



## Office Q3 2022

**19.0%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**223,706**

Net Absorption, SF



**\$33.28**

Gross Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q3 2022

**805.6K**

Edmonton Employment

YoY Chg



12-Mo. Forecast



**4.8%**

Edmonton Unemployment Rate



**5.2%**

Canada Unemployment Rate



Source: Statistics Canada, The City of Edmonton

### ECONOMY

High inflation and interest rate hikes continue to dominate the headlines. Alberta's August CPI was 100 basis points (bps) lower than Canada's, coming in at 6% YoY (year-over-year) compared to the national 7%. A dip in oil prices and interest rate hikes has led to CPI starting to cool, although it is still historically high. The aforementioned interest rate increases will likely result in an uptick in unemployment and a decrease in the production of goods and services in 2023. OPEC cutting oil production will have an upward effect on oil prices and may continue to drive up inflation. With the likely continuation of high commodity prices, analysts predict that the Albertan economy will fair better than the Canadian economy as a whole. Alberta saw a positive net migration of 34,883 in the second quarter of 2022, up significantly from one year ago when it was 1,049. This upward trend is expected to continue in 2023.

### DEMAND

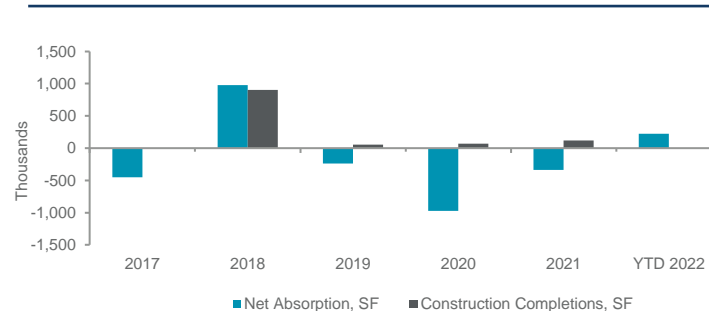
Overall office vacancy saw a 90-bps decrease compared to last quarter, currently sitting at 19.0%. Despite this decrease, downtown continued to see negative absorption. The Class A/AA segment in the financial core saw 115k square feet (sf) of positive absorption in the third quarter of 2022, led by 143k sf of positive absorption in the Class AA market. However, the government sector saw 155k sf of negative absorption. As a result, the overall downtown core saw 46k sf of negative absorption. Vacancy in the overall suburban market declined significantly compared to last quarter, with 270k sf of positive absorption. All classes in the suburban market saw positive absorption, in particular, the Class A and B segment, with Class A seeing over 129k sf and Class B seeing over 110k sf of positive absorption. This offset the negative absorption seen in the downtown core, resulting in the overall Edmonton market posting 224k sf of positive absorption in the third quarter of 2022.

Overall gross asking rents stayed relatively flat compared to last quarter, with the city-wide average decreasing by 3 cents. In the overall Central market, the average gross asking rent decreased by 15 cents per square foot (psf) to \$36.77 psf since last quarter. Landlords, particularly those in the core, continue to provide aggressive rates and flexible lease terms to lease up existing space and prevent further negative absorption.

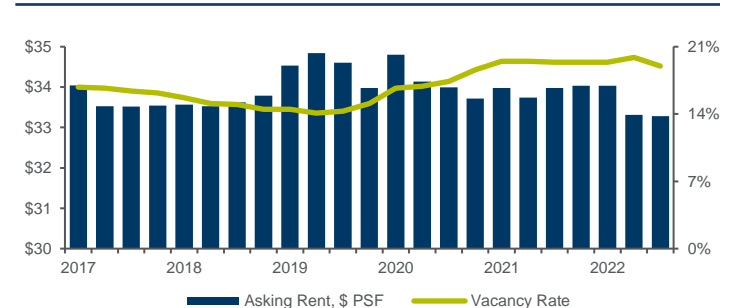
### OUTLOOK

Even as the pandemic continues to wind down, employers are not sure of their office space needs and remain uncomfortable making longer-term decisions regarding office space. Flexibility in space and term length remain attractive as a result. As such, leasing activity remains steady. However, many employees will continue working from home in some capacity, resulting in tenants realizing they no longer need all the space they occupied pre-pandemic, and are downsizing. Suburban market offices continue to absorb tenants from the core with their ample free/cheap parking and shorter commutes. Rents are anticipated to remain lower than pre-pandemic levels and further contract until the pool of available office space contracts further.

### 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              | 12,775,445        | 315,178            | 2,290,346          | 20.4%                | 109,092                                 | 109,092                         | 200,000          | \$37.28                                | \$40.68                            |
| Government               | 34              | 5,055,817         | 0                  | 707,608            | 14.0%                | -155,345                                | -155,345                        | 0                | \$31.12                                | \$32.68                            |
| <b>CENTRAL TOTALS</b>    | <b>88</b>       | <b>17,831,262</b> | <b>315,178</b>     | <b>2,997,954</b>   | <b>18.6%</b>         | <b>-46,253</b>                          | <b>-46,253</b>                  | <b>200,000</b>   | <b>\$36.77</b>                         | <b>\$40.09</b>                     |
| 124 <sup>TH</sup> Street | 18              | 952,909           | 7,195              | 192,076            | 20.9%                | 35,489                                  | 35,489                          | 0                | \$30.14                                | \$34.66                            |
| 149 <sup>TH</sup> Street | 26              | 1,257,029         | 9,528              | 188,242            | 15.7%                | 21,716                                  | 21,716                          | 0                | \$28.23                                | \$38.65                            |
| West End                 | 37              | 2,052,804         | 53,808             | 393,125            | 21.8%                | 3,525                                   | 3,525                           | 0                | \$24.52                                | \$33.06                            |
| 118 <sup>TH</sup> Avenue | 17              | 822,310           | 0                  | 170,646            | 20.8%                | 307                                     | 307                             | 0                | \$33.95                                | \$36.79                            |
| Whyte Avenue             | 13              | 534,593           | 2,971              | 131,813            | 25.2%                | 32,775                                  | 32,775                          | 0                | \$35.51                                | \$37.37                            |
| Southside                | 59              | 3,127,637         | 98,354             | 599,512            | 22.3%                | 132,228                                 | 132,228                         | 0                | \$28.74                                | \$30.26                            |
| Summerside               | 22              | 940,045           | 25,000             | 64,583             | 9.5%                 | -18,693                                 | -18,693                         | 0                | \$32.33                                | \$32.33                            |
| Eastgate                 | 17              | 1,423,618         | 5,000              | 304,972            | 21.8%                | 46,399                                  | 46,399                          | 0                | \$24.22                                | \$28.87                            |
| Windermere/Ambleside     | 12              | 311,383           | 0                  | 2,165              | 0.7%                 | 16,213                                  | 16,213                          | 0                | \$36.26                                | \$36.26                            |
| <b>SUBURBAN TOTALS</b>   | <b>221</b>      | <b>11,422,521</b> | <b>201,856</b>     | <b>2,047,134</b>   | <b>19.7%</b>         | <b>269,959</b>                          | <b>269,959</b>                  | <b>0</b>         | <b>\$28.17</b>                         | <b>\$32.39</b>                     |
| <b>EDMONTON TOTALS</b>   | <b>309</b>      | <b>29,253,783</b> | <b>517,034</b>     | <b>5,045,088</b>   | <b>19.0%</b>         | <b>223,706</b>                          | <b>223,706</b>                  | <b>200,000</b>   | <b>\$33.28</b>                         | <b>\$37.89</b>                     |

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

| 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      | 198,068            | 447,472            | 14.7%                | 143,282                                | 143,282                         | 200,000          | 0                                 | \$47.79                  |
| Class A          | 119             | 13,980,732     | 172,304            | 2,523,366          | 19.3%                | 41,449                                 | 41,449                          | 0                | 0                                 | \$35.92                  |
| Class B          | 141             | 9,254,148      | 138,222            | 1,822,037          | 21.2%                | 11,264                                 | 11,264                          | 0                | 0                                 | \$27.26                  |
| Class C          | 41              | 1,639,639      | 8,440              | 252,213            | 15.9%                | 27,711                                 | 27,711                          | 0                | 0                                 | \$22.49                  |

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

**KEY LEASE TRANSACTIONS Q3 2022**

| PROPERTY             | SUBMARKET                           | TENANT  | SF     | TYPE                |
|----------------------|-------------------------------------|---|--------|---------------------|
| Bell Tower           | Downtown – Financial                | Alberta Innovates   | 31,490 | Renewal (Headlease) |
| Edmonton City Centre | Downtown – Financial                | Paladin Security Group                                      | 14,941 | Headlease           |
| Petwin Tower         | Downtown – Government               | His Majesty the King  | 6,552  | Headlease           |
| Circle Square        | Suburban – 118 <sup>th</sup> Avenue | Council for The Advancement of African Canadians in Alberta | 6,400  | Headlease           |
| 11404 142nd St       | Suburban – 149 <sup>th</sup>        | Eckert Counselling Services                                 | 5,000  | Headlease           |

**KEY SALES TRANSACTIONS Q3 2022**

| PROPERTY   | SUBMARKET           | SELLER / BUYER  | SF     | PRICE / \$ PSF  |
|------------|---------------------|---|--------|-----------------|
| 7545 52 St | Suburban – Eastgate | 52 Street Holdings Inc/Calgary Intrinsic Opportunity Fund III Ltd | 20,911 | \$4.1M/\$196.07 |
| 9311 48 St | Suburban – Eastgate | Triple H Capital Partners Inc/Nerval Holdings Inc                 | 29,325 | \$1.8M/\$61.38  |

For more information, contact:

**OFFICE TEAM**

+1 780 420 1177 [office@cwedm.com](mailto:office@cwedm.com)

**cwedm.com**

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