



Office Q2 2022

	YoY Chg	12-Mo. Forecast
19.9% Vacancy Rate	▲	▼
N/A Net Absorption, SF	▬	▲
\$33.31 Gross Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMY

With the help of high oil prices, Alberta's economic recovery from the Covid-19 pandemic has far exceeded expectations from last year. By the end of 2022, optimistic forecasts project that the province's economy will fully recover to 2014 levels by expanding by 5.4%, making it one of the nation's growth leaders. High energy prices, an increase in population growth and a competitive corporate tax structure should encourage more investment. However, the Bank of Canada continues to increase interest rates in an attempt to curb historically high inflation. High inflation and increased interest rates will likely challenge these growth projections and could slow down the recovery.

DEMAND

Overall office vacancy continued to increase, currently sitting at 19.9% in the second quarter of 2022. Despite the pandemic winding down, vacancy rates in Edmonton as a whole and in the downtown core in particular continued to increase with the work from home model contributing to this trend. The overall suburban market vacancy rate remained roughly the same since the fourth quarter of 2021. This was despite increased vacancy in Class B and C office space, which was offset by strong leasing activity in Class A suburban properties, with this market segment seeing over 118,000 sf of available space come off the market. Overall available space in Edmonton rose as vacant space in the downtown core climbed by 178,000 square feet from the last quarter of 2021. This was driven in part by expiring leases in Class AA and Class A space coming to the market.

Overall gross asking rents decreased by 72 cents since the fourth quarter of 2021 as vacancy continued to rise and landlords struggle to bring back tenants. In the overall Central market, the average gross asking rent marginally decreased by 58 cents per square foot (psf) to \$36.92 psf, while the average gross asking rent in the overall Suburban market decreased by a comparable 50 cents psf to \$28.64 psf since the last quarter of 2021.

ECONOMIC INDICATORS Q2 2022

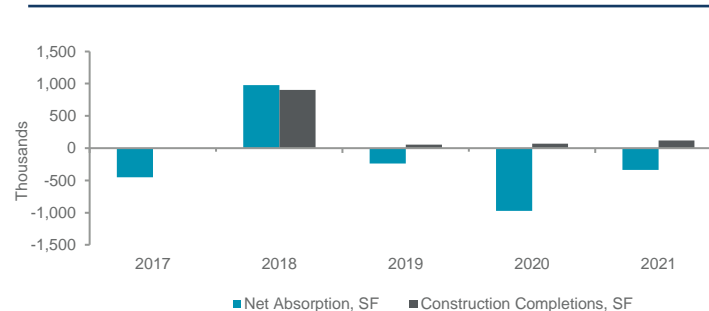
	YoY Chg	12-Mo. Forecast
804K Edmonton Employment	▲	▬
5.9% Edmonton Unemployment Rate	▼	▬
4.9% Canada Unemployment Rate	▼	▬

OUTLOOK

The Suburban market continued to draw in tenants from the central core. Shorter commutes and free/less expensive parking are seen as massive positives for the employees, and the employers appreciate the lower rent rates. Despite restrictions lifting, many employees still prefer working from home. As such, tenants are expected to lease up more space than what was occurring during the pandemic, but less than they had before the pandemic. Looking towards the remainder of the year the CBD may see negative absorption; however, the suburban market should absorb these tenants and overall absorption is projected to be positive. Rents are anticipated to remain lower than pre-pandemic levels until the pool of available office space contracts further.

Source: Statistics Canada, The City of Edmonton

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & GROSS ASKING RENT



MARKET STATISTICS

SUBMARKET	TOTAL BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)**	YTD OVERALL NET ABSORPTION (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Financial Core	54	12,779,727	348,927	2,718,898	21.3%	N/A	N/A	200,000	\$38.14	\$41.57
Government	34	5,055,817	3,926	548,337	10.9%	N/A	N/A	0	\$31.65	\$32.33
CENTRAL TOTALS	88	17,835,544	352,853	2,918,308	18.3%	N/A	N/A	200,000	\$36.92	\$39.62
124 TH Street	18	952,909	12,846	221,914	24.6%	N/A	N/A	0	\$31.90	\$35.03
149 TH Street	26	1,257,029	7,235	212,251	17.5%	N/A	N/A	0	\$25.19	\$34.99
West End	37	2,052,804	53,808	396,457	21.9%	N/A	N/A	0	\$28.17	\$33.14
Kingsway	17	822,310	0	170,953	20.8%	N/A	N/A	0	\$33.21	\$36.76
Whyte Avenue	13	534,593	2,971	164,588	31.3%	N/A	N/A	0	\$36.27	\$38.47
Southside	59	3,148,885	183,755	667,587	27.0%	N/A	N/A	0	\$28.12	\$30.14
Summerside	22	944,997	25,000	50,842	8.0%	N/A	N/A	0	\$34.89	\$34.89
Eastgate	17	1,422,943	5,000	350,696	25.0%	N/A	N/A	0	\$23.20	\$27.35
Windermere/Ambleside	12	311,383	0	18,378	5.8%	N/A	N/A	0	\$41.77	\$41.77
SUBURBAN TOTALS	221	11,447,853	290,615	2,253,666	22.2%	N/A	N/A	0	\$28.64	\$32.70
EDMONTON TOTALS	309	29,283,397	643,468	5,171,974	19.9%	N/A	N/A	200,000	\$33.31	\$37.55

*Rental rates reflect direct gross asking \$psf/year

**Absorption figures will be released in Q3 2022

SUMMARY BY CLASS	TOTAL BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)**	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVG ASKING RENT*
Class AA	8	4,379,071	243,418	447,472	15.8%	N/A	N/A	200,000	0	\$50.89
Class A	119	13,980,732	365,607	2,441,486	20.1%	N/A	N/A	0	0	\$34.77
Class B	141	9,258,623	145,316	1,755,151	20.5%	N/A	N/A	0	0	\$27.51
Class C	41	1,639,639	16,891	267,398	17.3%	N/A	N/A	0	0	\$24.62

*Rental rates reflect direct gross asking \$psf/year

**Absorption figures will be released in Q3 2022

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
10117 Jasper Ave	Downtown – Financial	Innovate Edmonton	18,000	Headlease
Edmonton City Centre	Downtown – Financial	Rogers Media	17,000	Renewal (Headlease)
Bell Annex	Downtown – Financial	IBI Group	15,000	Headlease
Bell Tower	Downtown – Financial	Microsoft	12,332	Headlease
Commerce Place South 2	Suburban – Southside	Results Canada Inc.	5,695	Sublease

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
8815 99 St & 9853 89 Ave	Suburban – Whyte Ave	Catholic Social Service/Belgian Developments	10,800 & 3,400	\$1.4M/\$99
Energy Square	Downtown – Financial Core	WCB Realty Limited/2392850 Alberta Ltd.	126,637	\$4.4M/\$34.74

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