

## EDMONTON OFFICE

### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Edmonton Employment	847k	788k	▲
Edmonton Unemployment	8.7%	6.7%	▼
Canada Unemployment	6.2%	6.0%	■

*Source: Statistics Canada*

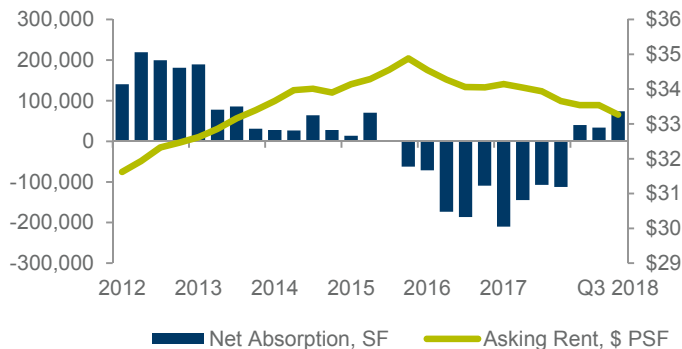
### Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy	16.4%	15.0%	▼
Net Absorption (sf)	61,370	222,050	▼
Under Construction (sf)	1,239,444	1,161,874	▼
Average Asking Rent*	\$33.52	\$32.43	▲

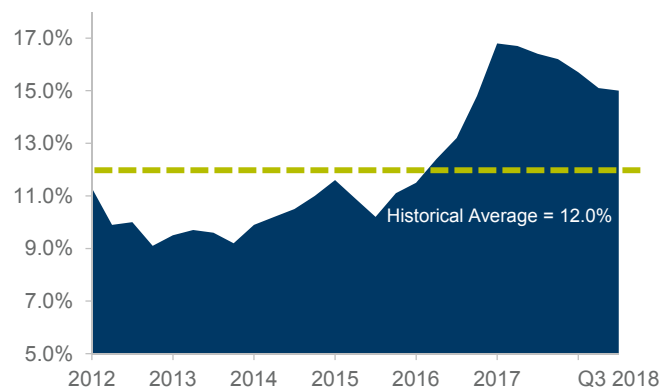
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### Q1 TRAILING AVERAGE



### Overall Vacancy



## Economy

Edmonton continues to show strong growth through the third quarter of 2018 as manufacturing climbed across the province, unemployment has dropped 2.0% over the course of the past year, and GDP growth in the Edmonton area is expected to reach 2.6% by the end of the year. Oil prices have continued to increase and have now settled above \$70 a barrel, although drilling figures remain flat from 2017. Trade negotiations with the U.S. and Mexico have been completed, reducing potential volatility in the marketplace and raising the likelihood of a rate hike from the Bank of Canada in the near term. However, Edmonton still faces some headwinds due to ongoing uncertainty around pipeline construction. Overall the Edmonton region is expected to benefit from ongoing growth in the coming months.

*Source: City of Edmonton, Finance Ministry of Alberta*

## Market Overview

Healthy economic conditions continued to benefit Edmonton's office market as vacancy dropped to 15.0%, driven by significant activity in Class A properties in Edmonton's southern markets and the Financial Core. The overall vacancy rate in the Financial Core has dropped to 15.8%, a significant improvement for the market over the 20.7% reported in the same period last year. The drop in vacancy has been the result of both significant leasing activity and the removal of vacant space from the market via conversions or demolitions. Approximately 350,000 square feet (sf) has been absorbed year-to-date in the Financial Core, while the Summerside market has shown the most activity of any Suburban market with 100,871 sf of absorption year-to-date. Overall rents declined in the third quarter of 2018, the result of further high-rent Class AA space exiting the market and a general decrease in rents across Edmonton's Suburban markets. While the Suburban markets were hit hard during Alberta's downturn, only two markets retain vacancy above 20% - 124th Street and the Eastgate market. Unlike other Suburban markets, rents have remained fairly static across the past quarter, with overall net asking rents increasing in both markets.

## Outlook

Vacancy will likely continue declining into the fourth quarter of 2018. While several projects will be completed over the next several quarters, they are largely occupied and are unlikely to have a significantly negative impact on vacancy figures. Construction of new space is expected to decline in the coming months, reducing the amount of new space coming onto the market. Rents are anticipated to begin rising in several of Edmonton's submarkets, as the amount of available space continues to contract.

## MARKETBEAT

## Edmonton, AB

Office Q3 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	50	10,882,402	238,678	1,482,206	15.8%	97,706	353,570	666,250	\$39.54	\$42.03
Government	35	5,695,686	0	210,588	3.7%	13,742	54,504	0	\$30.10	\$33.55
<b>Central Totals</b>	<b>85</b>	<b>16,578,088</b>	<b>238,678</b>	<b>1,692,794</b>	<b>11.7%</b>	<b>111,448</b>	<b>408,074</b>	<b>666,250</b>	<b>\$38.04</b>	<b>\$40.86</b>
124 <sup>th</sup> Street	22	1,538,035	328,868	237,474	36.8%	-14,096	-275,682	63,000	\$33.33	\$38.29
149 <sup>th</sup> Street	25	1,186,266	3,482	170,797	14.7%	21,290	92,490	75,000	\$26.44	\$29.27
West End	35	1,930,393	2,167	197,647	10.4%	-9,769	6,082	0	\$27.55	\$34.10
Kingsway	15	757,052	0	88,290	11.7%	21,143	-8,172	23,264	\$29.30	\$37.59
Whyte Avenue	12	507,400	0	93,163	18.4%	16,641	-34,165	67,400	\$32.48	\$35.98
Southside	61	3,265,767	28,814	553,124	17.8%	5,494	38,448	0	\$30.39	\$32.37
Summerside	22	944,045	8,259	176,414	19.6%	79,098	100,871	0	\$31.09	\$31.09
Eastgate	16	1,331,618	0	394,436	29.6%	-9,199	-54,966	54,900	\$26.30	\$30.72
<b>Suburban Totals</b>	<b>208</b>	<b>11,460,576</b>	<b>371,590</b>	<b>1,911,345</b>	<b>19.9%</b>	<b>110,602</b>	<b>-135,093</b>	<b>304,264</b>	<b>\$30.25</b>	<b>\$33.60</b>
<b>EDMONTON TOTALS</b>	<b>293</b>	<b>28,038,664</b>	<b>610,268</b>	<b>3,604,139</b>	<b>15.0%</b>	<b>222,050</b>	<b>272,981</b>	<b>970,514</b>	<b>\$32.43</b>	<b>\$35.72</b>

\*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	28,713	297,219	9.3%	39,696	144,245	616,250	0	\$48.94
Class A	107	13,811,663	568,475	1,966,039	18.4%	160,217	117,322	354,264	221,500	\$35.72
Class B	138	8,925,941	13,080	1,176,814	13.3%	9,456	23,320	0	0	\$27.74
Class C	42	1,810,262	0	164,067	9.1%	12,681	-11,906	0	0	\$22.71

\*Asking rent reflects gross asking \$psf/year

## Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Edmonton Tower	23,492	Undisclosed	Lease	Downtown - Financial
10405 Jasper Avenue	8,734	Undisclosed	Lease	Downtown - Financial
Points West Building	7,214	Undisclosed	Lease	Suburban - West End

## Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Edmonton Tower	631,027	ICE District (10111-104 Avenue) Corp. / Albari Holdings Ltd.	\$400,000,000 / \$634	Downtown - Financial
Tri Wellness Professional Building	37,169	TRI Developments Ltd. / E-Payments Capital Corp.	\$8,900,000 / \$239	Suburban - Spruce Grove
10183 112 Street	12,000	A.L.F. Holdings Inc. et.al / 2129261 Alberta Ltd.	\$2,700,000 / \$225	Downtown - Government

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