



Office Q1 2024

18.4%
Vacancy Rate

YoY Change
12-Mo. Forecast



118,644
Net Absorption, SF



\$32.92
Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

853.0K
Edmonton Employment

YoY Change
12-Mo. Forecast



6.4%
Edmonton Unemployment Rate



6.1%
Canada Unemployment Rate



Source: Statistics Canada, The City of Edmonton

ECONOMY

In the last 12 months, economic conditions have been less than ideal, with persistent high-interest rates and inflation taking a toll on the Canadian economy. Alberta however has remained insulated from these economic headwinds being a provincial leader in terms of economic growth. While growth is expected to cool, Alberta is still poised to lead in 2024 with analysts projecting Alberta's GDP to grow by 2.1%, down 20 basis points (bps) from 2023. Locally, Edmonton's GDP is expected to grow by 2.3% in 2024. Between January 1, 2023, and January 1 2024, Alberta attracted 202,324 new residents, marking a substantial year-over-year (YOY) growth rate of 4.4%. Particularly, 47,100 international newcomers migrated to Edmonton in 2023, with interprovincial migration reaching a record high of 18,700 people compared to the yearly 4,000-person average from 2002-2021. Population growth is expected to cool but remain robust as a result of the province's affordability.

Source: Statistics Canada, Government of Alberta, City of Edmonton, TD Provincial Outlook, Conference Board of Canada

DEMAND

The Edmonton office market continued its positive trend into the first quarter of 2024, with a significant uptick of 119k square feet (sf) in net absorption, marking a second consecutive quarter of growth. Significant activity was seen in the downtown core with the central business district seeing close to 122k sf of positive net absorption. Investor activity surged, resulting in significant transactions involving six key office properties: Energy Square, the Phipps-McKinnon Building, Compass Place, Plaza 124, Parkwest Business Centre, and the Empire Building amounting to approximately 800k sf. With industrial and retail assets remaining elevated, office assets have become relatively affordable trading around the \$70-\$90 per square foot (psf) range signaling a new trend in the Edmonton market. Investor intentions regarding the aforementioned sales are currently unknown but there is speculation about potential space consolidation through office conversion. Currently, Edmonton lacks office conversion initiatives comparable to those in Calgary but discussions on this topic are expected to pick up in 2024.

Overall vacancy rate decreased by 130 bps YOY from 19.7% to 18.4% in the first quarter of 2024, with the downtown core seeing a substantial YOY drop of 200 bps from 19.5% to 17.5% this quarter. Average gross asking rents in the downtown core decreased \$1.20 psf from one-year-ago to \$35.66 psf this quarter. The suburban region saw 2,903 sf of net negative absorption this quarter with vacancy holding steady at 19.8%, a YOY 20-bps decrease. Gross asking rents in the suburban market reached \$29.21 psf this quarter, a \$1.43 or 5.1% YOY increase.

OUTLOOK

The start of 2024 saw a new trend emerge characterized by office assets trading at lower prices. This has fueled ongoing anticipation regarding the impact of potential lower interest rates in conjunction with investor sentiment. The office market is slated to remain active, both on the sale and lease side in the coming months.

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	12,824,215	277,595	2,167,802	19.1%	79,733	79,733	0	\$37.29	\$40.77
Government	34	5,058,437	3,693	672,402	13.4%	41,814	41,814	0	\$30.09	\$31.78
CENTRAL TOTALS	89	17,882,652	281,288	2,840,204	17.5%	121,547	121,547	0	\$35.66	\$38.84
124 TH Street	18	952,909	14,950	167,560	19.2%	-1,976	-1,976	0	\$28.38	\$35.94
149 TH Street	26	1,306,141	10,498	260,103	20.7%	-13,331	-13,331	0	\$27.56	\$33.30
West End	37	2,052,804	60,230	336,199	19.3%	14,592	14,592	0	\$28.46	\$33.50
118 TH Avenue	17	822,310	0	164,105	20.0%	-1,749	-1,749	0	\$38.41	\$39.37
Whyte Avenue	13	534,593	0	108,205	20.2%	323	323	0	\$37.16	\$40.33
Southside	59	3,149,800	84,447	702,151	25.0%	-1,628	-1,628	0	\$29.59	\$33.86
Summerside	23	974,997	0	58,980	6.0%	17,027	17,207	0	\$35.29	\$35.29
Eastgate	17	1,422,943	11,752	284,494	20.8%	-19,233	-19,233	0	\$21.46	\$31.76
Windermere/Ambleside	13	331,916	0	19,626	5.9%	3,072	3,072	0	\$41.71	\$41.71
SUBURBAN TOTALS	223	11,548,413	181,877	2,101,423	19.8%	-2,903	-2,903	0	\$29.21	\$35.03
EDMONTON TOTALS	312	29,431,065	463,165	4,941,627	18.4%	118,644	118,644	0	\$32.92	\$37.67

*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	56,598	399,120	10.4%	7,369	7,369	0	0	\$49.81
Class A	121	14,058,276	280,429	2,432,886	19.3%	21,648	21,648	0	0	\$35.67
Class B	142	9,354,754	122,408	1,884,682	21.5%	83,114	83,114	0	0	\$26.86
Class C	41	1,638,964	3,730	224,939	14.0%	6,513	6,513	0	0	\$23.74

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

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Broadmoor Place	Outlying – Sherwood Park	Acuren Group Inc.	18,277	Headlease
HSBC Place	Downtown - Financial	CBM Law	13,898	Headlease
Plaza 50	Suburban – Eastgate	The VETS Group	9,500	Headlease
One Twelve Campus	Downtown – Financial	Engineering Group	9,283	Headlease
5103 Windermere Blvd	Suburban – Windermere	Acera Insurance Services Ltd.	9,000	Headlease

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Energy Square	Downtown – Financial	2392850 Alberta Ltd. / 2495849 Alberta Ltd.	129,946	\$12.6M / \$96.96
Phipps-McKinnon Building	Downtown – Financial	Canapen (Phipps-McKinnon) Ltd. / 2537158 Alberta Ltd.	182,917	\$9.3M / \$51.13
Compass Place	Downtown – Financial	Court of King's Bench Alberta / 2577387 Alberta Ltd.	84,075	\$6.5M / \$77.31
Plaza 124	Suburban – 124 th Street	N/A	156,630	N/A
Empire Building	Downtown - Financial	N/A	104,161	N/A

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