

EDMONTON OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Edmonton Employment	763k	767k	▲
Edmonton Unemployment	7.0%	6.5%	▼
Canada Unemployment	6.9%	5.8%	■

Source: Statistics Canada

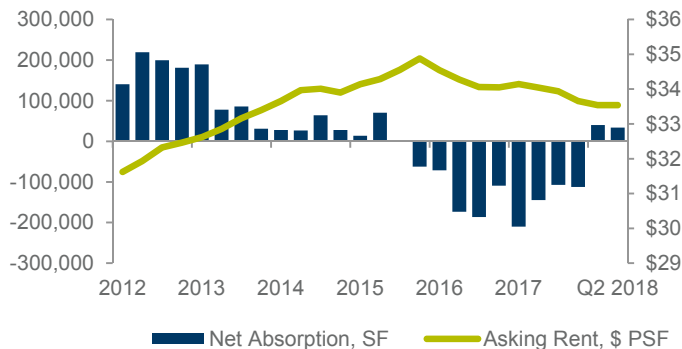
Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Overall Vacancy	16.8%	15.1%	▼
Net Absorption (sf)	-557,183	-1,463	▲
Under Construction (sf)	1,239,444	1,287,764	▼
Average Asking Rent*	\$34.04	\$33.53	▲

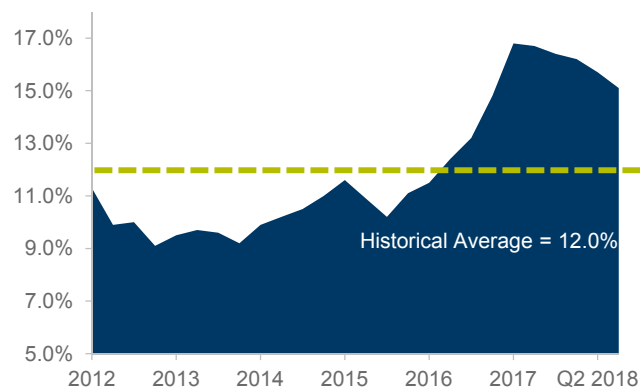
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q1 TRAILING AVERAGE



Overall Vacancy



Economy

Alberta in general and Edmonton in particular continue to show growth into the second quarter of 2018. Long term growth is expected to Unemployment in Edmonton has dropped another 0.3% to 6.5%, surprisingly high housing starts throughout the province, wages continue to improve for Albertan workers and oil prices remain well above \$60 a barrel. Non-residential construction has struggled to see growth so far this year as a variety of major projects throughout the city come to their conclusion. Ongoing trade disputes, concerns regarding pipeline construction, and the potential for volatility in oil prices remain key concerns for industry across the province.

Source: City of Edmonton, Finance Ministry of Alberta

Market Overview

Vacancy continued to decline through the second quarter to 15.1% largely driven by the conversion of office space into other uses, most notably the Enbridge Tower conversion into a hotel. Absorption of office space was otherwise largely flat, with -1,463 square feet (sf) of absorption. The second quarter of 2018 saw negative overall absorption due to a significant amount of sublease space that became available, including Stantec's existing space in the 124th Street market. Largely offsetting this new space was a significant amount of leasing occurring downtown, including the 85,000 sf lease by the City of Edmonton in TD Tower. Due to both conversions and stronger leasing activity, vacancy in the downtown core has dropped significantly to 16.4%. 14.9% of all the space available in the city is for sublease. Class A space was most notably negatively impacted by the additional subleases on the market, while lower class space saw positive absorption throughout the city this quarter. Rents have correspondingly decreased in the suburban markets due to increased vacancy and have begun to increase in the downtown core as vacancy begins to constrict.

Outlook

Vacancy in Edmonton is expected to continue dropping as further space is converted or becomes unavailable due to planned renovations. Absorption is anticipated to rise for the rest of 2018 as leasing activity remains brisk and few large areas of space are expected to become available. Office properties under construction are entering the market largely pre-leased, which will help reduce vacancy rates further. We expect a drop in the amount of office space under construction in the coming year. Rents are anticipated to begin rising in the coming months, reflecting an overall healthier office market.

MARKETBEAT

Edmonton, AB

Office Q2 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	51	10,903,568	271,124	1,547,466	16.7%	176,656	255,864	691,870	\$40.00	\$42.71
Government	35	6,020,105	999	223,331	3.7%	-12,595	40,762	0	\$30.14	\$33.55
Central Totals	86	16,923,673	272,123	1,770,797	12.1%	164,061	296,626	691,870	\$37.69	\$41.88
124 th Street	21	1,491,088	328,368	223,878	37.0%	-241,135	-261,586	63,000	\$29.40	\$30.08
149 th Street	25	1,170,904	3,482	192,087	16.7%	94,564	71,200	75,000	\$26.15	\$29.27
West End	35	1,930,274	2,167	187,878	9.8%	16,907	15,852	0	\$27.33	\$32.90
Kingsway	15	798,160	0	109,433	13.7%	-4,995	-29,315	23,264	\$29.38	\$37.33
Whyte Avenue	12	507,400	0	109,804	21.6%	-45,848	-50,806	88,100	\$32.63	\$35.98
Southside	59	3,235,268	28,814	528,618	17.2%	13,551	32,954	47,193	\$30.88	\$32.46
Summerside	17	827,395	0	120,271	14.5%	5,759	21,773	244,437	\$31.37	\$31.37
Eastgate	16	1,409,800	0	385,237	27.3%	-4,367	-45,767	54,900	\$26.02	\$31.04
Suburban Totals	200	11,370,289	362,831	1,857,206	19.5%	-165,524	-245,695	595,894	\$28.81	\$31.61
EDMONTON TOTALS	288	28,293,962	634,954	3,628,003	15.1%	-1,463	50,931	1,287,764	\$33.53	\$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	27,030	338,598	10.5%	11,757	104,549	616,250	0	\$46.73
Class A	100	13,752,794	593,845	1,927,386	18.3%	-75,213	-42,895	671,514	48,000	\$37.51
Class B	136	9,166,736	14,079	1,185,271	13.1%	52,830	13,864	0	0	\$27.98
Class C	44	1,883,634	0	176,748	9.4%	9,163	-24,587	0	0	\$24.97

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Alberta Park	26,274	Undisclosed	Lease	Suburban – West End
Scotia Place	15,135	Weir Bowen LLP	Lease	Downtown - Financial
Royal Bank Building	7,918	Workun Garrick Partnership Architecture and Interior Design Inc.	Lease	Downtown - Financial
Cecil Place	3,520	Yardstick Software Inc.	Lease	Downtown – Financial

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10420 103 rd Avenue	18,000	Imperial Oil Limited / Wexford Windsor Park ULC	\$7,000,000 / \$389	Downtown – Financial
11115 Groat Road	1,640	Lovatt LLP Properties Ltd. / 2104152 Alberta Ltd.	\$1,040,000 / \$634	Suburban – Kingsway

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