



Office Q2 2021

19.5%
Vacancy Rate



-150,632
Net Absorption, SF



\$33.74
Gross Asking Rent, PSF



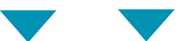
(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

757.5K
Edmonton Employment



9.7%
Edmonton Unemployment Rate



7.8%
Canada Unemployment Rate



Source: Statistics Canada

ECONOMY

As Alberta's economy is anticipated to see more favorable economic conditions as oil prices begin to rise, vaccination rates continue to increase, and almost all restrictions in Alberta have been lifted, investor sentiment and business optimism in the Albertan markets will start to see improvement in the medium term. However, there will continue to be occasional hiccups from the pandemic, and growth is not expected to return to its pre-pandemic levels until 2022/23. Unemployment in the Edmonton region has dropped year-over-year by 610 basis points (bps) to 9.7% in June 2021. This decrease can be attributed to the city reopening and improving employment in some sectors that were hit hard by the pandemic like accommodation and food services, and business, building and other support services. Residential new construction spending in May 2021 increased by 14.9% compared to the same period last year, while non-residential new construction spending slightly declined by 0.6%.

DEMAND

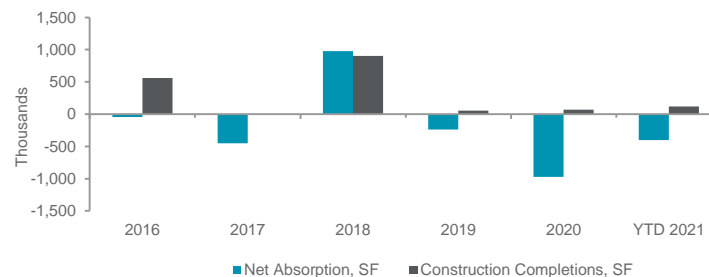
Overall vacancy remained stable quarter-over-quarter at 19.5% as vacancy in Edmonton's downtown market slightly decreased by 20 basis-points (bps) while vacancy in the suburban market increased by 40 bps quarter-over-quarter. This suggests a demand for office space in the downtown market where average net asking rents have fallen by 12.5% since the second quarter of 2019. However, an influx of vacant space across the market drove absorption downwards to negative 150,632 square feet (sf) in the second quarter of 2021. Negative absorption was primarily located in Class B, totaling negative 111k sf, while Class A/AA recorded negative absorption of 42k sf. The overall average net asking rent has decreased by 6.5% since the second quarter of 2019.

Many companies have started to prepare for their return to the office as almost all restrictions have been lifted in the province - including the work-from-home mandate. While certain groups have opted to reduce their footprint in favor of working from home or adopting hybrid work for the foreseeable future, some companies are looking to secure space to accommodate their employees that are back in the office. Class A/AA performed well this quarter as vacancy decreased by 50 bps, while Class B increased by 110 bps. This flight-to-quality trend is reflecting both increasing competition among landlords in a tenant-favoured market and is driving demand for new space.

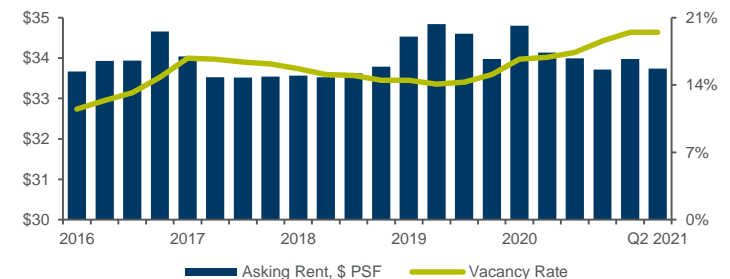
OUTLOOK

Leasing activity is anticipated to start to accelerate in the next few quarters as the Edmonton economy slowly rebounds. Vacancy will likely stabilize, if not slightly decrease, while rents are expected to hold steady until the pool of available office space contracts further. While the trend of negative absorption continued this quarter, the remainder of 2021 and much of 2022 are expected to be mostly stable.

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	12,778,520	412,239	2,005,243	18.9%	-34,595	-157,301	0	\$37.66	\$37.40
Government	36	5,267,537	14,263	615,986	12.0%	-8,863	-14,641	0	\$31.14	\$31.95
CENTRAL TOTALS	90	18,046,057	426,502	2,621,229	16.9%	-43,458	-171,942	0	\$37.11	\$35.82
124 th Street	18	952,909	14,687	206,328	23.2%	-24,590	-31,024	0	\$28.86	\$32.80
149 th Street	26	1,257,029	0	204,486	16.3%	-2,467	-8,367	0	\$27.53	\$30.29
West End	37	2,054,428	65,021	334,934	19.5%	9,908	-8,965	0	\$25.85	\$34.09
Kingsway	17	822,310	0	212,583	25.9%	-4,665	-28,490	0	\$32.24	\$37.76
Whyte Avenue	13	538,121	5,411	136,962	26.5%	-3,354	-35,254	0	\$37.57	\$41.51
Southside	59	3,127,637	137,158	698,633	26.7%	-69,817	-52,752	0	\$30.05	\$32.43
Summerside	22	944,045	50,000	70,214	12.8%	-13,401	-37,693	0	\$33.73	\$33.73
Eastgate	17	1,423,618	5,000	529,196	37.5%	-6,805	-39,113	0	\$26.38	\$26.38
Windermere/Ambleside	12	311,383	0	41,717	13.4%	8,017	11,831	0	\$39.95	\$39.95
SUBURBAN TOTALS	221	11,427,480	277,277	2,435,053	23.7%	-107,174	-229,827	0	\$29.22	\$33.58
EDMONTON TOTALS	311	29,473,537	703,779	5,056,282	19.5%	-150,632	-401,769	0	\$33.74	\$34.83

*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 CNSTR (SF)	YTD CONSTRUCTION COMPLETIONS (SF)	OVERALL AVG ASKING RENT*
Class AA	8	4,377,804	257,522	475,197	16.7%	-11,239	-61,178	0	0	\$50.10
Class A	120	14,002,732	320,028	2,451,604	19.8%	-31,077	-114,862	0	120,000	\$34.83
Class B	141	9,263,642	111,203	1,855,499	21.2%	-110,926	-226,022	0	0	\$27.39
Class C	42	1,829,359	15,026	273,982	15.8%	2,610	293	0	0	\$23.39

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

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
103 Street Centre	Downtown – Financial	Invistec Consulting	11,019	Sublease
Dell EMC2 Building	Suburban – Southside	HCL	7,564	Sublease
Prospect Place West Building	Suburban – Eastgate	Silvacom	7,000	Headlease
103 Street Centre	Downtown – Financial	Farrow	5,150	Headlease
103 Street Centre	Downtown – Financial	Design Works	4,472	Headlease

*Not included in statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
50 th Street Atria	Suburban – Eastgate	892516 Alberta Ltd. / Edmonton Catholic Separate School Division	164,883	\$9.8M / \$59
10507 Saskatchewan Drive	Suburban – Whyte Avenue	Alberta Urban Municipalities Association / MPRE GP Dev. Inc.	10,450	\$3.2M / \$302
15035 121A Avenue		General Teamsters Local Union No. 362 Real Estate Group / Imperial Equities Inc.	3,825	\$900 / \$235

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