



Greater Edmonton

OFFICE | THIRD QUARTER | 2009

MARKET INDICATORS

	Q2	Q3
VACANCY	↑	↑
NET ABSORPTION	↑	↓
NEW CONSTRUCTION COMPLETED	↑	↓
RENTAL RATE	↑	↓
OPERATING COSTS	↑	↑

EDMONTON INDICATORS

Crude Oil (USD/barrel)

2008 (August)	\$116.69
2009 (August)	\$71.14

Canadian Dollar

2008 (August)	\$105.44
2009 (August)	\$108.82

Interest Rates (Prime)

2008 (August)	4.75
2009 (August)	2.25

Labour Force (Unadjusted)

2007 (August)	633,200
2008 (August)	648,600
2009 (August)	675,100

Unemployment Rate (Unadjusted)

2007 (August)	4.1%
2008 (August)	3.6%
2009 (August)	7.6%

Source: Statistics Canada
CAPP
Albera Finance and Enterprise

ECONOMIC HIGHLIGHTS

Although the Provincial monthly unemployment rate has risen steadily since late 2008, Alberta continues to have the highest average weekly earnings in the Country and the number of Albertans receiving regular Employment Insurance benefits is decreasing. In July 2009, average weekly earnings fell slightly – 1.3% to \$942.62, still noticeably higher than the national average of \$824. The number of beneficiaries receiving regular Employment Insurance in July 2009 was more than 200 times of that in July 2008; however, the first monthly decrease (-4.4%) since September 2008 was recorded.

After experiencing a slow first half of the year, Edmonton's housing starts began recovering in the third quarter of 2009. September posted its highest month since January 2008 with 699 starts. Although this marks a 63% increase from September of 2008, year-to-date housing starts are down 33% from the same time frame in 2008. This upward trend is expected to continue for the rest of 2009.

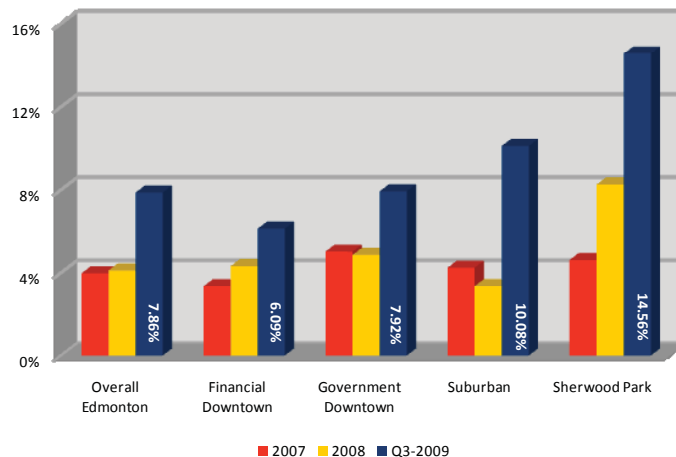
Market Softens as Sublease Availability Increases

MARKET HIGHLIGHTS

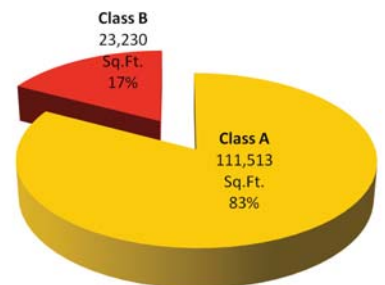
In the third quarter of 2009, sublease availability continued to grow. In the Downtown Office Market, sublease space increased by nearly 54,000 square feet, most of which came onto the market in large pockets. In the Suburban Office Market, the sublease availability increased from 0.78% in the previous quarter, currently sitting at 0.84%. The majority of this space is represented by 32,000 square feet of sublease space available in the Westend submarket.

Substantial rental rate decreases are now being observed in Financial District buildings. In response to an increase in availability, many landlords of buildings that previously had rental rates in the mid to high thirties have now adjusted their asking rates to the high twenty to low thirty dollar range.

EDMONTON OFFICE MARKET VACANCY RATES



DOWNTOWN FINANCIAL DISTRICT SUBLEASE SPACE



DOWNTOWN OFFICE MARKET

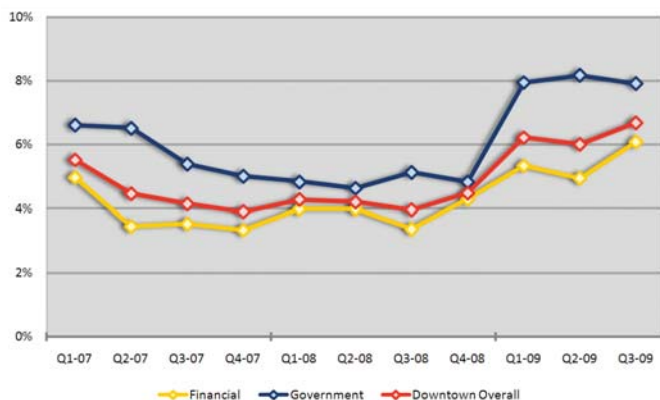
The Edmonton Downtown Office Market includes 86 buildings which encompass nearly 15.8 million square feet. Vacancy initially decreased in Q1 to 5.34%, but has since steadily increased to its current 6.69%. The increased availability this past quarter is primarily attributable to large pockets of sublease space now available in Bell Tower, Commerce Place, Scotia Place, Telus House, and Royal Bank Building. As well, Sun Life Place is marketing three full floors that are available for head lease. Compared to last quarter there is nearly 65% more space available for sublease in the Downtown Office Market. Most of the larger transactions have been renewals as opposed to expansions or relocations.

FINANCIAL DISTRICT

The Downtown Financial District is made up of 46 buildings consisting of more than 10.6 million square feet. This District experienced negative absorption of 120,573 square feet, resulting in an increase in availability. The current availability rate sits at 6.09%, up 1.14% in the second quarter of 2009, with the sublease availability rate increasing to 1.27% — more than half of a percentage point jump from last quarter.

The lack of significant new lease transactions completed during the third quarter combined with large pockets of space becoming available resulted in availability for Class A office space within the Downtown Financial market increasing to 5.48% from a low 3.79% in last quarter. A large portion of this additional space is represented by nearly 70,000 square feet of sublease space being made available in Telus House. Another significant large availability is in Sun Life Place where three full floors, which are contiguous, are coming available. Class A space was the only type of space within the Downtown Financial market to experience negative absorption for the quarter.

DOWNTOWN FINANCIAL DISTRICT AVAILABILITY



The availability rate among Class B Downtown Financial District buildings fell slightly from 3.77% in the second quarter to 3.64%. The majority of the buildings in the class remained stagnant from the previous quarter, with only slight availability decreases in the Empire and Melton Buildings. The sublease availability rate is just over 1.00%, with almost three quarters of this availability represented by the thirteenth and fourteenth floors of the Royal Bank building.

Similar to Class B Downtown Financial buildings, Class C buildings experienced only subtle changes from last quarter. TD Bank Building was the only building to experience changes in its availability as nearly 13,500 square feet was leased on the main floor for retail use. Due to the small size of this sub-class of the market (278,767 square feet), the availability rate for Class C Financial buildings decreased more than 6.00% from last quarter as a result of this single adjustment, and now sits at 42.07%. The majority of this is approximately 45,000 square feet still available in The Beaver House and the remaining nearly 35,000 square feet available in the TD Bank Building. There is no sublease space available in the Class C Financial District.

GOVERNMENT DISTRICT

The Government District contributes over five million square feet in 38 buildings (one third of the Downtown total) to the Downtown Office Market. In the third quarter, the availability rate lowered 0.26% from the second quarter and is presently 7.92%. The sublease market within the Government District is virtually non-existent as it is currently below 0.1%. The only class within the Government District to have sublease space available is Class B buildings, and this is only a small amount (2,326 square feet) in the University of Lethbridge Building.

Similar to the Financial District, Class A buildings were the only to experience negative absorption during the third quarter within the Government District. This negative absorption is negligible, increasing the availability rate by 0.02% from 14.24% in the second quarter to 14.26%. This submarket was essentially flat.

The availability rate among Class B Government District buildings decreased by 0.36% to 2.78% as nearly 10,000 square feet was positively absorbed. Class B buildings make up the majority of the office space within the Government District, and also have the lowest availability rate. The two largest contributing factors to the decreased availability rate are the absorption of the 6,000 square foot pocket of sublease space in Highfield Place and 5,000 square feet being leased in Energy Square.

THIRD QUARTER 2009 NOTABLE LEASE TRANSACTIONS

LEASE ACTIVITY						
PROPERTY ADDRESS	BUILDING NAME	SUBMARKET	TENANT	SIZE (SQ.FT.)	TYPE	
10235 - 101 Street	Oxford Tower	Downtown - Financial A	SNC Lavalin	54,699	Renewal & Downsize	
10303 Jasper Avenue	CWB Place	Downtown - Financial A	Witten LLP	38,300	Renewal	
10104 - 103 Avenue	Bell Tower	Downtown - Financial A	Rexall	23,000	Renewal & Expansion	
10235 - 101 Street	Oxford Tower	Downtown - Financial A	MLT	18,364	New	
9830 - 42 Avenue	Aecon Square Bldg. I	Southside	Midwest Surveys	15,718	Sublease	
38 Avenue & Millwoods Road	Millbourne Professional Centre	Southside	Government	10,129	New	

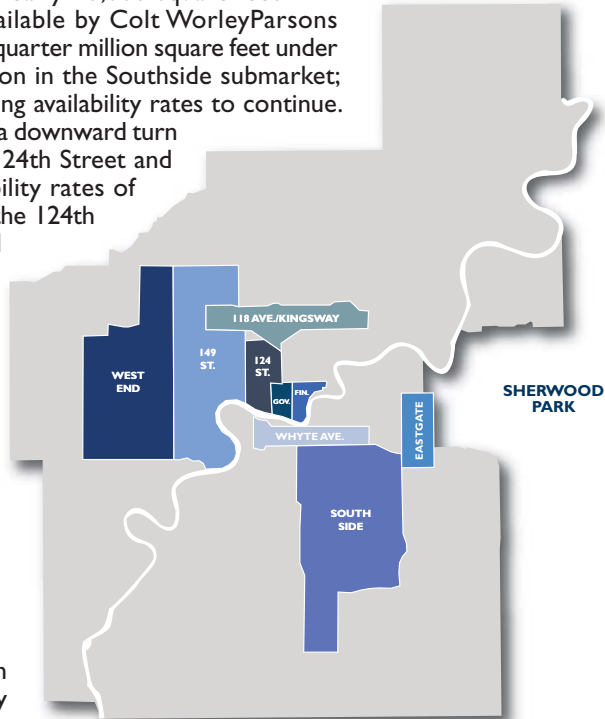
Existing Properties									Vacancy (Change in Method)		Absorption		New Supply		Avg Rent	High Rent
Class	Bldgs	Total Inventory (Sq.Ft.)	Direct Vacant (Sq.Ft.)	Direct Vacancy Rate	Sublease Vacant (Sq. Ft.)	Sublease Vacancy Rate	Total Vacant (Sq.Ft.)	Occupied Space (Sq. Ft.)	Current Vacancy Rate Q3-'09	Prior Vacancy Rate Q2-'09	Net Absorption (Sq. Ft.) Q3-'09	Net Absorption (Sq. Ft.) Y.T.D.	Net New Supply Q3-'09	Under Const. (Sq. Ft.) Q3-'09	Avg Asking Rental Rates	Top Rates & New Product
DOWNTOWN MARKET																
DOWNTOWN FINANCIAL																
Class A	26	8,275,079	342,343	4.14%	111,513	1.35%	453,856	7,821,223	5.48%	3.79%	-140,151	-208,561	0	578,000	\$30-\$32	\$38
Class B	13	2,059,476	51,837	2.52%	23,230	1.13%	75,067	1,984,409	3.64%	3.77%	2,600	460,886	0	0	\$20-\$21	\$24
Class C	8	278,767	117,287	42.07%	0	0.00%	117,287	161,480	42.07%	48.16%	16,978	2,312	0	0	\$18-\$20	\$22
TOTAL	46	10,613,322	511,467	4.82%	134,743	1.27%	646,210	9,967,112	6.09%	4.95%	-120,573	254,637	0	578,000		
GOVERNMENT AND NON-FINANCIAL																
Class A	11	2,192,512	312,628	14.26%	0	0.00%	312,628	1,879,884	14.26%	14.24%	-705	77,034	0	0	\$24-\$26	\$36
Class B	21	2,654,101	71,358	2.69%	2,326	0.09%	73,684	2,580,417	2.78%	3.14%	9,611	102,287	0	0	\$19-\$21	\$25
Class C	7	321,336	23,215	7.22%	0	0.00%	23,215	298,121	7.22%	8.51%	4,140	-138,654	0	0	\$16-\$18	\$20
TOTAL	38	5,167,949	407,201	7.88%	2,326	0.05%	409,527	4,758,422	7.92%	8.18%	13,046	40,667	0	0		
TOTAL DOWNTOWN																
Class A	37	10,467,591	654,971	6.26%	111,513	1.07%	766,484	9,701,107	7.32%	5.98%	-140,856	-131,527	0	578,000		
Class B	34	4,713,577	123,195	2.61%	25,556	0.54%	148,751	4,564,826	3.16%	3.41%	12,211	563,173	0	0		
Class C	15	600,103	140,502	23.41%	0	0.00%	140,502	459,601	23.41%	26.93%	21,118	-136,342	0	0		
TOTAL	86	15,781,271	918,668	5.82%	137,069	0.87%	1,055,738	14,725,533	6.69%	6.01%	-107,527	295,304	0	578,000		
SUBURBAN MARKET																
118 th Avenue	14	783,640	50,510	6.45%	0	0.00%	50,510	733,130	6.45%	5.74%	-5,544	-21,452	0	0	\$15-\$17	\$22
124 th Street	14	753,579	78,150	10.37%	7,477	0.99%	85,627	667,952	11.36%	13.58%	16,736	-26,381	0	0	\$16-\$18	\$20
149 th Street	22	1,049,126	36,813	3.51%	11,414	1.09%	48,227	1,000,899	4.60%	4.67%	738	-10,911	0	0	\$16-\$18	\$21
Eastgate	10	1,011,714	147,499	14.58%	0	0.00%	147,499	864,215	14.58%	14.03%	-5,543	-51,457	0	0	\$18-\$20	\$25
Southside	46	2,728,019	313,459	11.49%	17,349	0.64%	330,808	2,397,211	12.13%	11.06%	2,043	305,386	0	223,393	\$22-\$25	\$28
Whyte Avenue	9	568,761	24,437	4.30%	1,622	0.29%	26,059	542,702	4.58%	3.35%	-6,982	-21,294	0	0	\$26-\$28	\$35
West End	28	1,390,092	114,770	8.26%	32,006	2.30%	146,776	1,243,316	10.56%	10.43%	45,090	-45,827	52,3730	0	\$18	\$27
TOTAL	143	8,284,931	765,638	9.24%	69,868	0.84%	835,507	7,449,425	10.08%	9.69%	46,538	128,064	52,373	223,393		
MARKET TOTALS - DOWNTOWN & SUBURBAN																
Downtown & Suburban	229	24,066,202	1,684,306	7.00%	206,937	0.86%	1,891,244	22,174,958	7.86%	7.27%	-60,989	423,368	52,373	801,393		
SHERWOOD PARK																
Sherwood Park	28	1,214,566	152,101	12.52%	24,733	2.04%	176,834	1,037,732	14.56%	13.14%	-17,180	-74,852	0	60,000	\$17-\$18	\$25
EDMONTON PROPER QUARTERLY COMPARISON AND TOTALS																
Q3-09	229	24,066,202	1,684,306	7.00%	206,937	0.86%	1,891,244	22,174,958	7.86%	7.27%	-60,989	625,909				
Q2-09	228	23,979,234	1,596,027	6.66%	147,259	0.61%	1,743,287	22,235,947	7.27%	7.27%	506,863	484,357				
Q1-09	226	23,404,145	1,560,357	6.67%	110,888	0.47%	1,671,246	21,732,899	7.16%	7.16%	-18,691	-18,691				
Q4-08	214	22,682,383	836,499	3.69%	94,293	0.42%	930,793	21,751,590	4.10%	4.10%	12,279	186,380				
Q3-08	212	22,587,699	792,287	3.51%	56,100	0.25%	848,388	21,739,311	3.76%	3.76%	106,316	174,101				
Q2-08	213	22,544,959	859,444	3.81%	52,519	0.23%	911,964	21,632,995	4.05%	4.05%	6,623	67,785				
Q1-08	212	22,424,656	847,789	3.78%	63,237	0.28%	911,027	21,513,629	4.06%	4.06%	61,162	61,162				
Q4-07	208	22,070,019	780,296	3.54%	92,614	0.42%	872,911	21,197,109	3.96%	3.96%	92,528	387,395				
Q3-07	204	22,070,019	869,982	3.94%	95,456	0.43%	965,439	21,104,581	4.37%	4.37%	68,495	294,867				

Within the Government District, Class C buildings experienced the largest decline in availability – falling nearly 1.30% from 8.51% in the second quarter to 7.22%. As only seven buildings comprised of 321,336 square feet make up this class within the District, the actual positive absorption was just 4,140 square feet. This change was accounted for in the Commonwealth Building as the rest of the market showed no activity.

SUBURBAN OFFICE MARKET

With the addition of one existing office building to the inventory (Mayfield Building - 52,373 square feet), the Suburban Office Market now includes 143 buildings comprised of nearly 8.3 million square feet. By increasing 0.39%, the Suburban availability rate is presently 10.08% overall up from 9.69% in the second quarter. Within the submarkets, the largest availability increase was witnessed in the Southside submarket as it jumped more than 1% from the previous quarter to 12.13%. This is largely attributable to a large pocket of space becoming available this quarter. Nearly 40,000 square feet in Terrace Plaza is being made available by Colt WorleyParsons Engineering. There is still close to a quarter million square feet under construction and nearing completion in the Southside submarket; this will cause the trend of increasing availability rates to continue. The only submarkets to experience a downward turn in availability this quarter are the 124th Street and the 149th submarkets with availability rates of 11.36% and 4.60%, respectively. In the 124th Street submarket, available head lease space decreased by nearly 20,000 square feet although an additional 2,686 square feet of sublease space became available. The availability decrease in the 149th Street submarket is entirely due to head lease space in the Associated Centre and St. Albert Trail Place being leased; the sublease availability remained the same.

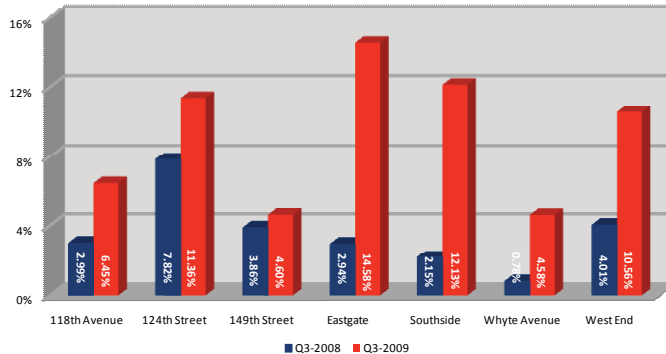
GREATER EDMONTON OFFICE DISTRICTS
 West End
 149 Street
 118 Avenue/Kingsway
 124 Street
 Downtown Government
 Downtown Financial
 Whyte Avenue
 South Side
 Eastgate



Sherwood Park

Among the 28 buildings in Sherwood Park, availability increased by 17,180 square feet from the previous quarter, of which nearly 17,000 square feet is additional sublease space. Just over 15,000 square feet of new head lease space came onto the market during the quarter, but significant pockets of space were leased in Broadmoor Places 1 & 2 and Franklin Business Centre making the sublease additions account for nearly all of the increase in availability. A large portion of the availability remaining is represented by 60,000 square feet in Shivam II located on Premier Way. The availability currently sits at 14.56% up 1.42% from 13.14% in the second quarter.

SUBURBAN DISTRICTS VACANCY RATES



294 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

- 133 Americas
 - 94 United States
 - 22 Canada
 - 17 Latin America
- 97 Europe, Middle East & Africa
- 64 Asia Pacific

\$1.6 billion in annual revenue
 1.1 billion square feet under management
 12,749 professionals

CONTACT INFORMATION

OFFICE TEAM:

Ian Bradley
 Senior VP, Office Leasing
 ian.bradley@colliers.com

Chad Boddez
 Associate, Office Leasing
 chad.boddez@colliers.com

Cameron Martin
 Associate, Office Leasing
 cameron.martin@colliers.com

Phil Goh
 Associate, Office Leasing
 phil.goh@colliers.com

Kevin Petterson
 Associate, Office | National Investment Team
 kevin.petterson@colliers.com

RESEARCH:

Tara English
 Research
 tara.english@colliers.com

MARKETING:

Ursula Boraas, LGDC
 Marketing Coordinator
 ursula.boraas@colliers.com

Shereen Ali
 Marketing Assistant
 shereen.ali@colliers.com

Michelle Hanks
 Admin./Marketing Assistant
 michelle.hanks@colliers.com

**3555 Manulife Place, 10180 - 101 Street
 Edmonton, AB T5J 3S4
 Telephone 780.420.1585
 Fax 780.424.7830**

This report and other research materials may be found on our website at www.colliers.com. Questions related to information herein should be directed to the Research Department at the number indicated above. This document has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. Colliers International is a worldwide affiliation of independently owned and operated companies.

