COLLIERS INTERNATIONAL | MARKET REPORT

Greater Edmonton

OFFICE | FIRST QUARTER | 2009

MARKET INDICATORS

	Q4	Q1
VACANCY	↑	↑
NET ABSORPTION	↑	↓
NEW CONSTRUCTION COMPLETED	↑	↓
RENTAL RATE	↑	↔
OPERATING COSTS	↑	↑

EDMONTON INDICATORS

Labour Force	
2008 (Feb.)	640,600
2009 (Feb.)	648,300
Change	1.2%

Unemployment Rate	
2008 (Feb.)	3.7%
2009 (Feb.)	4.5%
Change	0.8%

Average Residential Selling Price	*(YTD - February)*
2008	$313,650
2009	$294,449
Change	-6.1%

Canadian Dollar	
March 2008	98.20
March 2009	80.70

WTI Oil (US$/bbl)	
March 2008	$107.58
March 2009	$54.34

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

ECONOMIC HIGHLIGHTS

The Bank of Canada has cut interest rates by another half percentage point to 0.5%. This is the seventh time since February 2008 that interest rates have been lowered. Prior to the latest cut, data revealed that the economic activity in Canada fell by 3.4% in the last quarter of 2008; marking the largest drop since the first quarter of 2001. The commercial banks did pass along the most recent drop to their prime lending rates to consumers.

Projects such as the South LRT extension and the Currents of Windermere development have kept Edmonton's non-residential construction sector busy. Future redevelopment of the Downtown Federal Building and significant public-funded infrastructure roadwork is expected to maintain and eventually increase Edmonton's non-residential construction activity.

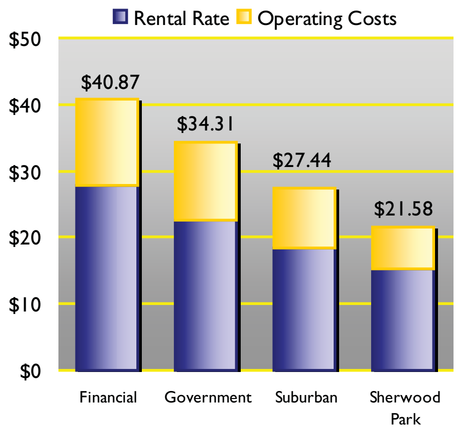
Vacancy Rises as Market Turns

MARKET HIGHLIGHTS

With the recent economic shift and the drop in the price of oil, the market has undergone some changes. A telling indicator was the decision of the Provincial Government to place a moratorium on all leasing activity for an indefinite period of time. This decision, along with various other elements, have altered the supply and demand forecasts for the Edmonton office market from where they were just one year ago.

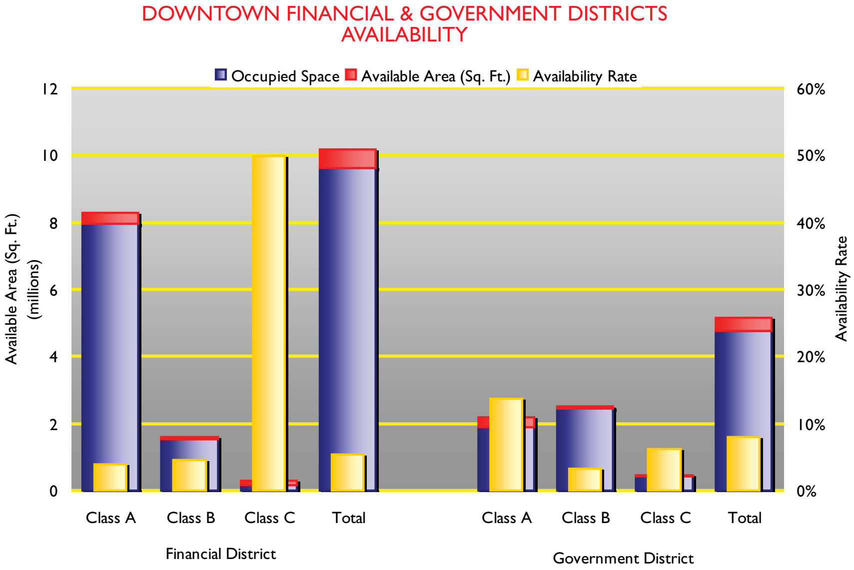
Operating costs have continued to rise across the market. For Financial 'A' Class office space operating costs rose, on average, 12% from 2008 till today. If this trend continues, the option of relocating to an environmentally friendly or LEED certified project will become more attractive to tenants; especially when combined with the enhanced working environments for employees. We have observed a "flight to quality" by a certain portion of the market as new buildings have enjoyed strong leasing activity.

OFFICE MARKET
AVERAGE RENTAL RATES
(Q1 - 2009)



FORECAST

An increased supply in 2009 combined with a downward trend in leasing activity should result in a rise in vacancy and a decrease in rental rates.



VACANCY - *Methodology Change*

For the first quarter of 2009, Colliers Edmonton has adjusted the method used to calculate available space within the Edmonton Office Market. Along with currently available space, space that is known to be coming available within the next six months is now factored into the availability rate. As a result, an enhanced outlook of the market and a more accurate representation of what tenants have as alternatives is provided.

DOWNTOWN OFFICE MARKET

The Downtown Edmonton office market is divided into two submarkets: the Financial District and the Government District. The Financial District is situated south of 105 Avenue and north of 97 Avenue, and west of 97 Street and east of 105 Street. The Government District is located west to east between 113 Street and 105 Street and north to south between 105 Avenue and 97 Avenue. Overall vacancy has risen significantly from 4.48% to 6.19% in the past quarter, due in part to certain tenants exiting Downtown for the Suburban markets and others putting sublease space on the market.

FINANCIAL DISTRICT

The Financial District is comprised of 46 buildings with a total area of 10,167,555 square feet. This quarter is the first to include the A.D. Williams Engineering Building in the inventory. The availability rate for the Financial District is currently 5.30%; but over one quarter of the available space is in 'C' Class.

'A' Class buildings represent more than 50% of the total Financial District inventory. Presently, the availability rate within this class is 3.85%. A high proportion of this total is represented in the Oxford Tower and the Bell Tower, with 60,862 square feet and 65,695 square feet respectively that is either currently available or becoming available prior October 2009 for lease or sublease.

Financial District 'B' Class buildings encompass a total area of 1,598,476 square feet distributed across 12 buildings. The recorded availability rate for the current quarter is 4.62%. Of the available space, approximately 39% or 28,608 square feet is located in the CN Tower, with the largest pocket being 12,584 square feet.

Nearly 50% of the Financial District 'C' Class inventory, which totals less than 300,000 square feet, is currently available. The majority of the available space is divided between two buildings: Beaver House and the TD Bank Building. If both buildings were to be fully leased tomorrow, the availability rate within this class would then drop by more than 32% to 17.71%.

GOVERNMENT DISTRICT

The Government District is represented by more than five million square feet allocated over 39 buildings, the majority of which is considered Class 'B' office space. The overall current availability rate for the Government District is 7.95%.

There are 11 Government District Class 'A' buildings with a total area of 2,192,834 square feet. Of the inventory currently 298,718 square feet (13.62%) is available. A significant portion of this space corresponds to the 54,321 square feet being made available when Alberta Pensions Administration vacates the Park Plaza building later this year and relocates to the Greenboro Building in southwest Edmonton. The former Devonian Building accounts for the majority of the vacancy balance in this class.

There is a total of 2,517,6098 square feet spread across 20 buildings of Government District Class 'B' office space. This class boasts the lowest availability rate, 3.32%, within the entire Downtown office market. The eighth and ninth floors of the Associated Engineering Building are available and represent a substantial portion, 29,000 square feet, of the available space within this class of buildings. If this pocket were to be absorbed, the availability rate within this class would fall to 2.19%

The Government District Class 'C' consists of eight buildings totalling less than half a million square feet. Availability for the current quarter is 6.19%. Nearly 75% of this is due to the 21,033 square feet available in the 105 Street Building.

FIRST QUARTER 2009 NOTABLE LEASE TRANSACTIONS

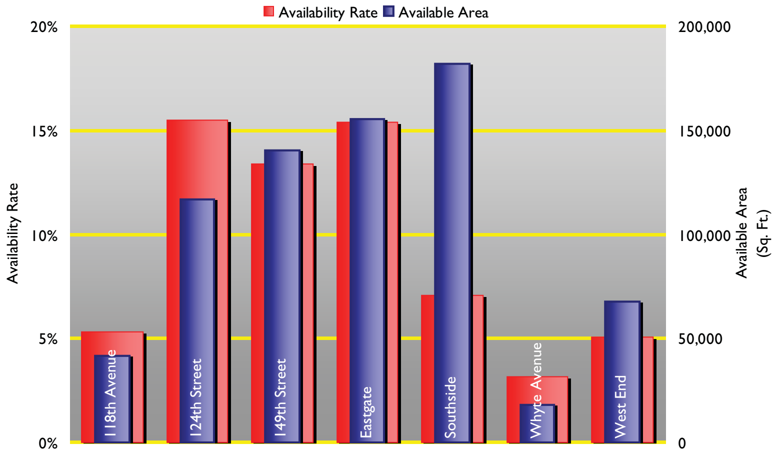
LEASE ACTIVITY

PROPERTY ADDRESS	BUILDING NAME	SUBMARKET	TENANT	SIZE (SQ.FT.)	TYPE
10423 - 101 Street	EPCOR Tower	Downtown - Financial A	Federal Government	128,000	New
10180 - 101 Street	Manulife Place	Downtown - Financial A	Enbridge	21,809	New
10155 - 101 Street	Commerce Place	Downtown - Financial A	AIMCO	20,679	Sublease
91 St. & Ellwood Dr.	Ellwood Office Park	Southside	Provincial Government	15,000	New
10155 - 101 Street	Commerce Place	Downtown - Financial A	Government	13,606	New
9830 - 42 Avenue	Aecon Square	Southside	Rawlco Radio	10,109	New
5555 Calgary Trail	Weber Centre	Southside	ASEBP	8,572	Expansion

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 Q1-'09	Prior Vacancy Rate Q4-'08	Net Absorption (Sq. Ft.) Q1-'09	Net Absorption (Sq. Ft.) Y.T.D.	Net New Supply Q1-'09	Under Const. (Sq. Ft.) Q1-'09	Avg Asking Rental Rates	Top Rates & New Product
DOWNTOWN MARKET																
DOWNTOWN FINANCIAL																
Class A	26	8,275,079	269,889	3.26%	48,757	0.59%	318,646	7,956,433	3.85%	2.96%	-73,351	-73,351	0	578,000	$32-$34	$38
Class B	12	1,598,476	67,912	4.25%	6,000	0.38%	73,912	1,524,564	4.62%	4.69%	1,041	1,041	0	0	$21-$22	$24
Class C	8	294,000	146,606	49.87%	0	0.00%	146,606	147,394	49.87%	42.26%	-11,774	-11,774	16,233	0	$18-$20	$22
TOTAL	**46**	**10,167,555**	**484,407**	**4.76%**	**54,757**	**0.54%**	**539,165**	**9,628,390**	**5.30%**	**4.30%**	**-84,084**	**-84,084**	**16,233**	**578,000**		
GOVERNMENT AND NON-FINANCIAL																
Class A	11	2,192,834	298,718	13.62%	0	0.00%	298,718	1,894,116	13.62%	9.05%	91,266	91,266	210,587	0	$24-$26	$36
Class B	20	2,517,608	77,550	3.08%	6,089	0.24%	83,639	2,433,969	3.32%	1.57%	-44,161	-44,161	0	0	$19-$21	$23
Class C	8	457,829	28,346	6.19%	0	0.00%	28,346	429,483	6.19%	4.60%	-7,292	-7,292	0	0	$16-$18	$24
TOTAL	**39**	**5,168,271**	**404,614**	**7.83%**	**6,089**	**0.12%**	**410,703**	**4,757,568**	**7.95%**	**4.84%**	**39,813**	**39,813**	**210,587**	**0**		
TOTAL DOWNTOWN																
Class A	37	10,467,913	568,607	5.43%	48,757	0.47%	617,364	9,850,549	5.90%	4.14%	17,915	17,915	210,587	0		
Class B	32	4,116,084	145,462	3.63%	12,089	0.29%	157,551	3,958,533	3.83%	2.78%	-43,120	-43,120	0	0		
Class C	16	751,829	174,952	23.27%	0	0.00%	174,953	576,876	23.27%	18.75%	-19,066	-19,066	16,233	0		
TOTAL	**85**	**15,335,826**	**889,021**	**5.82%**	**60,846**	**0.40%**	**949,868**	**14,385,958**	**6.19%**	**4.48%**	**-44,271**	**-44,271**	**226,820**	**578,000**		
SUBURBAN MARKET																
118th Avenue	14	783,640	41,602	5.31%	0	0.00%	41,602	742,038	5.31%	3.71%	-12,544	-12,544	0	0	$15-$17	$22
124th Street	14	753,579	111,793	14.83%	4,791	0.64%	116,584	636,995	15.47%	8.98%	-57,338	-57,338	0	0	$16-$18	$24
149th Street	22	1,049,126	131,727	12.56%	8,788	0.84%	140,515	908,611	13.39%	3.48%	-103,199	-103,199	0	0	$16-$18	$24
Eastgate	10	1,007,714	155,233	15.40%	0	0.00%	155,233	852,481	15.40%	1.30%	-63,191	-63,191	84,000		$18-$20	$24
Southside	45	2,573,837	172,567	6.70%	9,393	0.36%	181,960	2,391,877	7.07%	2.82%	300,052	300,052	341,639	284,264	$22-$25	$28
Whyte Avenue	9	568,761	17,912	3.15%	0	0.00%	17,912	550,849	3.15%	0.84%	-13,147	-13,147	0	0	$26-$28	$35
West End	27	1,331,662	40,502	3.04%	27,070	2.03%	67,572	1,264,090	5.07%	3.19%	-25,053	-25,053	0	0	$18	$22
TOTAL	**141**	**8,068,319**	**671,336**	**8.32%**	**50,042**	**0.62%**	**721,379**	**7,346,941**	**8.94%**	**3.35%**	**25,580**	**25,580**	**425,639**	**284,264**		
MARKET TOTALS - DOWNTOWN & SUBURBAN																
Downtown & Suburban	**226**	**23,404,145**	**1,560,357**	**6.67%**	**110,888**	**0.47%**	**1,671,246**	**21,732,899**	**7.14%**	**4.10%**	**-18,691**	**-18,691**	**652,459**	**862,264**		
SHERWOOD PARK																
Sherwood Park	**28**	**1,214,566**	**101,982**	**8.40%**	**0**	**0.00%**	**101,982**	**1,112,584**	**8.40%**	**8.24%**	**-1,908**	**-1,908**	**0**	**60,000**		**$25**

Quarter	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	Prior Vacancy Rate	Net Absorption (Sq. Ft.)	Net Absorption Y.T.D. (Sq. Ft.)
EDMONTON PROPER QUARTERLY COMPARISON AND TOTALS												
Q1-09	226	23,404,145	1,560,357	6.67%	110,888	0.47%	1,671,246	21,732,899	7.14%	4.10%	-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%	3.76%	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%	4.05%	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%	4.06%	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%	3.96%	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%	4.37%	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%	4.68%	68,495	294,867
Q2-07	204	22,070,019	945,935	4.29%	87,998	0.40%	1,033,934	21,036,086	4.68%	5.18%	177,168	226,372
Q1-07	205	22,618,450	1,065,737	4.71%	105,357	0.47%	1,171,095	21,447,356	5.18%	5.29%	49,204	49,204

EDMONTON SUBURBAN OFFICE VACANCY
(Q1 - 2009)



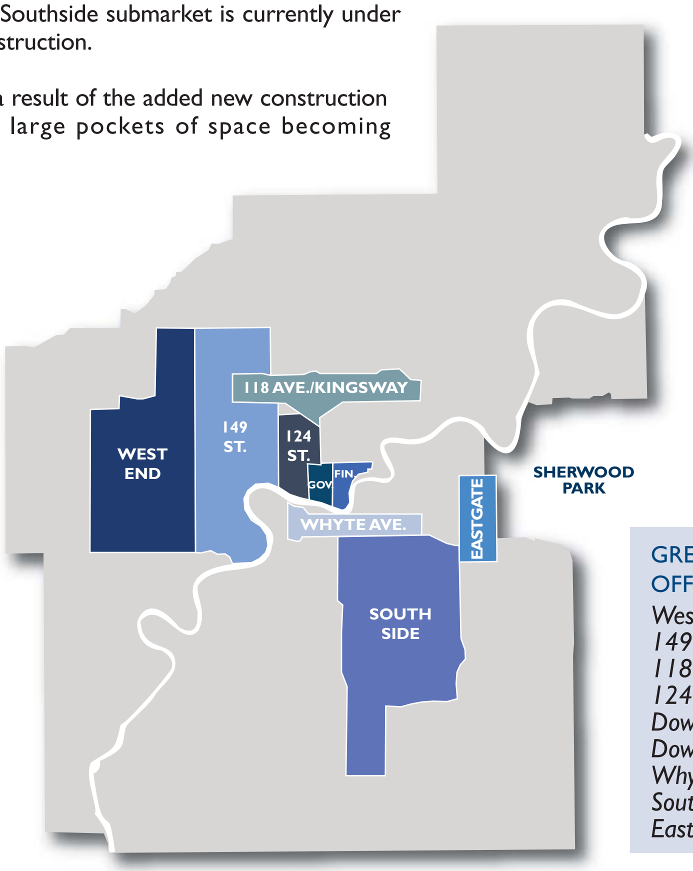
SUBURBAN OFFICE MARKET

The Edmonton Suburban office market consists of 141 buildings totalling just over eight million square feet. The inventory and the vacancy have increased substantially since the fourth quarter of 2008 due to new construction and former engineering/construction office space added back into the market. Buildings that have been added to the inventory this quarter include: the Jayman Building, Summerside Business Centre, Summerside Centre, Gateway Village, Long & McQuade, Market at Magrath, Ellwood, Prospect Park, Greenboro, and Aecon Square. All the mentioned new construction was added to the Southside submarket. Additionally, 284,264 square feet located in the Southside submarket is currently under construction.

As a result of the added new construction and large pockets of space becoming available in existing buildings, the current suburban availability rate is 8.94%; more than doubling from 3.35% at year's end. In addition to the new construction, the entire St. Albert Trail Centre, 94,000 square feet formerly occupied by GE Money, will be available for lease June 1 of this year.

Sherwood Park

Twenty-eight buildings, with a total area of 1,214,566 square feet, form the Sherwood Park office market. The current vacancy rate is sitting at 8.40%. A large portion of this vacancy is one 60,000 square foot vacancy located in the new Shivam Development on Premier Way.



GREATER EDMONTON OFFICE DISTRICTS

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

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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