



Office Q3 2020

**17.8%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**-333,842**

Net Absorption, SF



**\$33.99**

Gross Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

**720.6K**

Edmonton Employment

YoY Chg



12-Mo. Forecast



**12.6%**

Edmonton Unemployment Rate



**9.0%**

Canada Unemployment Rate



Source: Statistics Canada

## ECONOMY

Over the July-September period, employment in Edmonton (CMA) rose by 53,200 positions, and the unemployment rate has dropped by a full percentage point to 12.6% in September. However, as employment starts to show some signs of recovery, the city's employment growth is still far from its 2019 levels, when the unemployment rate was 5.3% lower than today, translating to 62,500 more positions at the time. Edmonton's year-to-date non-residential construction permits declined by 9.0% year-over-year (YoY) with industrial permits decreasing by 10.3% and commercial permits decreasing by 5.9%.

Upon the arrival of COVID-19 in Canada, the economy entered a recession in the first quarter of 2020. Although mounting evidence indicates that the recovery has begun; however, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent information specific to COVID [here](#).

## DEMAND

Overall office vacancy in Edmonton increased by 350 basis points (bps) from the same period last year to reach 17.8%; driven by a decline in demand, expiring head leases across the city, and an increase of sublease space in the suburban market. The percentage of space available for sublease contracted by 100 bps quarter-over-quarter (QoQ) in downtown while in the suburban market this percentage increased by 530 bps QoQ. The majority of the new vacancy on the market is a result of small to mid-size businesses choosing to either reduce their building footprint and adapt to remote working, or turn over their office space completely. As a result, overall vacancy rates increased QoQ in downtown and suburban markets by 60 bps and 140 bps respectively. Asking rents have continued to decline as select buildings registered below-market rents to attract new tenants and compete with the market. The Class B segment had the most significant decline in gross asking rents by 1.3%, while overall rent marginally decreased by 0.4% QoQ.

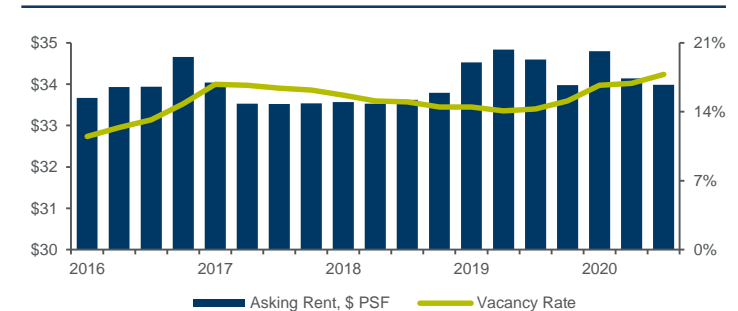
## OUTLOOK

The Edmonton market has added over 1-million square feet of vacant space YoY, with 72.4% located in downtown, while the Class B segment accounted for 46.5% of the new vacancy. With vacancy rates expected to continue to rise, coupled with a continuing trend of negative absorption, it is unlikely new speculative office building construction will commence in the short term. However, repurposed office spaces may become more common. Rents are expected to drop as the market adjusts to changing market conditions.

## 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	54	12,712,753	345,832	1,798,886	16.9%	-96,019	-172,956	0	\$37.57	\$37.90
Government	36	5,267,537	10,337	717,315	13.8%	-38,615	-200,123	0	\$31.68	\$32.78
<b>CENTRAL TOTALS</b>	<b>90</b>	<b>17,980,290</b>	<b>356,169</b>	<b>2,516,201</b>	<b>16.0%</b>	<b>-134,634</b>	<b>-373,079</b>	<b>0</b>	<b>\$37.03</b>	<b>\$36.29</b>
124 <sup>TH</sup> Street	18	952,909	14,687	173,133	19.7%	-16,582	-41,902	0	\$29.69	\$34.33
149 <sup>H</sup> Street	26	1,257,029	0	205,195	16.3%	2,464	18,216	0	\$27.12	\$30.44
West End	36	1,931,773	5,160	269,550	14.2%	-219	-23,797	120,000	\$26.46	\$34.09
Kingsway	17	822,310	12,768	143,427	19.0%	-10,739	-28,241	0	\$30.93	\$36.15
Whyte Avenue	13	538,121	13,616	93,471	19.9%	-7,364	-6,409	0	\$34.98	\$41.70
Southside	59	3,130,008	164,902	590,592	24.1%	-123,041	-197,963	0	\$30.36	\$32.64
Summerside	22	944,045	54,257	65,018	12.6%	-37,436	-41,068	0	\$33.94	\$33.94
Eastgate	17	1,423,618	5,000	479,709	33.7%	-113	2,353	0	\$26.12	\$30.16
Windermere/Ambleside	10	296,108	0	53,384	18.0%	-6,178	-6,178	0	\$40.39	\$40.39
<b>SUBURBAN TOTALS</b>	<b>218</b>	<b>11,296,921</b>	<b>270,390</b>	<b>2,068,479</b>	<b>20.7%</b>	<b>-199,208</b>	<b>-324,372</b>	<b>120,000</b>	<b>\$29.54</b>	<b>\$33.83</b>
<b>EDMONTON TOTALS</b>	<b>308</b>	<b>29,277,211</b>	<b>626,559</b>	<b>4,584,680</b>	<b>17.8%</b>	<b>-333,842</b>	<b>-697,451</b>	<b>120,000</b>	<b>\$33.99</b>	<b>\$35.38</b>

\*Rental rates reflect 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	4,377,804	137,205	412,105	12.5%	-6,428	2,415	0	0	\$51.16
Class A	117	13,871,457	416,803	2,169,290	18.6%	-206,131	-431,477	120,000	34,600	\$35.38
Class B	141	9,198,591	57,525	1,741,489	19.6%	-110,727	-205,563	0	36,360	\$27.63
Class C	42	1,829,359	15,026	261,796	15.1%	-10,556	-62,826	0	0	\$24.05

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

**KEY LEASE TRANSACTIONS Q3 2020**

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Limelight Building	Suburban – 124 Street	Output	12,890	Direct
103 Street Center	Downtown – Financial	WeKnow Training	11,022	Sublease

**KEY SALES TRANSACTIONS Q3 2020**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
10123 99 St	Downtown – Financial	Sun Life Assurance Company of Canada / SCREO II 99 Street Inc	288,005	\$32.5M / \$113
14220 112 Ave	Suburban – 149 Street	Edmonton Real Estate Board Co-Operative Listing Bureau Limited / The Edmonton Police Association	25,225	\$4.0M / \$159
7210 144 Ave	Suburban – Northeast	Kartar Properties Inc / Bidaya Corporation	12,211	\$3.9M / \$320

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