

A photograph of a modern office interior. The space features large windows with dark frames, providing a view of a cityscape and greenery. The floor is made of light-colored, polished tiles. Several potted plants are visible, including a large green plant in a tall, dark, geometric pot and several smaller, rounded, light-colored planters. The overall atmosphere is bright and professional.

The Occupier

Q2 2022 Edmonton Office Market Report

An Insight into the Edmonton Office Market

cresa

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Market Overview

Downtown Market

The office vacancy rate in Edmonton increased slightly from Q4 2021 to 19.46%, representing just under 5.5 million vacant square feet in a market totaling roughly 30 million square feet. 3,280,713 square feet are available downtown and 2,205,615 square feet in the suburbs.

The full return-to-work and subsequent downtown revival have been expected for some time but to date have not fully materialized. It appears that remote working is for the time being, more heavily embraced by national and international corporations and various levels of government than by local companies and organizations. This trend has been most noticeable downtown, where most of these corporations and government departments are located. While there has been a noticeable uptick in street-level activity downtown with the arrival of some provincial employees, and Enbridge staff, one of the largest downtown employers, the federal government continues to be absent, as anyone trying to get a passport knows!

As a result, leasing activity in the downtown core has been muted, whereas activity in the suburbs has increased, where a greater concentration of regional office users reside. Most firms surveyed expect a near-total return to the office in the future but are not ready to force the issue yet. Many hope to introduce a more flexible, primarily office-based, arrangement - citing challenges with work-from-home models.

One significant challenge tenants and landlords report is the rising construction

cost. In Edmonton, most tenants expect landlords to fully fund tenant improvements on relocations with ten-year deals. As inflation increases the cost of construction, it is increasingly difficult to cover these costs entirely. Whereas some landlords previously offered turnkey build-outs on seven-year terms, prices now dictate ten years minimum to amortize the increased expenses fully. If costs continue to escalate, tenants may be required to commit to terms beyond ten years or accept rising rental rates. Keep in mind this is still an extremely tenant-favored market, and tenants have tools, with the proper representation, to substantially offset any increased costs.

Net asking rates across Edmonton averaged \$16-18 per square foot, and operating costs averaged \$12-14 per square foot. Like the residential market, ever-increasing property taxes are increasing the strain on landlords and tenants alike. Many properties are seeing \$2 per square foot annual increases.

Downtown Market

In Q1 2022, Canadian Western Bank (CWB) announced they would be commissioning a new tower in the Ice-District that will be completed in mid-2025. The building will have 12 floors or approximately 270,000 square feet, with 45,000 square feet reserved for the banks' expansion. Up to four additional floors could be built if the required interest is solidified before plans are completed, including an exclusive use rooftop patio. With 185,000 square feet coming available at CWB's current location on Jasper Avenue, the current owner,



Greater Edmonton
Office Supply

28,192,488 sf



Greater Edmonton
Overall Vacancy

19.46%



Downtown Vacancy

18.53%



Suburban Vacancy

21.03%

Redstone Group, has already begun upgrades to the building, anticipating substantial vacancy in three years.

Overall Q4 2021 to Q2 2022 Changes

Overall Edmonton

Vacancy 19.46%, up from 18.93%

- 5,486,328 square feet available up from 5,316,736 square feet
- Direct vacancy increased to 5,002,319 square feet from 4,700,225 square feet or 1.01% increase
- Sublease vacancy decreased to 484,009 square feet from 616,511 square feet or 0.47% decrease

Downtown Overall

Vacancy increased to 18.53%, 3,280,713 square feet from 3,197,805 square feet or 0.49% increase

- Direct vacancy increased to 16.58%, 2,935,862 square feet from 2,799,848 square feet or 0.78% increase
- Sublease vacancy decreased to 1.95%, 344,851 square feet from 397,957 square feet or 0.3% decrease

Financial Overall

Overall Financial vacancy increased to 18.35%, 2,344,715 square feet from 2,325,939 square feet or 0.16% increase

- Direct vacancy increased to 15.7%, 2,005,655 square feet from 1,933,773 square feet or 0.57% increase
- Sublease vacancy decreased to 2.65%, 339,060 square feet from 392,166 square feet or 0.42% decrease

Downtown Notable Transactions

| Tenant | Building | Area (sf) |
|-------------------|---------------------|-----------|
| BGC Engineering | Revillon Building | 20,000 |
| Innovate Edmonton | 10117 Jasper Avenue | 18,000 |
| IBI Group | Bell Tower Annex | 13,000 |
| Robertson College | ATB Place East | 15,000 |
| Microsoft | Bell Tower | 12,000 |

AA Financial

Overall Financial AA vacancy increased to 14.17%, 601,323 square feet from 586,545 square feet or 0.19% increase

- Direct vacancy increased to 9.15%, 388,520 square feet from 373,100 square feet or 0.26% increase
- Sublease vacancy decreased to 5.01%, 212,803 square feet from 213,445 square feet or 0.08% decrease

A Financial

Overall Financial A vacancy decreased to 20.57%, 1,345,401 square feet from 1,354,858 square feet or .016% decrease

- Direct vacancy increased to 18.99%, 1,242,157 square feet from 1,200,630 square feet or 0.62% increase
- Sublease vacancy decreased to 1.58%, 103,244 square feet from 154,228 square feet or 0.78% decrease

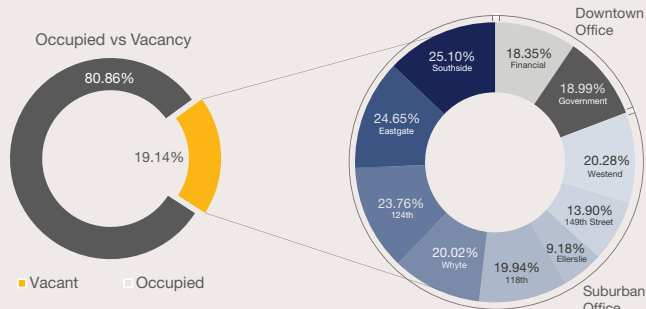
Government Overall

Overall Government vacancy increased to 18.99%, 935,998 square feet from 871,566 square feet or a 1.33% increase

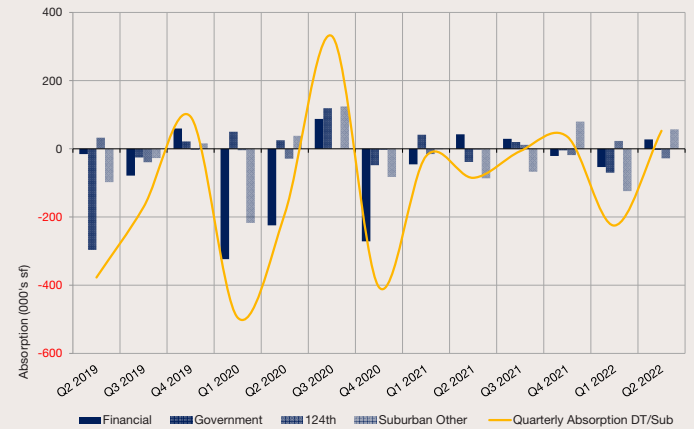
- Direct vacancy increased to 18.87%, 930,207 square feet from 866,075 square feet or 1.33% increase
- Sublease vacancy remained unchanged at 0.12%

Market Summary

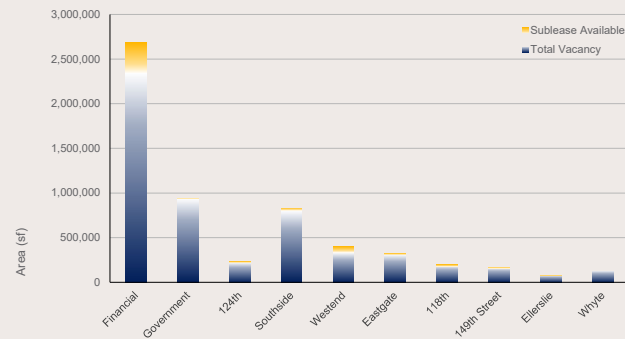
Current Office Vacancy



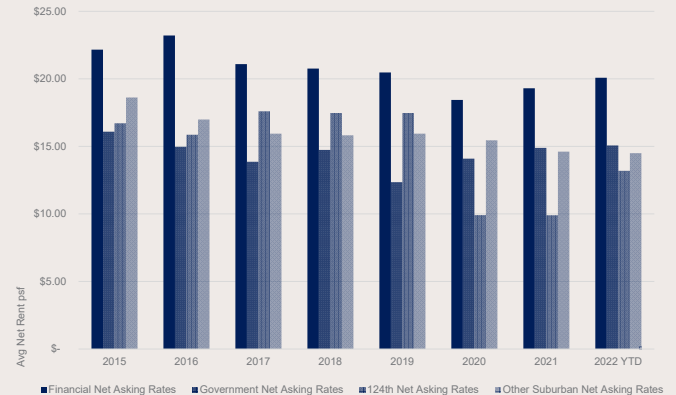
Historical Office Absorption



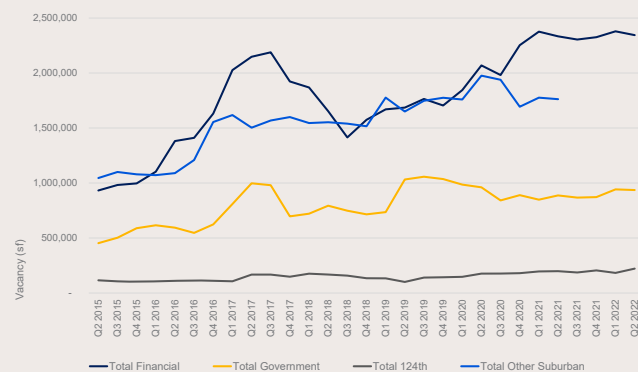
Sublease Vacancy Index



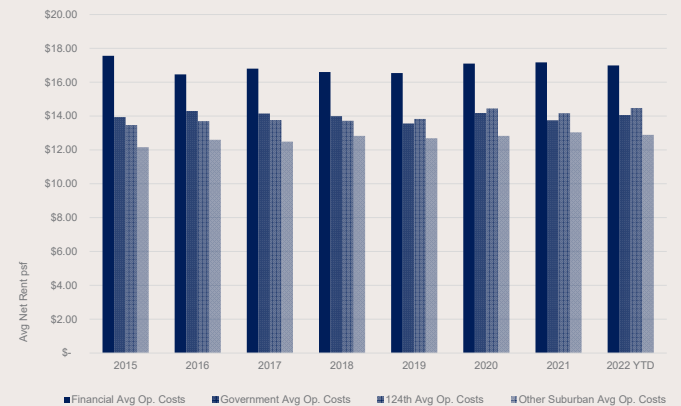
Average Asking Net Rental Rates



Comparative Historical Vacancy



Average Historical Operating Costs



Market Overview

Suburban Market

Unlike the downtown market, the suburbs flourished with many substantial lease transactions; this can be attributed to the fact that most suburban office users are regional in nature and therefore less connected to corporate flex-work mandates. With shorter commutes, and free parking in the suburbs, it appears that suburban employees are more open to returning to work than downtown employees.

Overall Suburban Edmonton vacancy increased to 21.03%, 2,205,615 square feet from 2,118,931 square feet or 0.6% increase.

- Direct vacancy increased to 19.7%, 2,066,457 square feet from 1,900,377 square feet or 1.33% increase
- Sublease vacancy decreased to 1.33%, 139,158 square feet from 218,554 square feet or 0.78% decrease

Overall Q4 2021 to Q2 2022 Changes

124 Street

Overall 124 Street vacancy increased to 23.76%, 221,572 square feet from 205,186 square feet or 1.49% increase.

- Direct vacancy increased to 22.99%, 214,377 square feet from 190,050 square feet or 2.36% increase

Sublease vacancy decreased to 0.77%, 7,195 square feet from 15,136 square feet or 0.87% decrease.

Southside

Overall vacancy increased to 25.1%, 802,721 square feet from 745,567 square feet or 1.64% increase.

- Direct vacancy increased to 24.2%, 774,060 square feet from 656,725 square feet or 3.53% increase
- Sublease vacancy decreased to 0.9%, 28,661 square feet from 88,842 square feet or 1.9% decrease

Westend

Overall vacancy decreased to 20.28%, 334,901 square feet from 362,259 square feet or 1.66% decrease.

- Direct vacancy increased to 16.44%, 271,484 square feet from 261,966, or 0.58% increase
- Sublease vacancy decreased to 3.84%, 63,417 square feet from 100,293 square feet or 2.23% decrease

Suburban Notable Transactions

| Tenant | Building | Area (sf) |
|--|-------------------------------|-----------|
| Shawcor | Magna IV Engineering Building | 25,000 |
| CIMA | Ford Credit Building | 18,000 |
| Aurora Charter School | Parkwest Business Centre | 17,000 |
| Capital Engineering | Ford Credit Building | 13,600 |
| Casa Child Adolescent & Family Mental Health | 149 Street Business Centre | 13,500 |
| DES Engineering | Commerce South Office Park | 12,000 |
| Sunlife Financial | Commerce South Office Park | 8,000 |
| Mikisew Cree First Nation | Parkwest Business Centre | 6,700 |
| Fort McMurray First Nations | Parkwest Business Centre | 5,800 |

Eastgate

Overall vacancy decreased to 24.65%, 312,485 square feet from 333,117 square feet or 1.63% decrease

- Direct vacancy decreased to 24.26%, 307,485 square feet from 333,117 square feet or 1.63%

118th

The vacancy increased to 19.94% from 15.52%, 258,937 square feet from 253,962 square feet

- Direct vacancy increased from 240,591 square feet to 245,566 square feet or a 0.80% increase

149th street

Vacancy increased to 13.90% from 12.24%, up from 133,618 square feet to 158,361 square feet, or a 1.66% change

- Average rental rate is down in this market by over \$1.00

- Direct vacancy increased to 12.80% from 11.69%, an 18,245 square foot change, or 1.11%

Ellerslie (South Henday)

The vacancy in this area marginally changed, but one major shift we see is in rental rates:

- Average Rental rate down over \$3.00, from \$20.76 to \$17.40

Whyte Ave

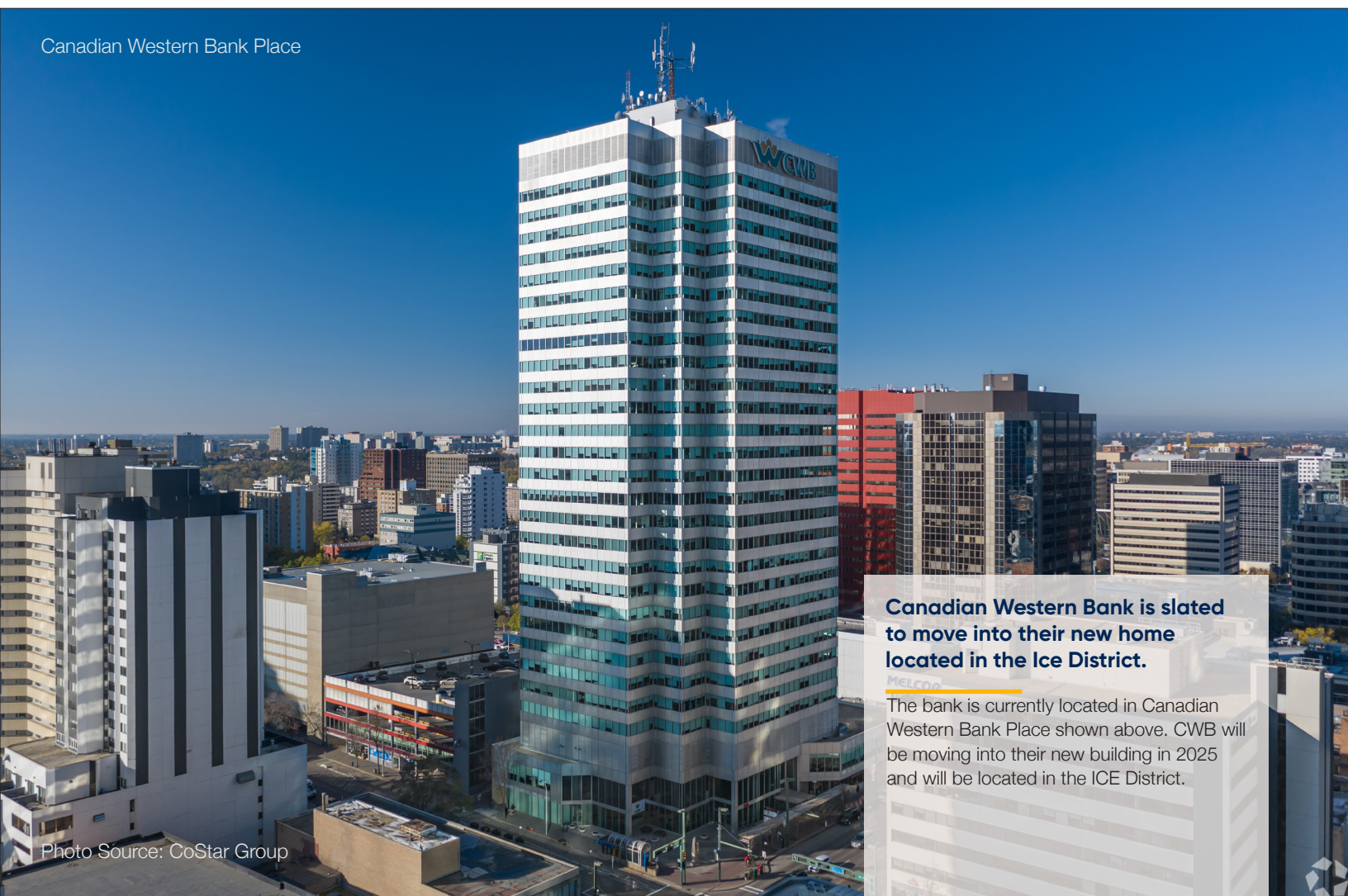
Overall vacancy decreased from 21.65% to 20.02%, 134,722 square feet down to 124,620 square feet

- Average rental rates are down just over \$1.00, being about \$17.40 from \$18.65

Sherwood Park

The overall vacancy increased 17.29%, slightly up from 16.47%, a change from 253,962 square feet to 258,937 square feet, or a 0.82% change

Canadian Western Bank Place



Canadian Western Bank is slated to move into their new home located in the Ice District.

The bank is currently located in Canadian Western Bank Place shown above. CWB will be moving into their new building in 2025 and will be located in the ICE District.

Q2 2022 Vacancy Summary, Edmonton

| SUBMARKET | TOTAL SPACE (sf) | LEASE (sf) | SUBLEASE (sf) | LEASE (%) | SUBLEASE (%) | TOTAL VACANCY |
|-------------------------------|---------------------|------------------|------------------|---------------|-----------------|------------------|
| FINANCIAL | | | | | | |
| Financial AA | 4,244,121 | 388,520 | 212,803 | 9.15% | 5.01% | 14.17% |
| Financial A | 6,540,663 | 1,242,157 | 103,244 | 18.99% | 1.58% | 20.57% |
| Financial B | 1,625,022 | 316,596 | 16,438 | 19.48% | 1.01% | 20.49% |
| Financial C | 366,499 | 58,382 | 6,575 | 15.93% | 1.79% | 17.72% |
| Financial Total | 12,776,305 | 2,005,655 | 339,060 | 15.70% | 2.65% | 18.35% |
| GOVERNMENT | | | | | | |
| Government A | 2,276,308 | 467,694 | 0 | 20.55% | 0.00% | 20.55% |
| Government B | 2,330,765 | 429,613 | 0 | 18.43% | 0.00% | 18.43% |
| Government C | 321,336 | 32,900 | 5,791 | 10.24% | 1.80% | 12.04% |
| Government Total | 4,928,409 | 930,207 | 5,791 | 18.87% | 0.12% | 18.99% |
| DOWNTOWN TOTAL | 17,704,714 | 2,935,862 | 344,581 | 16.58% | 1.95% | 18.53% |
| SUBURBAN | | | | | | |
| 124th A | 369,445 | 61,659 | 7,195 | 16.69% | 1.95% | 18.64% |
| 124th B | 444,968 | 114,039 | 0 | 25.63% | 0.00% | 25.63% |
| 124th C | 118,005 | 38,679 | 0 | 32.78% | 0.00% | 32.78% |
| 124th Total | 932,418 | 214,377 | 7,195 | 22.99% | 0.77% | 23.76% |
| SOUTHSIDE | 3,198,451 | 774,060 | 28,661 | 24.20% | 0.90% | 25.10% |
| WESTEND | 1,651,468 | 271,484 | 63,417 | 16.44% | 3.84% | 20.28% |
| EASTGATE | 1,267,512 | 307,485 | 5,000 | 24.26% | 0.39% | 24.65% |
| 118TH | 901,796 | 165,951 | 13,892 | 18.40% | 1.54% | 19.94% |
| 149TH STREET | 1,139,574 | 145,839 | 12,522 | 12.80% | 1.10% | 13.90% |
| ELLERSLIE | 774,227 | 62,641 | 8,471 | 8.09% | 1.09% | 9.18% |
| WHYTE | 622,328 | 124,620 | 0 | 20.02% | 0.00% | 20.02% |
| SUBURBAN TOTAL | 10,487,774 | 2,066,457 | 139,158 | 19.70% | 1.33% | 21.03% |
| EDMONTON TOTAL | 28,192,488 | 5,002,319 | 484,009 | 17.74% | 1.72% | 19.46% |
| SHERWOOD PARK | 1,497,243 | 182,553 | 13,371 | 12.19% | 0.89% | 13.09% |
| OVERALL EXISTING TOTAL | 29,689,731 | 5,184,872 | 497,380 | 17.46% | 1.68% | 19.14% |

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**Thinking
strategically.**
**Acting
objectively.**