



Office Q2 2024

18.4%
Vacancy Rate

YoY Change
12-Mo. Forecast



70,108
Net Absorption, SF



\$32.54
Gross Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

853.3K
Edmonton Employment

YoY Change
12-Mo. Forecast



7.1%
Edmonton Unemployment Rate



6.4%
Canada Unemployment Rate



Source: Statistics Canada, The City of Edmonton

ECONOMY

The Alberta economy continues to grapple with high interest rates and economic hurdles. Despite leading Canada in migration in 2023, the provincial unemployment rate reached 7.1% in June 2024 and is expected to climb further. Alberta's job market expanded by 3.0% in the first half of 2024, but it has not fully absorbed the new entrants into the labour market. The GDP forecast for Alberta for 2024 has now cooled to 1.9%, down 20 basis points (bps) from projections in late 2023. Edmonton has similarly felt this impact, with its unemployment rate rising to 7.1% in June 2024 due to rapid population growth. As a result, the housing and rental market in the city has tightened leading to the challenge of managing increased residential demand. However, there is optimism as an anticipated surge in oil production is expected to mitigate some of the economic challenges faced by Alberta earlier this year. Edmonton is also seeing a rise in new housing starts to combat the surge of residential demand, demonstrating the city's proactive approach to addressing some of these economic challenges. Edmonton will continue to be a preferred city to live in as it is the most affordable big city in Canada and is tied for the 5th most affordable city for housing globally. Source: Statistics Canada, Government of Alberta, City of Edmonton, TD Provincial Outlook, Edmonton Global

DEMAND

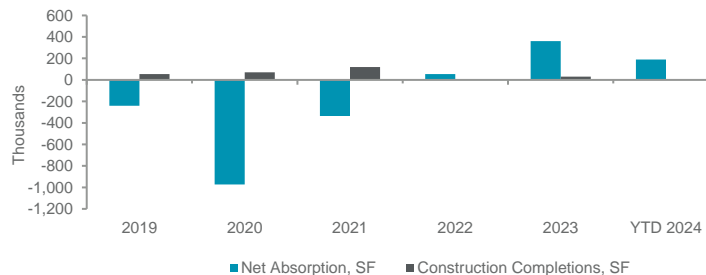
The overall city-wide vacancy rate decreased by 150 bps year-over-year (YOY), declining from 19.9% in Q2 2023 to 18.4% in Q2 2024. The Edmonton office market posted absorption of 70k square feet (sf) this quarter, concentrated in the suburban submarkets, as the overall Central market had negative absorption of 92k sf this quarter, with the financial core assuming all of the negative absorption. The suburban market witnessed the complete opposite as the submarkets of Southside, Summerside, and 124th Street combined for a total net absorption of close to 188k sf. This demand resulted in the overall Suburban vacancy rate declining from 19.8% to 19.1% quarter-over-quarter. The average gross asking rent in the downtown core had a YOY decline of \$2.67 to reach \$34.92 per square foot (psf) this quarter, with the overall gross asking rent in the suburban market seeing a 6.0% YOY increase to \$29.17 psf, aligning with the increased demand within the Suburban market.

A noticeable trend is tenants increasingly preferring fully built-out spaces over raw spaces, acknowledging the challenges posed by elevated construction costs. Consequently, it is expected that raw spaces and lower-tier products will continue to play a secondary role in the market. While office sales were subdued this quarter, investor intentions with recently purchased office properties have emerged. Notably, Josan Properties acquired the Phipps McKinnon building for \$9.3 million in the first quarter of 2024. The new owners have recently announced plans to convert floors 4 through 10 into 91 rental units, while retaining the upper floors as office space. The third floor is slated to become a full amenity level with shared access for both office and residential tenants, setting a precedent for future conversions in the city.

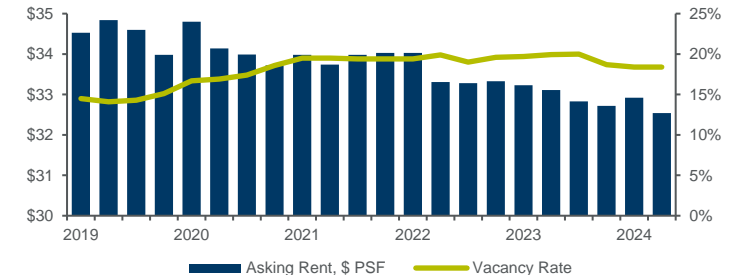
OUTLOOK

The overall office vacancy rate is expected to hover around the 18 to 19% range for the rest of 2024, with net absorption expected to stabilize in the second half of 2024.

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	12,765,917	307,114	2,244,529	20.0%	-106,266	-26,533	0	\$36.19	\$39.46
Government	34	5,058,437	0	662,190	13.1%	13,905	55,719	0	\$30.17	\$31.91
CENTRAL TOTALS	89	17,824,354	307,114	2,906,719	18.0%	-92,361	29,186	0	\$34.92	\$37.85
124 TH Street	18	952,909	14,950	144,573	16.7%	22,987	21,011	0	\$28.53	\$35.76
149 th Street	26	1,306,141	11,269	258,060	20.6%	1,272	-12,059	0	\$27.49	\$33.30
West End	37	2,052,804	63,208	332,261	19.3%	960	15,552	0	\$28.60	\$33.45
118 th Avenue	17	822,310	0	177,338	21.6%	-13,233	-14,982	0	\$36.75	\$38.66
Whyte Avenue	14	534,593	0	125,411	23.5%	6,794	7,117	0	\$36.16	\$37.63
Southside	60	3,228,310	63,911	669,474	22.7%	131,723	130,095	0	\$29.67	\$33.95
Summerside	23	974,997	0	39,137	4.0%	19,843	36,870	0	\$35.04	\$35.04
Eastgate	17	1,422,943	11,752	285,721	20.9%	-1,227	-20,460	0	\$21.44	\$31.51
Windermere/Ambleside	14	331,916	0	26,276	7.9%	-6,650	-3,578	0	\$41.73	\$41.73
SUBURBAN TOTALS	226	11,650,923	165,090	2,058,251	19.1%	162,469	159,566	0	\$29.17	\$34.91
EDMONTON TOTALS	315	29,475,277	472,204	4,964,970	18.4%	70,108	188,752	0	\$32.54	\$37.00

*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 CN STR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVG ASKING RENT*
Class AA	8	4,379,071	79,992	401,514	11.0%	-25,788	-18,419	0	0	\$49.42
Class A	124	14,102,488	269,348	2,312,538	18.3%	233,919	255,567	0	0	\$34.80
Class B	142	9,354,754	119,134	2,007,247	22.7%	-119,291	-36,177	0	0	\$27.57
Class C	41	1,638,964	3,730	243,671	15.1%	-18,732	-12,219	0	0	\$23.79

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

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
CSOP – Building A	Suburban – Southside	Worley	38,432	Headlease
Select Building	Suburban – West End	Select Engineering Consultants Ltd.	23,432	Headlease
Twin Atria	Suburban – Eastgate	Ellisdon	18,000	Headlease
10025 102A NW	Downtown – Financial	Real Estate Group	6,427	Renewal
CSOP – Building E	Suburban - Southside	Wade Consulting	6,182	Headlease
Ellwood North	Suburban – Summerside	Law Group	5,758	Headlease

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Kingsway Professional Centre	Suburban – 118 th Ave	Not Disclosed	73,410	Not Disclosed
Millcreek Place	Suburban – Whyte Ave	Servus Credit Union Ltd. / Cree-Actions Enterprises Limited	39,988	\$3.9M / \$98.15

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