



Edmonton office market report

Q4 2023

**AVISON
YOUNG**

Edmonton area market fundamentals

▼ 19.9%

average vacancy rate
Downtown Edmonton

\$18.08

average lease rate per square foot (psf)
Downtown Edmonton

18.1M

total inventory square feet (sf)
Downtown Edmonton

▼ 17.0%

average vacancy rate
Suburban Edmonton

\$15.18

average lease rate (psf)
Suburban Edmonton

15.7M

total inventory (sf)
Suburban Edmonton

Q4 2023 continued upward momentum

In 2023, Edmonton's office market showed improvement, with vacancy rates commencing the year at 19.5% and concluding at 18.6%. Notably, in Q4, positive absorption of 139,584 sf contributed to reducing the city's office vacancy from 19.0% to 18.6%, marking it as the sector's second consecutive quarter with over 100,000 sf of positive absorption. The year ended with a total absorption of 234,641 sf, making it the most absorption seen in Edmonton's office market since 2018. This performance underscores the market's promising trajectory, emphasizing its stability and ascending momentum.

In a significant downtown shift, CWB Financial Group ("CWB") is relocating its national headquarters to Manulife Place after ICE District Properties decided not to proceed with plans for a 16-storey office building, which included 12-storeys for CWB on 104th Avenue south of Rogers Place. Chris Fowler, President and CEO of CWB said "moving to Manulife Place maintains Edmonton as our home and the prominent role that CWB has within the city's downtown business community." CWB has secured naming rights and crown signage at Manulife Place, solidifying their presence and the positive economic impact of this move. This transaction will have a markedly positive impact Edmonton's downtown business landscape, as it relocates a considerable number of employees deeper into the core, which will spark increased economic activity in the area. Manulife Place will be undergoing a substantial redevelopment of the podium levels including the buildings amenities. The landlord's commitment to invest a significant amount of capital into the asset has been critical to its leasing success.

One block away from Manulife Place, the Rice Howard Place revitalization project is underway and slated for completion in summer of 2025. The renovation spans interior and exterior enhancements across the three-level podium and will elevate the property's appeal.

Both Manulife Place and Rice Howard Place projects are expected to act as catalysts for Edmonton's financial core and bring promise for the area's future.



Q4 Edmonton office market activity

Recent leasing activity

Building	Tenant name	Size (sf)	Type
Manulife Place	Canadian Western Bank	≈200,000	Headlease
TELUS house at ATB Place	Alberta Infrastructure	45,940	Headlease
Finning Building	Morgan Construction	20,569	Sublease
Landmark Business Centre	CEDA	17,621	Headlease
Vercon Building	Wood Canada Ltd.	15,000	Headlease
Nexus Business Park	Edmonton Police Service	12,392	Headlease
First & Jasper	Alberta Infrastructure	10,120	Headlease
ATB Place North Tower	Alberta Infrastructure	9,805	Headlease
One Twelve Business Campus	Canadian Union of Public Employees (CUPE)	9,199	Headlease



Surge in leasing activity around ICE District

In the past year, Edmonton's real estate landscape, particularly within ICE District, underwent noteworthy adjustments. Properties adjacent to ICE District experienced a surge in transactions and increased activity, highlighting a shift in the area's real estate dynamics. Henry Singer's relocation to Stantec Tower's main floor is a testament to retailers' confidence in the region, further enhancing the district's appeal. Notably, Trophy Class properties showcased a decline in vacancy rates from 9.4% in Q4 2022 to 5.5% by the end of 2023, indicating a maturing market.

Office transactions in and around ICE District in 2023 include:

- Lloyd Sadd: (Bell Tower Annex 41,888 sf)
- Reynolds Mirth Richards & Farmer LLP: (Stantec Tower 36,966 sf)
- Ogilvie LLP: (Stantec Tower 23,718 sf)
- Long View Systems: (Stantec Tower 14,500 sf)
- MNP: (MNP Tower expansion 15,000 sf)
- Colliers: (Bell Tower 13,045 sf)
- Firma Foreign Exchange: (Bell Tower 11,198 sf)
- Vanta Group: (Bell Tower 5,399 sf)

▼ **5.5%**
**Trophy class
vacancy**

Down from 9.4% to 5.5%



2023 downtown Edmonton highlights

Amidst challenges downtown Edmonton, the area is being bolstered by economic and demographic shifts. The imminent expansion of MacEwan University's School of Business, scheduled to break ground in spring 2024, promises a transformative impact. Presently, approximately 20,000 individuals (students and staff) commute downtown daily for MacEwan-related activities, with projections foreseeing this figure to surge to 30,000 by 2030, including an additional 7,500 students in the new facility.

NorQuest College, hosting 10,000 students downtown, signals expansion plans after leasing 63,000 sf during Q3. This robust student presence aligns with the School of Cities' data, indicating a recovery to 80% of downtown Edmonton's pre-pandemic foot traffic levels. The operational Valley Line Southeast LRT connecting downtown to Mill Woods is expected to serve 30,000 commuters daily, potentially catalysing increased foot traffic. These converging factors paint a hopeful picture for downtown Edmonton, with projected population growth, student influx, and improved transit connectivity laying a solid foundation for the future.

**MacEwan
University to add
10,000
students by 2030**



Suburban market overview

In the suburban landscape of Edmonton, Windermere and Summerside stand out with remarkably low vacancy rates, clocking in at 6.9% and 6.7% respectively, notably lower than the average suburban vacancy rate of 17%. Over the course of the year, there's been a modest decline in vacancy within the overall suburban market, beginning 2023 at 18.1% and now resting at 17.0%, indicating a healthier market trend.

Similar to downtown, the suburban scene remains relatively stable, showing no drastic fluctuations in vacancy rates but decreasing by 1% during the year. Lease rates in the suburban areas average \$15.20 psf, standing 16% lower than downtown's \$18.10 psf. Continued expansion around the city's outskirts as well as noteworthy population growth in Alberta, holds promise for the suburban submarkets. This, coupled with a projected GDP growth of 1.8% for Edmonton in 2024, above the national average of 0.7%, paints a picture of optimism for the region.

Suburban lease rates
16%
lower than
downtown



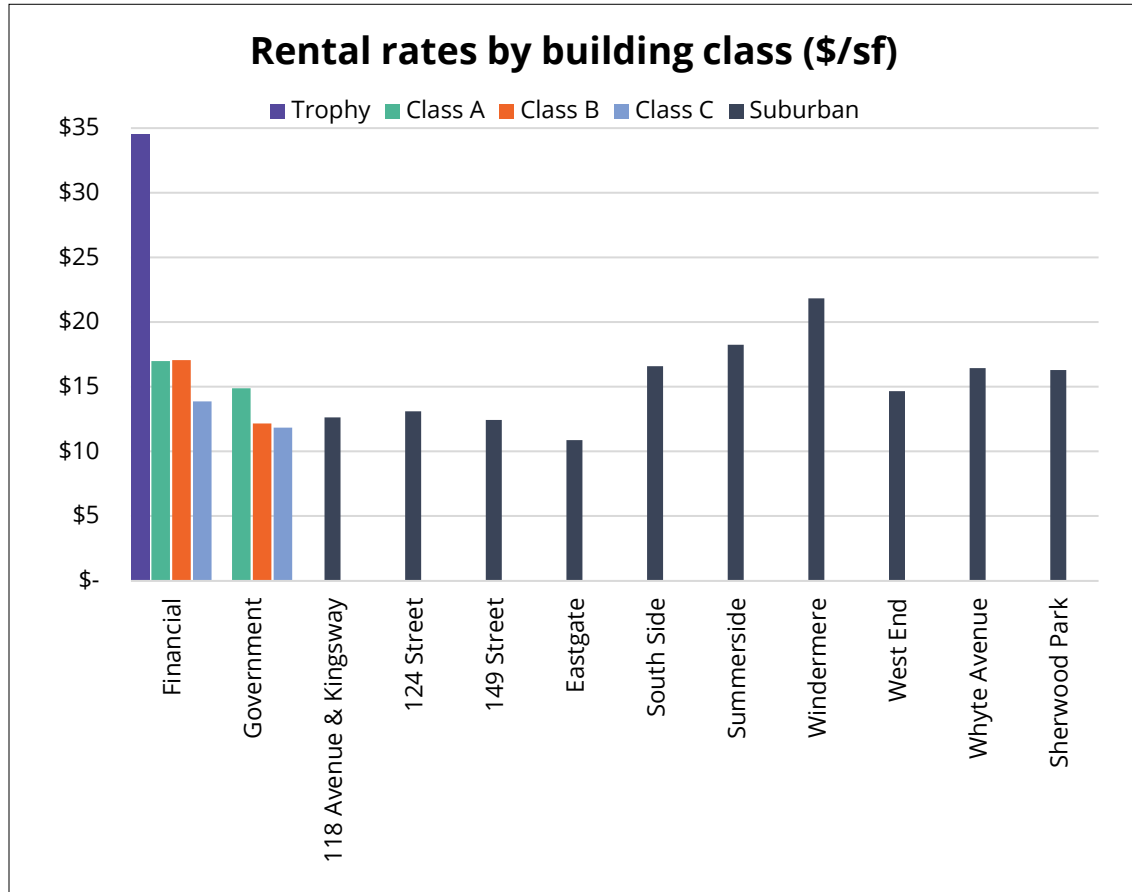
2023 Canada and Alberta economic highlights

In the economic landscape of Canada and Alberta, notable shifts in interest rates and inflation have shaped fiscal trends. Starting the year at 4.25%, Bank of Canada interest rates surged by 75 basis points to reach 5%, marking a continued hawkish monetary policy. Throughout 2022, inflation maintained a range of 5.0-8.1% and stood at 6.3% entering 2023. However, from May 2023 onward, inflation has moderated to a range of 2.8-4.0%, with the latest recorded month indicating a 3.1% increase year over year. Bank of Canada Governor Tiff Macklem's recent comments suggest a potential plateau in interest rates, signaling the likelihood of a downward trajectory, possibly commencing in the latter half of 2024. Should this happen we anticipate an increase in buying and selling related real estate activity across all markets. Meanwhile, Alberta's economic growth is evident in its substantial 4.1% year-over-year population surge measured at the beginning of October, propelled by federal immigration targets and interprovincial migration, reinforcing the province's economic vitality.

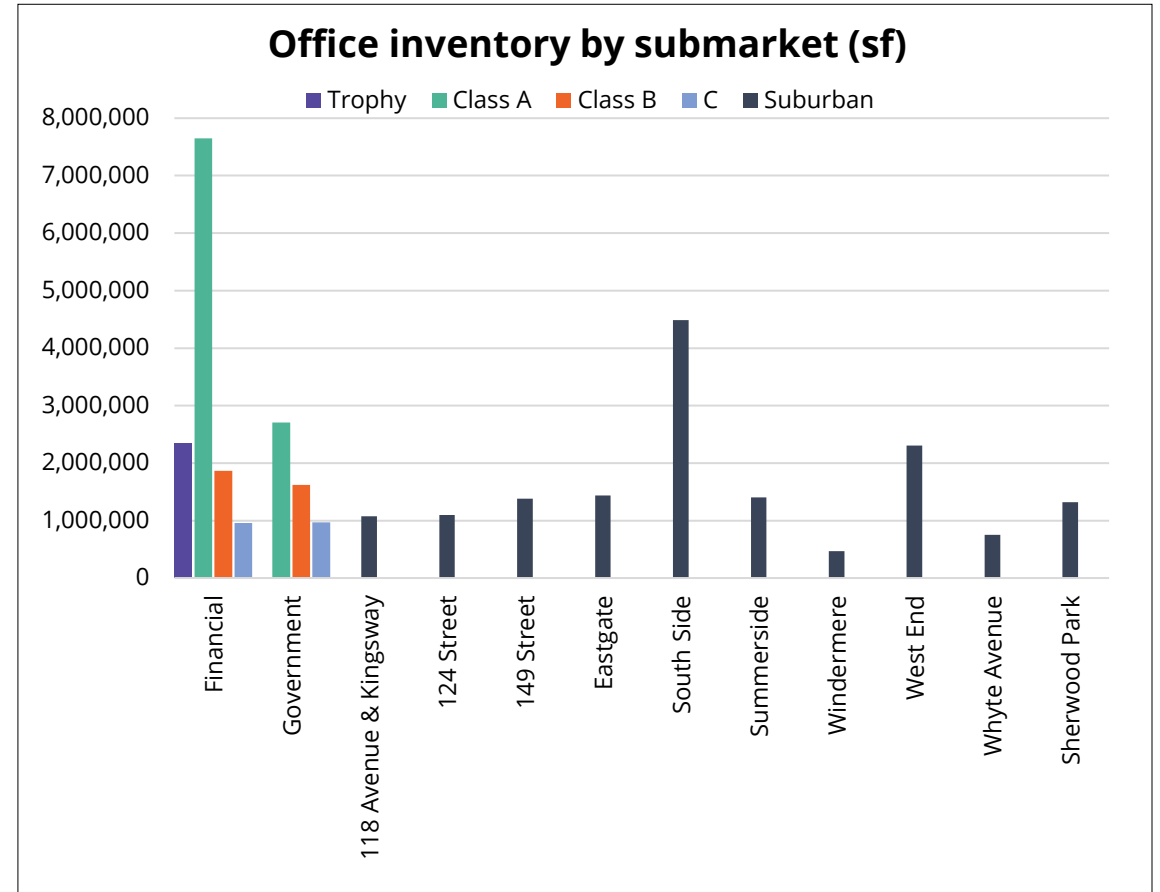
4.1%
population
growth in Alberta



Edmonton area office market indicators

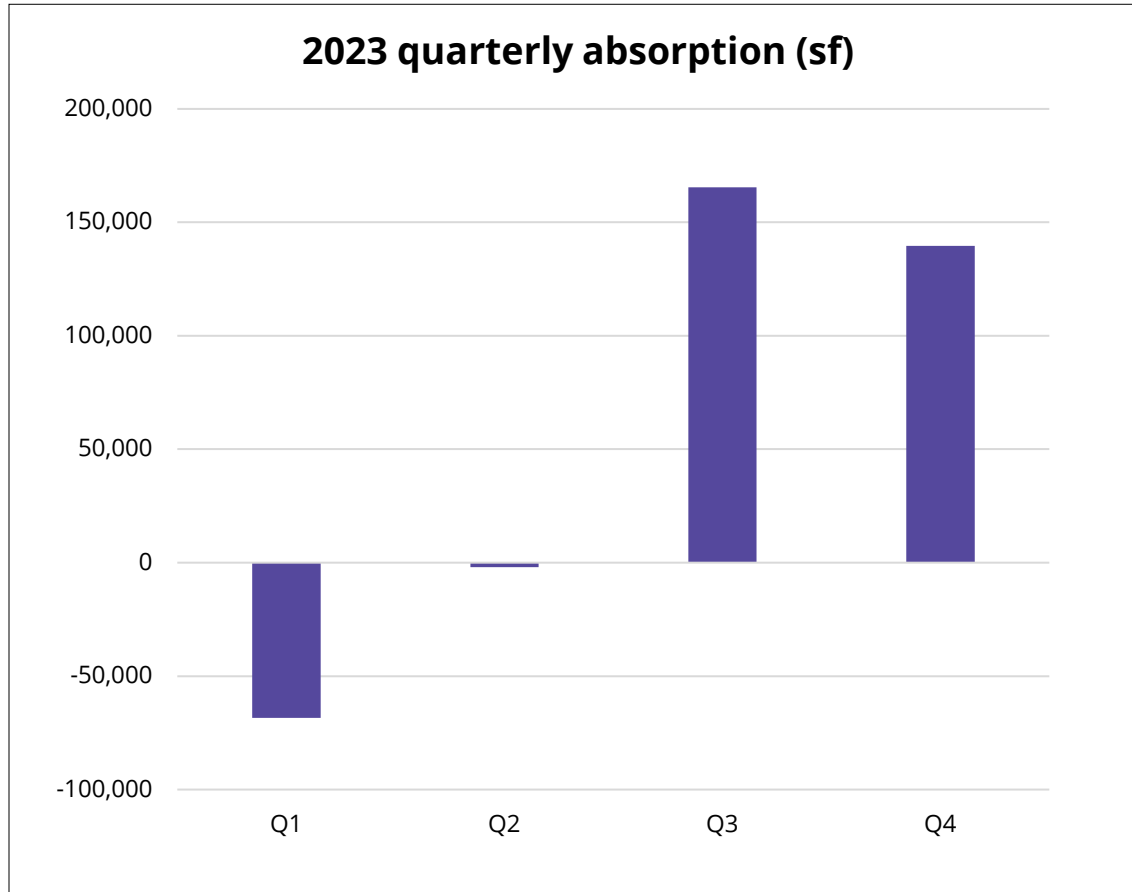


Source: Avison Young

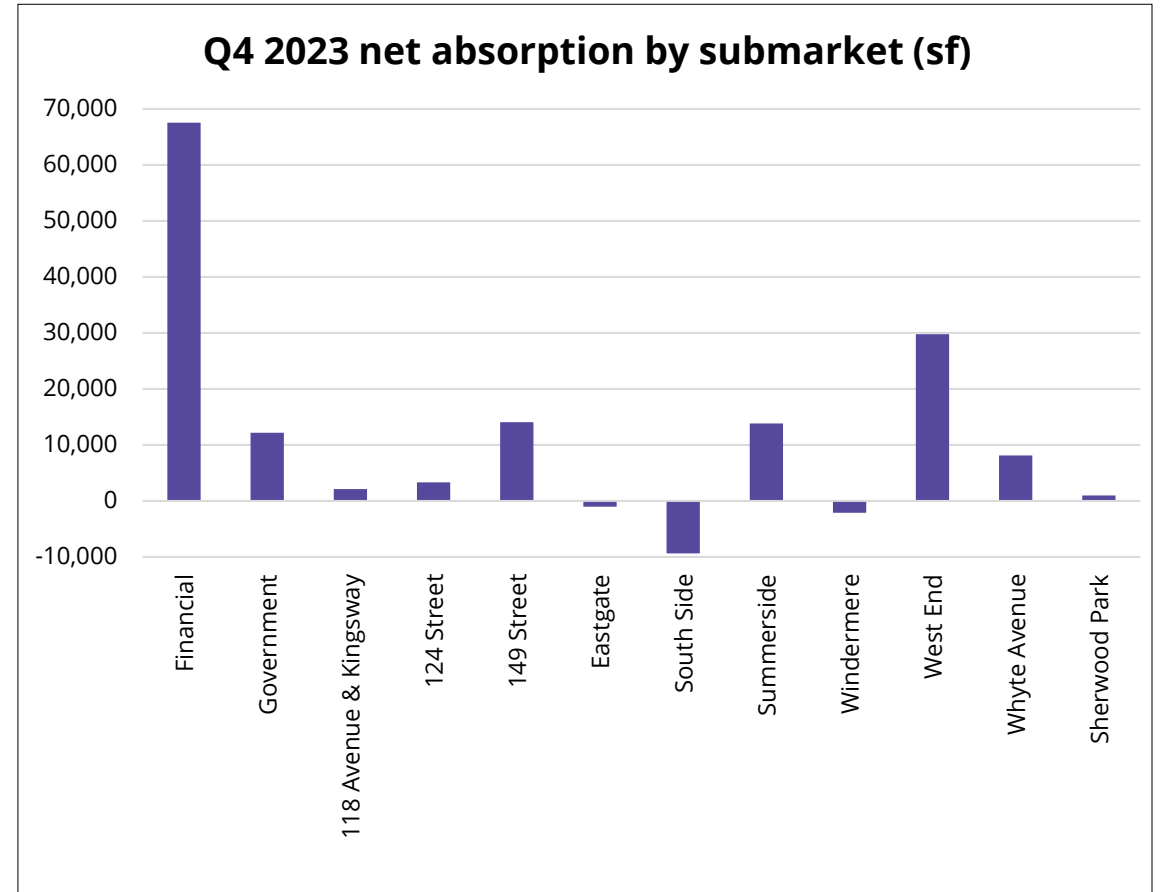


Source: Avison Young

Edmonton area office market indicators



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Edmonton area office market stats

Category / submarket	Buildings	Inventory	Total vacant	Headlease	Sublease	Q4 absorption	Vacancy overall	Vacancy direct	Vacancy sublease	Lease rates (average)			
							Q/Q change	Q/Q change	Q/Q change				
Financial													
Trophy	4	2,345,524	129,994	97,849	32,145	-	5.5%	0.0%	4.2%	0.0%	1.4%	0.0%	\$34.50
Class A	27	7,648,924	1,922,477	1,619,998	302,479	68,754	25.1%	-0.9%	21.2%	-1.0%	4.0%	0.1%	\$16.99
Class B	17	1,864,009	367,166	346,511	20,655	- 3,603	19.7%	0.2%	18.6%	0.2%	1.1%	0.0%	\$17.06
Class C	21	959,428	96,110	96,110	-	2,377	10.0%	-0.2%	10.0%	-0.3%	0.0%	0.0%	\$13.88
Subtotal	69	12,817,885	2,515,747	2,160,468	355,279	67,528	19.6%	-0.5%	16.9%	-0.6%	2.8%	0.1%	\$19.97
Government													
Class A	16	2,705,243	665,109	660,696	4,413	15,870	24.6%	-0.6%	24.4%	-0.2%	0.2%	-0.3%	\$14.88
Class B	18	1,622,496	336,103	336,103	-	- 2,642	20.7%	0.2%	20.7%	0.2%	0.0%	0.0%	\$12.17
Class C	28	970,465	92,082	90,217	1,865	- 1,033	9.5%	0.1%	9.3%	-0.4%	0.2%	0.0%	\$11.83
Subtotal	62	5,298,204	1,093,294	1,087,016	6,278	12,195	20.6%	-0.2%	20.5%	-0.1%	0.1%	-0.2%	\$13.49
Suburban													
118 Avenue & Kingsway	37	1,073,028	203,380	203,380	-	2,155	19.0%	-0.2%	19.0%	-0.2%	0.0%	0.0%	\$12.63
124 Street	35	1,096,041	230,975	214,403	16,572	3,327	21.1%	-0.3%	19.6%	-0.3%	1.5%	0.0%	\$13.10
149 Street	45	1,381,314	282,485	269,963	12,522	14,074	20.5%	-1.0%	19.5%	1.5%	0.9%	-1.0%	\$12.43
Eastgate	20	1,439,887	195,501	181,125	14,376	- 1,018	13.6%	0.1%	12.6%	0.1%	1.0%	0.0%	\$10.88
South Side	107	4,489,336	789,486	728,772	60,714	- 9,346	17.6%	0.2%	16.2%	-0.7%	1.4%	-0.1%	\$16.60
Summerside	50	1,406,568	94,790	89,790	5,000	13,841	6.7%	-1.0%	6.4%	-1.0%	0.4%	0.0%	\$18.25
Windermere	20	467,872	32,153	32,153	-	- 2,085	6.9%	0.4%	6.9%	0.0%	0.0%	0.0%	\$21.83
West End	54	2,304,746	488,470	407,671	80,799	29,787	21.2%	-1.3%	17.7%	-0.4%	3.5%	-0.9%	\$14.67
Whyte Avenue	30	751,683	138,835	138,835	-	8,121	18.5%	-1.1%	18.5%	-1.1%	0.0%	0.0%	\$16.43
Sherwood Park	35	1,318,572	225,462	218,162	7,300	1,005	17.1%	-0.1%	16.5%	-0.1%	0.6%	0.0%	\$16.30
Total	433	15,729,047	2,681,537	2,484,254	197,283	59,861	17.0%	-0.4%	15.8%	-0.3%	1.3%	-0.2%	\$15.18
Totals													
Downtown	131	18,116,089	3,609,041	3,247,484	361,557	79,723	19.9%	-0.4%	17.9%	-0.4%	2.0%	0.0%	\$18.08
Suburban	433	15,729,047	2,681,537	2,484,254	197,283	59,861	17.0%	-0.4%	15.8%	-0.3%	1.3%	-0.2%	\$15.18
Overall	564	33,845,136	6,290,578	5,731,738	558,840	139,584	18.6%	-0.4%	16.9%	-0.4%	1.7%	-0.1%	\$16.73

For more market insights and information visit **avisonyoung.com**

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