

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 2023 Edmonton Office Market Report

An Insight into the Edmonton Office Market

cresa



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## McAllister LLP relocating to Energy Square

We are thrilled to announce McAllister LLP has secured its new office, 8,345 square feet in Energy Square, and will soon be vacating its old office in Commerce Place. The freshly renovated building with new amenities should entice the employees to frequent the offices more often."



# Market Overview

## Downtown Core

Q2 finished with a total downtown vacancy of 20.49%, up from 19.60% in Q1. This is broken down into:

### Financial:

- Overall vacancy at 20.14%, up from 19.67%
- 14.05% for Financial AA, up from 12.82%
- 23.42% for Financial A, up from 23.41%
- 22.28% for Financial B, up from 21.92%
- 21.59% for Financial C, up from 20.64%

### Government District:

- Overall vacancy at 21.40%, up from 20.96%
- 25.02% for Government A, up from 22.97%
- 19.43% for Government B, down from 20.26%
- 10.17% for Government C, down from 11.88%

Edmonton's downtown market witnessed the largest increase in vacancy since Q1 2022. The Financial District in particular, had an overall vacancy rate of 20.14%, with percentages for different classes ranging from 14.05% for Financial AA to 21.59% for Financial C. Stantec's sublease in their respective tower is experiencing lease-up progress, which is expected to positively impact other premier buildings such as Manulife Place, and other Class AA towers on both a head lease and sublease basis, including large blocks of

sublease space. However, new projects like the CWB Tower have experienced difficulty in being able to get off the ground due to ongoing construction cost fluctuations.

In the Government District, the overall vacancy rate increased to 21.40% from 20.96%. Notably, under new ownership by Ironwood and Greystone, Energy Square has performed well by renovating the building and offering competitive costs to attract tenants. Peace Hills Trust saw its anchor tenant renew and expand, signifying positive activity in the district. On the other hand, there has been an increase in receivership activity, with Compass Place being the most recent office building to enter receivership.

## Suburban

Q2 finished with a total suburban vacancy of 20.57%, up from 20.33% in Q1. This is broken down into:

- 17.29% for 124th Street, down from 17.81%.
- 23.44% for Southside, up from 22.97%.
- 26.59% for Westend, down from 27.22%.
- 20.63% for Eastgate, up from 19.26%.
- 23.10% for 118th Avenue, down from 23.21%.
- 17.83% for 149th Street, up from 16.44%.
- 4.10% for Ellerslie, up from 3.92%.
- 17.77% Whyte Ave, down from 19.03%.

## Notable Office Transactions

Tenant	Building	Area (sf)	Type
BMO	Enbridge Centre	22,728	Headlease
Mowbrey Gil LLP*	CN Tower	22,163	Renewal
Peace Hills Trust*	Peace Hills Trust Tower	21,162	Renewal & Expansion on Headlease
Colliers	Bell Tower	13,045	Headlease
McAllister LLP*	Energy Square	8,345	Headlease

\* Cresa Alberta Transaction



Edmonton Office  
Supply

28,766,407 sf



Edmonton Overall  
Vacancy

20.52%



Downtown Vacancy

20.49%



Suburban Vacancy

20.57%

The suburban office market also experienced a rise in vacancies, with a total vacancy rate of 20.56%. Different areas within the suburban market saw varying vacancy rates, with fluctuations in percentages compared to the previous quarter. Several notable transactions occurred, including the acquisitions of the Clarke Builders Building and Centre 104 by Group Three, as well as the sale of the AUPE Building to the KTC Tribal Council. Many organizations continue to right-size their operations by returning unneeded space, with Alberta Health Services (AHS) giving back significant square footage at Plaza 124, roughly 78,000 square feet in January of 2024.

West Campus will see North American Construction Group (NACG) leaving the building, vacating nearly

80,000 square feet; half of the square footage was being subleased to Alberta Gaming Liquor and Cannabis (AGLC), which will also be leaving the facility and consolidating operations in St. Albert. NACG returned to their Acheson office years ago and just rode out the lease until the end of the term.

Finning has reduced its operations and is subleasing over 41,000 sf of office space in Westlink Park. And lastly, the Alberta Energy Regulator (AER) has put plans in place to downsize their operations to roughly 30,000 square feet from 80,000 square feet, in the Twin Atria building.

## Closing Thoughts

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As we move into the latter half of the year, the Edmonton Office Market is expected to maintain its current trends. For prospective tenants facing upcoming lease renewals, there exists a promising opportunity to capitalize on a strong Tenant favored office market, granting them considerable leverage in securing favorable lease terms.

However, one pivotal aspect that significantly influences office leasing is the persistent rise in interest rates. This escalating trend bears implications for how improvement allowances are financed. As interest rates climb and construction costs remain high, landlords who find themselves overleveraged or lacking sufficient liquidity may encounter challenges in attracting tenants in an already demanding market.

In response to these circumstances, resourceful landlords must seek innovative means to entice tenants to their properties. This can include offering flexible lease terms, introducing additional amenities, or exploring novel approaches to providing improvement allowances.

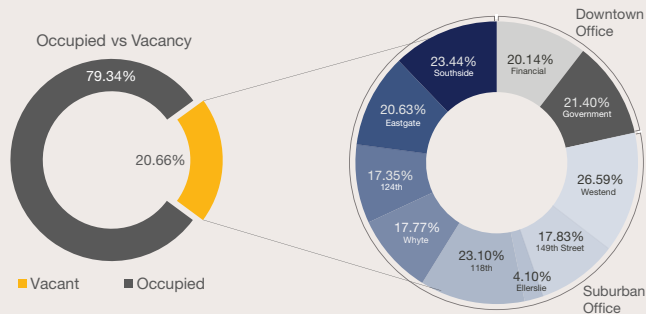
While tenants currently hold the advantage in a high-vacancy market, they should be mindful that landlords may face limitations in their capacity to provide exceedingly favorable tenant terms due to the aforementioned rising interest rates and construction expenses. As such, both tenants and landlords will need to exhibit increased creativity and adaptability in their pursuit of securing new lease agreements. Neglecting to do so might lead to prolonged negotiations, ultimately resulting in deal fatigue and potential deals falling apart.

In navigating the current market conditions, tenants and landlords alike must strategize effectively, taking into consideration the broader economic context. By doing so, they can make the most of the prevailing opportunities while maintaining a professional and mutually beneficial approach to lease negotiations. The road ahead requires diligence, but it also presents prospects for fruitful and enduring partnerships between tenants and landlords.

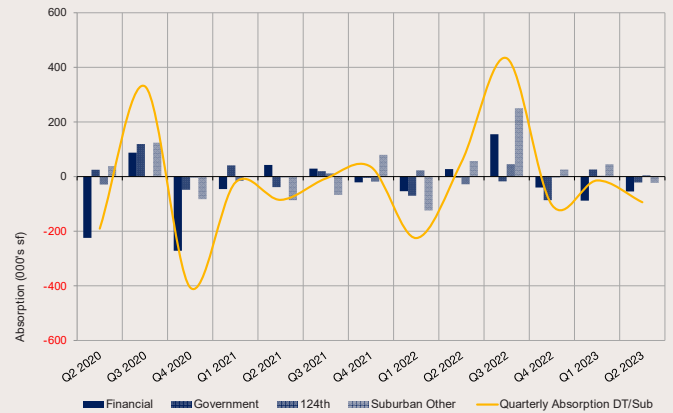


# Market Summary

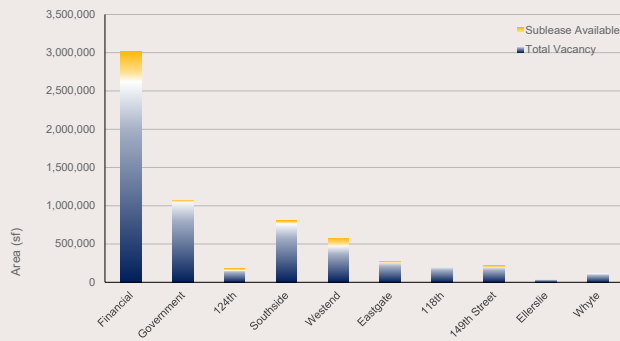
## Current Office Vacancy



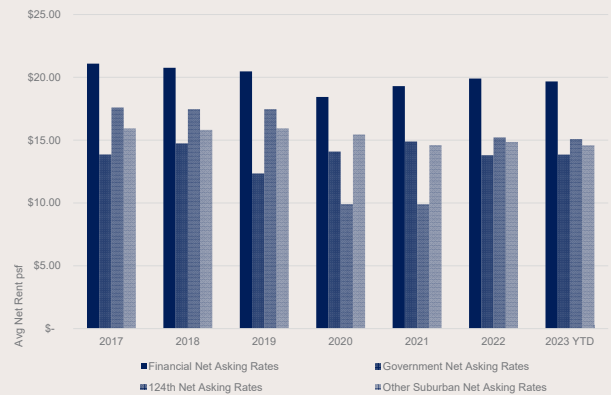
## Historical Office Absorption



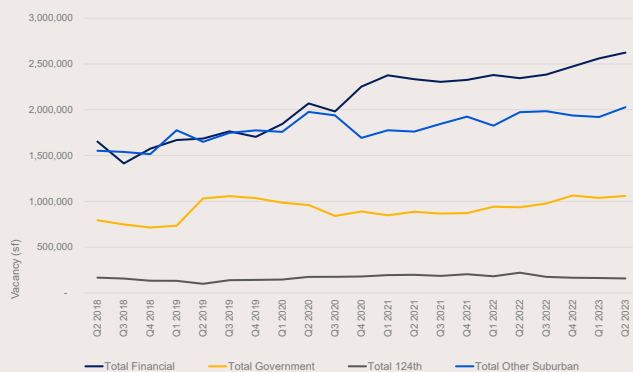
## Sublease Vacancy Index



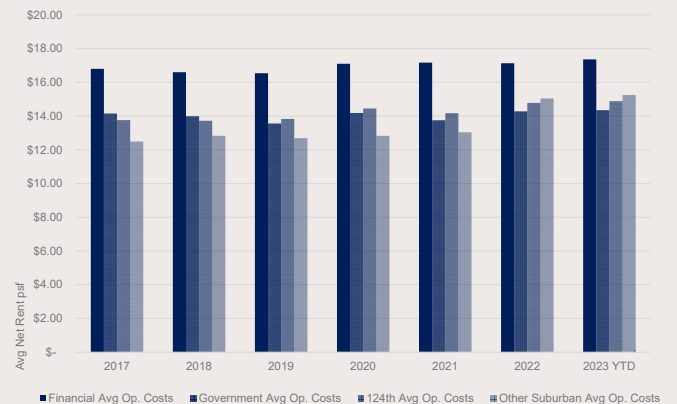
## Average Asking Net Rental Rates



## Comparative Historical Vacancy



## Average Historical Operating Costs





## Q2 2023 Vacancy Summary, Edmonton

SUBMARKET	TOTAL SPACE (sf)	LEASE (sf)	SUBLEASE (sf)	LEASE (%)	SUBLEASE (%)	TOTAL VACANCY
<b>FINANCIAL</b>						
Financial AA	4,264,649	427,219	172,036	10.02%	4.03%	14.05%
Financial A	6,542,751	1,324,935	207,315	20.25%	3.17%	23.42%
Financial B	1,853,560	394,827	18,122	21.30%	0.98%	22.28%
Financial C	366,499	79,141	0	21.59%	0.00%	21.59%
<b>FINANCIAL TOTAL</b>	<b>13,027,459</b>	<b>2,226,122</b>	<b>397,473</b>	<b>17.09%</b>	<b>3.05%</b>	<b>20.14%</b>
<b>GOVERNMENT</b>						
GOVERNMENT A	2,276,308	567,549	2,007	24.93%	0.09%	25.02%
GOVERNMENT B	2,355,266	457,626	0	19.43%	0.00%	19.43%
GOVERNMENT C	321,336	30,812	1,865	9.59%	0.58%	10.17%
<b>GOVERNMENT TOTAL</b>	<b>4,952,910</b>	<b>1,055,987</b>	<b>3,872</b>	<b>21.32%</b>	<b>0.08%</b>	<b>21.40%</b>
<b>DOWNTOWN TOTAL</b>	<b>17,980,369</b>	<b>3,282,109</b>	<b>401,345</b>	<b>18.25%</b>	<b>2.23%</b>	<b>20.49%</b>
<b>SUBURBAN</b>						
124th A	356,555	25,535	0	7.16%	0.00%	7.16%
124th B	444,968	76,395	16,572	17.17%	3.72%	20.89%
124th C	118,005	41,060	0	34.80%	0.00%	34.80%
<b>124th Total</b>	<b>919,528</b>	<b>142,990</b>	<b>16,572</b>	<b>15.55%</b>	<b>1.80%</b>	<b>17.35%</b>
SOUTHSIDE	3,290,067	739,868	31,165	22.49%	0.95%	23.44%
WESTEND	1,790,035	374,542	101,368	20.92%	5.66%	26.59%
EASTGATE	1,270,380	252,640	9,446	19.89%	0.74%	20.63%
118TH	859,144	198,460	0	23.10%	0.00%	23.10%
149TH STREET	1,139,574	190,656	12,522	16.73%	1.10%	17.83%
ELLERSLIE	889,702	36,502	0	4.10%	0.00%	4.10%
WHYTE	627,608	111,523	0	17.77%	0.00%	17.77%
<b>SUBURBAN TOTAL</b>	<b>10,786,038</b>	<b>2,047,181</b>	<b>171,073</b>	<b>18.98%</b>	<b>1.59%</b>	<b>20.57%</b>
<b>EDMONTON TOTAL</b>	<b>28,766,407</b>	<b>5,329,290</b>	<b>572,418</b>	<b>18.53%</b>	<b>1.99%</b>	<b>20.52%</b>
SHERWOOD PARK	1,511,793	337,858	17,124	22.35%	1.13%	23.48%
<b>OVERALL EXISTING TOTAL</b>	<b>30,278,200</b>	<b>5,667,148</b>	<b>589,542</b>	<b>18.72%</b>	<b>1.95%</b>	<b>20.66%</b>



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