



Office Q3 2023

YoY Chg      12-Mo. Forecast

**20.0%**  
Vacancy Rate      ▲      ▬

**-6,725**  
Net Absorption, SF      ▼      ▬

**\$32.83**  
Gross Asking Rent, PSF      ▼      ▬

(Overall, All Property Classes)

**ECONOMIC INDICATORS Q3 2023**

YoY Chg      12-Mo. Forecast

**852.3K**  
Edmonton Employment      ▲      ▼

**6.0%**  
Edmonton Unemployment Rate      ▲      ▲

**5.5%**  
Canada Unemployment Rate      ▲      ▲

Source: Statistics Canada, The City of Edmonton

**ECONOMY**

At the beginning of 2023 analysts predicted Alberta's GDP to grow by 2.7% this year. However, as of the third quarter, Alberta's GDP is expected to rise by 3.0% in 2023. This 30-basis point (bps) increase from the beginning of the year supports the viewpoint of Alberta being one of the top-performing provinces nationwide in 2023. Alberta attracted 50,061 new residents between April and June 2023, a growth rate of 1.1%. This influx of people can be attributed to the province's strong job market, high standard of living, and attractive living affordability relative to other provinces. From July 2022 to July 2023, Alberta's average annual population growth rate was 4.1%. Downward pressure on global crude oil prices has continued into this quarter; however, the Alberta government expects a \$2.4 billion surplus by the end of FY 2023. The oil industry is expected to tighten as demand for oil is predicted to rise towards the end of FY 2023. As of August 2023, barrel prices were traded at around \$80 USD, supporting profitability despite the industry's volatility. The province remains committed to investing in healthcare, public safety, and transportation infrastructure development.

**DEMAND**

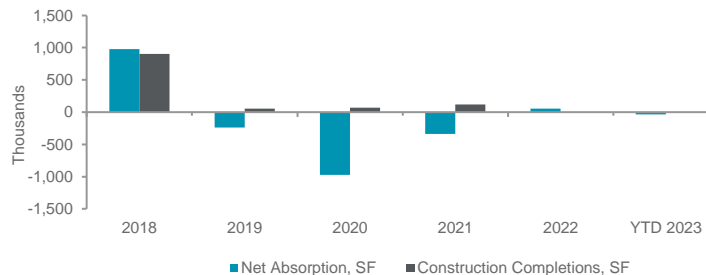
The Edmonton office market saw a flurry of newly signed deals and non-renewals in the third quarter of 2023. However, leasing activity remained steady largely due to vacancy outpacing demand for office space. As a result, the market experienced a slight negative net absorption. The ongoing trend of flight-to-quality continues, with tenants seeking high-grade spaces that offer abundant amenities to attract employees back to the office. Landlords continue to actively invest in their properties; however, elevated interest rates and the resulting increased cost of capital are putting some strain on their ability to finance alterations to their properties.

In the third quarter of 2023, the city-wide vacancy rate remained stable at 20.0%, a 10 bps increase from the previous quarter. Vacancy in the downtown core remained steady at 21.9% seeing no major change from the previous quarter. Vacancy in the overall suburban market also remained steady at 19.9%, a 20 bps increase from the second quarter. The suburban market posted negative 31,029 square feet of absorption this quarter; primarily a result of newer constructed office space entering the market. The suburban market continues to perform well, as employees prefer shorter commutes, easy parking, and the safety offered by office parks. Gross asking rents remained relatively flat compared to the previous quarter, with the city-wide average decreasing by 28 cents to \$32.83 per square foot.

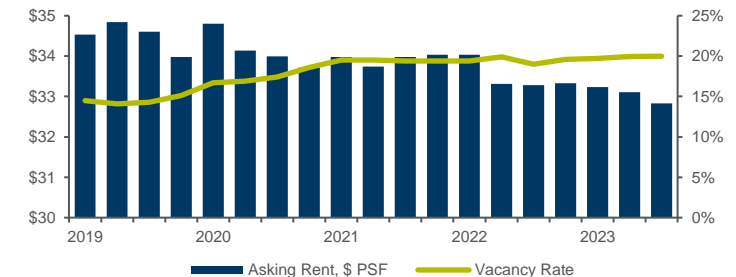
**OUTLOOK**

The market has shown that over the last two quarters leasing activity has remained steady. Tenants are continuing to prioritize high-quality office space, although demand has been offset by elevated interest rates and increased operating costs. As a result, office space continues to be a risky asset type resulting in demand to remain consistent until 2025.

**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	55	12,820,428	348,479	2,430,400	21.9%	23,310	-64,644	200,000	\$36.63	\$40.12
Government	34	5,058,437	3,693	791,369	15.7%	1,174	-12,756	0	\$30.40	\$31.95
<b>CENTRAL TOTALS</b>	<b>89</b>	<b>17,878,865</b>	<b>352,172</b>	<b>3,221,769</b>	<b>20.0%</b>	<b>24,484</b>	<b>-77,400</b>	<b>200,000</b>	<b>\$35.14</b>	<b>\$38.23</b>
124 <sup>TH</sup> Street	18	952,909	16,572	158,451	18.4%	5,039	548	0	\$28.28	\$35.56
149 <sup>TH</sup> Street	26	1,306,141	12,522	274,517	22.0%	-15,040	-50,208	0	\$27.12	\$32.86
West End	37	2,052,804	60,230	284,225	16.8%	-17,809	64,716	0	\$26.87	\$32.91
118 <sup>TH</sup> Avenue	17	822,310	0	185,006	22.5%	14,812	-1,911	0	\$37.04	\$39.37
Whyte Avenue	13	534,593	0	108,600	20.3%	10,866	34,505	0	\$39.01	\$40.48
Southside	59	3,149,800	86,497	739,925	26.2%	-32,728	-52,510	0	\$30.08	\$34.43
Summerside	22	944,997	5,000	74,052	8.4%	-342	19,292	0	\$34.74	\$34.74
Eastgate	17	1,422,943	11,752	266,450	19.5%	3,993	32,482	0	\$22.23	\$31.95
Windermere/Ambleside	12	311,383	0	7,630	2.4%	0	-5,465	0	\$41.79	\$41.79
<b>SUBURBAN TOTALS</b>	<b>221</b>	<b>11,497,880</b>	<b>192,573</b>	<b>2,098,856</b>	<b>19.9%</b>	<b>-31,209</b>	<b>41,449</b>	<b>0</b>	<b>\$29.28</b>	<b>\$35.18</b>
<b>EDMONTON TOTALS</b>	<b>310</b>	<b>29,376,745</b>	<b>544,745</b>	<b>5,320,625</b>	<b>20.0%</b>	<b>-6,725</b>	<b>-35,951</b>	<b>200,000</b>	<b>\$32.83</b>	<b>\$37.41</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	107,691	493,749	13.73%	-15,940	74,104	200,000	0	\$47.39
Class A	119	14,007,743	306,455	2,505,812	20.08%	-2,908	-56,238	0	0	\$35.38
Class B	142	9,350,967	126,869	2,097,012	23.78%	5,929	-53,709	0	0	\$27.23
Class C	41	1,638,964	3,730	224,052	13.90%	-6,194	-108	0	0	\$23.87

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

## KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Commerce South Office Park – Bldg A	Suburban – Southside	APEGA	37,000	Headlease
Bell Tower	Downtown – Financial	CanadianForex Limited dba OFX	11,198	Sublease
6362-6386 Roper Road NW	Suburban – Southside	3 Star Industrial Manufacturing	10,196	Headlease
18546 104 Ave NW	Suburban – Westend	Optimize Physiotherapy & Sports Injury Clinic	10,000	Headlease
10005 50th Street NW	Suburban – Southside	Bell Canada	8,775	Headlease

## KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
124 Street Place	Suburban – 124 St	1482388 Alberta Ltd/Josan Ventures Inc.	29,000	\$5.5M/\$166.21
10447 170 Street	Suburban – Westend	Transglobe Holdings Ltd/Kee Tas Kee Now Tribal Council Properties Ltd	66,005	\$4.4M/\$66.66
Ionic Place	Suburban – Westend	Ionic Place Inc/Institute For The Advancement of Aboriginal Women	22,821	\$2.5M/\$109.55

For more information, contact:

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