



Greater Edmonton

INDUSTRIAL | FOURTH QUARTER | 2008

MARKET INDICATORS

	Q3	Q4
VACANCY	↑	↑
NET ABSORPTION	↑	↓
NEW CONSTRUCTION	↑	↓
RENTAL RATE	↑	↔
OPERATING COSTS	↑	↑

EDMONTON INDICATORS

(Edmonton CMA) November 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
2008 (Dec. 15)	\$44.51

Labour Force

2005	546,000
2006	561,000
2007	599,000
2008	620,000

Unemployment Rate

2005	4.5%
2006	3.9%
2007	3.8%
2008	3.6%

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

Although Edmonton has been affected by the recent worldwide economic changes, including falling oil and gas prices, Edmonton's GDP is expected to continue to grow, just not at the same explosive rate as in previous years. According to the Conference Board of Canada, Alberta's economic growth in 2008, 2009 and 2010 is expected to be 1.2%, 2.6% and 3.8% respectively. In 2009, it is expected that the finance and insurance industry will have the highest growth rate at 4.1%.

According to the 2008 municipal census, Edmonton's population (not including the surrounding areas) has reached 752,412, representing a 6% increase from the 2005 municipal census. By 2013, Edmonton's population is expected to reach 817,162.

Due to recent delays of major oilsands projects, including Petro-Canada's \$23.8 billion Fort Hills mine and upgrader, only half of the estimated 44,000 construction workers will be needed at peak demand in 2010 – relieving some pressure from Edmonton's strained labour force. Edmonton has the second lowest unemployment rate in Canada at 3.6%, trailing only Victoria at 3.3% in this regard.

Provincial in-migration is expected to be re-stimulated between 2009 and 2011, as it is anticipated that the Province of Alberta will spend more than \$20 billion on Edmonton area infrastructure projects. Further, an increased rental apartment vacancy rate, the stabilization of rental rates, and the slowing of residential sale prices should provide new residents with housing options that are more affordable than what has been available in the past few years.

Industrial development is progressing and continues to create economic activity. According to the City of Edmonton's Planning and Development department, as of November 30, 2008 the year to date total value for industrial building permits issued was \$195,448,700 - representing a 238% increase over the same period for 2007.

MARKET HIGHLIGHTS

In the midst of a struggling world economy, the Edmonton region continues to show some signs of activity in a variety of industrial markets for the time being. For example, during the fourth quarter the Southeast industrial market has seen a completion of 350,675 square feet of new construction – of which 176,162 square feet (50.24%) has been leased.

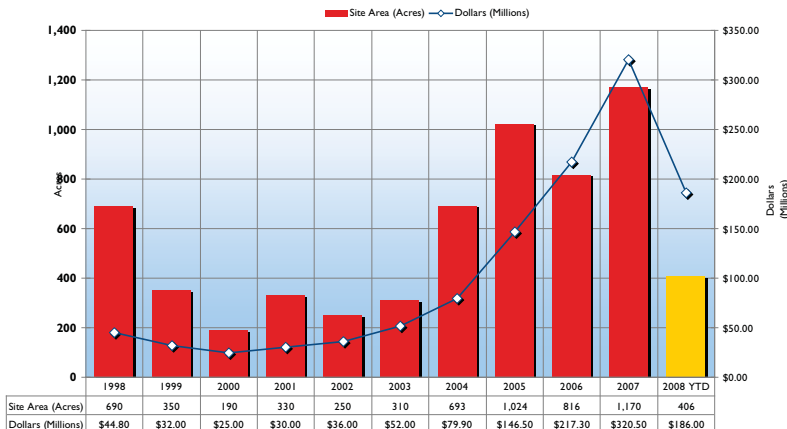
Landlords in Northwest Edmonton, however, have not seen the leasing activity they had hoped for in the latter half of 2008, as 390,016 square feet of new product has been brought to the market during the fourth quarter and only 46,200 square feet (11.85%) has been leased. It is believed that one of the reasons we may be experiencing higher vacancy in the Northwest market is the fact that several projects have been designed to be leased in large pockets of 15,000 square feet and up. The majority of potential applicants for large pockets are typically US-based groups – a segment that is currently contracting, not expanding.

While the Edmonton and Western Canadian economies continue to progress – albeit at a more deliberate pace – given the enhanced market turbulence in Eastern Canada and in the United States, it has been difficult for companies based in those areas to justify expansion in the Edmonton area. Ultimately, the effect of this defence may not be entirely detrimental, as it could provide some much needed relief to the growth and labour pressures that companies in the Edmonton region have experienced over the last several years; and allow them to maximize efficiencies, such as training staff, in preparation for the next development cycle.

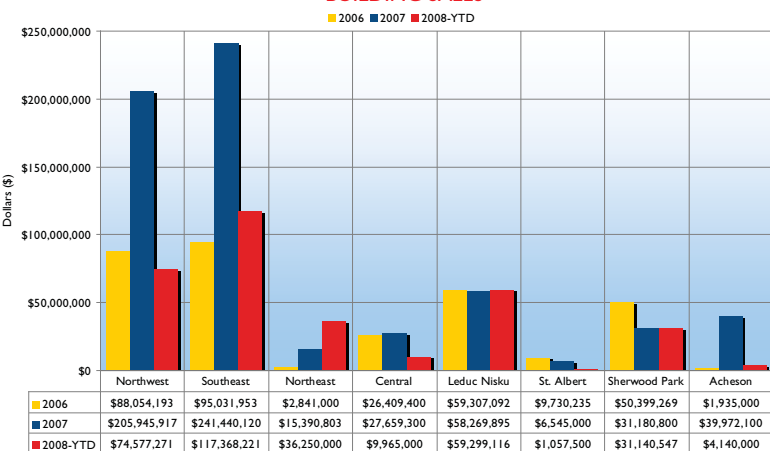
Colliers foresees the prevalence of slightly higher vacancy rates in the Edmonton industrial market until late 2009, when it is anticipated that world markets will begin to stabilize.



GREATER EDMONTON LAND SALES



GREATER EDMONTON BUILDING SALES



VACANCY

Predominantly due to the addition of new construction, Greater Edmonton's overall vacancy rose 0.84% from the third quarter of 2008 to land at 3.17% in the fourth quarter.

The largest increase in vacancy was reported in the Northwest industrial market, rising 2.13% since the third quarter to 4.54% - the highest vacancy within the Greater Edmonton industrial regions. During the fourth quarter, 390,016 square feet of new product was added to the Northwest inventory; more than 88% of that product remains available. Current vacancy in the Southeast industrial market stands at 2.85%. This is up slightly from the recorded third quarter vacancy of 2.65%. This minor vacancy increase can be attributed to the 350,675 square feet of new product that was added to the Southeast industrial market during the fourth quarter, with slightly more than 50% of it already occupied. The vacancy rate in the Northeast increased to 0.43% representing just 5,500 square feet of space available for sublease; the vacancy in the Northeast industrial area is historically very low and posted a 0% vacancy rate in all three preceding quarters of 2008. In the Central industrial area, vacancy increased 0.56% since the third quarter and is now at 2.10%. The majority of this vacancy is comprised of one 64,000 square foot building.

In the surrounding counties, the overall vacancy rate decreased 0.71% and is being recorded as 1.31% in the fourth quarter. The vacancy rose in both St. Albert and Sherwood Park to 1.24% and 1.62% respectively. The vacancy in St. Albert is comprised 31,020 square feet – approximately a 10,000 square foot increase in available space since the third quarter. During the previous quarter, Sherwood Park had posted a vacancy rate of 0%. Just two buildings form Sherwood Park's fourth quarter vacancy. In Leduc/Nisku, the vacancy decreased from 2.49% reported in the third quarter and is currently standing at 1.16%. The greatest decrease in vacancy in the Greater Edmonton region occurred in Acheson, dropping 3.96% to only 1.45%. This dramatic drop is due solely to the single lease transaction of over 100,000 square feet that was completed in December 2008.

Q4 - 2008 NOTABLE SALE TRANSACTIONS

LAND SALE ACTIVITY

PROPERTY ADDRESS	SUBDIVISION	PURCHASER	LAND USE	SIZE (ACRES)	SALE PRICE	UNIT PRICE (\$/ACRE)
7716 - 43 Street	Leduc	658855 Alberta Ltd.	IM	8.40	\$3,234,000	\$385,000
Walker Cres. & Walker Rd.	Acheson	1286258 Alberta Ltd.	ICC	7.34	\$2,642,000	\$359,946
2302/04 Sparrow Drive	Nisku	Guy Lucien Bouvier	R1	4.74	\$2,450,000	\$516,878
9504 - 12 Avenue	Ellerslie Industrial	Carma Ltd.	EIB	2.99	\$2,543,000	\$850,502
W4 Industrial Park	Sturgeon County	CFH Alberta	IR	2.75	\$440,000	\$160,000
9 Legend Trail	Stony Plain	Legend Trail Holdings	MI	2.58	\$550,000	\$213,178
5621 - 99 Street	Coronet Industrial	Tri National Investments	IL	1.86	\$1,050,000	\$564,516
37 Diamond Avenue	Spruce Grove	1347780 Alberta Ltd.	MI	1.48	\$711,000	\$480,405

BUILDING SALE ACTIVITY

PROPERTY ADDRESS	SUBDIVISION	PURCHASER	SIZE (SQ.FT.)	SIZE (ACRES)	SALE PRICE	UNIT PRICE (\$/SQ.FT.)
2415 - 101 Street	Ellerslie Industrial	The City of Edmonton <i>(owner/user)</i>	130,060	18.83	\$25,000,000	\$192
11 Liberty Road	Sherwood Park	1308707 Alberta Ltd. <i>(investor)</i>	91,448	7.02	\$14,000,000	\$153
1509 - 8 Street	Nisku	Springer Valves Inc. <i>(owner/user)</i>	16,861	2.85	\$2,890,000	\$171
14215 - 120 Avenue	Dominion Industrial	Diesel Tech Holdings Ltd. <i>(owner/user)</i>	13,840	0.96	\$2,200,000	\$159
4035 - 101 Street	Strathcona Industrial Park	1396730 Alberta Ltd. <i>(owner/user)</i>	12,650	1.70	\$2,100,000	\$166
16718 121 Ave	Carleton Square Industrial	Reimer World Properties Corp. <i>(owner/user)</i>	10,500	4.89	\$4,250,000	\$405

LAND SALES

Industrial land sale activity recorded in the fourth quarter resembled that in the third quarter. Once again, land sales were relatively small in size and few in number. Although the economy has slowed, land prices remain constant; and we have yet to experience a decline in prices. However, we are unable to monitor the number of potential transactions that were not completed because of the lack of ability to close due to failure to secure financing.

We predict that firms looking to sell large raw land parcels will be the first to incur price reductions. In 2007, many investors had purchased raw land parcels with anticipation of the continued velocity in the market. Holding costs for these parcels accumulate quickly; and if the current market conditions continue through 2009, these parcels will be the first to arrive on the market at a discounted price.

Many developers, who were in the process of servicing and subdividing their parcels, will face the challenge of financing site work and grading, unless the developer has a long-term lease tenant with an excellent covenant. Costs, such as gravel, are still extremely high in Edmonton and the surrounding area. Financing, for costs such as this, is virtually non-existent given the current economic conditions.

BUILDING SALES

The global financial crisis has resulted in a decrease in building sales activity for Q4. The completed sales were at strong price levels. Vendors have yet to adjust their pricing; and we are not seeing completed transaction comparables to support price reductions.

In today's market, vendors hoping to achieve strong prices have to bring a bit of creativity to the table. The fourth quarter saw the re-emergence of VTB (Vendor Take Back) mortgages. Financial institutions that would have been lending 75% loan to value a year ago are now lending in the 60% loan to value range. Thus, more capital has to be raised by a purchaser, making it difficult for a purchaser to proceed with a sale at a time when cash is crucial. A vendor providing 15% in a two-year VTB mortgage allows the vendor to achieve a return on his money at a time when it is difficult to find avenues to place these funds.

Q4 - 2008 NOTABLE LEASE TRANSACTIONS

BUILDING LEASE ACTIVITY

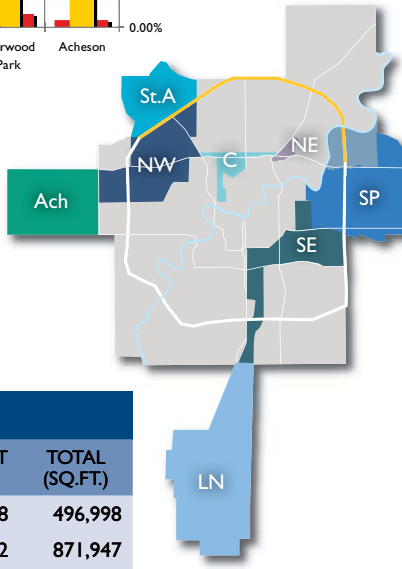
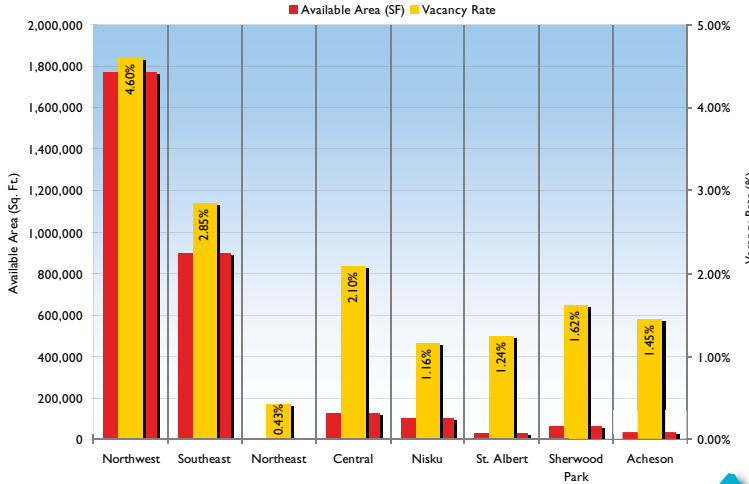
PROPERTY ADDRESS	PROPERTY NAME	SUBMARKET	TENANT	SIZE (SQ.FT.)	TYPE
26319 Twp Road 531	Northview Industrial Facility	Acheson	Suncor Energy Services	107,018 + 20 acres	Existing Space
50 Street & 68 Avenue	50th Street Business Park	Roper Industrial	Energy Alloys	67,312	New Space
6036 20 Street	South Rail Building	Southeast Industrial	Roseneau Transport	61,658	New Space
75 Street & 68 Avenue	South Central Business Park	Davies Industrial East	Dynamex Canada Corp.	32,410	New Space
60 Street & Roper Road	CityView Business Park	Roper Industrial	Exel	26,626	New Space
17404 - 116 Avenue	Winfield Building	Armstrong Industrial	Undisclosed	26,000	New Space
184 Street & 127 Avenue	Yellowhead Transport Depot	Edmonton Industrial	Undisclosed	15,400	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	\$8.90	\$9.70	\$12.00
5,001-10,000	N/A	\$8.00	\$8.35	\$9.95
10,001-20,000	N/A	\$8.60	\$9.60	\$12.00
20,001-50,000	N/A	\$8.00	\$8.80	N/A
50,001 & up	N/A	\$7.25	N/A	\$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	\$12.00
5,001-10,000	\$9.50	\$9.50	\$12.00	\$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**



**UNEMPLOYMENT RATES
By Major Centres in Canada (Nov. 2008)**

Edmonton	3.6%
Calgary	3.7%
Vancouver	4.4%
Regina	3.6%
Toronto	7.0%
NATIONAL	6.3%

Source: Statistics Canada

NEW CONSTRUCTION 2008

	NORTHWEST (SQ.FT.)	SOUTHEAST (SQ.FT.)	TOTAL (SQ.FT.)
Completed Q1	175,450	321,548	496,998
Completed Q2	625,635	246,312	871,947
Completed Q3	518,800	730,717	1,249,517
Completed Q4	390,016	350,675	740,691
Total Completed Construction 2008	1,709,901	1,649,252	3,359,153

VACANCY

INDUSTRIAL DISTRICT	UNIVERSE (SQ.FT.)	Q3 2008		Q4 2008	
		VACANT (SQ.FT.)	VACANCY RATE	VACANCY (SQ.FT.)	VACANCY RATE
Northwest Edmonton (NW)	38,447,914	915,053	2.40%	1,1745,245	4.54%
Southeast Edmonton (SE)	31,629,512	827,049	2.64%	901,684	2.85%
Northeast Edmonton (NE)	1,284,872	0	0.00%	5,500	0.43%
Central Edmonton (C)	5,961,376	91,506	1.53%	125,082	2.10%
Leduc / Nisku (LN)	8,800,000	196,459	2.49%	101,750	1.16%
St. Albert (StA)	2,503,000	20,120	0.80%	31,020	1.24%
Sherwood Park (SP)	4,025,800	0	0.00%	65,373	1.62%
Acheson (Ach)	2,399,103	123,258	5.14%	34,819	1.45%
TOTAL	95,051,577	2,173,445	2.33%	3,010,473	3.17%

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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