

EDMONTON OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Edmonton Employment	767k	796k	▲
Edmonton Unemployment	6.5%	7.0%	■
Canada Unemployment	5.9%	5.4%	■

Source: Statistics Canada

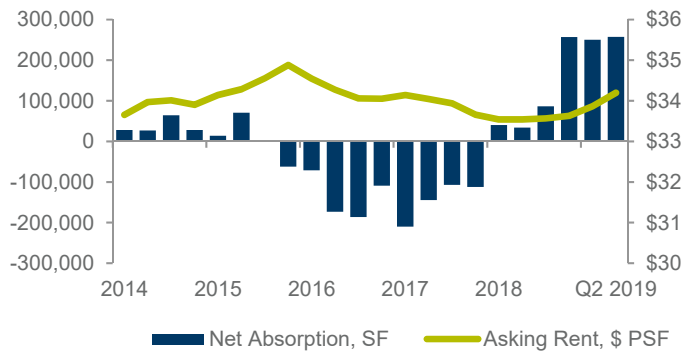
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Overall Vacancy	15.1%	14.1%	▼
Net Absorption (sf)	-1,463	27,507	▲
Under Construction (sf)	1,287,764	148,957	▼
Average Asking Rent*	\$33.53	\$34.84	▲

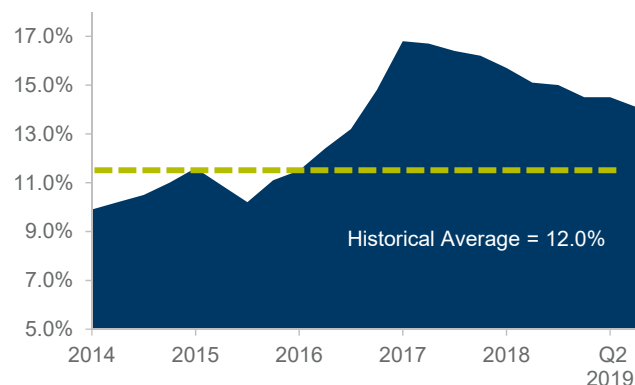
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q2 TRAILING AVERAGE



Overall Vacancy



Economy

Following the weakness seen at the end of 2018 and early 2019, the Alberta economy is starting to show signs of positive growth as we reached the halfway point of the year. Unemployment rate in Edmonton slightly climbed up month-over-month, rounding at 7.0% in June as 600 part-time positions were lost while full-time employment saw an increase the same month. Although non-residential permits in Alberta increased by 20% month-over-month in April 2019, mostly led by industrial, institutional, and governmental permits, overall building permits have remained low compared to 2018. Higher prices and production in the oil sector, WTI currently averaging around \$60 USD per barrel, and stronger exports of non-energy products are suggesting optimism, albeit slight, for Alberta's economy. The recent approval of the Trans Mountain pipeline expansion and the upcoming federal election in the fall of 2019 remain key concerns for industries throughout the province.

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

Market Overview

Vacancy started to slowly decline through the second quarter of 2019, declining by 40 bps quarter-over-quarter. Currently sitting at 14.1%, this decline was largely driven by new transactions, notably by Aurora Cannabis and Octopusapp Inc. (Jobber) which leased approximately 22,000 square feet (sf) and 31,000 sf respectively in the 103 Street Centre building located downtown, coupled with several leases in the Suburban market. Vacancy in downtown Edmonton stabilized at 11.3% as available space in Class A and Class AA contracted, but was slightly offset by a few expiring leases across the market. Suburban vacancy continues to decline quarter-over-quarter as vacancy dropped 100 bps to reach 18.3% in the second quarter of 2019, driven by strong leasing activity in several Class A and a few Class B properties, most notably in the Summerside and Southside submarkets.

Overall space available for sublease contracted to 13.6% as some sublet space was leased, but the majority of the larger sublet spaces expired and returned as direct space this quarter. Although Class A and some Class B space has posted gains in both the downtown and suburban markets this quarter, a few new spaces in Class A buildings have also returned to the market, resulting in an overall absorption total of 27,507 sf.

Outlook

As anticipated, absorption continued to trend in positive territory despite the new availabilities that arrived on the market this quarter. Absorption is anticipated to continue to strengthen as leasing activity in several Class A buildings remains active due to continued demand from tenants. Overall vacancy is expected to stabilize as additional space is becoming available, an ideal situation for tenants looking to lease or expand, coupled with a few office properties currently under construction that are expected to arrive on the market next quarter. Rents are expected to stabilize by the end of 2019 until Class A space, particularly in downtown, begins showing consistent positive absorption.

MARKETBEAT

Edmonton, AB

Office Q2 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	237,264	1,509,104	15.2%	-10,345	-188,388	25,620	\$38.24	\$40.15
Government	34	5,860,152	0	219,813	3.8%	-3,292	-30,043	0	\$30.95	\$31.97
Central Totals	85	17,358,804	237,264	1,728,917	11.3%	-14,297	-218,431	25,620	\$39.94	\$37.89
124 th Street	22	1,538,035	279,064	200,507	31.2%	5,626	28,079	17,000	\$33.38	\$36.58
149 th Street	25	1,224,716	0	215,532	17.6%	2,117	-25,890	0	\$26.81	\$30.11
West End	36	1,930,393	2,167	233,262	12.2%	-24,862	-29,268	0	\$27.43	\$35.21
Kingsway	16	798,160	0	118,830	14.9%	6,609	17,587	0	\$33.76	\$38.56
Whyte Avenue	13	528,100	0	106,528	20.2%	-3,357	12,959	0	\$35.81	\$40.62
Southside	64	3,353,215	36,135	515,760	15.4%	7,717	156,535	0	\$31.62	\$33.16
Summerside	22	944,045	3,546	84,618	7.7%	84,618	110,229	51,437	\$32.19	\$31.19
Eastgate	16	1,331,618	0	387,853	29.1%	-36,664	1,281	54,900	\$26.78	\$32.01
Suburban Totals	214	11,648,282	320,912	1,810,944	18.3%	41,804	271,512	123,337	\$29.83	\$33.57
EDMONTON TOTALS	299	29,007,086	558,176	3,539,861	14.1%	27,507	53,081	148,957	\$34.84	\$36.63

*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	20,918	313,134	8.1%	14,776	-13,510	0	0	\$44.55
Class A	113	14,137,727	508,161	1,819,501	16.5%	13,880	91,741	148,957	53,450	\$36.63
Class B	136	8,910,941	24,689	1,209,778	13.9%	10,523	-2,414	0	0	\$27.87
Class C	43	1,851,370	4,408	197,448	10.9%	-11,672	-22,736	0	0	\$24.85

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
103 Street Centre Building	31,000	Octopusapp Inc. (Jobber)	Lease	Downtown – Financial
103 Street Centre Building	22,000	Aurora Cannabis	Lease	Downtown – Financial
Allendale Centre East	14,000	SGI Canada	Lease	Suburban – Southside
Forbes Place	14,000	KV Capital	Lease	Suburban – Summerside
Ellwood Business Centre	11,000	College of Paramedics	Lease	Suburban – Summerside

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
10580 115 Street	18,000	Sparrow Queen Mary Holdings / Gather Co. Inc.	\$3,600,000 / \$200	Suburban – 124 Street
7708 83 Street	8,300	1733171 Alberta Ltd. / 2187016 Alberta Ltd.	\$1,900,000 / \$229	Suburban – Eastgate

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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