COLLIERS INTERNATIONAL | MARKET REPORT

Greater Edmonton

OFFICE | SECOND QUARTER | 2010

MARKET INDICATORS

	Q1	Q2
VACANCY	↑	↓
NET ABSORPTION	↓	↑
AMOUNT OF NEW CONSTRUCTION COMPLETED	↑	↔
RENTAL RATE	↓	↓
OPERATING COSTS	↔	↔

EDMONTON INDICATORS

Crude Oil *(USD/barrel)*	
2009 *(May)*	$59.31
2010 *(May)*	$74.12
Canadian Dollar	
2009 *(May)*	$0.8689
2010 *(May)*	$0.9616
Interest Rates *(Prime)*	
2009 *(May)*	2.25%
2010 *(May)*	2.25%
Labour Force *(Unadjusted)*	
2008 *(May)*	638,800
2009 *(May)*	657,300
2010 *(May)*	661,200
Unemployment Rate *(Unadjusted)*	
2008 *(May)*	3.9%
2009 *(May)*	6.3%
2010 *(May)*	7.7%

Source: Statistics Canada
Alberta Finance and Enterprise
Bank of Canada

ECONOMIC HIGHLIGHTS

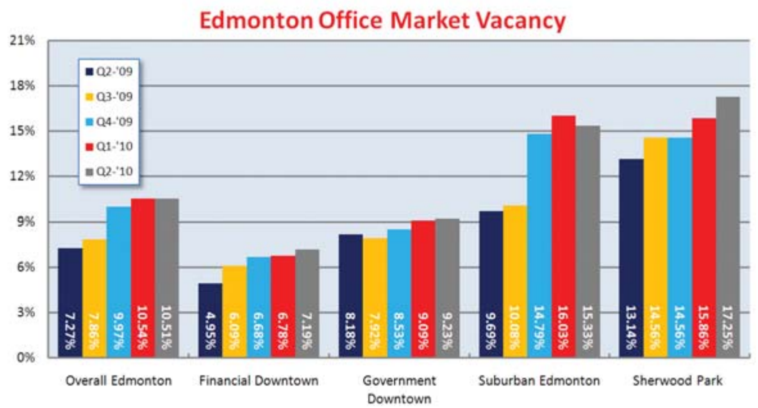
The Canadian economy has continued to show signs of improvement throughout this quarter. This is highlighted by the economic growth of 6.19 percent over the last three months, prompting the Bank of Canada to raise the historically low interest rates by 0.25 percent to the current 0.5 percent. In the wake of this positive indicator, the Bank has cautioned that the Canadian economy may encounter some further financial instability as a result of the European economic crisis and the corresponding one trillion dollar recovery package for the bailout of Greece and the strengthening of the Euro.

Although the unemployment rate for Canada decreased slightly this quarter—0.1 percent to rest at 8.1 percent—Alberta's unemployment rate increased for the first time since September 2009 to 7.4 percent; indicating that Alberta is still undergoing a correction from the significant levels of growth in recent years. The strength of the dollar has also contributed to Alberta's increased unemployment rate as our higher priced exports are becoming less attractive to our trading partners. Despite the economic trend this quarter, Alberta still remains one of the strongest economies in the Country with the net migration rate continuing to rise and with the price of oil steadily increasing.

Landlords Focus on Renewals in a Low Velocity Market

MARKET HIGHLIGHTS

The Edmonton office market for the second quarter has seen low velocity and was characterized by a lack of new deals being completed and landlords focusing on retention of tenants. In order to attract potential tenants, landlords have been offering incentives such as free rent with the hope of filling their large vacancies. Some of the most significant transactions completed this quarter were renewals including the Raymond James renewal in Scotia Place, the Fraser Milner Casgrain renewal in Manulife Place, the Ford renewal in the Ford Credit Building, and the PricewaterhouseCoopers renewal in the TD Tower, illustrating the stagnation of the market. The only significant new transaction this quarter was Remington's build-to-suit deal for Alert (RCMP) in the West End. For the first time since the end of 2008, overall vacancy rates have decreased slightly this quarter by 0.03 percent to 10.51 percent. One reason for the drop in vacancy rates is the decrease in sublease availability, which went from 1.37 percent in the first quarter to 1.18 percent in quarter two. One significant sublease deal was in the Oxford Tower where SNC sublet a full floor to CIMA+. This change in overall vacancy rates may signal the recovery of the office market.



FORECAST

Small decreases in vacancy this quarter will have landlords continuing to offer incentives to potential tenants.

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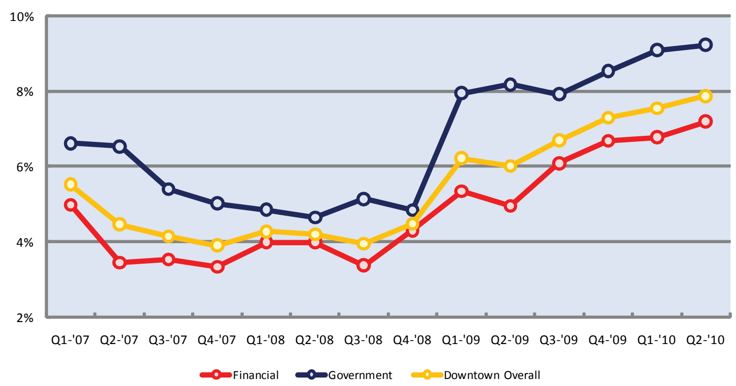
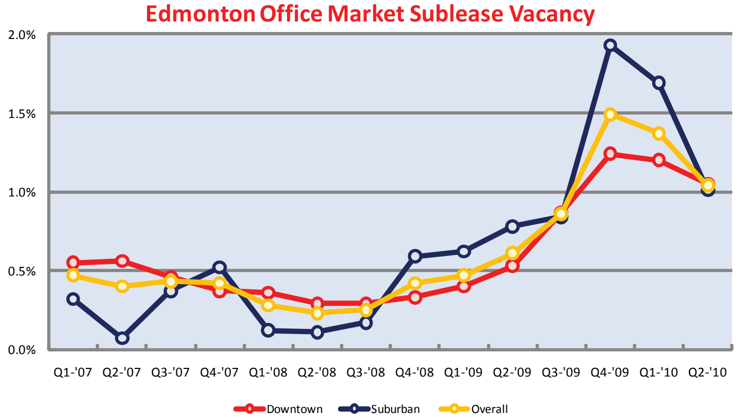
INVENTORY ADJUSTMENTS

This quarter, there has been one property re-classification within the Downtown Government District. Capital Centre has dropped from Class A to Class B.

Downtown Edmonton Office Market Vacancy



Edmonton Office Market Sublease Vacancy



DOWNTOWN OFFICE MARKET

The Edmonton Downtown office market is divided into two districts: the Financial District and the Government District. Together, there are 87 buildings totaling nearly 16 million square feet. Currently, the Downtown vacancy rate sits at 7.87 percent. This is up negligibly from 7.55 percent in the first quarter of 2010. While the direct vacancy rate increased from 6.35 percent in the first quarter to 6.83 percent in the second quarter, the sublease vacancy rate decreased from 1.20 percent to 1.04 percent over the same time frame.

FINANCIAL DISTRICT

The Downtown Financial District consists of 47 buildings and an area of more than 10.5 million square feet. The vacancy rate for the Financial District is up less than one half of a percentage point from the first quarter of 2010 and is currently being recorded at 7.19 percent.

Class A buildings were the only property subtype within this District to experience negative absorption this quarter. Still, the vacancy among this property subtype only grew marginally from 5.97 percent in the first quarter to 6.66 percent. Although there were a couple of large pockets of space added to the market this quarter, a large increase in the vacancy rate was mitigated by the 13,151 square foot pocket of sublease space in Oxford Tower subleased to CIMA+. The vacancy rate of Class B Financial District buildings decreased slightly to 5.17 percent from 5.40 percent in the first quarter. This minor decline in the vacancy rate is represented by just 4,727 square feet of positive absorption. Very little activity occurred among Class C buildings this quarter; just 3,644 square feet was leased in the CDI Building. As a result, the vacancy rate dropped from 41.46 percent to 38.51 percent.

GOVERNMENT DISTRICT

Edmonton's Downtown Government District is represented by 40 buildings with a total area of 5.3 million square feet. The Government District vacancy rate increased slightly from the first quarter of the year and is currently 9.23 percent. An increase occurred in the direct vacancy rate while the sublease vacancy rate fell slightly.

The vacancy rate among Class A Government District buildings increased from 17.42 percent in the first quarter to 18.38 percent. An additional 7,224 square feet of space became available in the 9925 building, and the entire Devonian Building (approximately 160,000 square feet) along with 38 percent of the Intact Building (approximately 64,000 square feet) remains vacant. The sublease vacancy rate for this property subtype remained identical from the previous quarter at 2.30 percent. Class B Government District buildings experienced a very slight rise in vacancy with the vacancy rate increasing from 2.66 percent in the first quarter to 2.84 percent. This increase is represented by just three additional spaces coming onto the market: 2,584 square feet in Baker Centre, 1,186 square feet in Highfield Place, and 1,335 square feet in HSBC Building. Class C Government District Buildings experienced a 0.75 percent increase in vacancy rate from last quarter. As this property subtype is comprised of only seven buildings totaling an area just over 320,000 square feet, the increase in the vacancy rate is the result of just two additional small pockets of space becoming available in the Commonwealth Building. The sublease vacancy rate among this class remained at zero.

SECOND QUARTER 2010 NOTABLE LEASE TRANSACTIONS

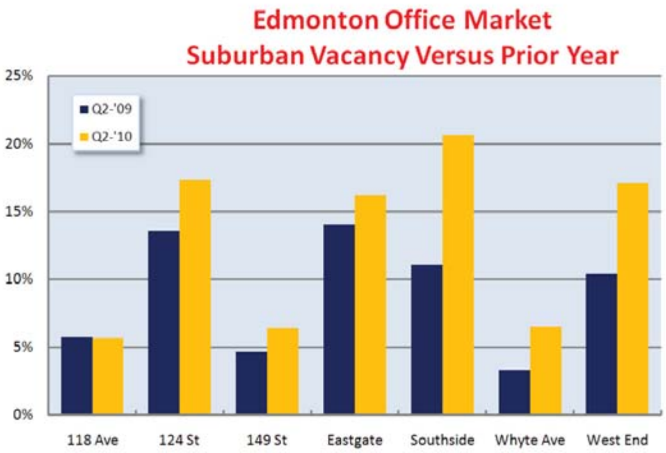
LEASE ACTIVITY

PROPERTY ADDRESS	BUILDING NAME	SUBMARKET	TENANT	SIZE (SF)	TYPE
186 Street & Stony Plain Road	West Campus	Suburban - West End	Alert (RCMP)	120,000	New
10180 - 101 Street	Manulife Place	Downtown - Financial A	FMC	60,800	Renewal
10088 - 102 Avenue	TD Tower	Downtown - Financial A	PWC	41,600	Renewal
6020 - 104 Street	EMC Building	Suburban - Southside	EMC Corporation	28,000	Blend & Extend
10235 - 101 Street	Oxford Tower	Downtown - Financial A	CIMA +	13,151	Sublease
10060 Jasper Avenue	Scotia Tower	Downtown - Financial A	Raymond James	12,500	Renewal

Existing Properties								Vacancy		Absorption		New Supply		Avg Rent	High Rent
Class	Bldgs	Total Inventory (SF)	Direct Vacant (SF)	Direct Vacancy Rate	Sublease Vacant (SF)	Sublease Vacancy Rate	Total Vacant (SF)	Current Vacancy Rate Q2-'10	Prior Vacancy Rate Q1-'10	Net Absorption (SF) Q2-'10	Net Absorption (SF) Y.T.D.	Net New Supply Q2-'10	Under Const. (SF) Q2-'10	Avg Asking Rental Rates	Top Rates & New Product
DOWNTOWN MARKET															
DOWNTOWN FINANCIAL															
Class A	25	8,253,989	467,888	5.67%	81,457	0.99%	549,345	6.66%	5.97%	-56,851	-73,144	-	630,000	$23-$26	$40
Class B	15	2,102,198	78,176	3.72%	30,608	1.46%	108,784	5.17%	5.40%	4,727	20,550	-	-	$15-$19	$20
Class C	7	275,758	106,198	38.51%	-	0.00%	106,198	38.51%	41.46%	8,144	11,263	-	-	$10-$12	$15
TOTAL	**47**	**10,631,945**	**652,262**	**6.13%**	**112,065**	**1.05%**	**764,327**	**7.19%**	**6.78%**	**-43,980**	**-41,331**	**-**	**630,000**		
GOVERNMENT AND NON-FINANCIAL															
Class A	10	2,056,512	330,833	16.09%	47,256	2.30%	378,089	18.38%	17.42%	-132,188	-162,535	-	-	$19-$21	$30
Class B	23	2,930,101	76,763	2.62%	6,390	0.22%	83,153	2.84%	2.66%	127,142	130,783	-	-	$16-$19	$21
Class C	7	321,336	28,667	8.92%	-	0.00%	28,667	8.92%	8.17%	-2,422	-5,452	-	-	$10-$14	$18
TOTAL	**40**	**5,307,949**	**436,263**	**8.22%**	**53,646**	**1.01%**	**489,909**	**9.23%**	**9.09%**	**-7,468**	**-37,204**	**-**	**-**		
TOTAL DOWNTOWN															
Class A	35	10,310,501	798,721	7.75%	128,713	1.25%	927,434	9.00%	8.37%	-189,039	-235,679	-	630,000		
Class B	38	5,032,299	154,939	3.08%	36,998	0.74%	191,937	3.81%	3.84%	131,869	151,333	-	-		
Class C	14	597,094	134,865	22.59%	-	0.00%	134,865	22.59%	23.55%	5,722	5,811	-	-		
TOTAL	**87**	**15,939,894**	**1,088,525**	**6.83%**	**165,711**	**1.04%**	**1,254,237**	**7.87%**	**7.55%**	**-51,448**	**-78,535**	**-**	**630,000**		
SUBURBAN MARKET															
118th Avenue	14	783,640	44,455	5.67%	-	0.00%	44,455	5.67%	6.68%	7,922	20,477	-	-	$12-$14	$20
124th Street	15	785,676	110,178	14.02%	25,945	3.30%	136,123	17.33%	17.82%	3,892	73	-	-	$13-$15	$20
149th Street	22	1,049,126	58,975	5.62%	8,239	0.79%	67,214	6.41%	7.06%	6,806	-11,605	-	-	$14-$16	$20
Eastgate	10	1,012,714	164,106	16.20%	-	0.00%	164,106	16.20%	16.37%	1,708	1,511	-		$14-$18	$24
Southside	57	3,265,799	587,548	17.99%	85,605	2.62%	673,153	20.61%	22.94%	87,433	12,400	-	40,000	$16-$20	$25
Whyte Avenue	9	568,761	35,469	6.24%	1,622	0.29%	37,091	6.52%	5.95%	-3,259	-14,145	-	-	$18-$20	$22
West End	27	1,255,452	211,737	16.87%	3,343	0.27%	215,080	17.13%	14.65%	-31,204	-157,272	-	-	$14-$16	$26
TOTAL	**154**	**8,721,168**	**1,212,468**	**13.90%**	**124,754**	**1.43%**	**1,337,223**	**15.33%**	**16.03%**	**73,298**	**-148,561**	**-**	**40,000**		
MARKET TOTALS - DOWNTOWN & SUBURBAN															
Downtown & Suburban	**241**	**24,661,062**	**2,300,993**	**9.33%**	**290,465**	**1.18%**	**2,591,460**	**10.51%**	**10.54%**	**21,850**	**-227,096**	**-**	**670,000**		
SHERWOOD PARK															
Sherwood Park	28	1,214,566	180,873	14.89%	28,585	2.35%	209,458	17.25%	15.86%	-16,850	-32,624	-	60,000	$14-$16	$22

Quarter	Bldgs	Total Inventory (SF)	Direct Vacant (SF)	Direct Vacancy Rate	Sublease Vacant (SF)	Sublease Vacancy Rate	Total Vacant (SF)	Current Vacancy Rate	Prior Vacancy Rate	Net Absorption (SF)	Net Absorption Y.T.D. (SF)
EDMONTON PROPER QUARTERLY COMPARISON AND TOTALS											
Q2-10	241	24,661,062	2,300,993	9.33%	290,465	1.18%	2,591,460	10.51%	10.54%	21,850	-227,096
Q1-10	241	24,646,062	2,259,595	9.17%	338,713	1.37%	2,598,310	10.54%	9.97%	-248,946	-248,946
Q4-09	243	24,766,415	2,100,901	8.48%	368,814	1.49%	2,469,716	9.97%	7.86%	121,741	747,650
Q3-09	229	24,066,202	1,684,306	7.00%	206,937	0.86%	1,891,244	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	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	7.16%	7.16%	-18,691	-18,691
Q4-08	214	22,682,383	836,499	3.69%	94,293	0.42%	930,793	4.10%	4.10%	12,279	186,380
Q3-08	212	22,587,699	792,287	3.51%	56,100	0.25%	848,388	3.76%	3.76%	106,316	174,101
Q2-08	213	22,544,959	859,444	3.81%	52,519	0.23%	911,964	4.05%	4.05%	6,623	67,785

SUBURBAN OFFICE MARKET

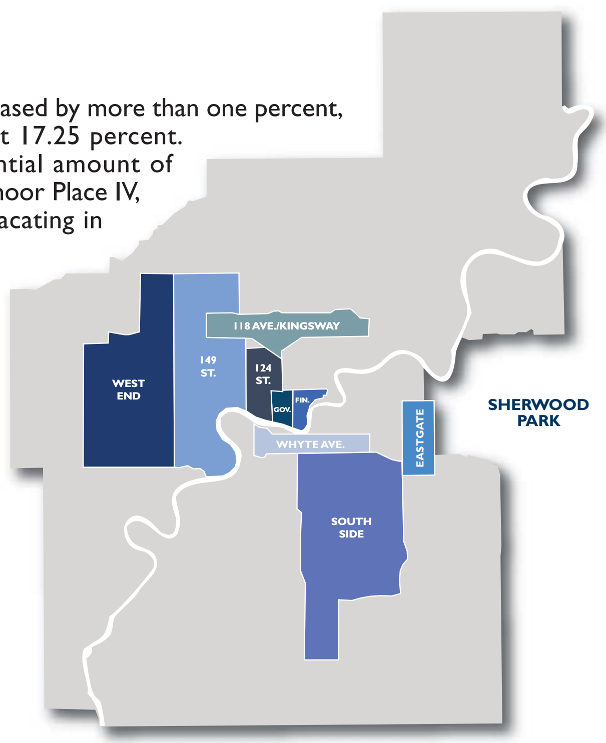


The Edmonton Suburban office market is comprised of more than 8.7 million square feet spread across 154 buildings. After experiencing a large increase from the fourth quarter of 2009 to the first quarter of 2010, the Suburban office vacancy rate decreased slightly in the second quarter. It currently sits at 15.33 percent, down from 16.03 percent in the first quarter. Both the direct vacancy rate and the sublease vacancy rate decreased. The Suburban market experienced positive absorption of 73,298 square feet.

The vacancy rate in the 118 Avenue District decreased more than one percent and currently stands at 5.67 percent. This is mainly due to 2,452 square feet of space in the Hys Centre being leased. The 124 Street District vacancy rate decreased from 17.82 percent in the first quarter to 17.33 percent. This decrease comes as a result of a few smaller lease and sublease deals being completed during the quarter. The vacancy rate in the 149 Street District is currently 6.41 percent—down from 7.06 percent in the first quarter. The major component of this reduction in vacancy was four spaces totaling 6,483 square feet being leased in Meadowlark Place Professional Centre. Following a similar trend, the vacancy rate in the Eastgate District also decreased slightly, and is currently 16.20 percent. Vacancy in the Southside District fell this quarter, and is now sitting at 20.61 percent, which is more than two percent below that recorded in the first quarter. This is due to 72,400 square feet being taken off the market by Intuit Canada, who decided to keep the space for themselves. After increasing nearly two percent from the fourth quarter of 2009 to the first quarter of 2010, the vacancy rate in the Whyte Avenue District increased just 0.57 percent to 6.52 percent in the second quarter of 2010. The West-End District experienced the largest percentage increase in vacancy rate from the first quarter as it increased nearly 2.5 percent and is now just above 17 percent. This is explained by negative absorption of 31,204 square feet, comprised in part by 19,290 square feet brought onto the market in Centre 170.

Sherwood Park

Sherwood Park's vacancy rate increased by more than one percent, and is currently being recorded at 17.25 percent. This is largely due to the substantial amount of space becoming available in Broadmoor Place IV, as a result of Neumann College vacating in November.



GREATER EDMONTON OFFICE DISTRICTS

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

480 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

$2.0 billion in annual revenue

15,000 professionals

$64 billion in transaction value

CONTACT INFORMATION

OFFICE GROUP:

Ian Bradley
Executive Vice President, Office Leasing
780.969.2996
ian.bradley@colliers.com

Chad Boddez, CCIM
Vice President, Office Leasing
780.969.2995
chad.boddez@colliers.com

Kevin Petterson
Associate, Office Investment
780.969.2992
kevin.petterson@colliers.com

Phil Goh
Associate, Office Leasing
780.969.2989
phil.goh@colliers.com

Fahad Shaikh, CA
Associate, Office Leasing
780.969.3008
fahad.shaikh@colliers.com

Laura Bradley
Assistant, Office Leasing
780.969.2991
laura.bradley@colliers.com

MARKETING & RESEARCH:

Tara English
Research
tara.english@colliers.com

Nicole Stanway
Research Assistant
nicole.stanway@colliers.com

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

Eryne Sarabin
Marketing Coordinator
eryne.sarabin@colliers.com

Heather Pack
Marketing Assistant
heather.pack@colliers.com

Karen Trelenberg
Admin/Marketing Assistant
karen.trelenberg@colliers.com

COLLIERS INTERNATIONAL
3555 Manulife Place
10180 - 101 Street
Edmonton, AB T5J 3S4
780.420.1585