

# The Office Occupier

## Q2 2024 Edmonton Office Market Report



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## Table of Contents

1. Market Overview
2. Looking Ahead
3. Additional Graphs and Tables
  - Current Office Vacancy
  - Sublease Vacancy Index
  - Comparative Historical Vacancy
  - Historical Office Absorption
  - Average Asking Net Rental Rates
  - Average Historical Operating Costs
  - Q4 2023 Vacancy Summary



**Worley expands to 38,364 sf, strengthening the Suburban Market.**

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# Market Overview



Edmonton Office Supply

30,295,360 sf



Edmonton Overall Vacancy

18.48%



Downtown Vacancy

18.26%



Suburban Vacancy

18.58%

In the second quarter of 2024, the Edmonton office market saw an overall decrease in vacancy rates, signifying a subtle yet positive shift towards stabilization. The total vacancy rate improved marginally to 18.48% from 18.67%

## Downtown Office Market – 17,980,369 SF Tracked

The downtown office market vacancy rate decreased to 18.26% from 18.62%.

The downtown office market showed resilience with a decrease in vacancy to 18.26% from 18.62%. This quarter, which typically experiences slower deal volumes, still displayed notable activity, especially in Government District areas. The Devonian, Park Plaza, and Energy Square were centers of significant leasing and tenant movements, hinting at a strategic interest in centrally located, high-quality spaces.

## Financial District – 13,027,458 SF Tracked

- Total vacancy: 18.12%, up from 18.11% quarter-over-quarter.
- Financial AA vacancy rate: 10.49%, down from 10.68%.
- Financial A vacancy rate: 21.51%, down from 21.70%.
- Financial B vacancy rate: 23.73%, up from 22.60%.
- Financial C vacancy rate: 17.83%, up from 17.69%.

The Financial District experienced a minimal increase of 1,210 SF in vacant space. This quarter, over 22,000 SF of headlease space was absorbed while over 23,000 SF of sublease space was introduced to the market, mainly at 103rd Street Centre.

## Government District – 4,952,910 SF Tracked

- Total vacancy: 18.65%, down from 19.95% quarter-over-quarter.
- Government A vacancy rate: 18.77%, down from 19.35%.
- Government B vacancy rate: 19.39%, down from 21.48%.
- Government C vacancy rate: 12.33%, down from 12.91%.

Activity in the Government District is measured with a 64,479 SF decrease in total vacancy. This is comprised of Class A/B headlease space being taken off the market – Yardstick Technologies Inc. acquired Energy Square and the building is now 95% leased, and Regus has taken off over 15,000 SF in Park Plaza. The Devonian expanded their co-suiting program, and has had great success in leasing smaller, more flexible spaces, to office users.

## Suburban Office Market – 10,803,198 SF Tracked

- Total vacancy: 18.58%, down from 18.65% quarter-over-quarter.
- 124th Street vacancy rate: 20.44% up from 18.96%.
- Southside vacancy rate: 21.50%, up from 20.87%.
- Westend vacancy rate: 17.34%, down from 17.98%.
- Eastgate vacancy rate: 22.48%, up from 21.13%.
- 118th Street vacancy rate: 19.38%, down from 19.38%.
- 149th Street vacancy rate: 17.22%, with no change from previous quarter.

- Ellerslie vacancy rate: 2.78%, down from 4.81%.
- Whyte Ave vacancy rate: 19.96%, down from 24.41%.

The suburban market observed a 58,206 SF change in vacancy this quarter, caused by large pockets of space coming online, notably a full floor at Plaza 124, with more to come. 149th Street remains the same, even though some activity is recorded, with

the ratio of headlease to sublease space swinging to the sublease side. Ellerslie's exceptional performance, with a vacancy rate dropping to below 3%, highlights its emerging status as a highly desirable location for tenants seeking quality suburban office space. Worley expands in Commerce South Business Park by 38,364 sf, nearly offsetting the 47,583 sf added to vacant space at Roper Ridge Business Park, making the southside change less severe.

## Notable Office Transactions

Tenant	Building	Area (sf)	Type
Worley	Commerce South Business Park, Bldg A	38,364	Expansion
Intelliwave Technologies	Ellwood North	10,000	Relocation/Expansion
Adaptabilities	Millbourne Professional Centre	7,069	Expansion
Emissions Reductions Alberta	TD Tower	4,812	New Lease
FaulkBuilt	TD Tower	4,500	New Lease

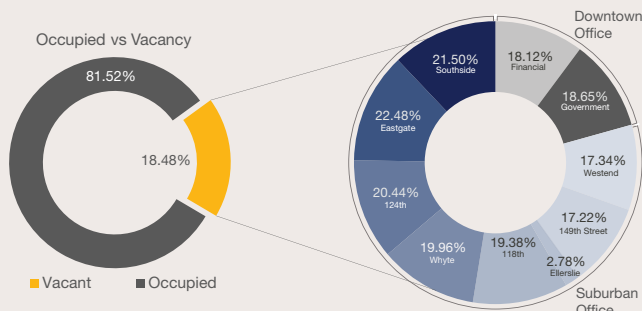
## Looking Ahead

- **Economic Indicators:** With global central banks considering rate cuts, there might be an easing of financial pressures, potentially rejuvenating investment activities in the commercial real estate sector.
- **Immigration Impact:** The influx of immigrants continues to bolster residential demand, which could indirectly benefit the office market as businesses expand to meet the needs of a growing population.
- **Cost Sensitivity:** High construction costs continue to influence tenant decisions, favoring developed spaces with minimal required investment. This trend is expected to persist, making turnkey solutions increasingly attractive.
- **Strategic Insights:** Landlords who proactively invest in building out spaces to meet tenant demands are setting market trends, as evidenced by successes in properties like Energy Square and The Devonian. This approach not only enhances property appeal but also secures tenant commitments in a market driven by cost-efficiency and flexibility.

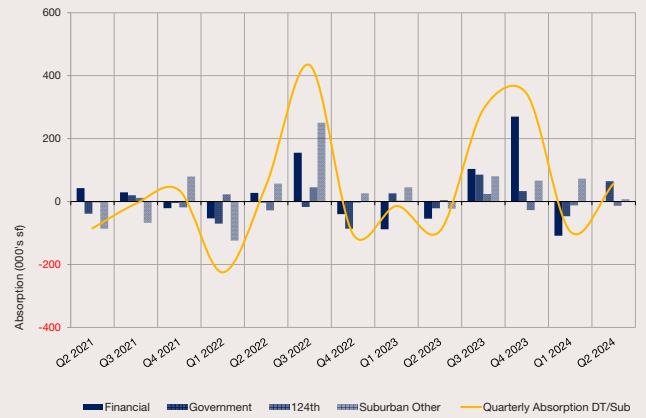
**Conclusion:** As we navigate through 2024, the Edmonton office market presents both challenges and opportunities. The continued preference for developed, flexible leasing options, combined with a cautiously improving economic landscape, sets the stage for a nuanced recovery in the office sector. Landlords and investors who adapt to these trends by offering tailored, cost-effective solutions are likely to outperform in this evolving market.

# Market Summary

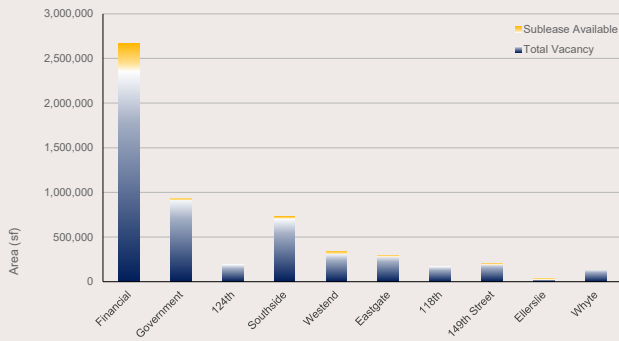
## Current Office Vacancy



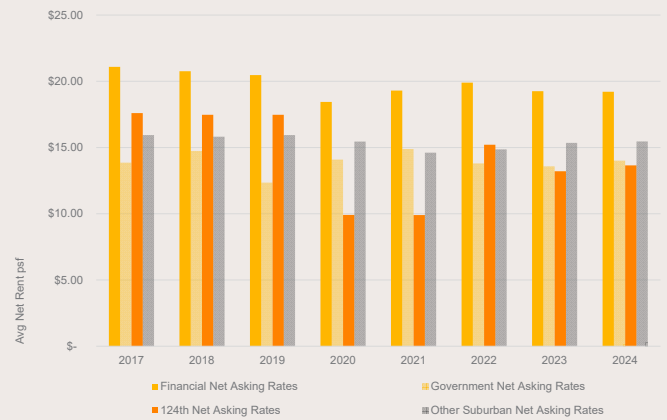
## Historical Office Absorption



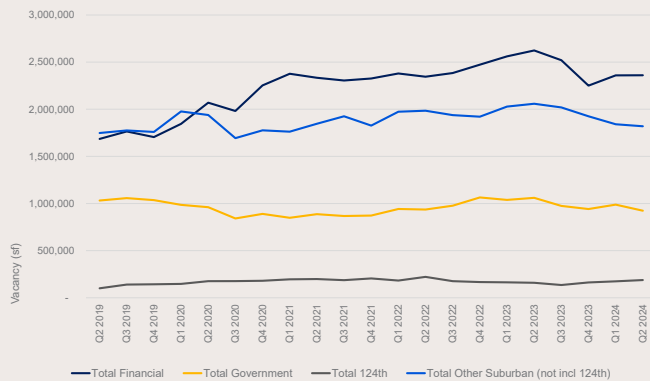
## Sublease Vacancy Index



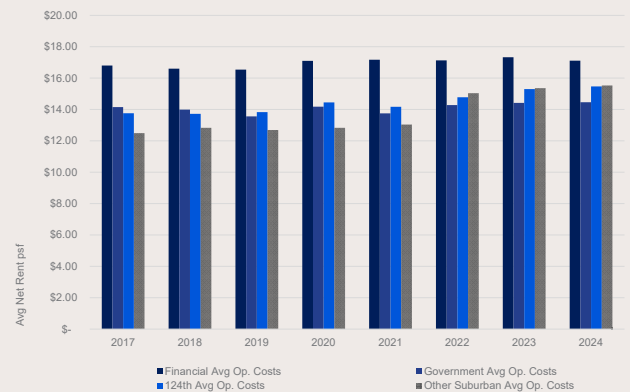
## Average Asking Net Rental Rates



## Comparative Historical Vacancy



## Average Historical Operating Costs



## Q2 2024 Vacancy Summary, Edmonton

SUBMARKET	TOTAL INVENTORY (sf)	LEASE (sf)	SUBLEASE (sf)	LEASE (%)	SUBLEASE (%)	TOTAL VACANCY
<b>FINANCIAL</b>						
Financial AA	4,264,649	387,611	59,832	9.09%	1.40%	10.49%
Financial A	6,542,751	1,179,243	228,315	18.02%	3.49%	21.51%
Financial B	1,853,560	419,246	20,655	22.62%	1.11%	23.73%
Financial C	366,499	65,364	0	17.83%	0.00%	17.83%
<b>Financial Total</b>	<b>13,027,459</b>	<b>2,051,464</b>	<b>308,802</b>	<b>15.75%</b>	<b>2.37%</b>	<b>18.12%</b>
<b>GOVERNMENT</b>						
GOVERNMENT A	2,276,308	427,335	0	18.77%	0.00%	18.77%
GOVERNMENT B	2,355,266	455,490	1,227	19.34%	0.05%	19.39%
GOVERNMENT C	321,336	37,761	1,865	11.75%	0.58%	12.33%
<b>GOVERNMENT TOTAL</b>	<b>4,952,910</b>	<b>920,586</b>	<b>3,092</b>	<b>18.59%</b>	<b>0.06%</b>	<b>18.65%</b>
<b>DOWNTOWN TOTAL</b>	<b>17,980,369</b>	<b>3,058,682</b>	<b>288,531</b>	<b>17.01%</b>	<b>1.60%</b>	<b>18.62%</b>
<b>SUBURBAN</b>						
124th A	356,555	36,244	0	10.17%	0.00%	10.17%
124th B	444,968	95,047	0	21.36%	0.00%	21.36%
124th C	118,005	56,677	0	48.03%	0.00%	48.03%
<b>124th Total</b>	<b>919,528</b>	<b>187,968</b>	<b>0</b>	<b>20.44%</b>	<b>0.00%</b>	<b>20.44%</b>
SOUTHSIDE	3,290,507	684,127	23,447	20.79%	0.71%	21.50%
WESTEND	1,790,035	279,229	31,125	15.60%	1.74%	17.34%
EASTGATE	1,267,512	272,212	12,665	21.48%	1.00%	22.48%
118TH	859,144	166,520	0	19.38%	0.00%	19.38%
149TH STREET	1,139,574	185,007	11,269	16.23%	0.99%	17.22%
ELLERSLIE	889,702	8,968	15,744	1.01%	1.77%	2.78%
WHYTE	647,196	129,182	0	19.96%	0.00%	19.96%
<b>SUBURBAN TOTAL</b>	<b>10,803,198</b>	<b>1,913,213</b>	<b>94,250</b>	<b>17.71%</b>	<b>0.87%</b>	<b>18.58%</b>
<b>EDMONTON TOTAL</b>	<b>28,783,567</b>	<b>4,885,263</b>	<b>406,144</b>	<b>16.97%</b>	<b>1.41%</b>	<b>18.38%</b>
<b>SHERWOOD PARK</b>	<b>1,511,793</b>	<b>279,518</b>	<b>29,048</b>	<b>18.49%</b>	<b>1.92%</b>	<b>20.41%</b>
<b>OVERALL EXISTING TOTAL</b>	<b>30,295,360</b>	<b>5,164,781</b>	<b>435,192</b>	<b>17.05%</b>	<b>1.44%</b>	<b>18.48%</b>

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