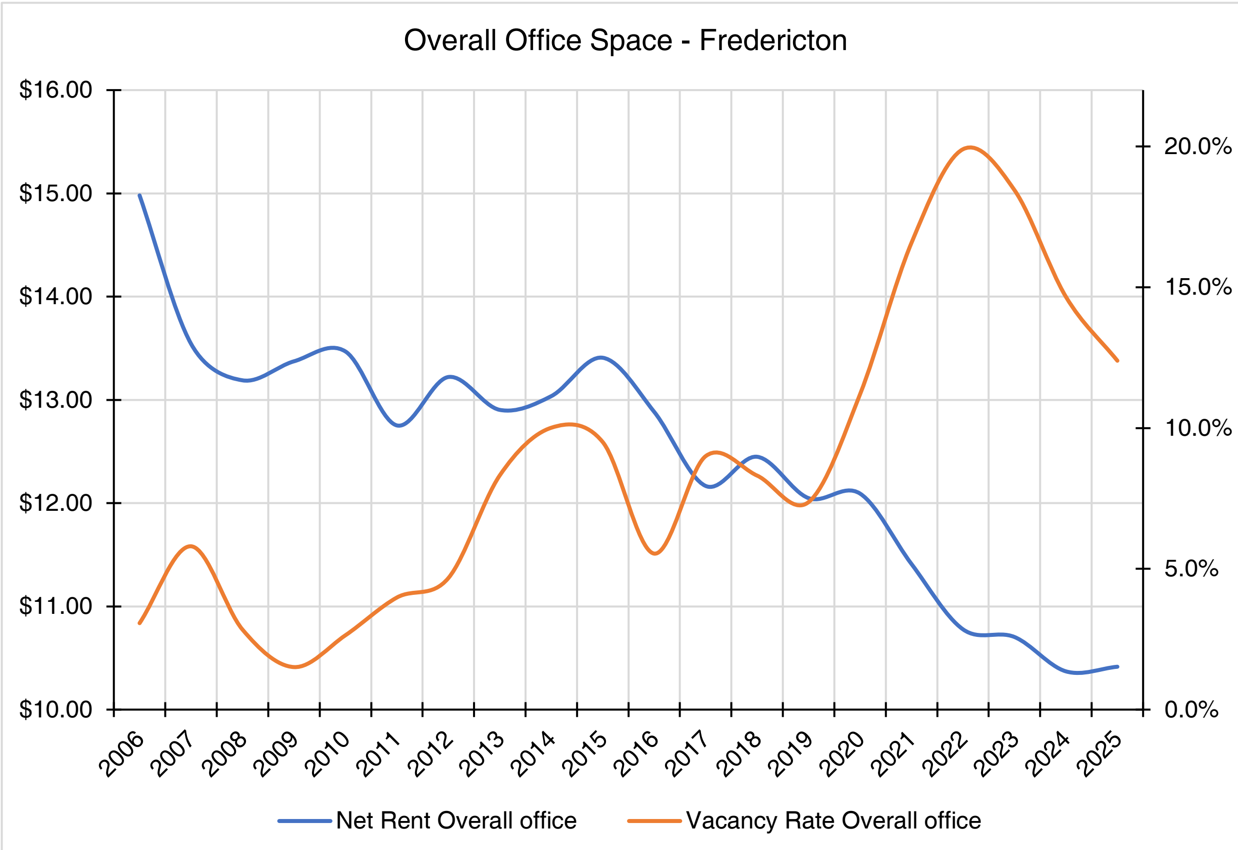
- Class B will remain structurally disadvantaged, caught between tenant aspirations for quality and aggressive Class A negotiation.

- Class C outcomes will be binary. It will be viable only where specific use-cases align or where conversion/redevelopment economics can be justified.

Without strategic withdrawal of inventory through conversion, redevelopment, or demolition, Saint John's vacancy is likely to remain elevated for an extended period. The City's competitive advantage will therefore rely less on price leadership and more on repositioning effort, amenity strategy, and modern workplace suitability.

Fredericton

1. Overall Market



Source: TDP EIU

Fredericton's office market has undergone a moderate rent correction since the mid-2000s, paired with a more recent rise in vacancy that appears to be easing in the most current data.

Overall real net rent peaked in the mid-2000s at $14.98 per square foot in 2006, before drifting into the $12–13 range across most of the 2010s. Real rents registered $13.22 in 2012, $13.04 in 2014, and $13.41 in 2015, before edging lower to $12.05 in 2019 and $12.09 in 2020. The post-COVID period saw further adjustment: $11.41 in 2021, $10.78 in 2022, $10.70 in 2023, $10.37 in 2024, and $10.42 in 2025.

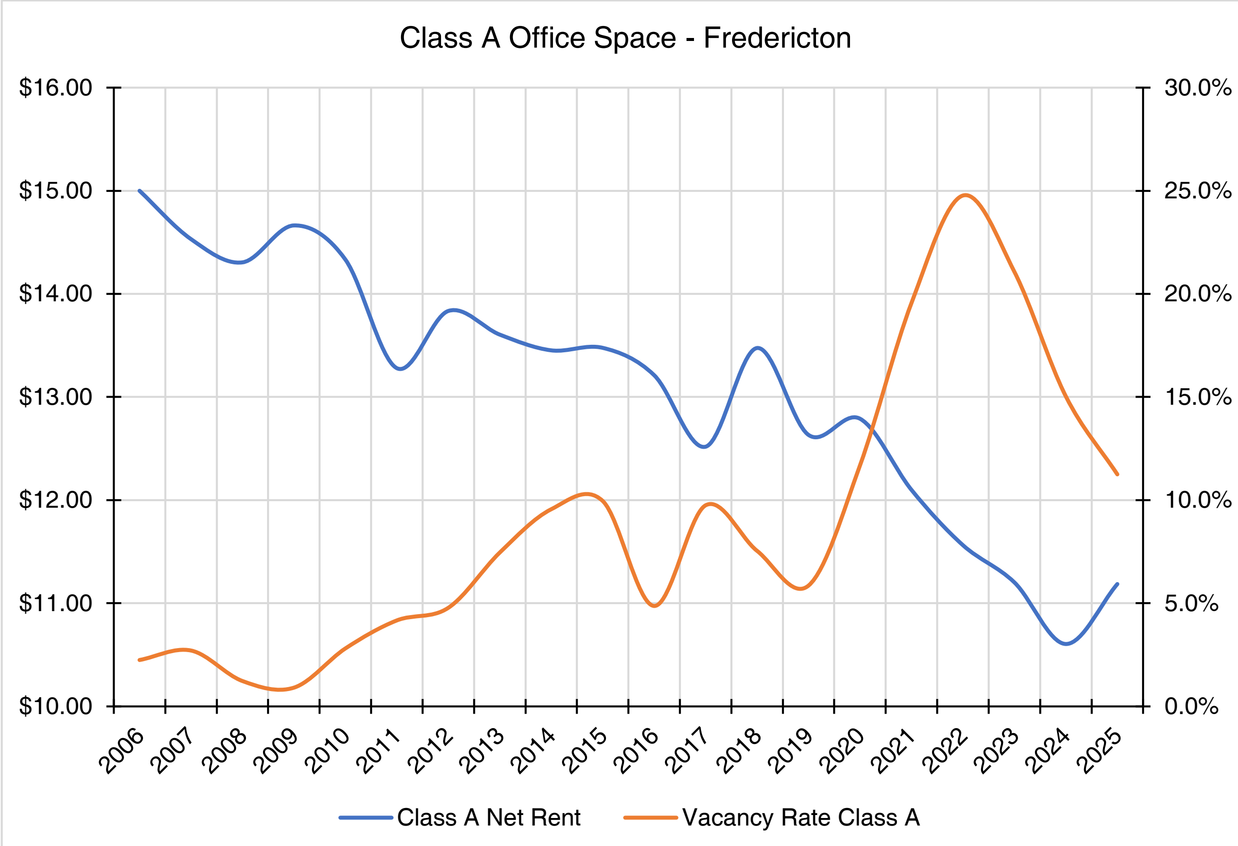
In total, the market has retraced roughly $4.5 per square foot from peak to present, although the bulk of that adjustment occurred prior to 2020.

Vacancy remained very tight during the 2006–2012 period, ranging between 1.5% and 5.8%. The turning point occurred in 2013–2014, when vacancy increased to 8.3% and 10.0%, respectively. The market then oscillated between 5–11% through 2020, before rising sharply in the pandemic period: 16.6% in 2021, 19.9% in 2022, and 18.5% in 2023.

A material improvement follows in the most recent years: vacancy declines to 14.7% in 2024 and further to 12.4% in 2025.

This marks one of the clearest signs of post-pandemic stabilization among the Atlantic office markets reviewed.

2. Class A Office



Source: TDP EIU

Class A space in Fredericton has experienced downward rent adjustment, but demand has remained relatively resilient compared to other markets.

Class A rents peaked at $15.00–14.66 per square foot between 2006 and 2009, before gradually easing into the $13–14 range during the 2010s. Representative values include $13.60 in 2013, $13.45 in 2014, and $13.48 in 2015, declining to $12.63 in 2019 and $12.79 in 2020. More recent levels have been lower, including $12.10 in 2021, $11.56 in 2022, $11.20 in 2023, $10.61 in 2024, and $11.19 in 2025.

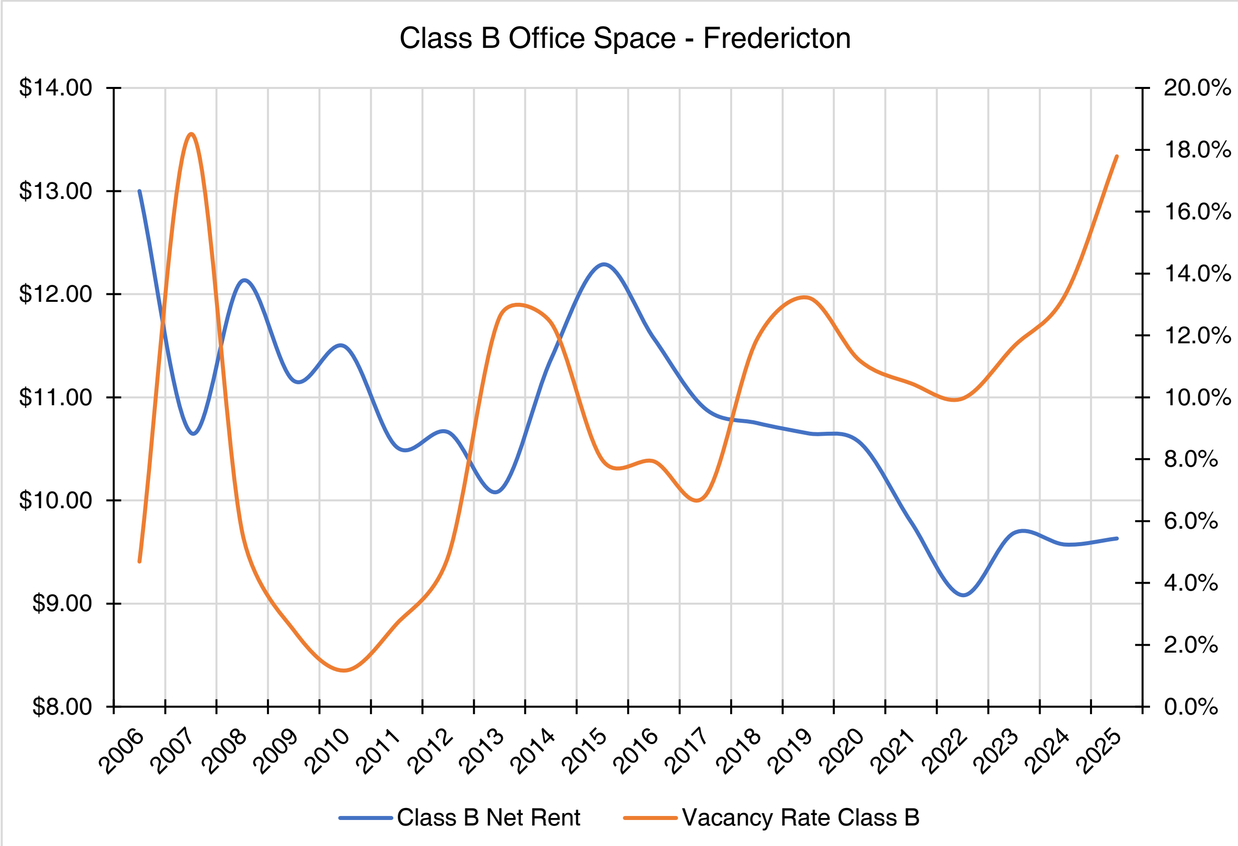
Even at current levels, Class A continues to carry a premium over B and C.

Vacancy, however, has become more volatile. Class A vacancy sat at 2–5% during the 2006–2012 period, before climbing to 7.5% in 2013 and 9.6% in 2014. It then stabilized between 4.9% and 11.7% until 2020. The pandemic period marked a sharp break in trend, with Class A vacancy rising to 19.6% in 2021 and 24.8% in 2022.

Since then, demand has strengthened and vacancy declined to 21.1% in 2023, 15.0% in 2024, and 11.3% in 2025.

This represents a meaningful recovery in the highest-quality segment.

3. Class B Office



Source: TDP EIU

Class B space forms the middle tier of Fredericton's office inventory and has shown a blend of pricing resilience and occupancy variability.

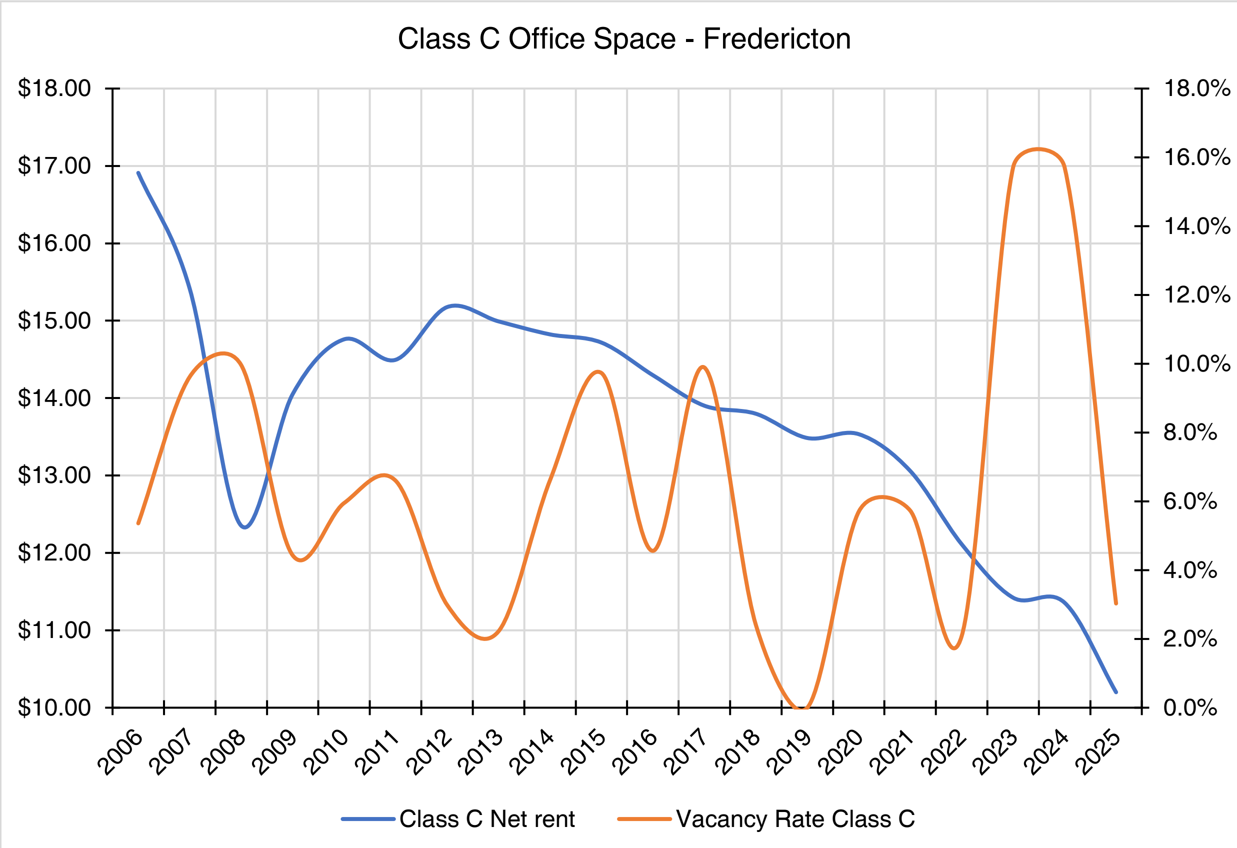
Class B real rents historically ranged between $10–13 per square foot. They were $13.00 in 2006, $11.16 in 2009, $11.37 in 2014, and $12.29 in 2015, before softening to $10.65 in 2019 and $10.56 in 2020. More recently, rents moved to $9.79 in 2021, $9.08 in 2022, $9.68 in 2023, $9.57 in 2024, and $9.63 in 2025.

This places Class B pricing near the bottom of its historical range, but not in free-fall.

Vacancy fluctuated between 1–13% during the pre-pandemic period, rising to 13.2% in 2019, and 11.2% in 2020, relatively modest compared to other cities. The more meaningful shifts occur post-2020 when vacancy rose to 10.5% in 2021, 10.0% in 2022, 11.7% in 2023, 13.3% in 2024, and 17.8% in 2025.

This indicates that Class B vacancy is rising later in the cycle, potentially reflecting tenant consolidation into higher-quality space at competitive economics.

4. Class C Office



Source: TDP EIU

Class C space in Fredericton remains structurally lower-rent but relatively stable.

Real rents have consistently sat between $10 and $17 per square foot, with higher values in the mid-2000s followed by gradual moderation to $14–15 through the mid-2010s. More recent rents include $13.53 in 2020, $13.06 in 2021, $12.11 in 2022, $11.42 in 2023, $11.36 in 2024, and $10.20 in 2025.

This makes Class C the only category where rents remain meaningfully above Class B, reflecting product segmentation driven by size, location, or building-specific factors rather than strict quality differentiation.

Vacancy has historically been modest, hovering between 2% and 10% for most of the series. Even during the pandemic period, Class C vacancy remained comparatively contained, recording 5.7% in both 2020 and 2021, 2.1% in 2022, 15.7% in 2023 and 2024, and declining sharply to 3.0% in 2025.

The volatility in 2023–2024 likely reflects a small-sample effect rather than systemic weakness.

5. Main Takeaways

A. Fredericton's office market remains more stable than its Atlantic peers.
   - ➢ While vacancy rose sharply to 19.9% in 2022, it has since declined to 12.4% in 2025.

B. Real rents have softened but not collapsed.
   - ➢ Overall rent declined from $14.98 in 2006 to ~$10.4–10.8 in the current period.

C. Class A vacancy spiked and then recovered strongly.
   - ➢ Rising from 2–5% pre-2013 to 24.8% in 2022, before improving to 11.3% in 2025.

D. Class B vacancy is now trending upward.
   - ➢ Suggesting late-cycle consolidation and flight-to-quality behaviour.

E. Class C remains niche but relatively stable.

- With vacancy reverting to 3.0% in 2025 after temporary volatility.

F. Fredericton is arguably the most balanced office market in the region today.

- With improving fundamentals and measured price correction.

6. Outlook

Fredericton stands out among Atlantic Canadian office markets as a comparatively resilient centre. Despite a significant rise in vacancy through 2021–2022, the market has since demonstrated genuine stabilization, with overall vacancy falling from 19.9% in 2022 to 12.4% in 2025. This trajectory contrasts notably with Saint John, where vacancy continues to climb, and with Moncton, where adjustment remains ongoing.

The most likely outlook is one of gradual normalization rather than deep structural reset. Key dynamics include:

- Reabsorption of quality Class A space, as rents now align more competitively with tenant expectations.

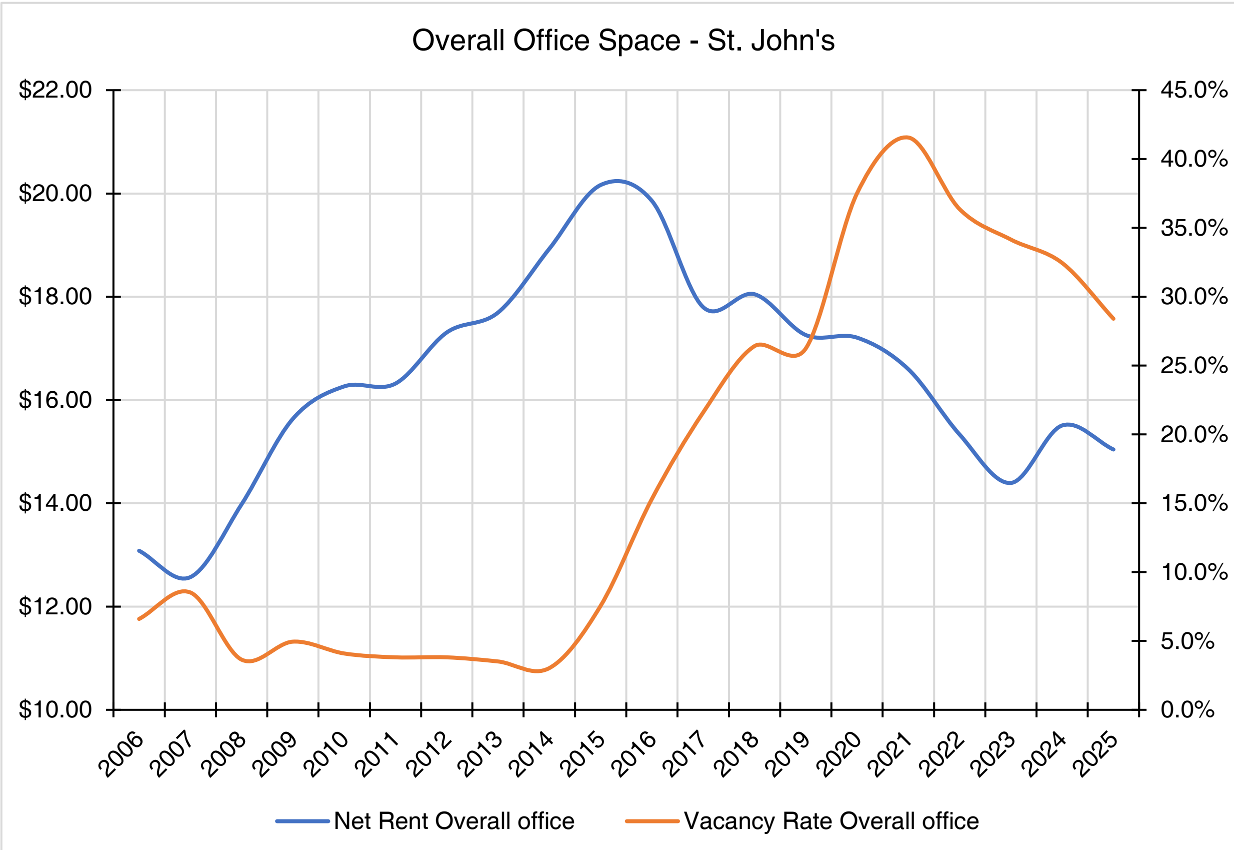
- Continued pressure on Class B, as demand bifurcates between quality and cost-driven alternatives.

- Steady niche demand for Class C, supported by affordability and smaller-tenant requirements.

Absent a major supply shock or economic downturn, Fredericton appears positioned to stabilize in the 10–14% vacancy range, with rents anchored near current levels. Among Atlantic markets, it currently represents the most balanced, least volatile office environment.

St. John’s

1. Overall Market



Source: TDP EIU

St. John’s office market exhibits one of the most dramatic rent cycles in Atlantic Canada with a strong run-up through the late-2000s and early-2010s, followed by a significant and prolonged period of elevated vacancy.

Overall real net rent increased sharply from $13.08 per square foot in 2006 to $17.69 in 2013 and $18.93 in 2014, peaking at $20.16 in 2015. This reflects the oil-driven economic expansion of the era, when demand outpaced supply and Class A rents exceeded $24 per square foot.

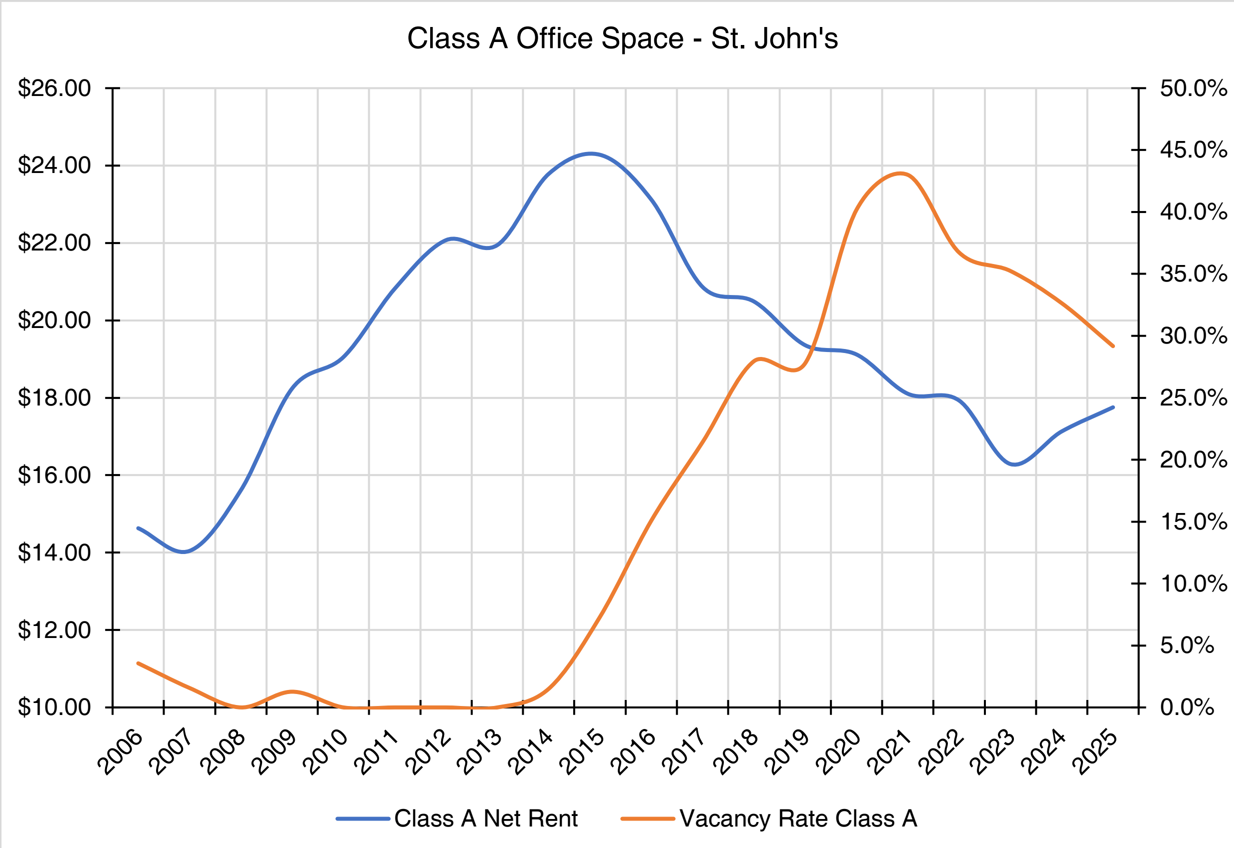
Rents began to soften after 2015, declining to $19.86 in 2016, $17.80 in 2017, and $17.26 in 2019, before falling more materially during the pandemic: $17.21 in 2020, $16.60 in 2021, and $15.33 in 2022. More recently, rents registered $14.39 in 2023, rebounded to $15.51 in 2024, and then eased to $15.04 in 2025.

Even after this adjustment, St. John’s remains the highest-rent office market in Atlantic Canada, but the premium is narrowing.

Vacancy, meanwhile, has escalated dramatically. The market remained extremely tight through 2014, with vacancy between 3.0% and 6.6%. Conditions changed rapidly beginning in 2015, when vacancy jumped to 7.6%, then surged to 15.3% in 2016, 21.6% in 2017, 26.4% in 2018, and 37.5% in 2020. The high-vacancy environment has persisted since, peaking at 41.6% in 2021, then improving modestly to 36.4% in 2022, 34.2% in 2023, 32.5% in 2024, and 28.4% in 2025.

In short, St. John’s office market went from one of the tightest to one of the most oversupplied in the region within a decade.

2. Class A Office



Source: TDP EIU

Class A space in St. John's led the price expansion during the boom and has borne the brunt of the vacancy correction.

Class A net rent surged from $14.63 in 2006 to $22.07 in 2012, $21.95 in 2013, and $23.78 in 2014, peaking at $24.28 per square foot in 2015. Since then, rents have fallen materially: $23.12 in 2016, $20.86 in 2017, $19.36 in 2019, $19.12 in 2020, then $18.10 in 2021, $17.93 in 2022, $16.29 in 2023, $17.13 in 2024, and $17.75 in 2025.

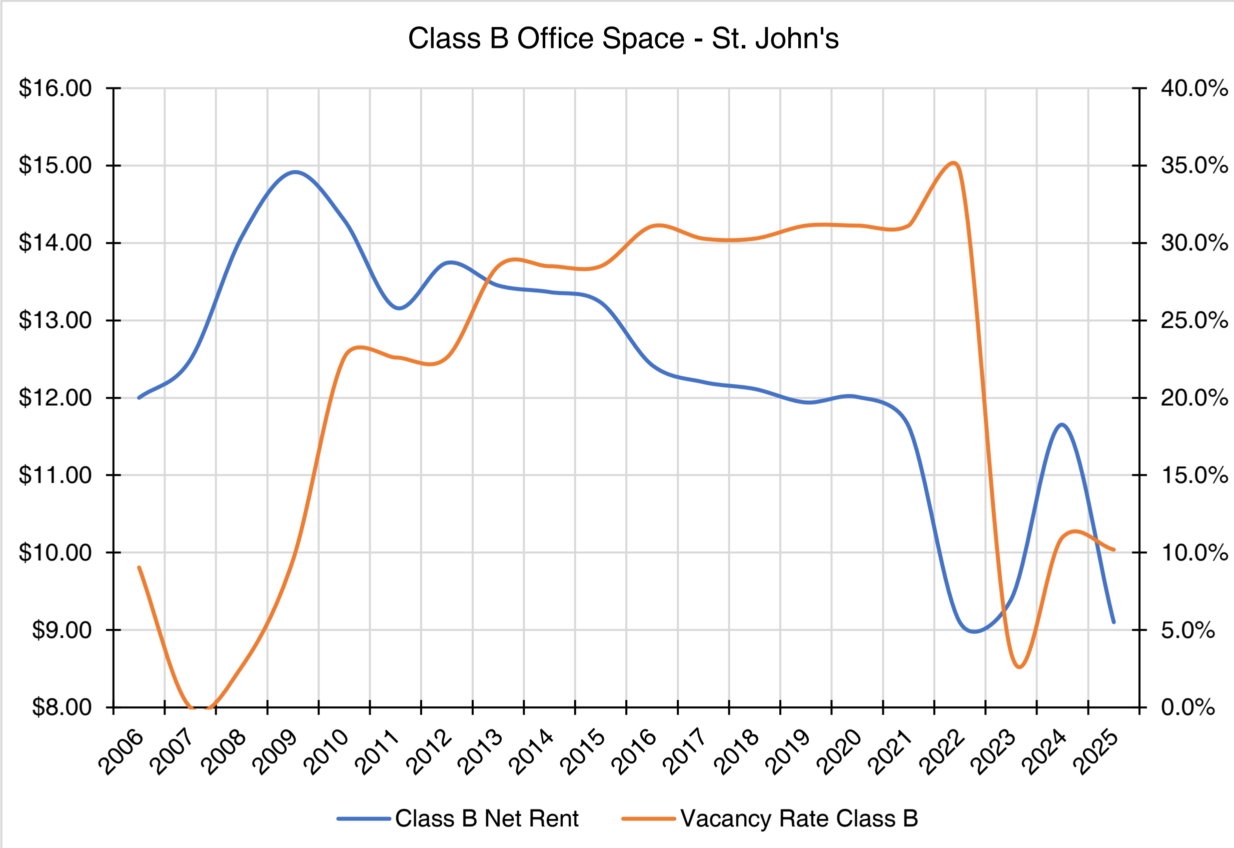
Even at current levels, Class A still commands the highest real rents in the region, but the spread has narrowed significantly.

Vacancy tells an even more striking story. Class A vacancy was effectively 0% from 2008 to 2013, before rising modestly to 1.5% in 2014. From there, it surged to 7.3% in 2015, 15.1% in 2016, 21.4% in 2017, 28.0% in 2018, 27.8% in 2019, and 40.2% in 2020. The high-vacancy environment persisted at 43.0% in 2021, 36.7% in 2022, 35.2% in 2023, 32.6% in 2024, and 29.2% in 2025.

This means nearly one-third of prime office space remains vacant, despite rent correction.

The market is still working through the legacy of a supply pipeline that was calibrated for a much stronger economy than exists today.

3. Class B Office



Source: TDP EIU

Class B office in St. John's has had a distinctly different path with lower rents, high vacancy, and signs of modest stabilization recently.

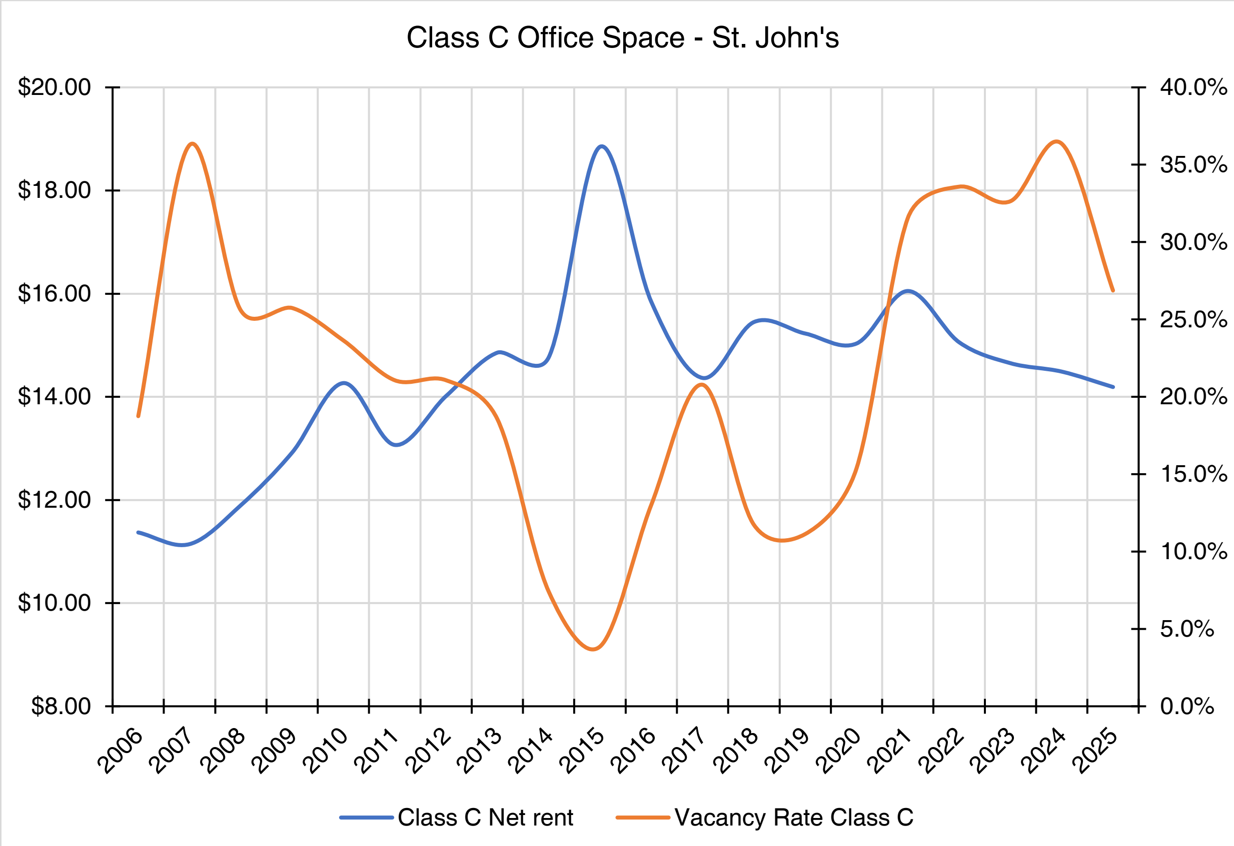
Real rents in Class B space have generally ranged between $11–14 per square foot. They peaked at $14.91 in 2009, before leveling off in the $12–13 range for much of the past decade. More recent rents include $12.01 in 2020, $11.63 in 2021, $9.10 in 2022, $9.40 in 2023, $11.65 in 2024, and $9.10 in 2025.

Volatility is evident, but the broader trend is downward.

Vacancy has been persistently high, reflecting chronic oversupply. Class B vacancy sat between 28% and 31% through most of the past decade including 31.1% in 2016, 30.3% in 2017–2018, and 31.1% in 2019–2020. It then rose to 34.6% in 2022, before improving to 3.5% in 2023 (likely reflecting classification or inventory shifts), then settling at 11.0% in 2024 and 10.2% in 2025.

The recent drop suggests selective demand or inventory removal, though performance remains weaker than historical norms.

4. Class C Office



Source: TDP EIU

Class C rents have trended between $12–16 per square foot historically, peaking at $18.85 in 2015, before retrenching to $14–15 in recent years. Representative values include $15.03 in 2020, $16.05 in 2021, $15.06 in 2022, $14.65 in 2023, $14.49 in 2024, and $14.19 in 2025.

Vacancy in Class C space has been volatile. It ranged between 7–26% during the pre-2015 period, then spiked during the pandemic to 31.6% in 2021, before moderating to 33.6% in 2022, 32.6% in 2023, 36.4% in 2024, and 26.9% in 2025.

This suggests that while Class C demand remains highly price-driven and variable, occupancy appears to be gradually improving.

5. Main Takeaways

A. St. John's experienced the steepest rent boom in Atlantic Canada.
- ➢ Overall rents rose from $13.08 in 2006 to $20.16 in 2015; a ~55% increase.

B. The market then entered a prolonged oversupply period.
- ➢ Overall vacancy increased from ~4–6% pre-2015 to 41.6% in 2021, easing to 28.4% in 2025.

C. Class A remains expensive, but under-occupied.
- ➢ Even at $17.75/sf, vacancy sits near 30%.

D. Class B shows signs of normalization.
- ➢ Vacancy has fallen from 31%+ to 10–11%, although rents have weakened.

E. Class C remains opportunistic and volatile.
- ➢ Vacancy remains well above balanced-market levels.

F. The structural issue is not price; it is demand.

- The market was built for a higher-growth economy than currently exists.

6. Outlook

St. John's remains in the later stages of a structural market correction. The worst of the vacancy surge appears to be behind it but the market is still significantly oversupplied relative to sustainable tenant demand.

For the foreseeable future:

- Class A will remain tenant-favoured, with landlords competing through concessions and flexibility rather than nominal rate cuts.

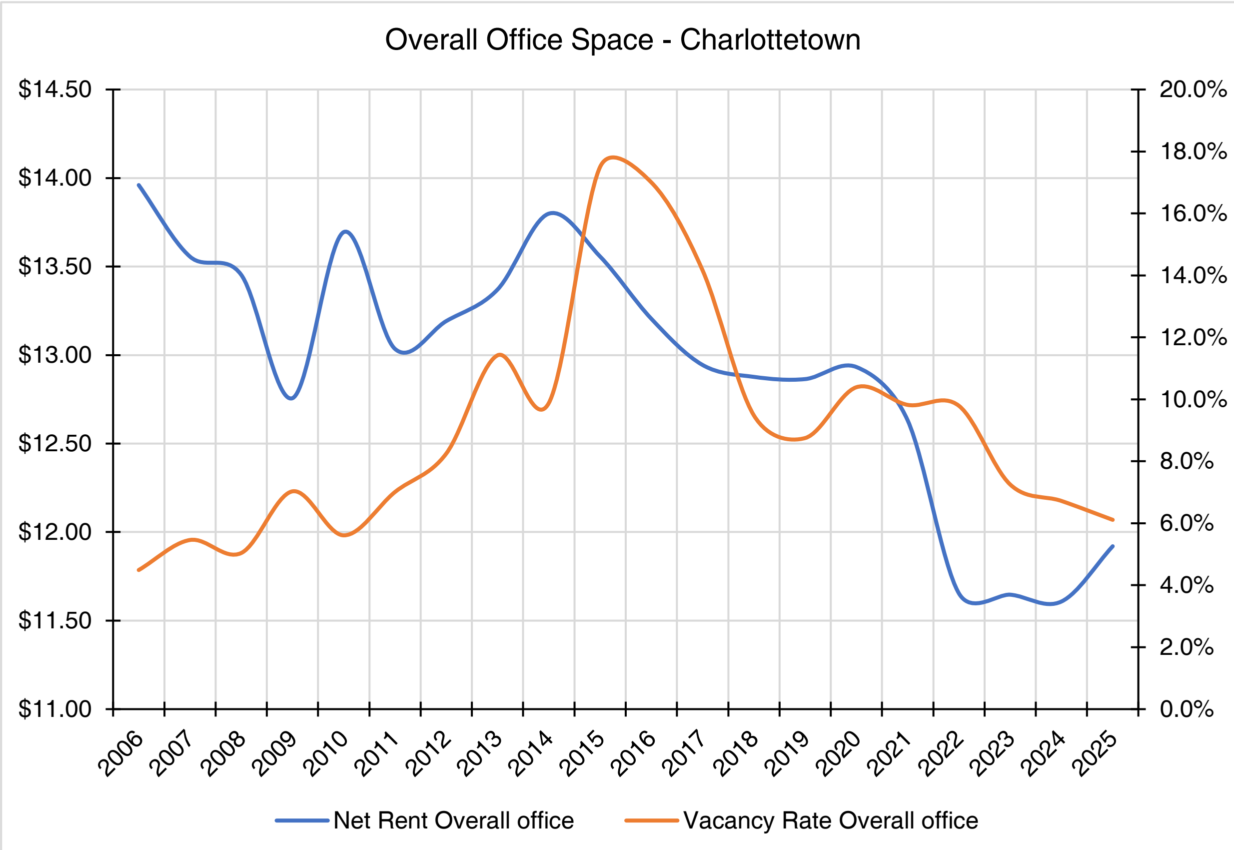
- Class B is likely to remain the value segment, attractive to cost-conscious firms or those seeking smaller footprints.

- Class C demand will remain episodic, driven primarily by price sensitivity and niche needs.

Meaningful recovery will depend on either employment expansion in office-using sectors or permanent structural withdrawal of inventory from the market. Absent those drivers, St. John's is likely to stabilize at elevated vacancy levels, even as real rents remain above regional peers.

Charlottetown

1. Overall Market



Source: TDP EIU

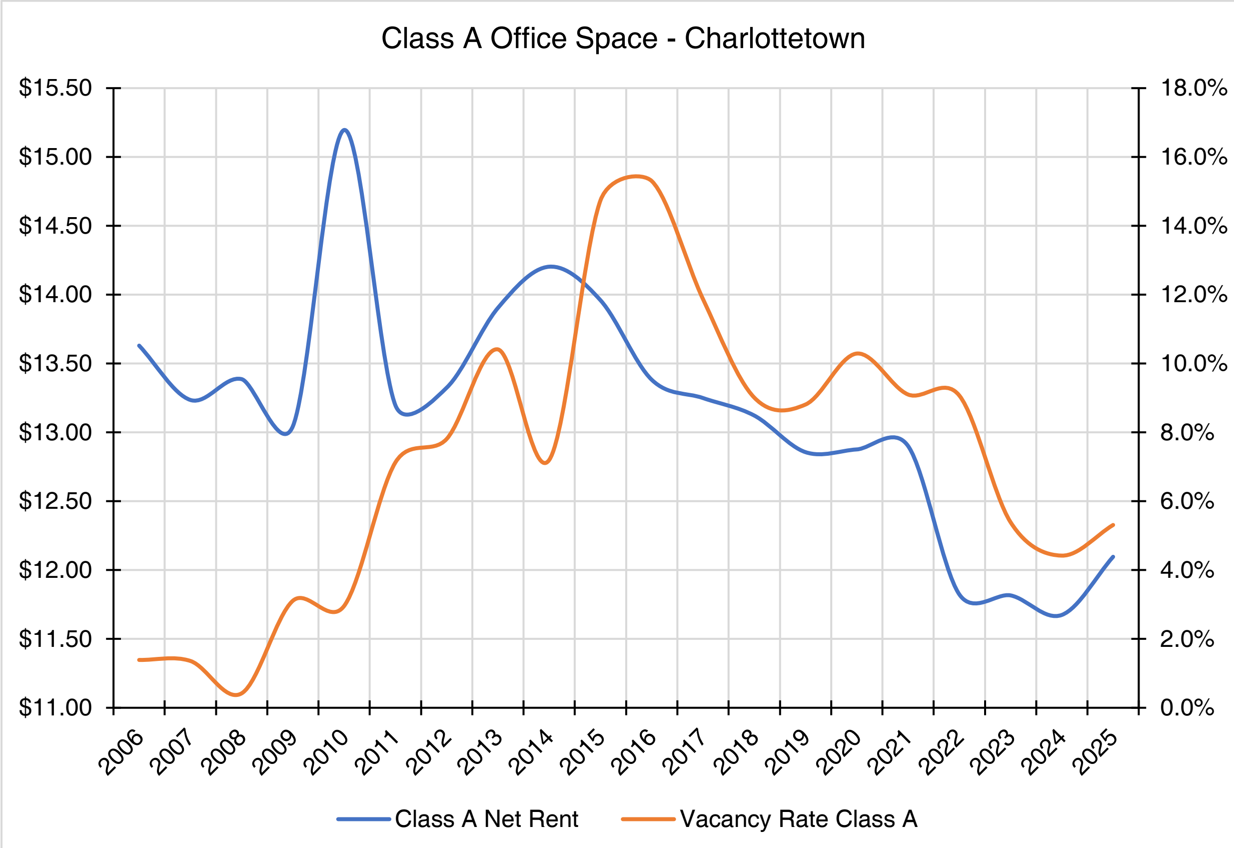
Charlottetown's office market displays a different profile than most other Atlantic centres. Real rents in Charlottetown have remained relatively steady over the long term, while vacancy rose materially in the mid-2010s and has since returned to healthier levels.

Overall net rent has been anchored in a narrow band between $11.5 and $14.0 per square foot for nearly two decades. Rents registered $13.96 in 2006, $13.80 in 2014, $12.93 in 2020, and $11.65 in 2022–2023, with modest fluctuations rather than structural repricing. More recently, rents were $11.61 in 2024 and $11.92 in 2025, suggesting mild stabilization after earlier declines.

Vacancy tells the more dynamic story. The market began the period relatively tight at 4.5% in 2006 rising to 8.3% by 2012 before spiking sharply in the mid-2010s. Vacancy increased to 11.4% in 2013, 9.9% in 2014, 17.5% in 2015, and 17.0% in 2016, reflecting elevated availability across building classes. Conditions then gradually improved, falling to 9.5% in 2018, 8.8% in 2019, and stabilizing near 9–10% through 2021–2022. The most recent data show continued tightening: 7.3% in 2023, 6.7% in 2024, and 6.1% in 2025.

This places Charlottetown as one of the few Atlantic office markets now exhibiting balanced-to-tight conditions.

2. Class A Office



Source: TDP EIU

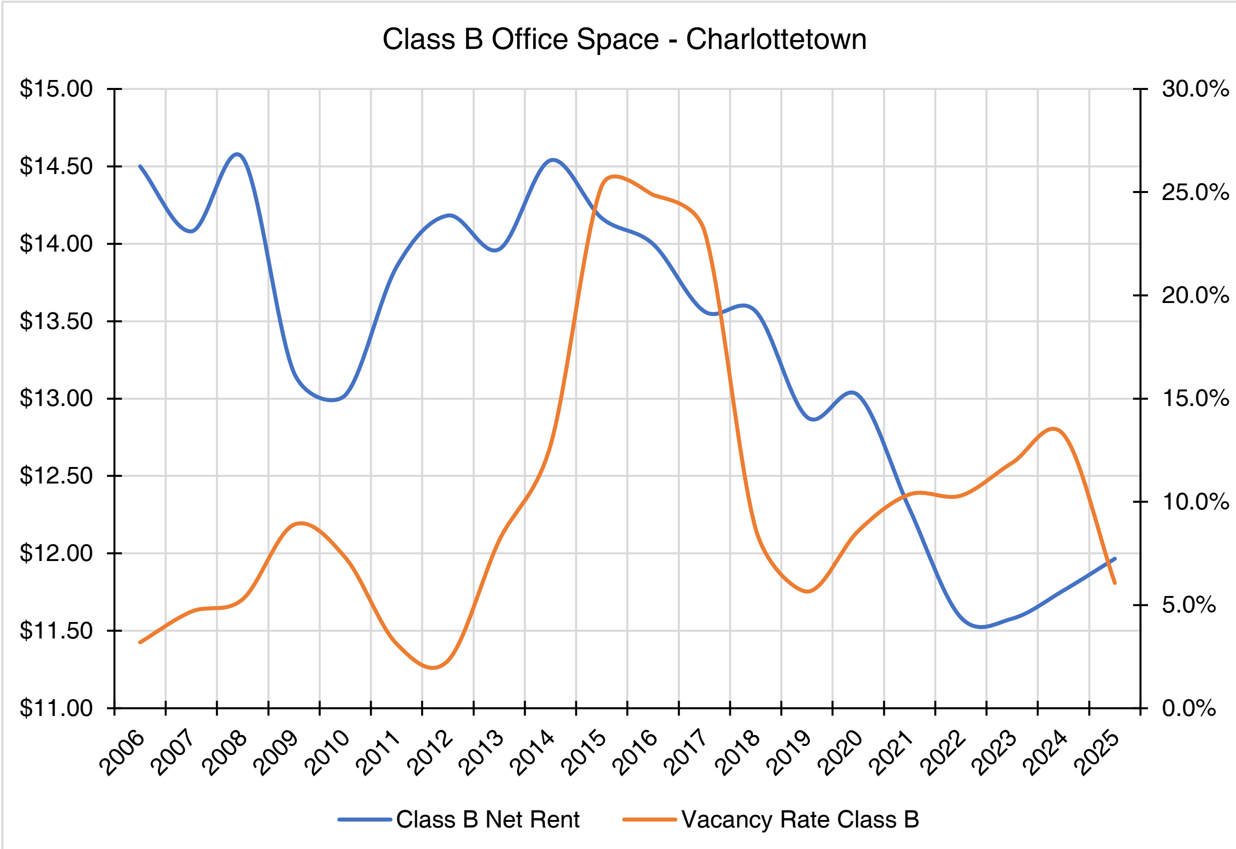
Class A rents in Charlottetown have remained comparatively stable, reflecting limited inventory and consistent tenant demand.

Class A rent moved within a narrow band ranging from $11.7 to $15.2 per square foot, peaking at $15.20 in 2010, before moderating gradually: $13.96 in 2015, $13.12 in 2018, $12.86 in 2019, $12.88 in 2020, and $12.90 in 2021. Recent values include $11.82 in 2022, $11.82 in 2023, $11.67 in 2024, and $12.10 in 2025.

Vacancy in Class A tightened through the 2006–2012 period, then rose during the mid-2010s adjustment phase, from 10.4% in 2013 to 14.7% in 2015 and 15.3% in 2016. Since 2018, the trend has improved materially: vacancy declined from 9.0% in 2018 to 8.8% in 2019, 10.3% in 2020, then 9.1% in both 2021 and 2022, further tightening to 5.4% in 2023, 4.4% in 2024, and 5.3% in 2025.

In other words, Class A office has largely normalized, sitting firmly within healthy occupancy ranges.

3. Class B Office



Source: TDP EIU

Class B space forms a significant share of Charlottetown's office inventory and has also shown long-term pricing stability.

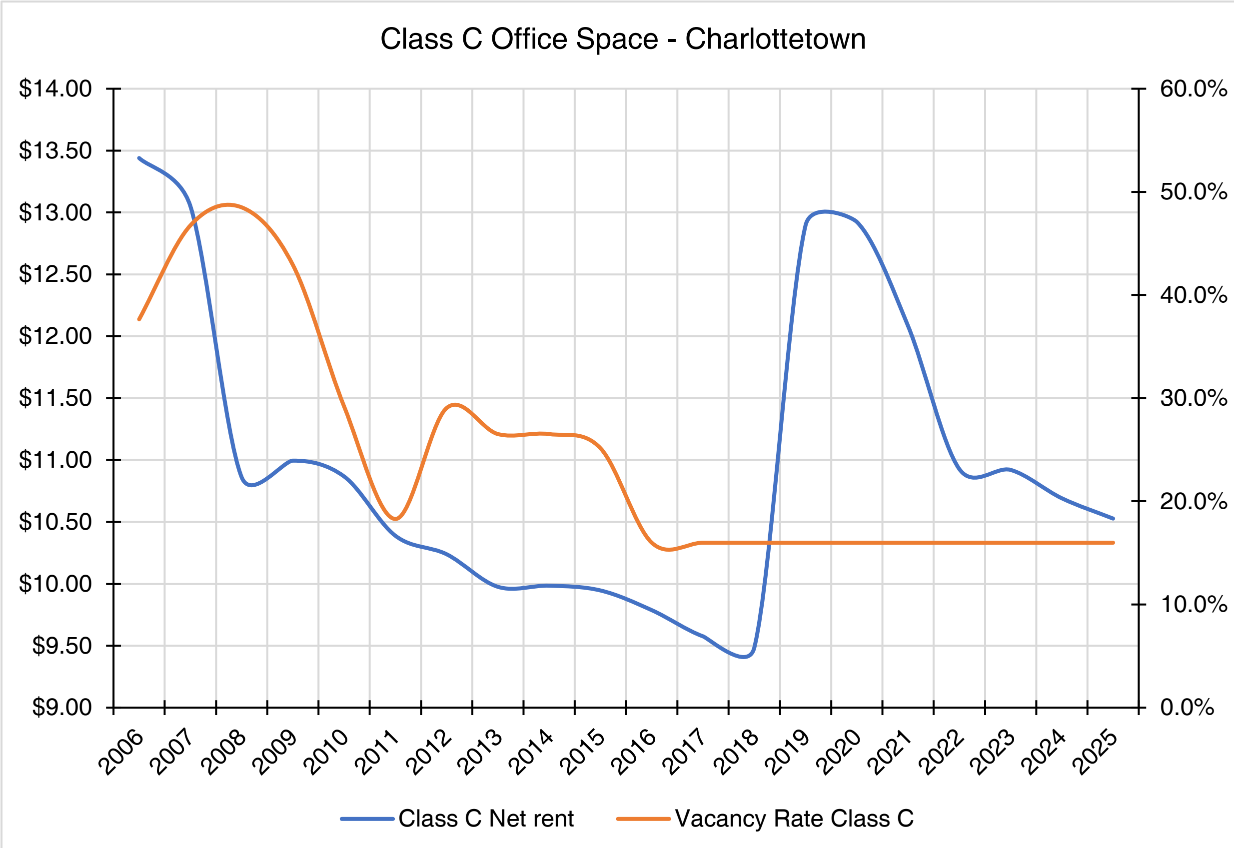
Class B real rents have consistently tracked between $11.5 and $14.6 per square foot, peaking at $14.55 in 2008 and $14.54 in 2014, before moderating to $13.56 in 2018, $12.88 in 2019, and $13.02 in 2020. More recent figures show $12.29 in 2021, $11.59 in 2022, $11.58 in 2023, $11.76 in 2024, and $11.97 in 2025.

Vacancy dynamics mirror the overall market: modest in the late-2000s, rising materially in the mid-2010s, then tightening over the past five years. Class B vacancy rose from 8.1% in 2013 to 12.7% in 2014, then peaked at 25.3% in 2015 and 24.9% in 2016.

Better performance followed, with vacancy declining to 8.7% in 2018, 5.7% in 2019, and stabilizing between 8–11% in 2020–2022. More recently, vacancy registered 11.9% in 2023, 13.3% in 2024, and 6.1% in 2025.

The sharp tightening in 2025 points to genuine absorption or inventory reshaping rather than cyclical fluctuation.

4. Class C Office



Source: TDP EIU

Class C space in Charlottetown is a small but persistent component of the market, with rents lower than higher-quality categories but vacancy structurally elevated.

Class C real rents have mostly sat between $9.5 and $13.5 per square foot, peaking at $13.44 in 2006 before moderating to $9–11 from 2012 onward. Recent values include $10.92 in 2023, $10.69 in 2024, and $10.53 in 2025.

Vacancy, however, structurally high often, between 16% and 48%, reflecting limited tenant depth and building-specific suitability. After falling to 16% in 2018–2024, vacancy held at 16.0% again in 2025.

The key takeaway is that Class C is not supply-constrained. It competes almost purely on price and use-case.

5. Main Takeaways

A. Charlottetown is one of the most stable office markets in Atlantic Canada.
- ➢ Real rents have moved narrowly, and vacancy sits at 6.1% in 2025, down from 17.5% in 2015.

B. The market has rebalanced organically.
- ➢ Absorption has worked through oversupply without major rent erosion.

C. Class A is healthy and competitive.
- ➢ Vacancy has normalized to ~4–6%, signalling firm tenant demand.

D. Class B is recovering.
- ➢ Vacancy has fallen sharply, from 25% in 2015–2016 to 6.1% in 2025.

E. Class C remains chronically oversupplied.
- ➢ Vacancy near 16% remains standard.

F. The defining feature is stability for Charlottetown, not volatility.

- Unlike Moncton, Saint John, or St. John’s, the market has avoided structural disruption.

6. Outlook

Charlottetown enters the current cycle in a position of relative strength. With overall vacancy near 6%, the market now sits well inside balanced-to-tight territory. Real rents, while modest by national standards, have proven remarkably resistant to downward pressure. Instead, the market has adjusted through occupancy cycles rather than price resets.

Looking ahead:

- Class A will likely retain pricing stability, with limited new supply and consistent institutional or professional demand.

- Class B should continue to firm, supported by cost-conscious tenants and a shrinking pool of available space.

- Class C will remain structurally challenged, although affordability may continue to support niche uptake.

Charlottetown lacks the boom-and-bust dynamics seen elsewhere. Instead, it reflects measured demand, modest supply, and steady economic momentum. Barring an external shock, conditions are likely to remain stable, with vacancy anchored near 6–8% and rents holding close to current levels.

Commercial Real Estate as a Municipal Asset

Commercial real estate is often discussed as an investment class, a business input, or an urban design feature. But it is also one of the most important municipal financial assets in any city. That reality is rarely acknowledged with sufficient clarity.

When a building produces rental income, there are three primary beneficiaries:

- Mortgage lenders, through interest payments;
- Municipal governments, through property taxes; and
- Property owners, through net operating income.

This means downtown office buildings are not simply private investments, rather pillars of the municipal fiscal base. They help fund transit, policing, water, waste, housing supports, recreation, climate adaptation, and economic development.

Which leads to the fact that a structural weakness in the downtown office market is a structural weakness in municipal finance. When vacancy rises and rents adjust lower in real terms, assessed values flatten or decline. Meanwhile, costs for service delivery continue to rise. The funding gap either shifts onto residents and businesses elsewhere in the city, or services are reduced.

This should change how cities think about commercial real estate policy. Office assets are not just private risks to be borne by landlords and lenders. They are civic infrastructure. And because of that, municipal decision-making i.e., zoning, taxation, permitting, incentives, and public realm investment, plays a direct role in shaping their long-term viability.

Measuring Whether a Downtown is “Successful”

If downtown office space is a civic asset, we need better ways to measure whether the downtown itself is succeeding. Relying on surface impressions or legacy narratives is not longer sufficient. A credible, defensible framework should draw from measurable, repeatable indicators that reflect economic health, livability, and long-term competitiveness.

A balanced dashboard should include at least the following:

A. Market Health Indicators

- Real net office rent (trend, not just level);

- Vacancy rate by class;
- Absorption over time; and,
- Building reinvestment rate (retrofits, upgrades, conversions).

These tell us whether market demand is supporting asset value.

B. Economic & Employment Indicators
- Employment density in the core
- Share of regional office employment located downtown
- Business formation rate

These reflect whether the core is still the primary economic node.

C. Urban Vitality Indicators
- Pedestrian activity and dwell time;
- Retail occupancy and turnover;
- Residential population growth downtown; and,
- Amenity mix and hours of operation.

These measure whether the downtown functions as a living urban environment rather than a commuter workplace district.

D. Accessibility & Connectivity Indicators
- Transit access and ridership to/from the core;
- Active transportation mode share; and,
- Parking utilization (not just supply).

These reflect whether the core is reachable and attractive.

E. Fiscal Indicators

- Contribution of downtown properties to municipal tax base; and,
- Change in assessment vs city-wide trend.

These link market performance directly to civic finance.

A "successful" downtown is not one where office vacancy is artificially low or where rents are pushed up at the expense of competitiveness. It is one where economic activity is dense, diverse, resilient, and fiscally supportive of the services a city needs to thrive.

Implications for Municipalities, Investors, and Economic Development

Across much of Atlantic Canada, real office rents have fallen and vacancy has risen, particularly since the mid-2010s and accelerating through the pandemic era. This is not a temporary blip; it is evidence of structural adjustment driven by hybrid work, space efficiency, sectoral change, and aging building stock.

For Municipalities

Municipalities need to recognize office real estate as part of the public finance system, not simply as private-market inventory. That means:

- Planning for lower long-run real rent environments;
- Protecting assessment stability where possible;
- Supporting reinvestment, modernization, and selective conversion; and,
- Proactively managing land-use to concentrate economic activity.

For Investors & Owners

Investors should recalibrate expectations. Many downtown assets will not return to peak-cycle pricing. Competitive advantage will accrue to buildings that:

- Deliver workplace quality and experience;
- Support smaller and more flexible footprints;
- Are energy-efficient and modernized; and,
- Are well-located within true amenity-rich cores.

B- and C-class inventory will increasingly face a choice between reinvest, repurpose, or gradually lose relevance.

For Economic Development

Economic development strategies should recognize that vibrant downtowns remain competitive assets, even in a hybrid world. The path forward is not nostalgia for the 2010s office market. It is building the next version of the urban core, where residential, institutional, cultural, and commercial uses reinforce one another, and where the office remains important, but more selective, efficient, and experience-driven.

How Real Rents Were Calculated for this Study

This analysis is only possible because Turner Drake has built one of the most comprehensive commercial real estate datasets in Atlantic Canada. Our firm has been surveying the region's office and industrial markets twice every year since the early 2000s, compiling consistent, class-segmented data on asking rents, vacancy, absorption, inventory, and building characteristics across the major downtown cores. This long-running dataset gives us a uniquely detailed view into how markets evolve over time, across multiple periods of expansions and contractions.

Drawing from this dataset, we converted nominal downtown office net rents into inflation-adjusted (real) rents so that long-term rent trends could be meaningfully compared.

The calculation followed standard economic practice:

- Nominal net rents were taken from our semi-annual market surveys for each year and building class (A, B, C, and overall).

- These annual rent figures were then deflated using their respective provincial Consumer Price Index (CPI) to remove the effect of inflation.

- A base year was established, meaning all rents are expressed in constant dollars relative to that year. The base year for our study was 2006.

The resulting figures represent the real purchasing-power value of rent per square foot, rather than the face rent at the time, allowing us to directly compare rent paid in 2006 with one paid in 2025. If nominal rents increased but inflation increased faster, then real rents actually fell, which is what we observe across many downtown markets in Atlantic Canada.

The adjustment was applied consistently to:

- Overall downtown office market rents
- Class A, B, and C rents

This ensures that differences across cities reflect true economic performance, not inflation distortions.

It is worth noting that this method is conservative:

- It does not incorporate inducements, free rent, or improvement allowances
- It assumes landlords achieved face rates
- It reflects market conditions even before incentives are layered in

So where real rents are already declining after adjusting for inflation, the true effective rental return is likely lower still.