COLLIERS INTERNATIONAL | MARKET REPORT

Greater Edmonton

INDUSTRIAL | THIRD QUARTER | 2008

MARKET INDICATORS

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

EDMONTON INDICATORS

(Edmonton CMA) *September 2008*

Population *(Edmonton CMA)*	
2005	1,016,007
2006	1,034,945
2007	1,041,940
2008f	1,102,401
Crude Oil *($/bbl)*	
2007 (Average)	$72.00
2008 (June)	$138.08
2008 (Sept. 29)	$96.36
Labour Force	
2005	546,000
2006	561,000
2007	599,000
2008f	620,000
Unemployment Rate	
2005	4.5%
2006	3.9%
2007	3.8%
2008f	3.4%
Real GDP	*(2002 $millions)*
2005	$46,236
(% change)	5.4%
2006	$49,549
(% change)	7.2%
2007	$51,383
(% change)	3.7%
2008f	$52,957
(% change)	3.1%

Source: Conference Board of Canada, Statistics Canada, Edmonton Real Estate Board

Edmonton's Industrial Market

ECONOMIC HIGHLIGHTS

Investment in Alberta's oil patch will continue this year with the injection of over $20 billion into our oil and gas economy. The massive investment in our oil sands over the last few years is beginning to pay off, with crude oil production expanding close to 6% this year and another 7% growth is forecasted for 2009. Shell's $4.7 billion Carmon Creek project, Imperial Oil's $2.0 billion Kearl Lake mine and Synenco Energy's $2.8 billion Northern Lights upgrader projects are expected to either start or ramp up construction in 2009. With the price of oil staying relatively high in the near term, energy related investment in Alberta is expected to be substantial, with well over $72.4 billion worth of energy related projects currently under way. Edmonton is well positioned as the manufacturing hub of Alberta's energy sector; and with the boost of medium term growth, we can expect an average of 3.4% growth in energy related investment from 2009 to 2012.

Since 2000, Edmonton has consistently had Canada's strongest labour market, averaging annual job gains of 2.8%. Employment demand is driving the migration of people to Edmonton from other cities in Alberta (12%), other Canadian provinces (48%) and around the globe (40%). From 2001 to 2006, approximately 80,000 new jobs were created in the region, an increase of 16%. Manufacturing industries have seen significant job losses in central Canada; however, the manufacturing sector in the Edmonton region has seen a 10% increase in jobs in the last few years. Edmonton continues to feature a dynamic and educated workforce (eight out of ten workers completed some trades, college or university programs); and with the ramp up of many of the energy related projects, our region will continue to enjoy high employment rates for skilled and unskilled labour.

UNEMPLOYMENT RATES
By Major Centres in Canada
Aug. 2008

Edmonton	3.4%
Calgary	3.6%
Vancouver	4.1%
Regina	4.6%
Toronto	7.0%

Source: Statistics Canada

MARKET HIGHLIGHTS

Since January 2008, the Greater Edmonton industrial market has added over 2.5 million square feet to its inventory. In the third quarter alone, over 1.1 million square feet of new construction became available for occupancy – with 518,000 square feet in the Northwest and 663,000 square feet in the Southeast.

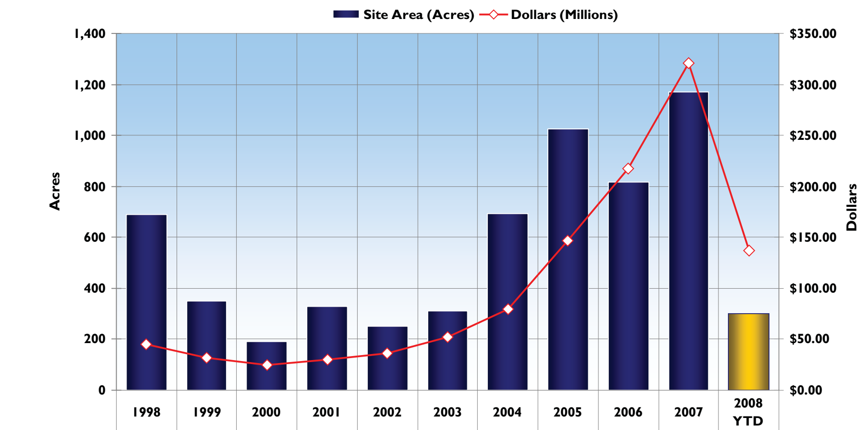
The overall vacancy rate rose by 0.88% for the third quarter for total vacancy of 2.33%. We have not seen vacancy rates above 2% since 2006. Of the new construction, 94% was preleased prior to it being brought on the market. The increase in Q3 vacancy is not only due to the balance of unleased new construction, but also to the increase in existing product becoming available. We anticipate seeing a slight levelling off in lease rates throughout the fourth quarter as tenants will have more than one leasing option to consider, which has not been the case in the last couple of years.

However, landlords are still bullish on lease rates as they are generally achieving substantially higher renewal rates and are very selective in the type of tenants they take into their portfolio. With the lucrative leasing market over the past two years, landlords have high expectations and we will likely not see a change in that mentality until we experience a more drastic rise in vacancy rates.

Most industrial districts, including the surrounding counties, experienced slight increases in vacancy in the third quarter, with the largest vacancy in the Greater Edmonton region being the Acheson Industrial Park at 5.14% - representing one vacancy of 100,000 square feet.

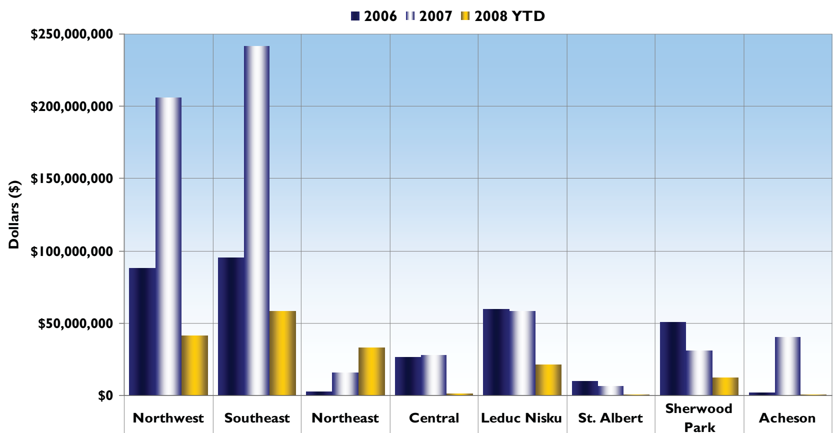
We are anticipating an additional 950,000 square feet of new construction to be added to the overall inventory in the fourth quarter. Based on the preleasing that we know of to date, we are forecasting positive absorption and a slight decrease in the vacancy rate for the end of the 2008.

GREATER EDMONTON
LAND SALES



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 YTD
Site Area (Acres)	690	350	190	330	250	310	693	1,024	816	1,170	302
Dollars (Millions)	$44.80	$32.00	$25.00	$30.00	$36.00	$52.00	$79.90	$146.50	$217.30	$320.50	$137.00

GREATER EDMONTON
BUILDING SALES



	Northwest	Southeast	Northeast	Central	Leduc Nisku	St. Albert	Sherwood Park	Acheson
2006	$88,054,193	$95,031,953	$2,841,000	$26,409,400	$59,307,092	$9,730,235	$50,399,269	$1,935,000
2007	$205,945,917	$241,440,120	$15,390,803	$27,659,300	$58,269,895	$6,545,000	$31,180,800	$39,972,100
2008 YTD	$41,296,184	$58,436,029	$32,750,000	$1,090,000	$21,419,116	$742,500	$12,486,976	$440,000

LAND SALES & AVAILABILITY

Edmonton land sale activity has slowed dramatically for the first three quarters of 2008. To date there have been just 58 transactions trading 302 acres for a total of $137 million. During the same period last year, there were over 161 transactions and 1,042 acres sold for a total of $285 million.

As servicing costs continue to escalate we have seen current land owners adapt the “wait and see” attitude in Edmonton, therefore reducing the number of serviced industrial lots available within the City limits.

As a result, owner/users and developers are looking to the Greater Edmonton industrial areas as an alternative for serviced land parcels. One example is the Acheson Industrial Park, located on Highway 60 between Highways 16 and 16A in Parkland County. Recent approval has been granted to develop close to 700 acres of industrial land with fully serviced lots.

Active developers in this market include ING Real Estate, Genesis Land Development Corporation, Leder Investments, Consor Developers Inc., Panattoni Development Company, The Fath Group and The TransAmerica Group. Fully serviced land prices in Acheson are typically lower than in Edmonton, with prices ranging from $300,000 to $490,000 per acre vs. $600,000 to $800,000 per acre in Edmonton.

INDUSTRIAL LEASE RATES

The industrial market is not one distinct type of space but is comprised of many different types, too many to list. For the purposes of comparison, we have chosen the following typical facility categories to illustrate the variance in achieved net lease rates throughout the Northwest and Southeast sub-markets in Q3:

Q3 - 2008 NOTABLE SALE TRANSACTIONS

LAND SALE ACTIVITY

PROPERTY ADDRESS	SUBDIVISION	PURCHASER	LAND USE	SIZE (ACRES)	SALE PRICE	UNIT PRICE ($/ACRE)
704 - 76 Avenue	Maple Ridge Industrial	Domino Machine Ltd.	IM	11.63	$4,100,000	$352,537
6403 Roper Road	Roper Industrial	Creekwater GP Ltd.	IB	3.42	$2,600,000	$760,234
12003 - 28 Street	Cloverbar Area	Now That's Performance Investments Inc.	IM	2.87	$1,300,000	$452,962
42 Street & 69 Avenue	Pylypow Industrial	N/A	IM	1.71	$1,200,000	$701,754
20121 - 106 Avenue	Winterburn Industrial Area East	Boychuk Transport 007 Inc.	IM	1.01	$600,000	$594,059

BUILDING SALE ACTIVITY

PROPERTY ADDRESS	SUBDIVISION	PURCHASER	SIZE (SQ.FT.)	SIZE (ACRES)	SALE PRICE	UNIT PRICE ($/SQ.FT.)
610 - 15 Avenue	Nisku	Dreco Energy Services Ltd.	43,540	4.35	$4,500,000	$103
104, 53016 Hwy 60	Acheson	1099732 Alberta Ltd.	32,413	5.14	$3,700,000	$114
9204 - 37 Avenue	Strathcona Industrial Park	Frontier Power Properties Ltd.	23,000	5.42	$6,100,000	$265
12150 Meridian Street	Clover Bar Area	554168 Alberta Ltd.	17,965	8.28	$3,500,000	$195
13019 - 151 Street	Mistatim Industrial	Appelt Holdings Inc.	9,130	0.86	$1,250,000	$137

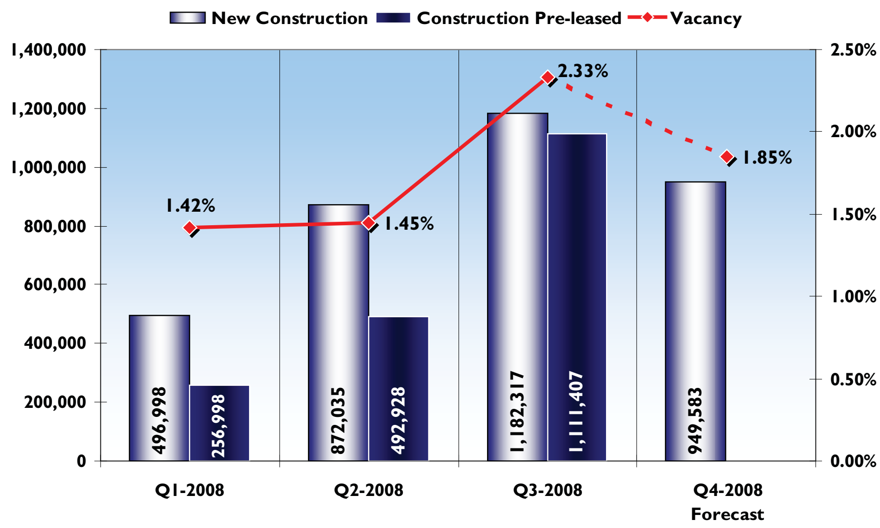
1. Warehouse area of 10,000 square feet (10% office build-out)
2. Warehouse area of 30,000 square feet (5% office build-out)
3. Freestanding shop area of 25,000 square feet (with approx. 2 acres of excess yard)

Regarding category 1, industrial lease rates in Northwest Edmonton averaged $8.75 per square foot for existing space and $9.75 per square foot for new product. In Southeast Edmonton, rates for the same requirement averaged $8.00 per square foot for existing space and $10.50 per square foot for new product.

Category 2 describes a common and in demand warehouse facility and, in the Northwest, this type of property averaged $6.75 per square foot for existing space and $8.50 per square foot for new product, while the same requirement in the Southeast averaged $7.00 per square foot for existing space and $9.75 per square foot for new product.

Industrial lease rates in the greater Edmonton area for a typical freestanding shop of 25,000 square feet averaged $12.00 per square foot for an existing building and $16.00 per square foot for new product. However, it is important to note that, due to the scarcity of excess land, lease transactions involving this type of space are not a common occurrence within the City limits and the above noted lease rates are an indication of average net rates throughout the entire Greater Edmonton area, which includes the various industrial parks in County locations.

GREATER EDMONTON
VACANCY, NEW CONSTRUCTION & PRE-LEASED CONSTRUCTION



Q3 - 2008 NOTABLE LEASE TRANSACTIONS

BUILDING LEASE ACTIVITY

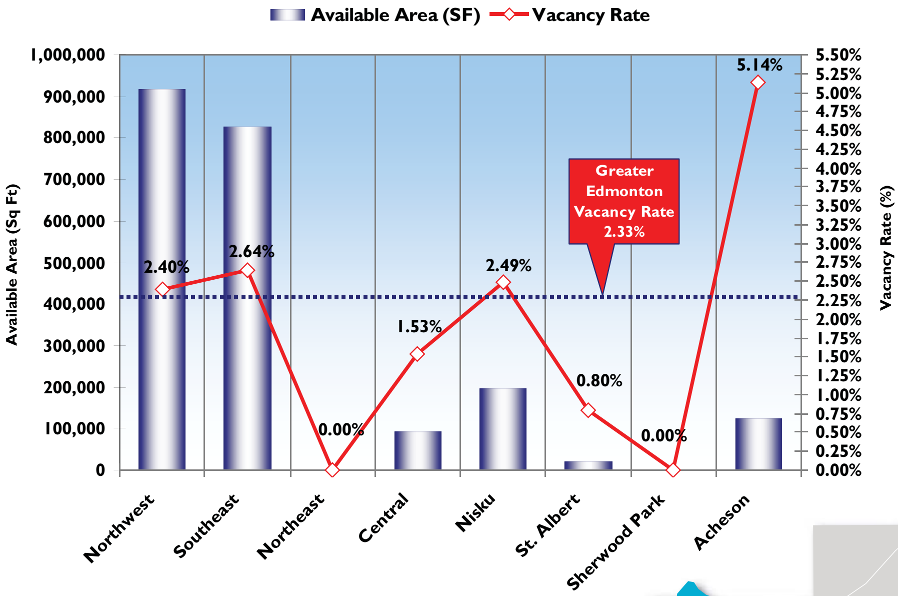
PROPERTY ADDRESS	PROPERTY NAME	SUBMARKET	TENANT	SIZE (SQ.FT.)	TYPE
42 Street & 53 Avenue	53 Avenue Business Centre Phase I	Pylypow Industrial	Comco Pipe & Supply Ltd.	~110,000	New Space
50 Street & 68 Avenue	50 Street Business Park Bldg. "L"	Roper Industrial	Protech Valve	~84,000	New Space
7072 - 72 Avenue	Northgate Trailer Building	Davies Industrial East	TTS Sense Canada Ltd.	42,303	Existing Space
70 Street & 56 Avenue	Roper Ridge Business Park	Roper Industrial	Federal Government	~35,000	New Space
1902 - 8 Street	Allard Building	Nisku	Pantera Manufacturing Inc.	25,500	Existing Space
42 Street & 53 Avenue	53 Avenue Business Centre Phase I	Pylypow Industrial	The Rig Shop	~20,000	New Space

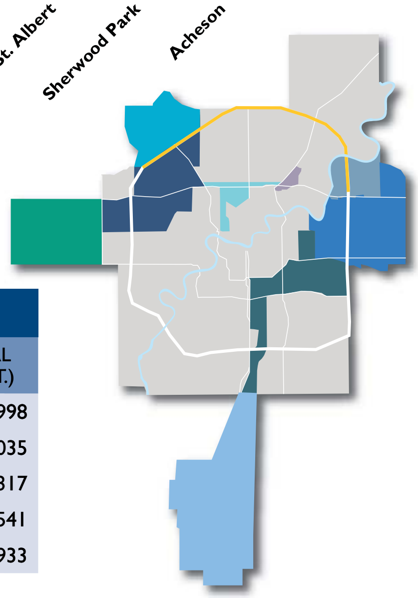
AVERAGE ASKING NET RENTAL RATE PER BAY SIZE

	NORTHEAST	NORTHWEST	SOUTHEAST	CENTRAL
RANGE SQ.FT.	Net Rent	Net Rent	Net Rent	Net Rent.
0-5,000	N/A	$9.00	$8.50	$9.50
5,001-10,000	$8.75	$9.50	$9.60	$8.50
10,001-20,000	N/A	$10.20	$9.00	$8.75
20,001-50,000	N/A	$7.50	$7.00	N/A
50,001 & up	N/A	$8.25	$7.30	$7.90

	ST. ALBERT	ACHESON	SHERWOOD PARK	LEDUC / NISKU
RANGE SQ.FT.	Net Rent	Net Rent	Net Rent	Net Rent.
0-5,000	N/A	$8.50	$12.00	$11.00
5,001-10,000	$9.50	$9.50	N/A	$9.50
10,001-20,000	N/A	$9.50	N/A	$9.50
20,001-50,000	N/A	$13.00	N/A	$9.00
50,001 & up	N/A	$12.75	N/A	N/A

GREATER EDMONTON
AVAILABLE AREA & VACANCY RATE





NEW CONSTRUCTION FORECAST 2008

	NORTHWEST (SQ.FT.)	SOUTHEAST (SQ.FT.)	TOTAL (SQ.FT.)
Completed Q1	175,450	321,548	496,998
Completed Q2	625,635	246,400	872,035
Completed Q3	518,800	663,517	1,182,317
Projected Completion Q4	598,908	350,675	1,050,541
Total for 2008	1,918,793	1,581,942	3,500,933

VACANCY

		VACANT (SQ.FT.)	VACANCY RATE	VACANCY (SQ.FT.)	VACANCY RATE
INDUSTRIAL DISTRICT	Universe	Q2 2008		Q3 2008	
Northwest Edmonton	38,057,898	678,102	1.81%	915,053	2.40%
Southeast Edmonton	31,278,837	426,253	2.64%	827,049	2.65%
Northeast Edmonton	1,284,872	0	0.00%	0	0.00%
Central Edmonton	5,961,376	17,800	0.30%	91,506	1.53%
Leduc / Nisku	7,900,000	80,561	1.02%	196,459	2.49%
St. Albert	2,503,000	10,900	0.44%	20,120	0.80%
Sherwood Park	4,025,800	20,310	0.50%	0	0.00%
Acheson	2,399,103	107,018	4.46%	123,258	5.14%
TOTAL	93,410,886	1,340,944	1.45%	2,173,445	2.33%

293 OFFICES IN 61 COUNTRIES ON 6 CONTINENTS

- 136 Americas
  - 99 United States
  - 19 Canada
  - 18 Latin America
- 95 Europe, Middle East & Africa
- 62 Asia Pacific

$2.0 billion in annual revenue

868 million square feet under management

11,000 professionals

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