

EDMONTON OFFICE

Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Edmonton Employment	818k	845k	▲
Edmonton Unemployment	8.3%	6.8%	▼
Canada Unemployment	6.7%	5.8%	▼

Source: Statistics Canada

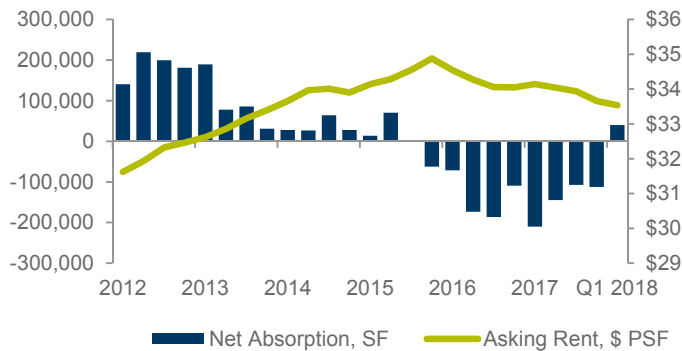
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	16.8%	15.7%	▼
Net Absorption (sf)	-557,183	52,394	▲
Under Construction (sf)	1,239,444	1,287,764	▼
Average Asking Rent*	\$34.04	\$33.57	▲

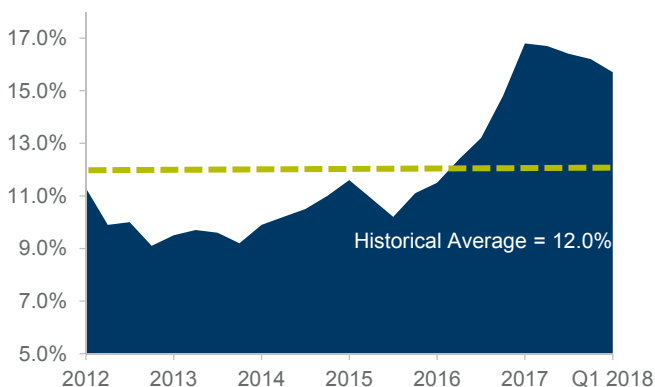
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q1 TRAILING AVERAGE



Overall Vacancy



Economy

Alberta's economic recovery was strong in 2017 but growth is expected to moderate through 2018 with the economy projected to expand by 2.7% - the high end of forecasted growth for Canada's provinces. Oil prices have remained turbulent but seem to have settled above \$60 per barrel, which has improved both investor sentiment and business optimism in the Albertan markets. Unemployment has continued to fall in Edmonton, with the unemployment rate recently dipping to 6.8%, and wages have seen increases year-over-year. The ongoing trade disputes will be a key concern for Alberta's economy in the coming year, as is the drop in non-residential construction taking place in the province.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

This year began on a positive note for Edmonton's office market as vacancy declined, absorption levels increased, and asking rates remained largely stable over the first quarter of the year. Overall vacancy dropped 50 basis points to 15.7%; trimmed by 52,394 square feet (sf) of absorption and the conversion of several largely vacant office properties to multifamily use. The Downtown area has performed particularly well with vacancy in the Financial Core falling below 20% to 19.8%. Double AA office space was in demand with 92,792 sf absorbed as a flight to quality among Edmonton-based tenants continued. Available sublease space declined by over 130,000 sf with most of the absorption located in Edmonton's suburban markets. Overall sublease space now makes up only 10% of available office space in the city - a 250 basis point reduction from the fourth quarter of 2017. Average city-wide gross rents rose 3 cents quarter-over-quarter, continuing a three quarter trend. Edmonton's suburban markets had a slightly tougher quarter as a large quantity of Class B and C space entered the market that was only partially offset by absorption in Class A buildings.

Outlook

Vacancy is expected to continue to decline in the second quarter of 2018 before increasing in the third quarter as a result of the completion of the Stantec Tower and several other projects that are due to arrive to the market in the latter months of 2018. Rents are anticipated to remain fairly stable until the pool of available office space contracts further. With over three million square feet of Class A or AA space and rental rates remaining competitive, expect to see demand for well-placed and newly updated properties to remain strong. Construction of new office properties is expected to slow in the coming years as part of an overall contraction in non-residential construction following Alberta's downturn.

MARKETBEAT

Edmonton, AB

Office Q1 2018



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	52	11,107,448	376,452	1,822,674	19.8%	79,208	79,208	691,870	\$39.92	\$42.67
Government	35	6,020,105	999	210,736	3.5%	53,357	53,357	0	\$30.07	\$33.27
Central Totals	87	17,127,553	377,451	2,033,410	14.1%	132,565	132,565	691,870	\$37.66	\$41.88
124 th Street	21	1,491,088	9,006	302,105	20.9%	-20,451	-20,451	63,000	\$29.78	\$30.69
149 th Street	25	1,170,904	30,115	260,018	24.8%	-23,364	-23,364	75,000	\$24.53	\$27.71
West End	35	1,883,101	2,167	204,785	11.0%	-1,055	-1,055	0	\$27.12	\$32.60
Kingsway	15	755,168	0	104,478	13.8%	-24,360	-24,360	23,264	\$29.68	\$37.29
Whyte Avenue	12	507,400	0	63,956	12.6%	-4,958	-4,958	88,100	\$32.17	\$35.98
Southside	59	3,235,268	26,927	544,056	17.6%	19,403	19,403	47,193	\$30.50	\$32.90
Summerside	17	824,182	0	126,030	15.3%	16,014	16,014	244,437	\$32.10	\$32.10
Eastgate	16	1,409,800	0	380,870	27.0%	-41,400	-41,400	54,900	\$26.45	\$31.08
Suburban Totals	200	11,276,911	68,215	1,986,298	18.2%	-80,171	-80,171	595,894	\$28.91	\$31.61
EDMONTON TOTALS	289	28,404,464	445,666	4,019,708	15.7%	52,394	52,394	1,287,764	\$33.57	\$37.62

*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	6	3,490,798	32,733	344,652	10.8%	92,792	92,792	616,250	0	\$46.73
Class A	101	13,950,473	408,504	2,241,394	19.0%	32,318	32,318	671,514	48,000	\$37.51
Class B	136	9,079,559	4,429	1,247,751	13.8%	-38,966	-38,966	0	0	\$27.98
Class C	44	1,883,634	0	185,911	9.9%	-33,750	-33,750	0	0	\$24.97

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
TD Tower	80,000	City of Edmonton	Lease	Downtown - Financial
Centre Point Place	18,745	Firma Foreign Exchange	Renewal	Downtown - Financial
Parkwest	11,117	Lehigh Hanson	Renewal	Suburban – West End
Royal Bank Building	7,900	Workun Garrick	Renewal	Downtown – Financial

Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
11120 178 th Street	53,000	Morgex Building Nominee Company / College And Association of Registered Nurses of Alberta	\$8,135,000 / \$153	Suburban – West End
10703 109 th Street	18,199	743608 Alberta Ltd. / Crossroads Capital Corporation	\$2,550,000 / \$140	Downtown - Government
10145 81 st Avenue	10,606	1072546 Alberta Ltd. / Property @ 81 GP Inc.	\$2,535,000 / \$239	Suburban – Whyte Avenue

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

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.