

EDMONTON OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Edmonton Employment	845k	798k	▼
Edmonton Unemployment	6.8%	7.0%	▲
Canada Unemployment	5.8%	5.8%	■

Source: Statistics Canada

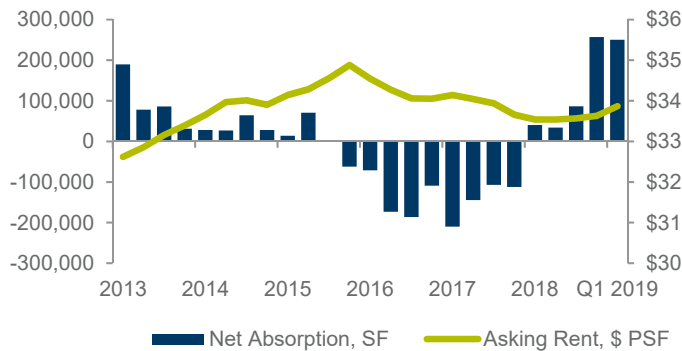
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Overall Vacancy	15.7%	14.5%	▼
Net Absorption (sf)	52,394	25,574	▼
Under Construction (sf)	1,287,764	223,957	▼
Average Asking Rent*	\$33.57	\$34.53	▲

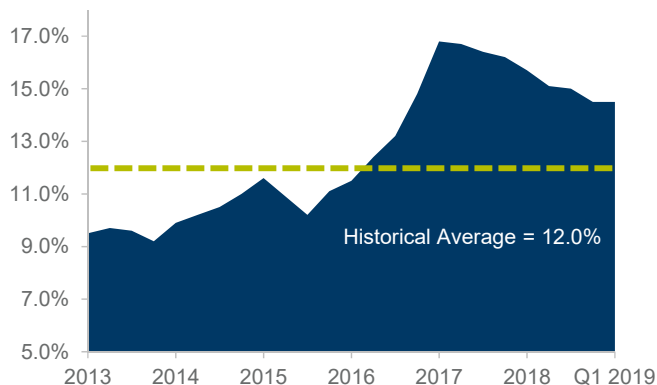
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q1 TRAILING AVERAGE



Overall Vacancy



Economy

The slowing economic activity in Alberta first seen in year-end 2018 has continued into the first quarter of 2019. Falling oil prices over the first three months of the year, currently averaging around \$51 CAD a barrel, and weaker energy investment, are indications that Alberta's economic recovery is expected to trend lower in 2019 compared to 2018, with GDP growth projected at below 2.0%. The unemployment rate has begun to reflect this softening outlook, as Edmonton's first quarter 2019 unemployment rate increased to 7.0% after a continuous quarter-over-quarter decline in 2018. Edmonton lost 3,900 positions between January and March, with loss concentrated in part-time positions occurring in the financial services, manufacturing, logistics, construction, and professional services sectors. Alberta's non-residential construction activity remained weak with total permits down by 0.2% year-over-year.

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

Market Overview

Although 2019 got off to a slow start, Edmonton's office market remained resilient as vacancy stabilized and absorption remained positive. Overall average asking rates slightly increased from last quarter, primarily due to newer office product seeing increased activity, as well as from rising property taxes. Overall vacancy was unchanged from last quarter, remaining at 14.5%, and has declined by 120 basis points year-over-year. Downtown Edmonton vacancy saw an increase of 110 basis points from last quarter; however, it is still lower compared to the first quarter of 2018. The climb in vacancy this quarter was driven by expiring leases, particularly in Class A buildings, and as a result, several blocks of space became available in the downtown core.

Overall Suburban vacancy in the first quarter of 2019 was 110 basis points higher year-over-year; however the upward trend in vacancy that was seen in the Suburban market over the course of 2018 shifted course in the first quarter of 2019. Vacancy declined to 19.3%, driven by leasing activity in several Class A and a few Class B spaces, most notably in Southside market where Clark Builders leased 40,000 square feet (sf) in Weber Centre and Wawanesa Insurance leased 63,000 sf in Commerce South Office Park. Space that is available for sublease has increased by 6.5% year-over-year, with a 2.2% increase from last quarter. This was primarily driven by additional sublet space becoming available in Class A product in the Suburban market.

Outlook

The Edmonton office market has a variety of options for tenants looking to lease or expand in 2019, within both existing product and anticipated construction completions. Absorption should strengthen in the coming months as several competitive Class A options with improved amenities in the financial core become available, thus accommodating the demand by tenants for newer office space. Vacancy in the Suburban market will likely continue to shrink due to the decent quality of the space and low gross asking rates.

MARKETBEAT

Edmonton, AB

Office Q1 2019



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	228,582	1,507,441	15.1%	-178,043	-178,043	25,620	\$37.99	\$39.43
Government	34	5,860,152	0	215,861	3.7%	-26,091	-26,091	0	\$31.20	\$32.19
Central Totals	85	17,358,804	228,582	1,723,302	11.2%	-204,134	-204,134	25,620	\$39.01	\$37.37
124 th Street	22	1,538,035	329,104	205,397	34.8%	22,453	22,453	17,000	\$33.21	\$35.95
149 th Street	25	1,186,266	3,482	214,167	18.3%	-28,007	-28,007	75,000	\$26.91	\$30.59
West End	36	1,930,393	2,167	208,400	10.9%	-4,406	-4,406	0	\$27.63	\$34.79
Kingsway	15	757,052	0	125,439	16.6%	10,978	10,978	0	\$33.31	\$38.56
Whyte Avenue	13	528,100	0	103,171	19.5%	16,316	16,316	0	\$35.54	\$40.62
Southside	63	3,311,309	36,135	487,342	15.8%	148,818	148,818	0	\$31.98	\$33.16
Summerside	22	944,045	0	156,971	16.6%	25,611	25,611	51,437	\$31.57	\$31.57
Eastgate	16	1,331,618	87,904	263,285	26.4%	37,945	37,945	54,900	\$23.54	\$32.01
Suburban Totals	212	11,526,818	458,792	1,764,172	19.3%	229,708	229,708	198,337	\$29.83	\$33.57
EDMONTON TOTALS	297	28,885,622	687,374	3,487,474	14.5%	25,574	25,574	223,957	\$34.53	\$35.99

*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	23,213	325,615	8.5%	-28,286	-28,286	0	0	\$44.66
Class A	111	14,103,371	631,582	1,759,264	17.0%	77,861	77,861	223,957	223,957	\$35.99
Class B	137	8,925,941	28,171	1,216,819	13.9%	-12,937	-12,937	0	0	\$28.17
Class C	42	1,810,262	4,408	185,776	10.5%	-11,064	-11,064	0	0	\$24.47

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Commerce South Office Park	63,000	Wawanesa Insurance	Lease	Suburban – Southside
Weber Centre	40,000	Clark Builders	Renewal - Expansion	Suburban – Southside
Forbes Place	20,000	Forbes Bros.	Lease	Suburban – Summerside
Scotia Place	11,606	Investor's Group	Lease	Downtown – Financial

Cushman & Wakefield
Edmonton
Suite 2700 TD Tower
10088 – 102 Avenue
Edmonton, AB, T5J 2Z1
www.cwedm.com

For more information, contact:
Office Team
Tel: +1 780 420 1177
Fax: +1 780 424 9780
Office@cwedm.com

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