

MARKETBEAT

OFFICE SNAPSHOT



EDMONTON, AB

A Cushman & Wakefield Research Publication

Q4 2011



ECONOMIC OVERVIEW

As 2011 ended, Alberta continued to be a strong economic force driving the Canadian economy forward. In 2011, the Alberta economy created 99,000 full time jobs and the unemployment rate dropped to 4.9% versus 7.5% nationally. In early January 2012, oil was trading close to \$99 USD per barrel and the Canadian Dollar slightly below parity with the U.S. Dollar at \$0.98. The economic outlook remains bright as the Alberta and Federal Canadian governments continue to push to expand Canada's energy exports to new markets.

EDMONTON OFFICE ACTIVITY

Despite the opening of EPCOR Tower in the fourth quarter of 2011 – which contributed significantly to overall vacancy in the downtown core, increasing it from 9.2% to 11.4% – the fourth quarter of 2011 saw an increased level of leasing activity, and positive absorption totaled 353,059 square feet (sf) across all classes downtown. In addition to EPCOR, Capital Power, and the Federal Department of Justice taking a total of 433,000 sf in the new tower, Enbridge leased 93,000 sf at TD Tower and 55,000 sf at Enbridge Place. Sublease space as a percent of the total vacant space also dropped significantly from 22.2% in the third quarter of 2011 to 7.8% in the fourth quarter. The Government sector remained relatively unchanged as vacancy increased 0.1 percentage points to 4.3%. The Central market as a whole comprised of these two districts yielded an overall vacancy increase from 7.2% to 8.7% in the fourth quarter of 2011 and absorption of 263,187 sf for the year.

Vacancy rates continued to drop in the Suburban market with overall vacancy decreasing from 15.3% to 14.5% across all classes and districts. Sublease space as a percent of the total vacant space increased from 10.7% to 16.5% in the fourth quarter. Summerside continues to be the district with the highest vacancy rate of all suburban districts at 30.4%. Overall total suburban absorption in the fourth quarter was 75,313 sf, contributing to annual absorption of 295,693 sf. Combined with positive absorption of 263,187 sf in the Central area, citywide absorption totaled 558,880 sf in 2011.

OUTLOOK

Recently, the downtown market has been in a transition from a tenants' market to a landlords' market, for several reasons. Over the last few quarters of 2011, a number of large pockets of vacant space were brought to the market as a result of tenants transitioning out of their current spaces to the new EPCOR Tower. This placed strong downward pressure on rental rates, and created a number of tenant incentives as landlords aggressively strived to lease these vacancies. Several companies realized the opportunity to take advantage of these market conditions and, coupled with a booming Alberta economy as a result of the oil sands development in Northern

Alberta, the level of demand for office space has increased significantly, with over 200,000 sf of space being leased in the class A Financial Core market within the last one and a half months. With only 7.5 million square feet of inventory in the class A Financial Core, the impact of this activity on the availability of space and rental rates has been significant. Landlords are now much less aggressive as this increased tenant demand has mitigated a large amount of the vacancy they were faced with. As a result, rental rates have recently increased by approximately \$2.00-\$3.00 per square foot, and will continue to trend upwards as the Edmonton and Alberta economies strengthen.

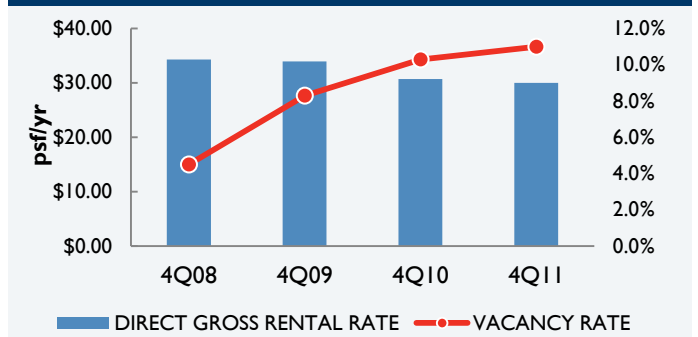
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.3%	11.0%	0.7pp	▲
Direct Asking Rents (psf/yr)	\$18.29	\$19.92	8.9%	▲
YTD Overall Net Absorption (sf)	(410,369)	558,880	236%	▲

NEW SUPPLY



DIRECT RENTAL VS. VACANCY RATES



EDMONTON

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	Q4 OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG. ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown	9,790,019	11.4%	10.5%	0	625,000	353,059	260,669	\$39.28	\$44.57
Government	5,859,905	4.3%	3.3%	0	0	(4,419)	2,518	\$30.09	\$31.22
CENTRAL DISTRICT	15,649,924	8.7%	7.8%	0	0	348,640	263,187	\$33.14	\$37.38
124 th Street	1,576,386	18.7%	11.8%	0	0	(13,870)	(5,187)	\$34.55	\$41.58
149 th Street	1,080,190	9.2%	7.2%	55,000	20,000	37,904	51,168	\$28.86	\$31.81
West End	1,619,481	13.1%	10.8%	40,000	118,884	32,542	90,591	\$25.33	\$27.14
118 th Avenue	655,120	5.7%	4.8%	0	0	8,291	(1,817)	\$29.62	\$35.71
Whyte Avenue	514,168	12.0%	12.0%	0	0	(8,396)	(14,878)	\$31.64	\$35.26
Southside	2,742,416	15.3%	13.6%	0	0	2,470	126,436	\$27.63	\$29.68
Summerside	446,662	30.4%	28.3%	54,000	29,000	20,736	47,391	\$31.09	\$31.09
Eastgate	1,144,305	14.1%	13.5%	90,000	0	(4,364)	1,989	\$17.64	\$31.08
SUBURBAN DISTRICTS	9,778,728	14.5%	12.1%	239,000	167,884	75,313	295,693	\$28.16	\$31.73
TOTALS	25,428,652	11.0%	9.5%	239,000	792,884	423,953	558,880	\$30.01	\$34.14

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2011 LEASE TRANSACTIONS

	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
TD Tower	Downtown	Enbridge	Office – Class A	93,000
Harley Court	Government	Worley Parsons (renewal)	Office – Class B	79,900
Enbridge Place	Downtown	Enbridge	Office – Class A	55,000
Jasper Avenue & 122 Street	124 th Street	Canadian Western Bank	Office – Class A	28,000
Intact Building	Government	Intact Insurance	Office – Class A	27,500
Broadmoor Place	Sherwood Park	Hazco	Office – Class A	17,000
The Steppes Building	Summerside	Sprague Rosser	Office – Class A	10,500

SIGNIFICANT Q4 2011 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Bell Tower	Downtown	Aspen Properties	\$170,000,000	421,484
Oxford Tower	Downtown	Aspen Properties	\$115,000,000	320,408
Stantec Campus	Government	Private Owner	\$49,250,000	189,304
Guardian Building	124 th Street	Paragon	\$14,000,000	82,109
Trans America Portfolio (9 Buildings)	Several	Whiterock REIT	\$108,000,000	619,792

SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
EPCOR Tower	Downtown	EPCOR	4Q11	625,000
Campus West	West End	ALERT	4Q11	118,000
Morrison Hershfield Building	Summerside	Morrison Hershfield	2Q11	29,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
49 Street & 90 th Avenue	Eastgate	Environment Canada	1Q13	90,000
1020 Parsons Road	Summerside	Magna IV Engineering	4Q12	54,000
156 Street & Yellowhead	149 th Street	Cash Store Financial	2Q12	55,000
107 Avenue & Mayfield Road	West End	Golder Associates	3Q12	40,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS