

An aerial photograph of Edmonton, Alberta, Canada. The foreground shows a dense residential neighborhood with many houses and trees. In the middle ground, there is a large green park area. In the background, the city skyline is visible with several tall skyscrapers under a clear blue sky.

# Edmonton office market report

Q3 2023

**AVISON  
YOUNG**

# Edmonton area market fundamentals

▼ 20.4%

average vacancy rate  
Downtown Edmonton

\$18.15

average lease rate per square foot (psf)  
Downtown Edmonton

18.1M

total inventory square feet (sf)  
Downtown Edmonton

▼ 17.6%

average vacancy rate  
Suburban Edmonton

\$15.14

average lease rate (psf)  
Suburban Edmonton

15.7M

total inventory (sf)  
Suburban Edmonton

# What's the scoop

## Significant market activity

In the third quarter of 2023, Edmonton's office market saw a notable resurgence, characterized by 165,000 sf of positive absorption. Contributing to this was 83,000 sf of positive absorption in the government district and a similar 86,000 sf in the South Side. The remaining absorption was spread amongst the other submarkets. This level of positive absorption has not been witnessed since Q3 2018 when Edmonton recorded 159,000 sf, a positive sign of the market's recovery potential.

Among significant transactions, two educational users collectively leased 124,000 sf of office space. Firstly, Classical Academy Charter School leased 61,000 sf on a 5-year term at the former Service Alberta Building, located at 3720 76th Avenue. The school, which originated in the United States, opened its doors in Calgary in the fall of 2022. It quickly caught the interest of people in the Edmonton community, who expressed a desire for the school to establish a presence in Edmonton as well. Consequently, classes in Edmonton officially started on September 12th, 2023. The school will offer classes for students from kindergarten to grade 7 during the 2023/24 school year, with future plans to extend its offerings up to grade 12. The school aims to accommodate up to 700 students once it has completed its expansions.

Additionally, NorQuest College has expanded its downtown footprint by leasing 63,000 sf along Jasper Avenue within the Intact Building. This absorption of vacant office space will assist in accommodating their ongoing growth, which is also occurring with other downtown Edmonton education institutions who are collectively planning for the addition of 15,000 students to the existing downtown student population.

These two examples illustrate the transformation of underutilized office spaces to accommodate new purposes. Multifamily conversions are leading this conversation both in Edmonton and across the country. The abundant supply of vacant and functionally obsolete office buildings offer an opportunity to alleviate housing shortages, particularly for the growing student population and Edmonton's influx of new residents. Additionally, this trend has the potential to improve the overall office market.

Currently, several office buildings are in the process of being evaluated for potential conversion, a trend that we anticipate will persist. If the City of Edmonton were to initiate a subsidy program similar to Calgary's recent successful effort, it would greatly enhance the economic viability of conversion projects. This, in turn, would encourage more conversions, resulting in a range of positive outcomes beyond merely bolstering the office market and addressing housing shortages.

One notable benefit would be an increase in the downtown residential population, injecting vitality into an area that faces various challenges. This influx of residents would lead to higher property values and an expanded tax base.



# Zooming out to the larger economy

Within the broader economic landscape, inflation has risen for two consecutive months after hitting its lowest point of 2.8% since March 2021. Expert economists are divided on whether interest rates will remain at 5.0% or if there will be further rate hikes implemented to continue fighting inflation. The prolonged period of high interest rates will continue to pose a financial challenge for many office building owners. Several office buildings have already faced insolvency, a trend that we expect to continue after a sustained environment of high cost debt.

On a more positive economic note, Alberta has experienced a substantial population growth of 4.1% year-over-year, resulting in an influx of 184,000 new residents. This represents the most significant population increase in Alberta since 1981, promising favorable outcomes across various economic sectors, including the real estate market. With many of these new provincial residents settling in the Edmonton area, the city stands to benefit from the growth.

In conclusion, Edmonton's office market has exhibited positive signs driven by increased leasing activity, atypical absorption from educational users and multifamily conversions. However, high vacancy rates, inflation, and interest rates will continue to pose challenges for the office market as we move through Q4 of 2023 and into 2024.



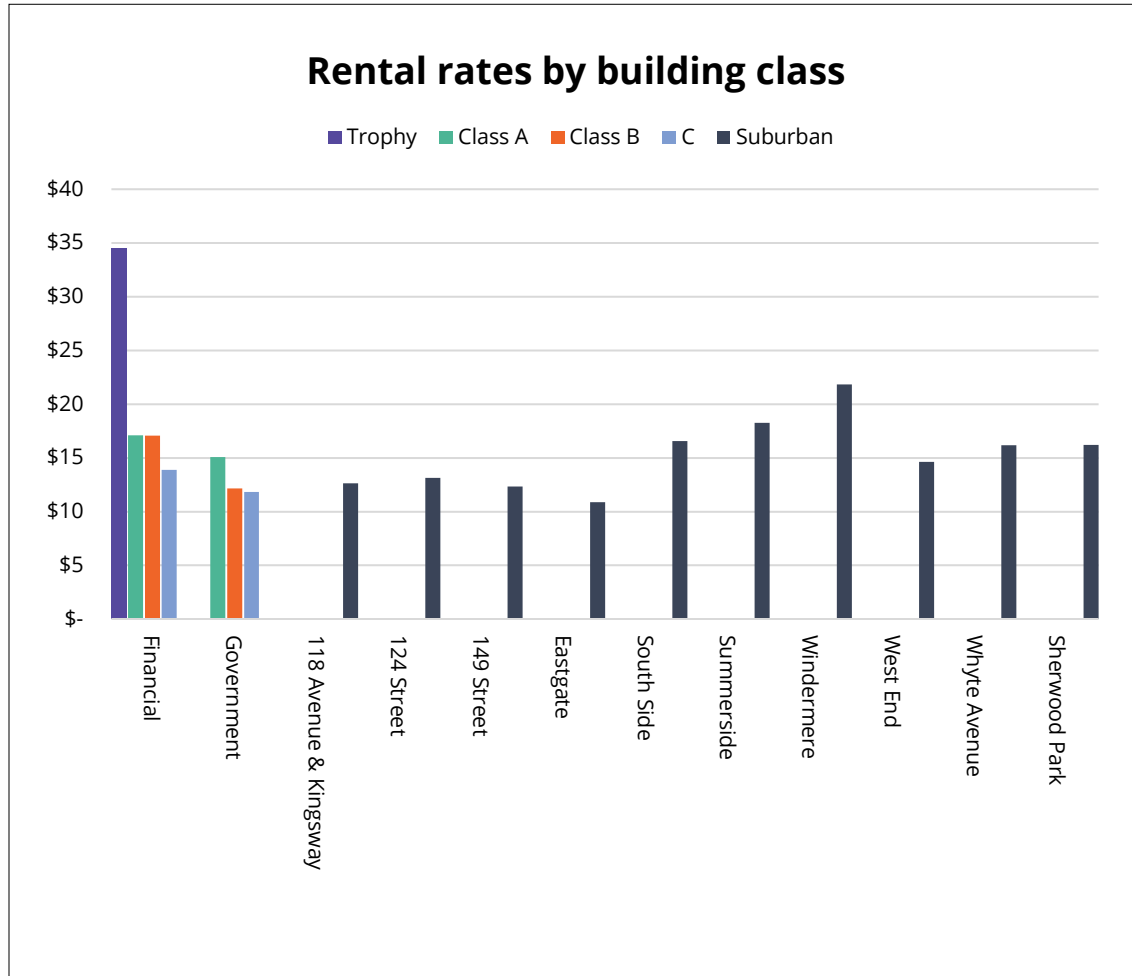
# Edmonton office market activity

## Recent leasing activity

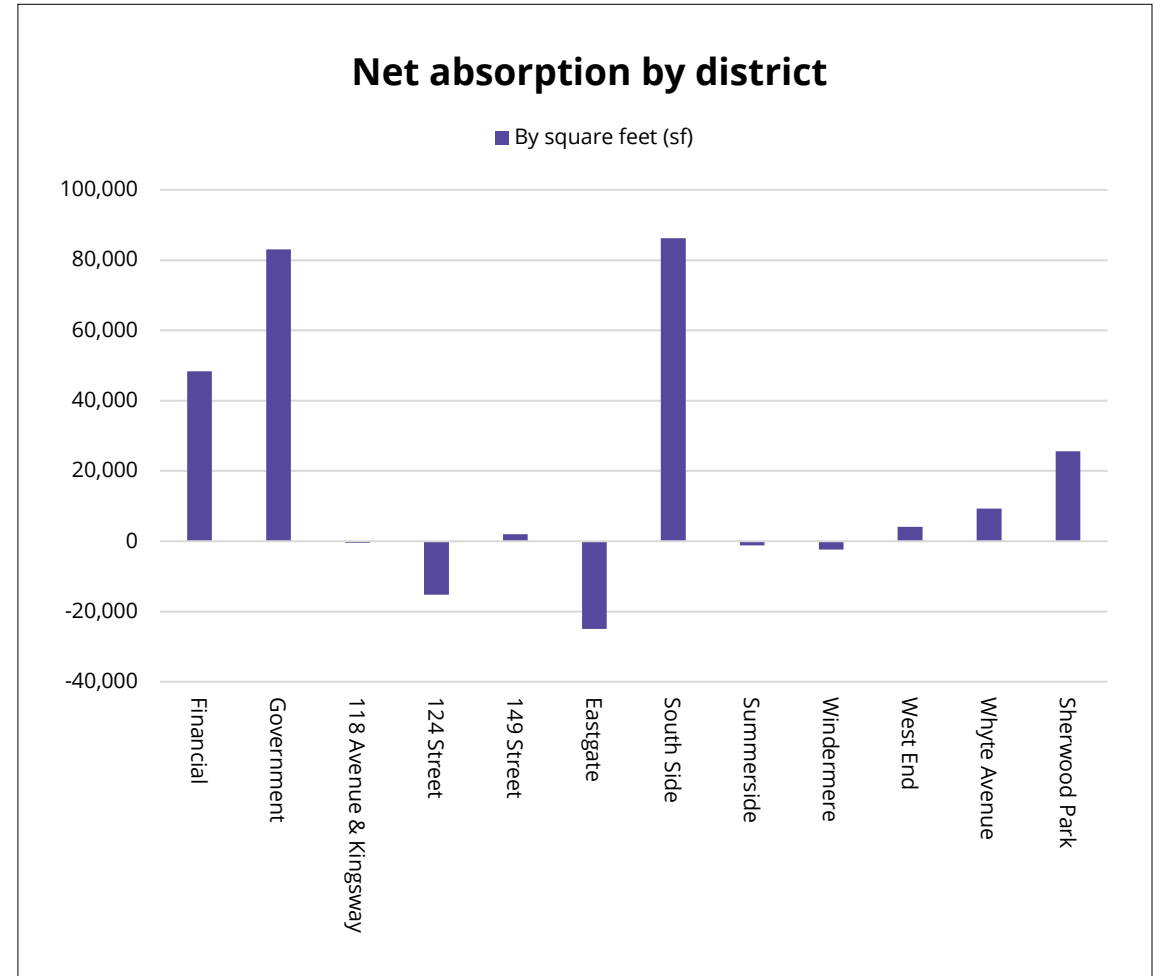
Building	Tenant name	Size (sf)	Type
Intact Building	NorQuest College	63,000	Headlease
3720 76th Avenue	Edmonton Classical Academy	61,236	Headlease
Commerce South Office Park Building A	APEGA	37,283	Headlease
MNP Tower	MNP	14,921	Expansion
Stantec Tower	Long View Systems	14,500	Sublease
Broadmoor Place VI	Tree Time Services	12,303	Headlease
Greystone Business Park 7	PCL	11,500	Sublease
Devonian Building	United Nurses of Alberta	10,000	Expansion
TELUS house at ATB Place	Fluor Engineering	10,000	Sublease



# Edmonton area office market indicators



Source: Avison Young



Source: Avison Young

# Edmonton area office market stats

Category / submarket	Buildings	Inventory	Total vacant	Headlease	Sublease	Q3 Absorption	Vacancy overall		Vacancy direct		Vacancy sublease		Lease rates (average)
								Q/Q change		Q/Q change		Q/Q change	
<b>Financial</b>													
Trophy	4	2,345,524	129,994	97,849	32,145	21,611	5.5%	-0.9%	4.2%	0.0%	1.4%	-0.9%	\$ 34.50
Class A	27	7,648,924	1,989,696	1,695,018	294,678	-18,195	26.0%	0.2%	22.2%	-0.4%	3.9%	0.0%	\$ 17.10
Class B	17	1,864,009	363,563	342,908	20,655	-3,447	19.5%	0.2%	18.4%	0.2%	1.1%	0.0%	\$ 17.06
Class C	21	959,428	99,037	99,037	-	-627	10.3%	0.1%	10.3%	0.1%	0.0%	0.0%	\$ 13.88
<b>Subtotal</b>	<b>69</b>	<b>12,817,885</b>	<b>2,582,290</b>	<b>2,234,812</b>	<b>347,478</b>	<b>-658</b>	<b>20.1%</b>	<b>0.0%</b>	<b>17.4%</b>	<b>0.0%</b>	<b>2.7%</b>	<b>-0.2%</b>	<b>\$ 20.04</b>
<b>Government</b>													
Class A	16	2,705,243	678,793	666,396	12,397	85,280	25.1%	-3.2%	24.6%	-3.4%	0.5%	0.2%	\$ 15.07
Class B	18	1,622,496	333,461	333,461	-	-2,187	20.6%	0.1%	20.6%	0.1%	0.0%	0.0%	\$ 12.17
Class C	28	970,465	95,686	93,821	1,865	-	9.9%	0.0%	9.7%	0.2%	0.2%	-0.6%	\$ 11.83
<b>Subtotal</b>	<b>62</b>	<b>5,298,204</b>	<b>1,107,940</b>	<b>1,093,678</b>	<b>14,262</b>	<b>83,093</b>	<b>20.9%</b>	<b>-1.6%</b>	<b>20.6%</b>	<b>-1.6%</b>	<b>0.3%</b>	<b>0.0%</b>	<b>\$ 13.59</b>
<b>Suburban</b>													
118 Avenue & Kingsway	37	1,073,028	205,535	205,535	-	-498	19.2%	0.0%	19.2%	0.0%	0.0%	0.0%	\$ 12.63
124 Street	35	1,096,041	234,302	217,730	16,572	-15,182	21.4%	1.4%	19.9%	1.4%	1.5%	0.0%	\$ 13.15
149 Street	45	1,381,314	276,187	249,275	26,912	2,033	20.0%	-0.1%	18.0%	-0.1%	1.9%	0.0%	\$ 12.32
Eastgate	20	1,439,887	194,483	180,107	14,376	-24,927	13.5%	1.7%	12.5%	1.4%	1.0%	0.3%	\$ 10.88
South Side	107	4,489,336	822,612	758,181	64,431	86,212	18.3%	-1.9%	16.9%	-1.5%	1.4%	0.4%	\$ 16.58
Summerside	50	1,406,568	108,631	103,631	5,000	-1,217	7.7%	0.1%	7.4%	0.1%	0.4%	0.0%	\$ 18.25
Windermere	20	467,872	32,368	32,368	-	-2,350	6.9%	0.5%	6.9%	0.5%	0.0%	0.0%	\$ 21.83
West End	54	2,304,746	518,257	416,889	101,368	4,098	22.5%	-0.2%	18.1%	-0.2%	4.4%	0.0%	\$ 14.63
Whyte Avenue	30	751,683	146,956	146,956	-	9,265	19.6%	-1.2%	19.6%	-1.2%	0.0%	0.0%	\$ 16.19
Sherwood Park	35	1,318,572	226,467	219,167	7,300	25,560	17.2%	-1.9%	16.6%	-0.1%	0.6%	-1.9%	\$ 16.22
<b>Total</b>	<b>433</b>	<b>15,729,047</b>	<b>2,743,872</b>	<b>2,507,913</b>	<b>235,959</b>	<b>82,994</b>	<b>17.6%</b>	<b>-0.5%</b>	<b>16.1%</b>	<b>-0.6%</b>	<b>1.5%</b>	<b>0.0%</b>	<b>\$ 15.14</b>
<b>Totals</b>													
Downtown	131	18,116,089	3,690,230	3,328,490	361,740	82,435	20.4%	-0.5%	18.4%	-0.6%	2.0%	-0.1%	\$ 18.15
Suburban	433	15,729,047	2,743,872	2,507,913	235,959	82,994	17.6%	-0.5%	16.1%	-0.5%	1.5%	0.0%	\$ 15.14
<b>Overall</b>	<b>564</b>	<b>33,845,136</b>	<b>6,434,102</b>	<b>5,836,403</b>	<b>597,699</b>	<b>165,429</b>	<b>19.1%</b>	<b>-0.5%</b>	<b>17.3%</b>	<b>-0.5%</b>	<b>1.8%</b>	<b>-0.1%</b>	<b>\$ 16.75</b>

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

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