

Q3 2023

Edmonton

Office Market Report

Net Absorption

Total Market	Downtown
106K _{SF}	73K _{SF}
2023 Year-to-Date	Suburban
19K _{SF}	33K _{SF}

Vacancy

Total Market	Downtown
19.5%	20.3%
Sherwood Park	Suburban
23.5%	18.4%

Avg. Asking Net Rent

Downtown	Suburban
\$17.38 _{PSF}	\$15.65 _{PSF}

Avg. Operating Costs

Downtown	Suburban
\$18.25 _{PSF}	\$14.93 _{PSF}

Colliers Macaulay Nicolls Inc.

Market Outlook

High interest rates, rising construction costs and hybrid or work-from-home arrangements across professional industries persist, and continued to impact the Edmonton market throughout the third quarter of 2023. Despite these factors, the overall office vacancy decreased to 19.5%, with significant positive absorption of 105,825 square feet, and nearly every district reported positive absorption, with the exception of Downtown Government (-18,748 square feet) and 124th Street (-102,397 square feet).

Significant negative absorption reported in the 124th Street district was the result of two major changes made by two substantially sized tenants – Alberta Health Services and Lloyd Sadd Insurance Brokers. Following the provincial election last quarter, we noted that the government would likely decrease the size of AHS and that has now at least partially occurred, as they vacate over 80,000 square feet within Plaza 124. Unfortunately, we anticipate further reductions in the amount of occupied space by both the provincial bureaucracy and Alberta Health Services. Lloyd Sadd on the other hand, will be relocating to the downtown core and nearly doubling in size due to growth and a consolidation of offices, occupying 42,000 square feet within The Annex (vacating 22,000 square feet within the Guardian Building). Following these two moves, the 124th Street district vacancy increased drastically from 19.4% to 31.0% due to the relatively small size of the district itself (only 880,000 square feet total inventory).

Following the recent success of office building conversions within the Calgary office market, Edmonton's city council may explore similar incentive or subsidy programs to encourage

the conversion of vacant or underutilized office buildings into other active uses, to reduce the surplus supply and simultaneously help revitalize Edmonton's downtown core. Calgary's downtown development incentive program grants developers \$75.00 per square foot of vacant office space being converted to residential, and with ten buildings slated for conversion, there is an anticipated 1.35 million square feet of vacant office space to be removed from their market. At this point, no incentive or subsidy program has yet been announced for Edmonton.

Colliers previously researched the feasibility of office building conversions in Edmonton, and in a previous market report released in 2015 we concluded that while a small number of older downtown office buildings may be feasible candidates for hotel, apartment, or residential condo use, the amount of inventory reduction required to reach market equilibrium would be substantial, and repurposing can be difficult and more costly than anticipated due to structural differences of these types of buildings. That said, there are a few buildings that are currently rumored to be under negotiations for purchase that may be feasible potential conversion plays. Incentivizing the demolition of end-of-life office buildings and encouraging the conversion of underused office space can help create a more resilient and dynamic environment downtown.

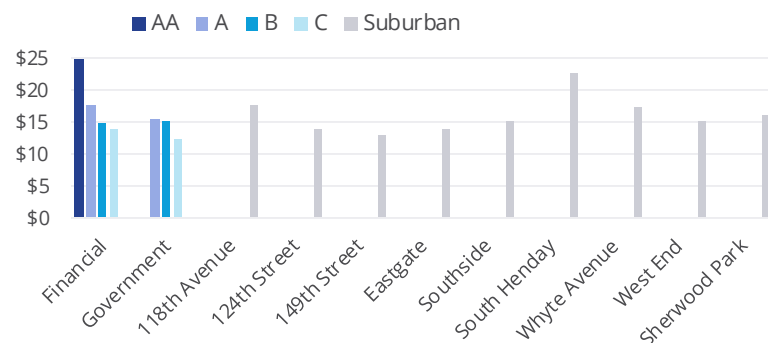
As we enter the final quarter of 2023, we expect businesses to continue to optimize their office space requirements and adapt to the prevalence of hybrid work arrangements and the changing nature of in-office work.

Accelerating success.

Market Overview

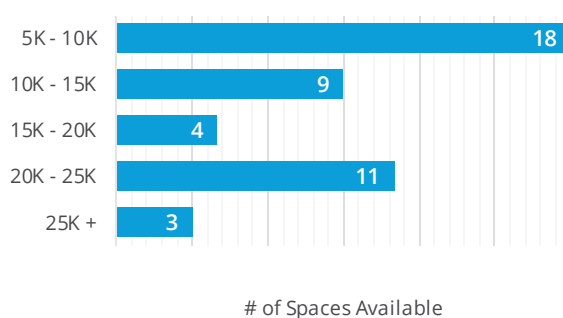
01 Rental Rates by Building Class

Average Asking Net Rent (PSF)



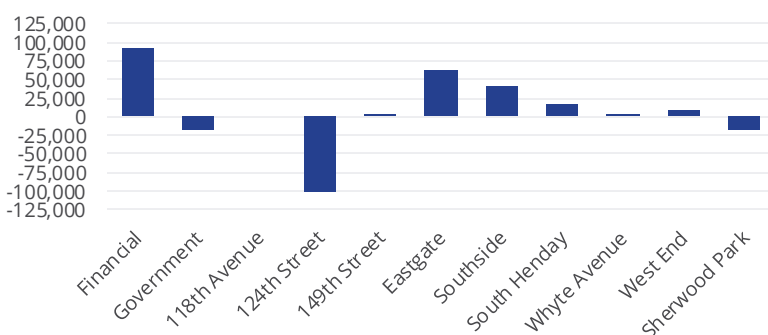
02 Sublease Availability

By Size Breakdown (SF)



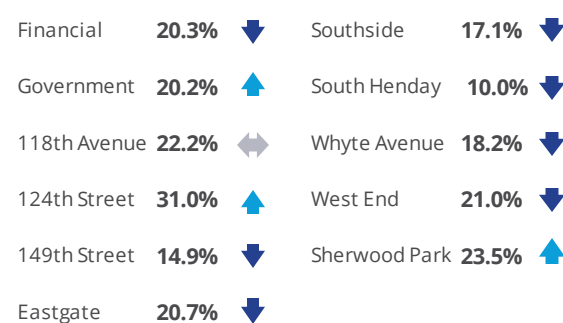
03 Net Absorption by District

By Square Feet (SF)



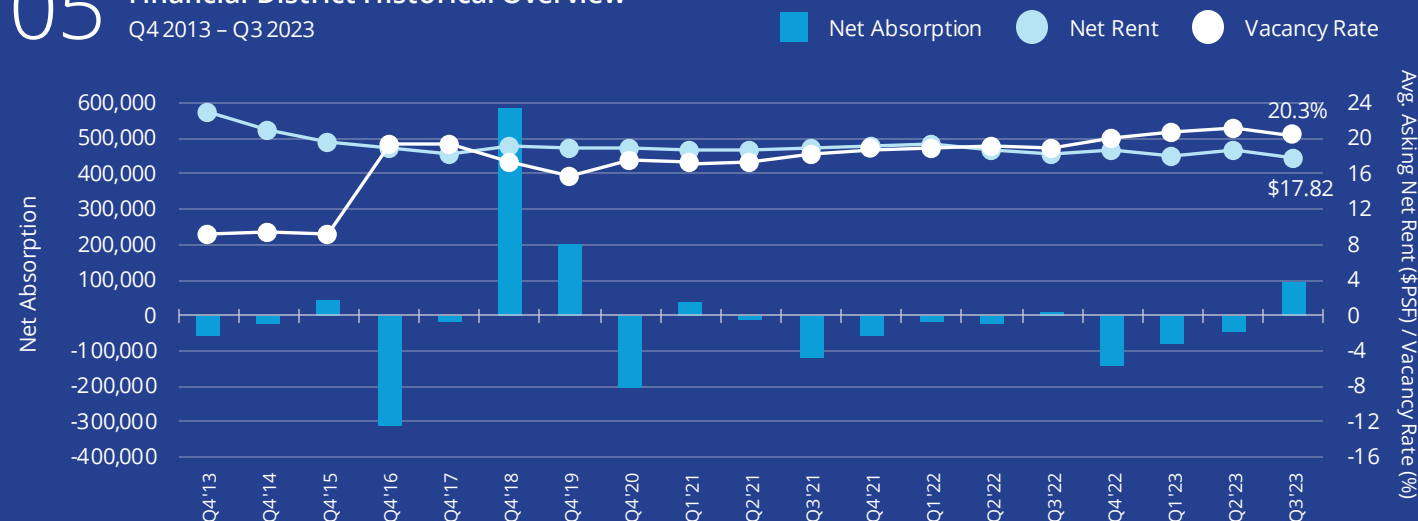
04 Vacancy Rate

By District | Q2 2023 - Q3 2023



05 Financial District Historical Overview

Q4 2013 - Q3 2023



Market Statistics & Transaction Highlights

	Class	# of Bldgs	Total Inventory (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Total Vacant Space (SF)	Vacancy Rate (Q3 - 2023)	Vacancy Rate (Q2 - 2023)	Net Absorption (SF)	Net Absorption YTD (SF)	New Supply (SF)	Under Construction (SF)	Asking Net Rent Range (PSF)	
Downtown	Financial	AA	8	4,490,534	565,301	191,136	756,437	16.9%	16.6%	-8,951	-8,218	-	350,000	\$24 - \$36
		A	20	6,161,224	1,183,322	219,173	1,402,495	22.8%	23.7%	49,047	-52,203	-	-	\$16 - \$22
		B	17	2,134,863	352,804	39,111	391,915	18.4%	20.7%	51,651	28,521	-	-	\$12 - \$16
		C	6	267,620	96,879	-	96,879	36.2%	36.2%	0	-651	-	-	\$10 - \$14
		Total	51	13,054,241	2,198,306	449,420	2,647,726	20.3%	21.1%	91,747	-32,551	-	350,000	-
	Government	A	10	1,977,236	515,920	6,757	522,677	26.4%	26.0%	-8,801	-44,181	-	-	\$16 - \$20
		B	21	2,964,546	439,107	6,927	446,034	15.1%	14.6%	-12,081	14,539	-	-	\$12 - \$16
		C	8	339,184	90,889	5,487	96,376	28.4%	29.0%	2,134	14,618	-	-	\$12 - \$14
		Total	39	5,280,966	1,045,916	19,171	1,065,087	20.2%	19.8%	-18,748	-15,024	-	-	-
	Total	AA	8	4,490,534	565,301	191,136	756,437	16.9%	16.6%	-8,951	-8,218	-	350,000	\$24 - \$36
		A	30	8,138,460	1,699,242	225,930	1,925,172	23.7%	24.3%	40,246	-96,384	-	-	-
		B	38	5,099,409	791,911	46,038	837,949	16.4%	17.2%	39,570	43,060	-	-	-
		C	14	606,804	187,768	5,487	193,255	31.9%	32.2%	2,134	13,967	-	-	-
Total		90	18,335,207	3,244,222	468,591	3,712,813	20.3%	20.7%	72,999	-47,575	-	350,000	\$17.38	
Suburban	118 th Avenue	13	736,964	163,827	-	163,827	22.2%	22.2%	0	-2,381	-	-	\$12 - \$18	
	124 th Street	17	881,504	248,914	24,383	273,297	31.0%	19.4%	-102,397	-95,557	-	-	\$14 - \$20	
	149 th Street	27	1,201,136	166,318	12,522	178,840	14.9%	15.0%	1,228	-13,771	-	-	\$10 - \$18	
	Eastgate	15	1,268,187	252,783	9,436	262,219	20.7%	25.7%	64,018	57,899	-	-	\$12 - \$18	
	Southside	62	3,993,658	632,823	50,839	683,662	17.1%	18.1%	40,676	109,119	-	78,510	\$14 - \$24	
	South Henday	32	1,452,835	139,506	5,000	144,506	10.0%	11.1%	16,515	34,758	-	-	\$20 - \$26	
	Whyte Avenue	9	568,761	100,962	2,440	103,402	18.2%	18.8%	3,569	6,343	-	-	\$16 - \$22	
	West End	34	1,821,889	298,449	83,363	381,812	21.0%	21.5%	9,217	-29,926	-	-	\$12 - \$20	
	Total	209	11,924,934	2,003,582	187,983	2,191,565	18.4%	18.7%	32,826	66,484	-	78,510	\$15.65	
Downtown & Suburban Total														
Total	299	30,260,141	5,247,804	656,574	5,904,378	19.5%	19.9%	105,825	18,909	-	428,510	-		
Sherwood Park Total														
Total	35	1,437,881	330,035	7,300	337,335	23.5%	23.9%	6,523	-17,831	-	-	\$14 - \$22		

Notable Transactions

Type	Tenant / Purchaser	Building Name / Address	District / Class	Size (SF)
Sale	Charter School	Former Service Alberta Building / 3720 – 76 Avenue	Eastgate	62,333
Lease	Lloyd Sadd	The Annex / 10120 – 103 Avenue	Financial Class B	41,888
Sale	Institute For The Advancement of Aboriginal Women	Ionic Place / 10220 – 156 Street	West End	22,821
Lease	Bank of Montreal	Enbridge Centre / 10175 – 101 Street	Financial Class AA	22,728
Lease	Marigold Infrastructure	Go Auto Building / 16830 – 107 Avenue	West End	18,005

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