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## Downtown commercial vacancy rates continue to rise in Edmonton



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WATCH: A new report shows that commercial vacancy rates in downtown Edmonton remain on the rise. Lisa MacGregor has more on the state of downtown's economy and what the city needs to do next – Jul 4, 2023

Office building vacancy rates have been ticking upwards across the country for some time now, and Edmonton is no exception, according to a new report released by CBRE Canada Commercial Real Estate Services.

In Edmonton, the vacancy rate rose to 24.1 per cent, compared to the national average of 18.1 per cent.

With hybrid work becoming more popular and businesses looking to downsize office space, Puneeta McBryan with the Downtown Business Association said fewer business owners are re-signing their leases when they come up for renewal.

“Even if a company is renewing a lease, often they are often renewing for a smaller footprint than they previously had,” she said.

Even now, the vacancy numbers are not “catastrophic,” she said, unlike in Calgary where the sheer volume of office space left the city with record vacancy rates amid the pandemic.

As for Edmonton, the effects of the vacancies haven’t quite kicked in completely, she said.

“I think city council and Edmontonians across the city are going to start feeling the pain of what it looks like when your downtown isn’t thriving and property values have started to depress a little bit.

“We definitely haven’t seen the peak of that yet.”

The reason, she said, why discussions around grants and investments in infrastructure and safety are so important is because there is a lot at stake for the city.

“It’s not whether office buildings are full or not – (the question is) does our city have the tax base to support a big city and a big city economy?” she said.

Jeremy Deeks, vice president of CBRE, was also not surprised by the rise in vacancies, as there has been a nationwide upward trend for the past three years. He said numbers were already inching closer to 19, 20 per cent pre-pandemic.

What’s happening, he said, is that the majority of companies are going through organizational transitions in which they are looking at work-from-home and hybrid models.

“They’re rethinking the way they look at the office,” he said. “If you were a downtown company before, you are typically still a downtown company – with the odd exception to that – but I wouldn’t necessarily say there’s a trend to move from downtown to suburban.”

One trend, he said, is flight to quality: businesses are moving to new, nicer spots with better rent within the downtown area. This started around 2018, but the pandemic has made it more affordable now for more businesses.

### **Is enough being done?**

McBryan said she doesn't feel the province, police or city are doing enough to make the changes needed to attract businesses back into the downtown core.

"I don't know if everyone has fully accepted the reality of how much investment is needed to actually get us to a place where our downtown and our city is where it needs to be coming out of COVID," she said.

Deeks said public safety is a big issue when it comes to potential renters passing on a space.

"We've had tours where they've think the building is good, (but) walk out and staff don't feel safe," he said. "Safety is definitely a concern. It's something that – it's kind of the chicken or the egg – we need people downtown to make it feel more safe, actual people in the office, but there's also this factor of we need to make it safe as well so that people come downtown.

"I think that's a balance that's a real big focus of the city."