

EDMONTON OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Edmonton Employment	788k	786k	▲
Edmonton Unemployment	6.7%	7.4%	■
Canada Unemployment	6.0%	5.7%	■

Source: Statistics Canada

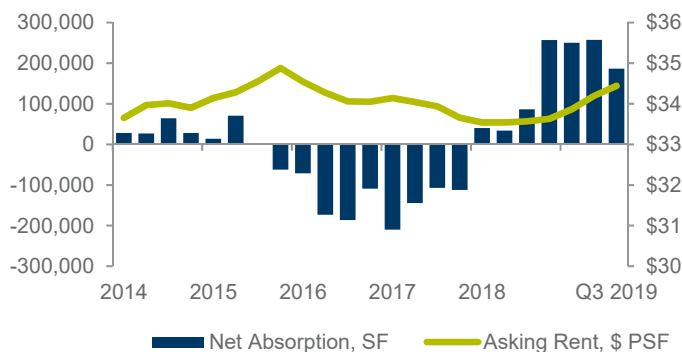
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Overall Vacancy	15.0%	14.3%	■
Net Absorption (sf)	222,050	-98,288	▲
Under Construction (sf)	1,161,874	152,146	▼
Average Asking Rent*	\$32.43	\$34.60	▼

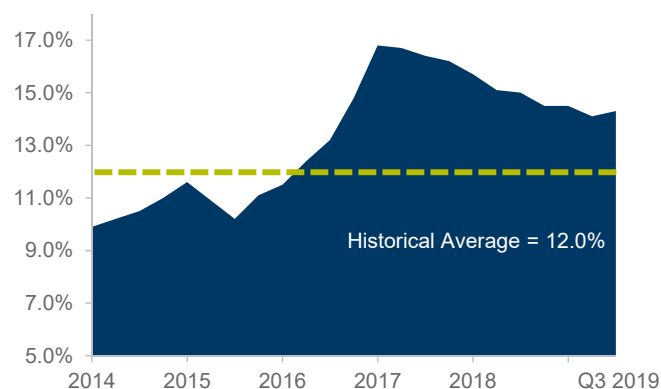
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q3 TRAILING AVERAGE



Overall Vacancy



Economy

The federal election, coupled with trade tensions observed across the global economy, had the country seeing slower growth during the second half of 2019. Uncertainty continues to drive concerns over investment and stall prospects for economic growth. Edmonton's unemployment rate remains in the 7.0% to 7.5% range as more people join the working-age population. Gains in trade and manufacturing were observed across the city, but significant reductions in the accommodation and food services, educational services, and energy sectors have led to the city's unemployment rate of 7.4% in August 2019. Overall, non-residential building permits in Edmonton declined in August by 17% year-over-year and by 8% month-over-month. With the anticipated announcement of the oil-by-rail deal, Western Canadian Select (WCS) weakened for November delivery, trading at \$16.00 per barrel below WTI. Rail shipments are expected to drive up the price of Alberta oil by reducing the looming supply glut.

Sources: City of Edmonton, Finance Ministry of Alberta, The Conference Board of Canada

Market Overview

Overall office vacancy stabilized at 14.3% in the third quarter of 2019. Although the downtown Edmonton office market has seen a continuous increase in available space, it has been offset by healthy leasing activity in the Suburban markets. Downtown vacancy saw an increase of 80 basis points (bps) quarter-over-quarter primarily driven by large sublease spaces and few expiring leases in Class AA and Class A space coming to the market. Suburban vacancy continues to show strong leasing activity as vacancy declined by 80 bps quarter-over-quarter as quality space and lower gross asking rates compared to downtown attract tenants looking for affordable options. However, Eastgate continues to see high vacancy due to its outdated inventory and its distant location from the rest of the city's businesses. Tech companies have continued to show interest in downtown Edmonton over the past few years due to its state-of-the-art facilities, proximity to public transportation, and new residential and commercial developments servicing the area. These amenities attract tenants like BioWare, an Edmonton-based videogame developer, which has finally relocated after their announcement back in 2017 to a 75,000-square-foot space in downtown's Epcor Tower from the suburban market.

Outlook

Several blocks of space are expected to come to the market next quarter, driven by few expiring leases across the market. Overall vacancy is expected to stabilize as available space in the suburban market contracts and will offset increasing vacancy in the downtown submarket. Although new office developments are expected to arrive on the market in the fourth quarter of 2019, these projects have a small building footprint, indicating the soft demand for more office space. Office construction is anticipated to remain low; however, more landlords are reinvesting significant resources to improve their products and some developers are looking to repurpose office buildings into residential spaces. Average asking rents will fall as the market adjusts to downtown's vacancy increase.

MARKETBEAT

Edmonton, AB

Office Q3 2019


**CUSHMAN &
WAKEFIELD**
Edmonton

SUBMARKET	TOTAL BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Financial Core	51	11,498,652	327,005	1,562,325	16.4%	-142,962	-331,350	36,360	\$37.05	\$37.04
Government	34	5,860,152	0	209,267	3.6%	1,269	-28,774	0	\$31.31	\$32.44
Central Totals	85	17,358,804	327,005	1,771,592	12.1%	-141,693	-360,124	36,360	\$38.17	\$38.17
124 th Street	22	1,538,035	173,520	233,319	26.5%	1,425	29,504	0	\$32.57	\$35.93
149 th Street	25	1,224,716	0	210,190	17.2%	16,342	-9,548	0	\$27.20	\$30.29
West End	36	1,930,393	2,167	221,017	11.6%	8,554	-20,714	0	\$26.56	\$35.19
Kingsway	16	798,160	0	117,656	14.7%	1,174	18,761	0	\$33.57	\$38.56
Whyte Avenue	13	528,100	0	81,430	15.4%	25,098	38,057	0	\$36.45	\$39.83
Southside	64	3,353,215	26,854	492,717	15.5%	-3,811	152,724	60,886	\$32.00	\$34.49
Summerside	22	944,045	3,546	69,813	7.8%	-1,006	109,223	0	\$34.04	\$34.04
Eastgate	16	1,331,618	0	411,615	30.9%	-4,371	-3,090	54,900	\$26.65	\$32.01
Suburban Totals	214	11,648,282	206,087	1,837,757	17.5%	43,405	314,917	115,786	\$30.11	\$34.54
EDMONTON TOTALS	299	29,007,086	533,092	3,609,349	14.3%	-98,288	-45,207	152,146	\$34.60	\$39.53

*Asking rent reflects gross asking \$psf/year

SUMMARY BY CLASS	TOTAL BUILDINGS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT*
Class AA	7	4,107,048	93,875	351,075	10.8%	-110,898	-124,408	0	0	\$45.54
Class A	113	14,137,727	418,174	1,782,305	15.6%	46,599	138,340	152,146	53,450	\$36.15
Class B	136	8,910,941	17,805	1,284,475	14.6%	-52,504	-54,918	0	0	\$28.12
Class C	43	1,851,370	3,238	191,494	10.5%	18,515	-4,221	0	0	\$23.21

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Landmark Business Centre	24,000	Champion Pet Foods	Lease	Suburban - Summerside
SCM Building	14,512	Undisclosed	Lease	Suburban - Southside
MNP Tower	14,425	Aecom	Lease	Downtown – Financial
Canadian Western Bank	13,508	Rogers Media	Lease	Downtown – Financial
Plaza 82	11,100	Beamdog	Lease	Suburban – Whyte Avenue

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
11713 82 Street	22,741	1436975 Alberta Ltd / Edmonton Mennonite Centre For Newcomers	\$5,500,000 / \$241	Suburban - Kingsway
11230 110 Street	24,150	Katz Kingsway Corp. / 2206298 Alberta Ltd.	\$5,300,000 / \$219	Suburban - Kingsway
9505 163 Street	5,713	1605183 Alberta Ltd / 2196365 Alberta	\$1,535,000 / \$268	Suburban – 149 th Street
12115 107 Avenue	3,549	Dung Bich Chung / 2165157 Alberta Ltd	\$1,280,000 / \$360	Suburban - Kingsway

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