



Office Q4 2022

19.6%
Vacancy Rate



-170K
Net Absorption, SF



\$33.33
Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

806.2K
Edmonton
Employment



5.4%
Edmonton
Unemployment Rate



5.0%
Canada
Unemployment Rate



Source: Statistics Canada, The City of Edmonton

ECONOMY

In 2022, Alberta's economy was one of the fastest growing in the nation. The province experienced significant job growth, especially in the professional, scientific, and technical services industries. As such, Edmonton's unemployment rate is currently sitting at 5.4%. However, that number is anticipated to climb in 2023 as Alberta's economy is expected to slow down while still maintaining a positive growth rate in 2023. The Bank of Canada's interest rate hikes are contributing to this slowdown. This was done to tame historically high inflation, which has yet to cool as evidenced by November's CPI coming in at 6.6%. However, these rate hikes paired with a healing supply chain and less intense energy price increases should ease the province's inflation. In the third quarter of 2022, Alberta led the country in population growth, welcoming 58,203 new residents. This healthy level of immigration should provide an offset to the downturn in consumer spending.

DEMAND

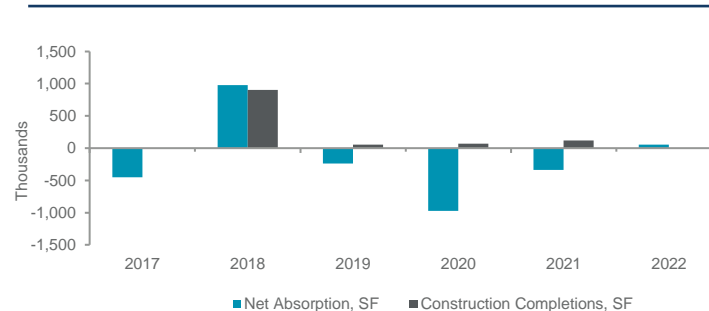
Some established firms that are embracing the hybrid working model are reevaluating their space requirements when their leases are up for renewal. This type of tenant is looking to reduce their office footprint. Large employers that previously occupied multiple floors and/or buildings, such as Alberta Health Services have begun to consolidate their office spaces. While these firms are downsizing, firms that anticipate growth or want the same amount of floor space are taking advantage of the incentives being offered and are getting deals done. Bennet Jones and Grant Thornton are two large multinational firms that recently signed large deals expanding their office footprint. These tenants are also gravitating toward higher-quality spaces. However, most firms are still unsure of their office needs going forward and are thus not making many changes. Therefore, short lease terms or flexible lease terms with options to expand or downsize remain attractive for tenants. If they move, it would likely be to a higher-quality space with minimal change in size to their office footprint.

City-wide vacancy rose by 60 basis points (bps) in the fourth quarter of 2022, with vacancy coming in at 19.6%. This represents a 20-bps year-over-year (YoY) increase. Vacancy in the downtown core rose by a comparable 70 bps this quarter and is now sitting at 19.3%. Overall gross asking rents stayed relatively flat compared to last quarter, with the city-wide average increasing by 5 cents.

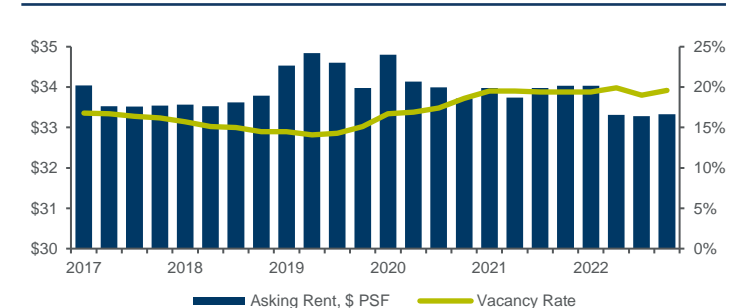
OUTLOOK

As previously discussed, many tenants are unsure 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. While leasing activity remains steady, vacancy rates are expected to remain stable until more tenants feel ready to make these long-term decisions regarding their office sizes. Rents are also anticipated to remain stable, yet lower than their pre-pandemic levels 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	251,082	2,418,170	20.9%	-63,728	45,364	200,000	\$37.50	\$40.89
Government	34	5,055,817	0	779,686	15.4%	-72,078	-227,423	0	\$30.48	\$32.56
CENTRAL TOTALS	88	17,831,262	251,082	3,197,856	19.3%	-135,806	-182,059	200,000	\$36.83	\$40.23
124 TH Street	18	952,909	12,522	175,571	18.4%	23,700	59,189	0	\$28.36	\$35.24
149 TH Street	26	1,257,029	12,522	175,197	14.9%	10,051	31,767	0	\$27.73	\$38.64
West End	37	2,052,804	53,808	355,363	19.9%	37,762	41,287	0	\$25.35	\$34.05
118 TH Avenue	17	822,310	12,392	170,703	22.3%	-12,449	-12,142	0	\$35.66	\$37.35
Whyte Avenue	13	534,593	2,971	140,134	26.8%	-8,321	24,454	0	\$35.66	\$37.87
Southside	59	3,148,885	91,236	681,761	24.5%	-75,131	57,097	0	\$27.79	\$30.23
Summerside	22	944,997	25,000	73,344	10.4%	-8,761	-27,454	0	\$32.33	\$32.33
Eastgate	17	1,422,943	6,711	303,973	21.8%	-712	45,687	0	\$24.21	\$28.87
Windermere/Ambleside	12	311,383	0	2,165	0.7%	0	16,213	0	\$36.26	\$36.26
SUBURBAN TOTALS	221	11,447,853	204,640	2,078,211	19.9%	-33,861	236,098	0	\$28.00	\$32.59
EDMONTON TOTALS	309	29,279,115	455,722	5,276,067	19.6%	-169,667	54,039	200,000	\$33.33	\$38.08

*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	145,398	530,146	15.4%	-30,004	113,278	200,000	0	\$47.25
Class A	119	14,006,932	176,064	2,579,145	19.7%	-59,548	-18,099	0	0	\$36.07
Class B	141	9,254,148	124,109	1,949,244	22.4%	-113,094	-101,830	0	0	\$27.08
Class C	41	1,638,964	10,151	217,523	13.9%	32,979	60,690	0	0	\$21.36

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

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Stantec Tower	Downtown – Financial	Bennett Jones	48,944	Headlease
Rice Howard Way Place	Downtown – Financial	Grant Thornton	26,000	Headlease
Gasland Centre	Suburban – Westend	Keller Construction Ltd.	15,000	Headlease
550 91 St SW	Suburban – Summerside	Neuman Thompson	10,000	Headlease
Commerce South Office Park	Suburban – Southside	Cashco Financial	13,000	Headlease

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Whitemud Business Park	Suburban – Southside	Morguard/Confidential	118,634	Confidential
9604 20 Ave	Suburban – Southside	Chandos Holdings Ltd/Feigel Investments Group Inc	28,000	\$8.8M/\$312.50

For more information, contact:

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