

The Office Occupier

Q3 2024 Edmonton Office Market Report



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Intact Insurance Building

Norquest College Completes Expansion Deal

Norquest College recently expanded by 21,000 sf in the Intact Building. Adding to their 63,000 sf of space they took near the end of 2023. Cresa Alberta was pleased to have been able to work with Norquest College in completing their original deal as well as their expansion this year.

Market Overview



Edmonton Office Supply

30,297,956 SF



Edmonton Overall Vacancy

18.04%



Downtown Vacancy

18.60%



Suburban Vacancy

17.00%

In the third quarter of 2024, the Edmonton office vacancy rate decreased from 18.38% to 18.00%; a total of 135,359 SF of positive absorption.

Downtown Office Market – 17,980,369 SF Tracked

The Downtown Office Market vacancy rate increased from 18.26% to 18.60%, marking a 61,277 SF increase. This rise is primarily due to trailing lease obligations returning to the market in the Financial District, including:

- 37,988 SF at Manulife Place from Reynolds Mirth Richards & Farmer LLP
- 11,632 SF at 10405 Jasper Avenue from Baker Clinic
- 29,854 SF at MNP Tower from Long View Systems

We project a further increase in the Downtown Office Market vacancy as more trailing lease obligations come onto the market, notably from Enbridge Centre, Rice Howard Place Tower I, and the CWB Tower.

Despite these obligations, notable leasing activity occurred. NorQuest College, a Cresa client, leased an additional 21,535 SF at the Intact Building, bringing its off-campus expansion to over 84,500 SF in the past year. Sun Life Place also experienced significant absorption, with 18,567 SF leased in Q3 to multiple users. Ownership of Sun Life Place changed hands recently, with SCREO II 99 Street Inc. selling the property for \$33,000,000 to Ironwood IV Inc.

Financial District – 13,027,458 SF Tracked

- Total vacancy: 18.40%, up from 18.12% quarter-over-quarter
- Financial AA vacancy: 11.36%, up from 10.49%
- Financial A vacancy: 21.44%, down from 21.51%

- Financial B vacancy: 23.92%, up from 22.73%
- Financial C vacancy: 18.18%, up from 17.83%

The Financial District measured a 36,852 SF increase in vacant space.

Government District – 4,952,910 SF Tracked

- Total vacancy: 19.14%, up from 18.65% quarter-over-quarter
- Government A vacancy: 19.51%, up from 18.77%
- Government B vacancy: 19.88%, up from 19.39%
- Government C vacancy: 11.12%, down from 12.33%

The Government District saw a 24,425 SF increase in vacant space.

Suburban

The Suburban Office Market vacancy rate decreased from 18.58% to 17.00%, reflecting 170,522 SF of positive absorption. This decline occurred across multiple submarkets, including the Southside and West End, suggesting an overall suburban office market recovery.

Notable changes in vacancy include:

- The Southside market saw several sub-5,000 SF tenants leasing space.
- The West End market had a financial tenant commit to approximately 26,000 SF in the West Campus A building, with BIRD Construction subleasing 20,569 SF at Westlink Office Park (Cresa's Byron Wakeling facilitated this deal), and AB Infrastructure leasing 25,014 SF in Coronation Plaza.
- In the 118th Street market, Metis Nation Holdings Ltd. is poised to occupy the

Kingsway Professional Centre, taking 54,423 SF off the market as its notice period comes to a close.

Suburban Office Market – 10,802,758 SF Tracked

- 124th Street vacancy: 19.43% down from 20.44%
- Southside vacancy: 20.58%, up down from 21.50%
- Westend vacancy: 15.24%, down from 17.34%
- Eastgate vacancy: 22.76%, up from 22.48%
- 118th Street vacancy: 12.41%, down from 19.38%
- 149th Street vacancy: 15.01%, down from 17.22%
- Ellerslie vacancy: 2.53%, down from 2.78%
- Whyte Ave vacancy: 18.45%, down from 19.96%

Notable Office Transactions

Tenant	Building	Area (sf)	Type
AB Infrastructure	Coronation Plaza	25,014	New Lease
*Norquest College	Intact Building	21,535	Expansion
*BIRD Construction	Finning Building	20,569	New Sublease
*Clifton Engineering	Sprucewoods Business Park	8,418	New Lease
*Tier 1 Energy Solutions	Ellwood Corner	5,442	New Lease

*Cresa Transactions

Looking Ahead

Economic Factors: Global central banks are initiating rate cuts with Canada making a major 50 BPS cut on the 23rd of October 2024. Inflation targets have been hit, but economists predict one more major rate cut in the future.

Immigration Impact: Continued migration to Edmonton sustains pressure on residential properties, which, as noted in previous reports, could support leasing activity as businesses scale for growth.

Cost Sensitivity: Persistently high construction costs are influencing tenant decisions, with occupiers favoring developed spaces due to minimal investment. This trend is expected to continue, as demonstrated by the success of the Devonian Building's flexible co-suiting program, which has nearly leased all available space.

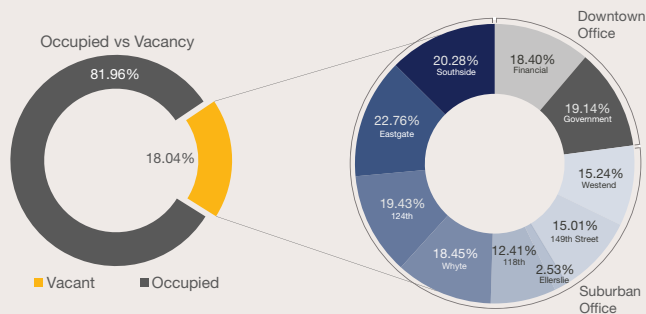
Strategic Insights: Local landlords are capitalizing on large-scale funds selling assets at discounted prices. The interest rate reduction should facilitate more bullish momentum.

Conclusion

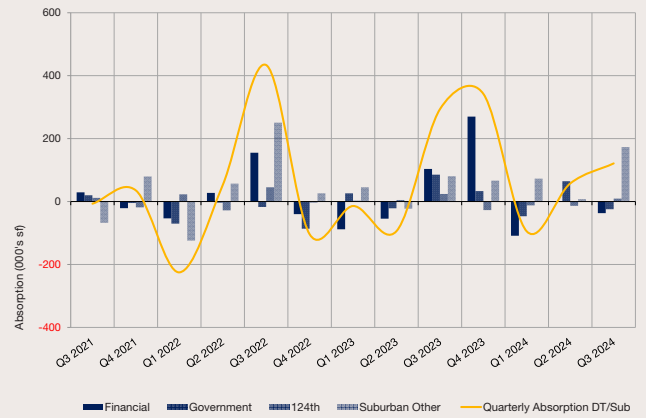
As we approach the end of 2024, the Edmonton office market remains relatively stable. We anticipate further suburban growth, driven by tenant preference for flexible, cost-effective solutions. However, with substantial trailing lease obligations affecting the downtown market, vacancy rates may rise. The suburban market's resilience suggests it will continue attracting tenants, positioning it as the preferred location for occupiers moving forward.

Market Summary

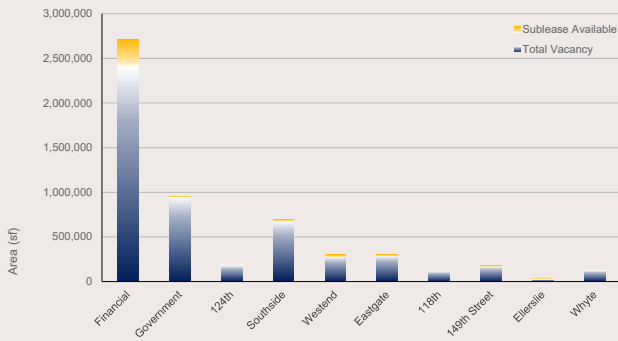
Current Office Vacancy



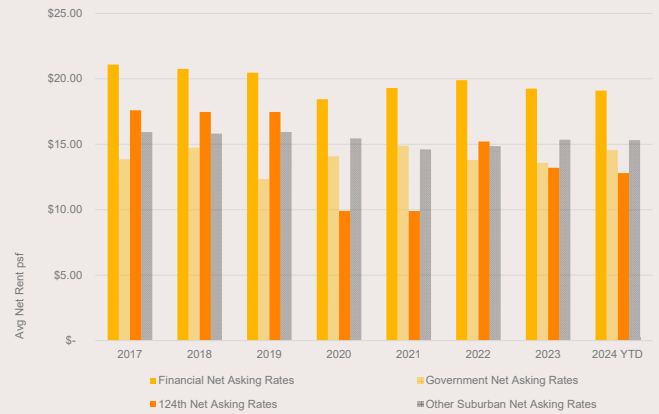
Historical Office Absorption



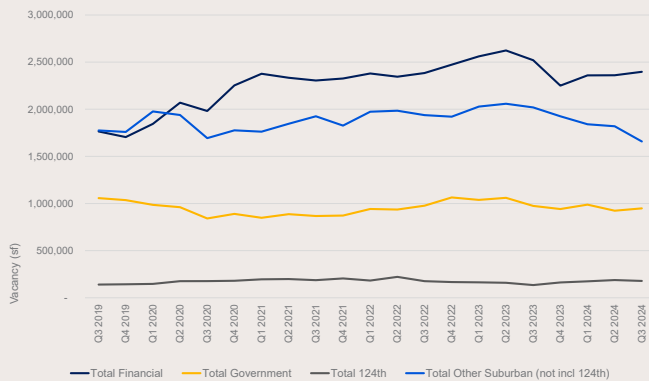
Sublease Vacancy Index



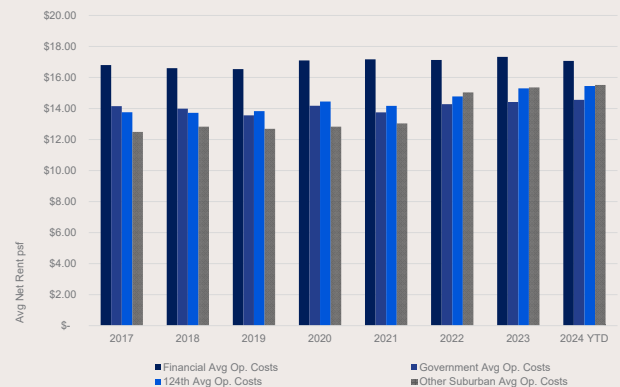
Average Asking Net Rental Rates



Comparative Historical Vacancy



Average Historical Operating Costs



Q3 2024 Vacancy Summary, Edmonton

SUBMARKET	TOTAL INVENTORY (sf)	LEASE (sf)	SUBLEASE (sf)	LEASE (%)	SUBLEASE (%)	TOTAL VACANCY
FINANCIAL						
FINANCIAL AA	4,264,649	401,177	83,226	9.41%	1.95%	11.36%
FINANCIAL A	6,542,751	1,187,383	215,316	18.15%	3.29%	21.44%
FINANCIAL B	1,853,560	422,715	20,655	22.81%	1.11%	23.92%
FINANCIAL C	366,499	66,646	0	18.18%	0.00%	18.18%
FINANCIAL TOTAL	13,027,459	2,077,921	319,197	15.95%	2.45%	18.40%
GOVERNMENT						
GOVERNMENT A	2,276,308	444,179	0	19.51%	0.00%	19.51%
GOVERNMENT B	2,355,266	466,979	1,227	19.83%	0.05%	19.88%
GOVERNMENT C	321,336	33,853	1,865	10.54%	0.58%	11.12%
GOVERNMENT TOTAL	4,952,910	945,011	3,092	19.08%	0.06%	19.14%
DOWNTOWN TOTAL	17,980,369	3,022,932	322,289	16.81%	1.79%	18.60%
SUBURBAN						
124th A	356,555	34,103	0	9.56%	0.00%	9.56%
124th B	444,968	87,615	0	19.69%	0.00%	19.69%
124th C	118,005	56,959	0	48.27%	0.00%	48.27%
124TH TOTAL	919,528	178,677	0	19.43%	0.00%	19.43%
SOUTHSIDE	3,290,507	656,183	20,907	19.94%	0.64%	20.58%
WESTEND	1,792,631	246,185	27,049	13.73%	1.51%	15.24%
EASTGATE	1,267,512	277,974	10,500	21.93%	0.83%	22.76%
118TH	859,144	106,591	0	12.41%	0.00%	12.41%
149TH STREET	1,139,574	159,730	11,269	14.02%	0.99%	15.01%
ELLERSLIE	889,702	6,747	15,744	0.76%	1.77%	2.53%
WHYTE	647,196	119,385	0	18.45%	0.00%	18.45%
SUBURBAN TOTAL	10,805,794	1,751,472	85,469	16.21%	0.79%	17.00%
EDMONTON TOTAL	28,786,163	4,774,404	407,758	16.59%	1.42%	18.00%
SHERWOOD PARK	1,511,793	265,180	17,272	17.54%	1.14%	18.68%
OVERALL EXISTING TOTAL	30,297,956	5,039,584	425,030	16.63%	1.40%	18.04%

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