

Edmonton

INSIDE

Windermere's Footprint on Edmonton
The Pulse: Market Forecasting Model

TOTAL OFFICE
MARKET VACANCY

15.0%

▼ 15.7%
(Q4 2017)

DOWNTOWN OFFICE
MARKET VACANCY

14.4%

▼ 15.3%
(Q4 2017)

SUBURBAN OFFICE
MARKET VACANCY

15.9%

▼ 16.3%
(Q4 2017)

ABSORPTION
(SF)

+65,000

▼ +144,000
(Q4 2017)

Windermere's Growing Footprint

Over the past decade, Edmonton has grown rapidly to its south. The neighbourhoods of Windermere, Ambleside, and Chappelle are among the city's leaders in housing construction and with it, an emerging office market has set itself apart.

Windermere: Defining a New Submarket

The area hosts an inventory of modern Class A office buildings centralized in some of Edmonton's youngest and most affluent neighbourhoods. Potential for the local submarket is immense; the City of Edmonton's Growth Monitoring Report cited the developing region as an integral part of its plan to grow the population to 2.2 million by 2044. As part of that plan, the City and Leduc County signed an Annexation Agreement to add 8,860 hectares of land to the municipality in 2019 and further set the conditions for prosperous expansion.

2007

POPULATION¹: 10,102

OFFICE SPACE: 62,000 SF



2012

POPULATION: 18,651

OFFICE SPACE: 119,000 SF



2017

POPULATION: 36,329

OFFICE SPACE: 313,000 SF



2022

POPULATION²: 63,500

OFFICE SPACE³: > 556,000 SF

¹ City of Edmonton Municipal Census

² Based on projections from the City of Edmonton Growth Study 2018

³ Based on known construction as of 2018



The Windermere area boasts an office inventory exclusively comprised of modern Class A buildings. Concentrated within walking distance of retail centres and low-density neighbourhoods, premium offices have attracted medical, dental and professional services to serve the growing population.

Buildings	Total Inventory (SF)	Direct Vacancy (SF)	Sublease Vacancy (SF)	Total Vacancy	Avg. Asking Rental Rate (PSF)
12	312,656	16,797	0	5.2%	\$25.50

Greater Edmonton Q1 Market Overview

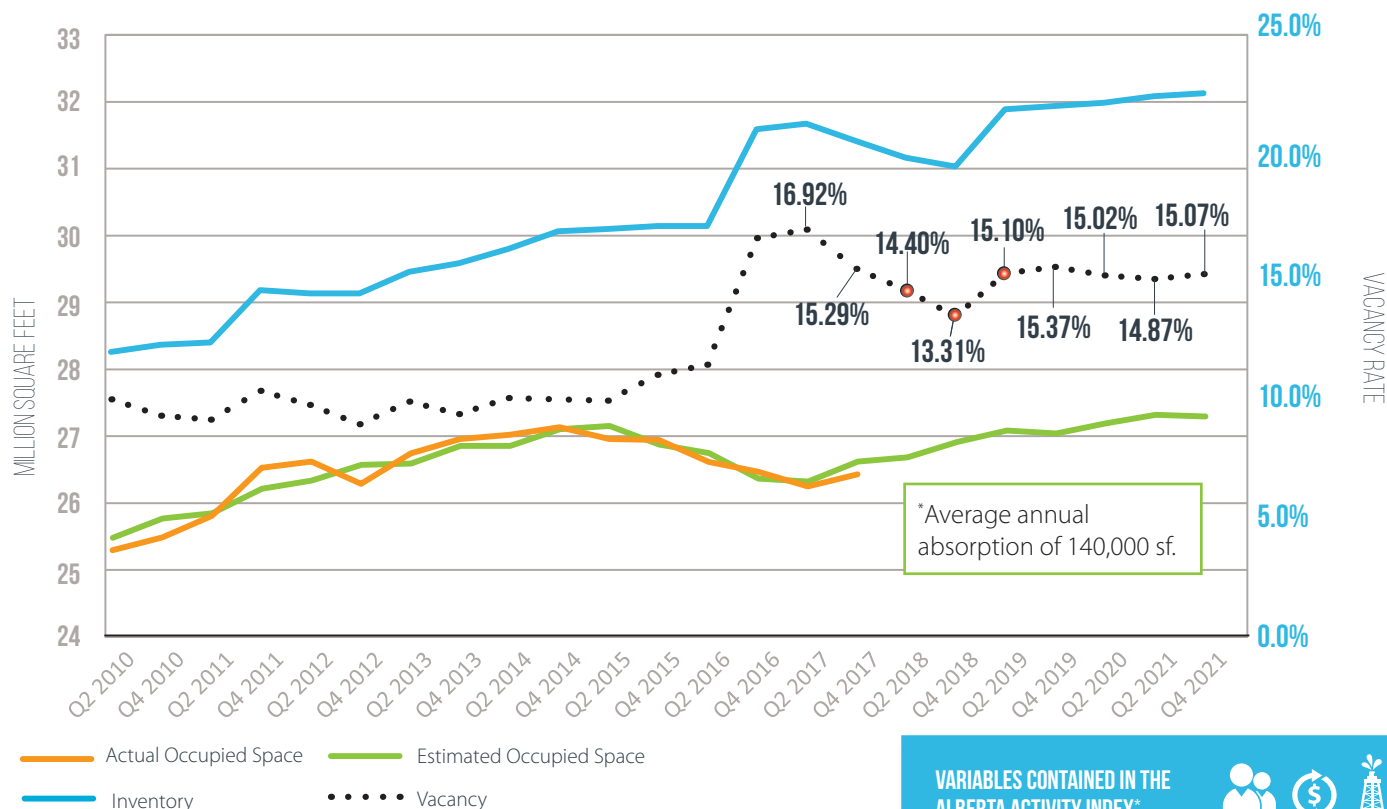
The office market has outperformed expectations thus far in 2018 with **65,415 sf of positive absorption in the first quarter**. City-wide vacancy rate declined 0.6% in the quarter as the market continues its recovery from peak rates in early 2017. Working to depress vacancy levels is a combination of limited speculative construction, repurposing or demolition of dated office buildings, and improved conditions in the municipal economy.

Structural transformation of the downtown core continues as the demolition of the BMO Building at 102nd Avenue and 101st Street is complete. Adjacent to the site, 102nd Avenue will remain closed to traffic between 96th Street and 103rd Avenue until December 2020 to facilitate construction of the Valley Line LRT. Leasing activity in the Financial district was highlighted by the **City of Edmonton (EPS) leasing 82,000 sf** in TD Tower to commence in the first quarter of 2019. Elsewhere, accounting firm **Crowe MacKay LLP leased 15,000 sf** in Manulife Place, **London Life Insurance Company leased 11,000 sf** in Bell Tower, and **SNS Technologists leased 12,000 sf** in Centre Point Place. In the Government district, **Alberta Health Services leased 20,000 sf** in the 9925 Building.

Notable leases in suburban markets are headlined by **57,000 sf being absorbed in Bonaventure Gate by Alberta Infrastructure** in the 149th Street district. In the Summerside district, **HealthPointe Medical Centres leased 20,000 sf** in Edmonton Business Campus and **Nuna Logistics leased 28,000 sf** in the CityView Business Park in the Southside district.

Office Market Forecast

A close examination of office market quarterly data provides insight into trends around the demand for office space in Edmonton. Avison Young Research has developed a predictive model that measures the statistical links between economic variables of the Alberta Activity Index and gross domestic product with the demand for office space and construction output. Forecasting is based on a process that involves testing variables for their significance and quantifiable effect on demand for space. Expectations around Alberta's economic future lead us to believe that city-wide vacancy rate will fall below 14% by the end of 2018 and maintain near 15% after the introduction of Stantec Tower until the end of 2021, with occupied space totaling 27.3 msf at that time.



Near Term Observations

Centre West in the Downtown Government district was removed from the market in Q1 2018 due to planned conversion to residential, eliminating 159,000 sf from the office inventory. The removal reduced city-wide vacancy by 0.4%.

Enbridge Tower in the Downtown Financial district is planned to be converted to residential, removing 183,000 sf from the office inventory and reducing city-wide vacancy by 0.5% at that time.

Stantec Tower will be introduced to the market in November 2018, adding 622,000 sf to inventory. The subsequent tenant movement will result in positive absorption of 90,000 sf in the Downtown Financial district and an increase of 1.7% on city-wide vacancy.

VARIABLES CONTAINED IN THE ALBERTA ACTIVITY INDEX*

2017 YEAR-OVER-YEAR GROWTH

EMPLOYMENT	1.1%
AVERAGE WEEKLY EARNINGS	1.0%
RETAIL SALES	7.6%
HOUSING STARTS	24.9%
WHOLESALE TRADE	10.6%
MANUFACTURING SALES	14.2%
NEW VEHICLES SALES	11.3%
AVG ACTIVE RIGS	81.0%
OIL PRODUCTION	9.3%

	2018	2019	2020	2021
GDP GROWTH**	2.50%	2.10%	2.10%	2.00%
POP GROWTH***	1.40%	1.50%	1.50%	1.60%

*Alberta Treasury Board and Finance

** Average forecast of RBC, TD, BMO, CIBC, and ScotiaBank

*** Government of Alberta Budget 2018

	Buildings	Total Inventory	Direct Vacancy	Sublease Vacancy	Absorption (YTD)	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Additional Rent (Op. Costs & Property Tax)	Average Asking Rates
Financial										
AAA**	3	1,785,000	185,582	0	(1,810)	10.4% ▲ 0.1%	10.4% ▲ 0.1%	- - -	\$19.50	\$35.00
A	24	7,659,444	1,161,946	352,260	23,539	19.8% ▼ (0.3%)	15.0% ▼ (0.4%)	4.6% ▲ 0.1%	\$18.50	\$22.25
B	16	1,988,921	210,371	0	1,504	10.6% ▼ (0.1%)	10.4% - -	- ▼ (0.1%)	\$17.00	\$15.25
C	16	1,078,675	60,053	6,338	(15,032)	6.2% ▲ 1.4%	5.6% ▲ 0.8%	0.6% ▲ 0.6%	\$16.00	\$15.25
SUBTOTAL :	60	12,512,040	1,602,023	358,598	24,130	15.7% ▼ (0.1%)	12.9% ▼ (0.2%)	2.9% ▲ 0.1%	\$18.25	\$23.25
Government										
A	15	2,678,488	247,513	54,159	39,581	11.3% ▼ (1.4%)	9.2% ▼ (1.4%)	2.0% - -	\$15.25	\$16.25
B	16	1,712,339	224,130	1,263	(21,416)	13.2% ▲ 1.3%	13.1% ▲ 1.2%	0.1% ▲ 0.1%	\$15.75	\$14.00
C	23	1,218,716	98,475	0	7,451	8.1% ▼ (11.1%)	8.1% ▼ (11.1%)	- - -	\$13.50	\$12.25
SUBTOTAL :	54	5,609,543	526,357	55,422	36,761	10.5% ▼ (3.5%)	9.5% ▼ (3.6%)	1.0% ▲ 0.1%	\$15.25	\$15.50
Suburban										
118 Ave & Kingsway	22	814,029	75,174	0	(4,921)	9.2% ▲ 0.6%	9.2% ▲ 0.6%	- - -	\$12.75	\$15.25
124 Street	27	1,026,446	125,176	9,006	(4,283)	13.1% ▲ 0.4%	12.2% ▲ 0.4%	0.9% - -	\$15.25	\$15.75
149 Street	39	1,339,504	185,902	0	44,746	13.9% ▼ (3.3%)	13.9% ▼ (3.3%)	- - -	\$11.75	\$15.00
Eastgate	17	1,300,954	193,662	153,833	(36,404)	26.7% ▲ 1.7%	14.9% ▲ 1.7%	11.8% - -	\$12.50	\$15.00
Southside	76	3,546,231	622,258	30,688	34,782	18.1% ▼ (0.9%)	17.2% ▼ (0.9%)	0.9% - -	\$13.25	\$17.50
Summerside	26	878,841	99,926	11,859	(13,392)	12.7% ▲ 1.5%	11.4% ▲ 1.4%	1.3% ▲ 0.1%	\$12.50	\$19.75
Windermere	12	312,656	16,797	0	-	5.4% - -	5.4% - -	- - -	\$13.25	\$25.50
West End	41	2,065,205	145,093	18,564	2,598	7.9% ▼ (0.2%)	7.0% ▼ (0.1%)	0.9% ▼ (0.1%)	\$10.25	\$15.50
Whyte Avenue	15	606,343	71,430	0	1,734	11.8% ▼ (0.3%)	11.8% ▼ (0.3%)	- - -	\$18.50	\$20.25
Sherwood Park	32	1,309,724	359,269	0	6,738	27.4% ▼ (0.5%)	27.4% ▼ (0.5%)	- - -	\$9.50	\$16.50
Totals										
Downtown Total:	114	18,121,583	2,188,070	414,020	33,817	14.4% ▼ (0.8%)	12.1% ▼ (1.0%)	2.3% ▲ 0.2%	\$17.25	\$20.75
Suburban Total:	307	13,199,933	1,877,890	223,950	31,598	15.9% ▼ (0.4%)	14.2% ▼ (0.1%)	1.7% ▼ (0.1%)	\$13.00	\$16.50
Overall:	421	31,321,516	4,065,960	637,970	65,415	15.0% ▼ (0.6%)	13.0% ▼ (0.7%)	1.9% ▲ 0.1%	\$15.50	\$19.00

**AAA Class office buildings include Edmonton Tower, Epcor Tower and Enbridge Centre

Meet our Office Leasing team:



Follow us on Twitter @AYEdmonton



Intelligent
Real Estate
Solutions

avisonyoung.com

© 2018 Avison Young Real Estate Alberta Inc. All rights reserved. E. & O.E.: The information contained herein was obtained from sources which we deem reliable and, while thought to be correct, is not guaranteed by Avison Young.

Cory Wosnack
Principal, Managing Director
780.429.7556
cory.wosnack@avisonyoung.com

Mark Hartum
B.Comm, SIOR, Principal
780.429.7557
mark.hartum@avisonyoung.com

Peter Schwann
B.Comm, Principal
780.429.7563
peterschwann@avisonyoung.com

Karnie Vertz
LEED GA, Principal
780.429.7551
karnie.vertz@avisonyoung.com

Cameron Martin
BBA, Senior Associate
780.702.5826
cameron.martin@avisonyoung.com

Jason Gardner
B.Comm, Associate
780.429.7569
jason.gardner@avisonyoung.com

Tori Sara
Administrative Coordinator
780.429.7561
tori.sara@avisonyoung.com

Chantel Ganz
B.Comm, Sales Assistant - Licensed
780.429.7553
chantel.ganz@avisonyoung.com

Cailey Martiniuk
Sales and Executive Assistant
780.429.7572
cailey.martiniuk@avisonyoung.com

Jennifer Poisson
Administrative Coordinator
780.702.0699
jennifer.poisson@avisonyoung.com

Josh Carr
MA, Research Manager
780.429.7555
josh.carr@avisonyoung.com

Charlotte Phillips
Graphic Designer
780.429.7574
charlotte.phillips@avisonyoung.com

Cori Vertz
Marketing / Graphic Designer
780.428.7850
cori.vertz@avisonyoung.com

DOWNLOAD OUR
EXCLUSIVE LISTINGS



Platinum member