

EDMONTON OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Edmonton Employment	836k	801k	▼
Edmonton Unemployment	7.5%	6.3%	▼
Canada Unemployment	5.7%	5.6%	■

Source: Statistics Canada

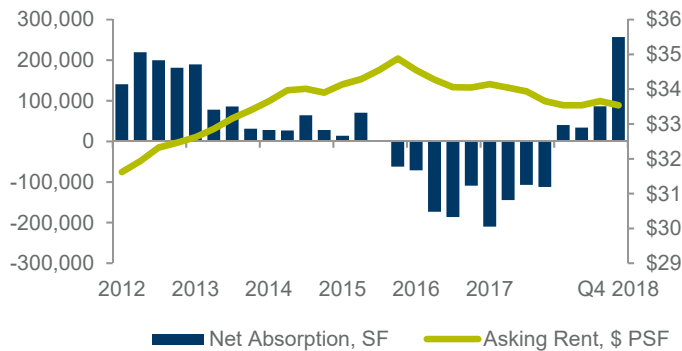
Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Overall Vacancy	16.2%	14.5%	▼
Net Absorption (sf)	22,938	705,037	▲
Under Construction (sf)	1,315,064	194,957	▼
Average Asking Rent*	\$33.54	\$33.79	▲

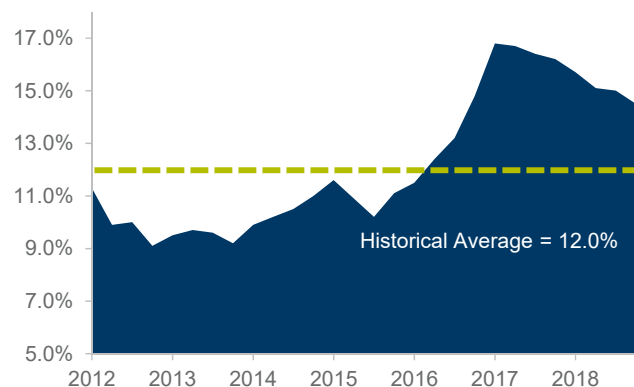
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

Q1 TRAILING AVERAGE



Overall Vacancy



Economy

GDP growth in Alberta had moderated by the end of 2018 towards 2.5%, with 2019 growth anticipated to be 1.4% as cuts in oil production continue. This will have a negative impact on the level of investment in the energy sector. Edmonton unemployment has dropped quarter-to-quarter to round out 2018 at 6.3%. This drop reflects a 1.2% decrease in unemployment year-over-year due to growth in the manufacturing and service sectors. Oil prices reached \$75 in the beginning of the fourth quarter but drastically declined by the end of the year to \$45 a barrel, threatening the local industry in the coming months and limiting overall economic growth. Alberta's construction activity remained weak as of November 2018 with total value of permits down to 17.1% year-over-year.

Source: City of Edmonton, Finance Ministry of Alberta, ATB Financial

Market Overview

It was a strong finish to 2018 for Edmonton's office market as vacancy declined to 14.5% and absorption posted strong gains. The vacancy decline was largely driven by significant leasing activity in Edmonton's downtown financial core where Class AA and Class A spaces continued to be in high demand to accommodate company growth. This flight-to-quality trend, with increased emphasis on new product with large floor plates and top rate amenities, is driving demand for new office space. The most significant contributor to absorption in the fourth quarter was the completion of Stantec Tower that arrived to market almost fully leased at 616,250 square feet (sf), where Stantec is the anchor tenant leasing 450,000 sf. Overall suburban vacancy has continued to rise, reaching 21.3% in the fourth quarter 2018; a significant increase year-over-year when vacancy was at 19.9%. Several new buildings were delivered in Summerside and South of the Henday in 2018, and the suburban market also saw a flight to quality with several tenants moving into newer buildings. A couple of suburban tenants are also in the process of relocating to Downtown with Electronic Arts being the largest leasing 75,000 sf. at Epcor Tower.

Class A space was most notably positively impacted by the flight-to-quality trend in the fourth quarter, especially in the downtown area where rents stabilized, while lower class space throughout the city saw negative absorption and have seen rents fall due to climbing vacancy.

Outlook

The revitalization of downtown core especially the development of the ICE District will continue to drive people to live downtown and to work downtown, contributing to lower vacancy rates in 2019. However, rising property taxes will come into play in the coming months, where office spaces in the suburban market with low gross rents will be more attractive for tenants seeking affordable options, resulting in slightly lower vacancy rates in the suburban market. Rents are anticipated to slightly rise as several Class A construction projects arrive in 2019, and lower class B and C rents rate are expected to remain low.

MARKETBEAT

Edmonton, AB

Office Q4 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	11,498,652	226,229	1,331,751	13.5%	779,154	1,132,724	25,620	\$38.05	\$40.75
Government	34	5,860,152	0	189,770	3.2%	29,378	83,882	0	\$32.12	\$32.67
Central Totals	85	17,358,804	226,229	1,521,521	10.1%	808,532	1,216,606	25,620	\$38.47	\$39.28
124 th Street	22	1,538,035	328,368	228,586	36.2%	9,388	-266,294	63,000	\$35.07	\$38.43
149 th Street	25	1,186,266	0	189,642	16.0%	-15,363	77,127	0	\$26.21	\$28.64
West End	35	1,930,393	2,167	203,994	10.7%	-6,347	-264	0	\$27.55	\$35.17
Kingsway	15	757,052	5,073	131,344	18.0%	-48,127	-56,299	0	\$30.67	\$36.38
Whyte Avenue	13	528,100	0	119,487	22.6%	-5,624	-39,789	0	\$35.84	\$40.88
Southside	63	3,311,309	28,814	643,481	20.3%	-44,815	-6,367	0	\$31.48	\$33.04
Summerside	22	944,045	8,259	174,323	19.3%	2,091	102,962	51,437	\$32.16	\$32.16
Eastgate	16	1,331,618	0	389,134	29.2%	5,302	-49,664	54,900	\$26.24	\$30.94
Suburban Totals	211	11,526,818	372,681	2,079,991	21.3%	-103,495	-238,588	169,337	\$30.34	\$33.78
EDMONTON TOTALS	296	28,885,622	598,910	3,601,512	14.5%	705,037	978,018	194,957	\$33.79	\$33.75

*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 OVERALL NET ABSORPTION COMPLETIONS (SF)	OVERALL AVERAGE ASKING RENT *
Class AA	7	4,107,048	28,713	291,829	7.8%	621,640	765,885	0	616,250	\$43.72
Class A	110	14,103,371	561,862	1,906,845	17.6%	140,609	257,931	194,957	66,242	\$33.75
Class B	137	8,925,941	8,335	1,223,718	13.8%	-42,159	-18,839	0	0	\$27.92
Class C	42	1,810,262	0	179,120	9.9%	-15,053	-26,959	0	0	\$22.99

*Asking rent reflects gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
HSBC Bank Place	140,000	AIMCO	Lease	Downtown – Financial
Intact Insurance Building	80,000	Intact Insurance Company	Lease	Downtown - Government
Edmonton Business Campus	32,000	SCM Insurance	Lease	Suburban – Summerside
MNP Tower	29,854	AECOM	Lease	Downtown – Financial

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
9450 17 Ave NW	29,450	9450 17 th Ave NW Inc / Imperial Equities Inc	\$6,150,000 / \$209	Suburban – Southside
10570 113 St	29,000	1043521 Alberta Ltd / 1160821 Alberta Ltd	\$4,875,000 / \$168	Downtown - Government
3604 76 Ave	14,478	Navi Shergill Professional Corporation / Christ's Church	\$3,300,000 / \$228	Suburban – Eastgate

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