

# INVESTMENT FORECAST

Office  
Edmonton

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Expanding Scientific Firms and Startups Drive Demand for GEA Office Space

Innovation shifts local economy into office-dependent industries. The GEA's tech sector is growing, aided by the presence of a top-tier academic institution that generates a labour pool of innovation and artificial intelligence workers. As a result, business accelerators and incubators, such as Startup Edmonton and Plug and Play Alberta, are increasingly being established in the metro. Additionally, access to skilled workers, comparatively cheap office space and business incentives are drawing numerous global firms to the area, most notably Google's DeepMind. At the same time, one of the smallest batch of completions on record is scheduled for 2022, benefiting existing properties. Nevertheless, near-term headwinds will persist as the city delayed plans to allow workers back into offices in early January, and the potential for new variants of COVID-19 creates a level of uncertainty. Health considerations have led suburban offices to garner a larger share of leasing activity during the pandemic. In 2022, well-positioned firms are likely to take advantage of the favorable market conditions and grab additional Class A space in urban areas.

## Edmonton Office Investment Trends

- Investors capable of withstanding temporarily higher than normal vacancy may choose to target less occupied properties that are positioned for upside, once the pandemic abates.
- Owners of higher-quality assets have been hesitant to list during a period of discounted pricing. This has altered the composition of trades, lifting the average cap rate for assets that changed hands.

## 2022 Office Trends

98,000  
SQUARE FEET  
*will be completed*

### CONSTRUCTION:

Developers are scheduled to complete less than half as much space as last year. The annual delivery volume in 2022 will be the second smallest in seven years.

30  
BASIS POINT  
*decrease in vacancy*

### VACANCY:

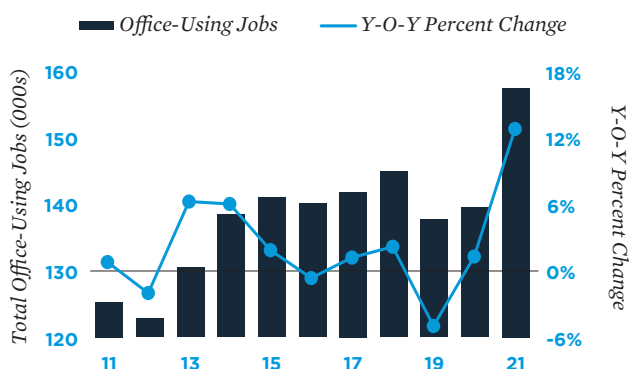
While construction is muted relative to past years, healthy net absorption will help contract Edmonton's office vacancy rate in 2022.

DECREASE  
*in asking rent*

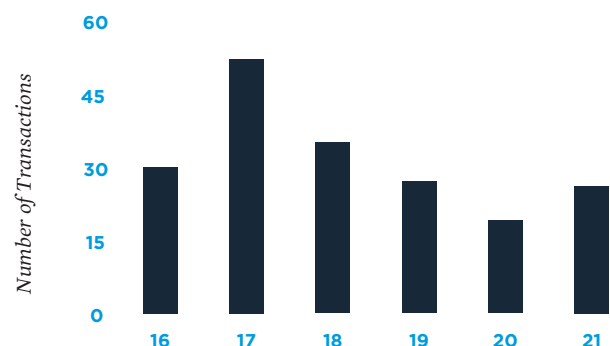
### RENT:

Office rents decline in 2022, as property owners may use concessions to lure tenants. Still, this year's subtraction should be less extreme than the 2021 drop.

## Office-Using Jobs Trends



## Transaction Trends



Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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