

MARKETBEAT

EDMONTON INVESTMENT REPORT



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Q4 2011

OVERVIEW

While the American government and the European Union work towards stabilizing their economies, Alberta and Greater Edmonton economies continue to gain strength. The global recovery has taken a step backwards over the last quarter with a global market sell-off following a combination of S&P's downgrade of US credit rating, Greece's debt crisis and soft economic numbers. Markets are expected to stabilize over the coming quarter. Oil is trading around US\$100/bbl, as of December 30, 2011. The Canadian dollar was close to parity at the end of the fourth quarter. As the employment situation continues improving throughout Q4 2011 in Alberta, the expected labor shortage becomes more imminent and employers are starting to look more seriously at immigrant workers, mainly those skilled workers south of the border where the country's 14 million unemployed are yet to retain jobs.

As a result of the improving economy, which we see continuing through 2012, an increase in activity is expected across all sectors of the real estate market.

OUTLOOK

The investment market in 2012 should continue to rebound from recent volume and sales lows of 2008 and 2009. We expect capitalization rates to remain relatively constant throughout the year and interest rates to stay at historic lows.

RETAIL ACTIVITY

Retail Investment product continues to be on high demand from an acquisition standpoint. We are also seeing renewed interest in downtown Edmonton and Urban retail sites. The rationale for this is the increase in downtown residential population and the proposed new downtown arena district.

One of the largest transactions in retail occurred in July 2011. It was the sale of Meadowlark Shopping Centre for \$83,750,000 (6.34% cap rate). This centre has a building area of 306,174 sf and is located in West Edmonton.

2011 has had 19 transactions so far in the retail investment sector. Millwoods Mainstreet sold at the end of March for \$38,500,000 to Anthem Properties. St. Albert Centre was purchased in June for \$50,500,000 by Primaris REIT. Century Park also was sold by Procura to Bentall in June for \$36,870,348.

SELECT 2011 RETAIL INVESTMENT SALES TRANSACTIONS

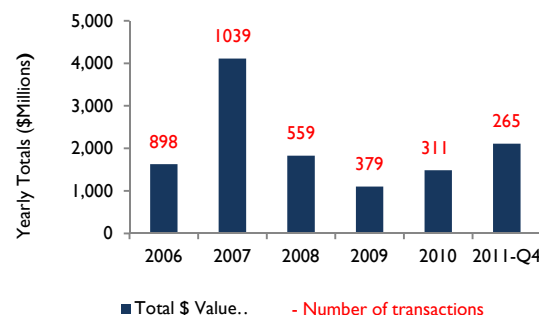
SALE DATE	TYPE	PROPERTY	BUILDING AREA	PRICE	CAP RATE	PRICE PER SQ. FT.
September 2011	Shopping Centre	Longstreet Mall	44,522 sf	\$16,750,000	6.33%	\$376.22
September 2011	Shopping Centre	Market at Magrath	78,793	\$34,500,000	6.88%	\$437.83
July 2011	Shopping Centre	Meadowlark Shop. Centre	306,174 sf	\$83,750,000	6.33%	\$273.54
June 2011	Shopping Centre	St. Albert Centre	313,615 sf	\$50,500,000	6.67%	\$161.03
June 2011	Shopping Centre	Century Park	86,480 sf	\$36,870,348	6.12%	\$426.35
March 2011	Shopping Centre	Millwoods Mainstreet	139,962 sf	\$38,500,000	7.15%	\$275

ECONOMIC INDICATORS

	2011	2012F	2013F
CPI Growth	2.4%	2.1%	2.0%
Household Income	\$49,409	\$50,319	\$52,118
Unemployment	5.4%	5.0%	4.8%
Population	1,196,117	1,218,791	1,241,075

Source: BMO Capital Markets Economics, Conference Board of Canada

INVESTMENT SALES VOLUME



Source: The Network

MARKET FORECAST 2011

Sales Volume	↑
Non residential Building Construction	↔
Cap Rates	↔
Interest Rates	↔

OFFICE ACTIVITY

The office investment market has seen continued momentum in high-rise sales in 2011. The year began with the sale of Hy's Centre in February. It was sold to Northwest Healthcare Properties REIT for \$53,000,000 at a 6.43% cap rate. It is a 146,981 sf building located close to Royal Alexandra Hospital in Central Edmonton.

Two large office buildings were sold in December 2011 as part of a portfolio sale by Oxford Properties. The office buildings were Bell Tower and Oxford Tower. They are both located in downtown Edmonton and sold to Aspen Properties.

SELECT 2011 OFFICE INVESTMENT SALES TRANSACTIONS

SALE DATE	NAME/ TYPE	PROPERTY	BUILDING AREA	PRICE	CAP RATE	PRICE PER SQ. FT.
December 2011	Bell Tower	10104-103 Ave.	473,146 sf	\$170,000,000	6.88%	\$359
December 2011	Oxford Tower	10235-101 St.	330,995 sf	\$115,000,000	6.44%	\$347
October 2011	Stantec Campus	10130-112 St.	189,304 sf	\$49,250,000	6.24%	\$260
August 2011	Milner Building	10030-104 St.	178,095 sf	\$40,170,000	7.00%	\$226
August 2011	CN Tower	10004-104 Ave.	285,312 sf	\$55,000,000		\$193
February 2011	Hy's Centre	11010-101 St.	146,981 sf	\$53,000,000	6.43%	\$360

INDUSTRIAL ACTIVITY

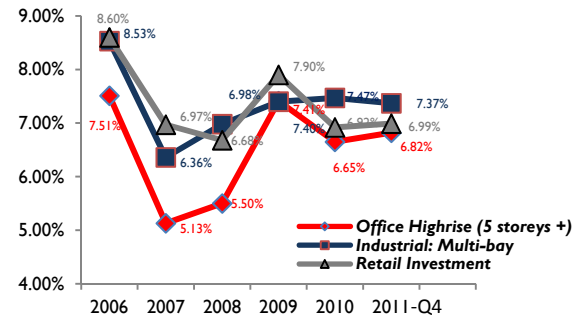
The industrial multi bay market has had 10 transactions so far this year. This segment of the market is highly sought after product and gathers interest from local, national and international investors.

PIRET Holdings have purchased Roper Road Business Park in May for \$28,775,000 and cap rate of 6.43%. Standard Life purchased a two building portfolio in late August 2011. They were both located in South Edmonton and combined purchase value of \$27.4 million dollars.

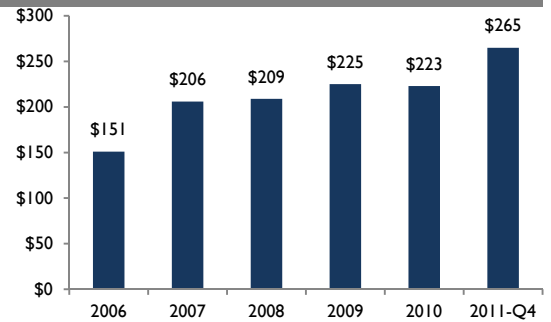
SELECT 2011 INDUSTRIAL INVESTMENT SALES TRANSACTIONS

SALE DATE	TYPE	PROPERTY	SITE AREA	PRICE	CAP RATE	PRICE PER SQ. FT.
August 2011	Multi-bay	3650 & 3850 -98 Street	14.48 acres	\$21,500,000	6.01%	\$82.40
August 2011	Multi-bay	Nortco Building	3.10 acres	\$5,900,000	7.44%	\$100.28
May 2011	Multi-bay	Roper Ridge Business Park (South Phase)	8.11 acres	\$28,775,000	6.43%	\$207.56
May 2011	Multi-bay	Bonaventure Building	6.99 acres	\$8,800,000	8.33%	\$76.31
April 2011	Multi-bay	Norwester 8 & 9	6.04 acres	\$9,000,000	6.70%	\$81.12
March 2011	Multi-bay	17915-118 Ave	6.81 acres	11,200,000	N/A	\$81

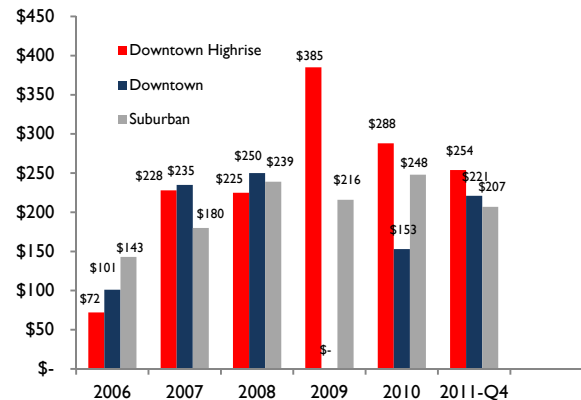
AVERAGE CAPITALIZATION RATES



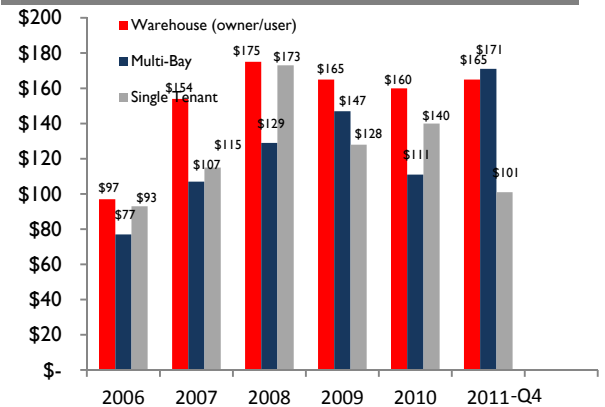
AVERAGE \$/SF - RETAIL SALES



AVERAGE \$/SF - OFFICE SALES



AVERAGE \$/SF - INDUSTRIAL SALES



Source: The Network



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