

THE Office Report

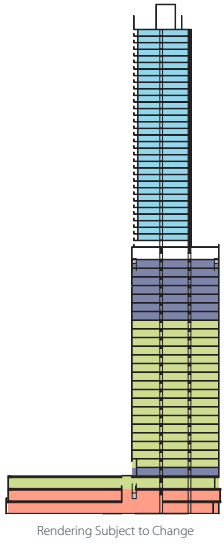
VACANCY: 8.5%

YTD ABSORPTION : (142,133) sf

Q3 2014



Downtown - The Stantec Move

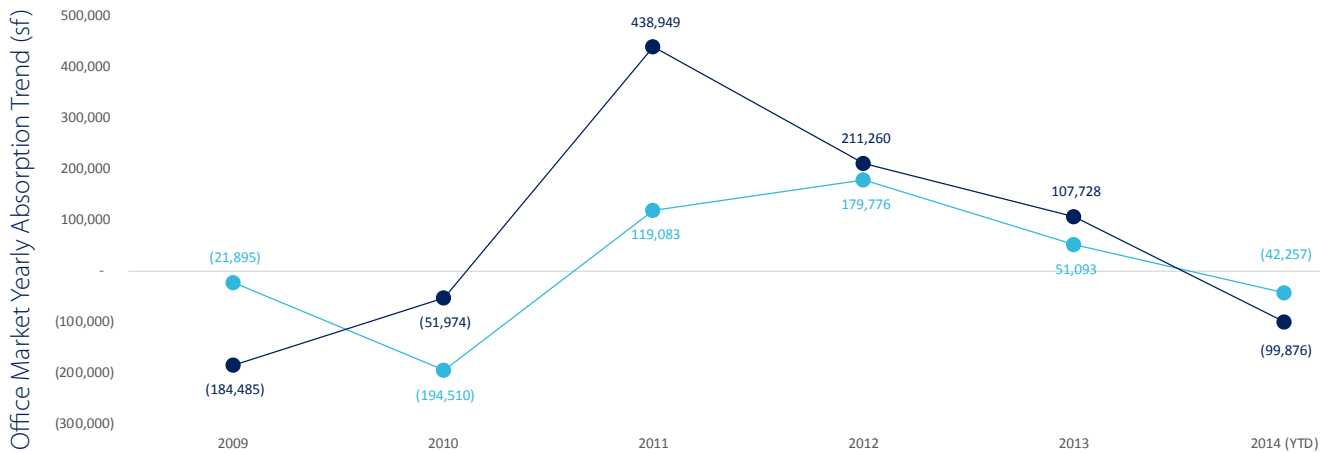
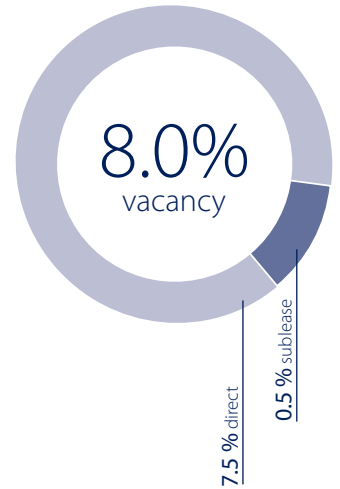


Stantec Tower Breakdown

| | | |
|-------------------|-----------------|------------|
| Condo Section | Floors 30 - 62 | 320 units |
| Office Section | Floors 3 - 28 | 600,000 sf |
| Stantec Pre-Lease | Floors 3, 5-22 | 450,000 sf |
| Spec Space | Floors 4, 23-28 | 150,000 sf |
| Retail Podium | Floors 1 - 2 | TBD |

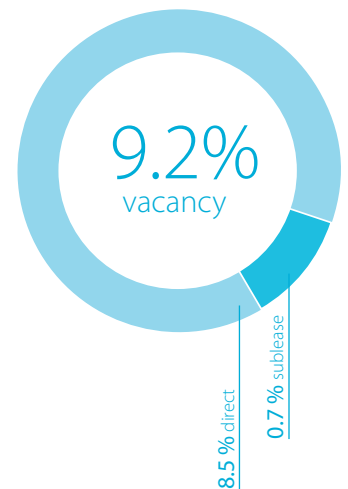
Current Stantec Properties

| | | |
|---|------------|------------------|
| Stantec Centre (10160 - 112 Street) | 189,304 sf | 100% of building |
| Devonian Building (11150 Jasper Avenue) | 131,410 sf | 82% of building |
| Stantec 2 (10120 - 103 Avenue) | 57,248 sf | 100% of building |



Suburban

- The Currents of Windermere Medical Wellness Centre (6103 Currents Drive) is reaching completion and will open for occupancy in November. The building offers 60,000 sf of high-end medical office space, 26,000 sf of which is available as of the end of Q3 2014.
- Emerald Hills Medical Wellness Centre (Emerald Drive & Cloverbar Road) is likewise nearing completion. The current schedule will see the building complete in the fourth quarter of 2014 and open for occupancy in March 2015. The building will offer 40,000 sf of professional medical space, underground parking and close proximity to several retail amenities.
- Plaza 124 (10216 - 124 Street) has been sold by GE Real Estate to LaSalle Investment Management for \$37.1 million at a cap rate of 7.9%. The sale was the largest in the office market this quarter, followed by the former Sobeys Building (12831 - 163 Street) which sold for \$24.5 million.
- Qualico has begun development on the former Allendale Bingo site at Calgary Trail and 63 Avenue. The development will feature two buildings, Allendale Professional Building (3 floors, 65,000 sf) which will focus on medical professionals and Allendale Office Building (5 floors, 65,000 sf). The Alberta School Employment Benefit Plan (ASEBP) has preleased 41,000 sf in the Allendale Professional Building.





STANTEC TOWER RE-SHAPES THE SKYLINE AND THE COMMUNITY

How Community Building Helps Shape Corporate Culture

On August 26, the EAD Joint Venture (WAM Development Group and Katz Group) and Stantec announced Edmonton's tallest structure and the apex of the highly anticipated Edmonton Arena District (EAD), the new Stantec Tower. At 62 storeys or 746 feet, the new building will dwarf the current inventory, and cement itself as the focal point of the skyline upon completion in 2018. Even more impressively, Stantec Tower will stand out compared to the newest 'Top Drawer' office towers in other Canadian markets. Measuring up and even exceeding most of the competition on height, quality and amenities with one notable aspect that sets this tower apart from the pack – its ability to revitalize the community.



A vibrant downtown is dependent on a broad mix of services, residences, places of employment and a substantial daytime and evening population. Retail offerings and an urban population create not only an energetic atmosphere, but drive a local economy which benefits business. Office users are intrinsically attracted to the quality of a high-rise building and the natural amenities of a retail rich location. Residents often choose to live in downtown based on the proximity to retail infrastructure, their place of work and their social connectivity. Take away any one factor and the relationship between all of these parts is diminished, detracting from the feeling of life. As a vehicle for creating this ecosystem in Edmonton's downtown, the real revolution in the Stantec Tower will not be the view of it from across the river valley, but rather the view from across the street. The inclusion of over 250,000 sf of retail space and 1,200 multi-residential units within the EAD will round out the other two facets that the downtown, and particularly the financial district, have been lacking. The result is a healthy environment and injection of life into an area that eagerly awaits it.



SO HOW DOES THE OFFICE TENANT BENEFIT?

The work environment is where the majority of people spend most of their time outside of the home and in many respects has become a secondary living space. Aspects concerning comfort and access to services are important to consider and can affect employee morale and productivity. There is also a fundamental reality concerning the need to create a healthy work environment which affects recruitment and ultimately, the bottom line. The deep-seated connection between real estate and corporate culture has been pushed to the forefront of popular thought in recent years. Today's graduates and tomorrow's educated professionals are demanding more than ever to live, work and socialize in the same location, and squeeze more life out of the work/life balance. To this audience, the location and corporate culture of a potential employer can be just as important, if not more important, than the rate of pay or job title. For these recruits, several vitally important factors in their career choices are being provided by the surrounding community. For today's young talent, the quality and livability of the work environment is essential.



What Edmonton needs and what the Stantec Tower and EAD provide are an effective cultural stimulus, a method of bringing people into the city center, and a way to provide that prestige factor that modern businesses seek. The market is demanding a cultural infrastructure that has been missing in recent decades for which the Stantec Tower and the EAD as a whole will accommodate.

| | Total Inventory | Direct Vacancy | Sublease Vacancy | Absorption (YTD) | Vacancy Rate | Vacancy Direct | Vacancy Sublease | Average Occupancy Costs | Average Lease Rates |
|------------------|-----------------|----------------|------------------|------------------|---------------|----------------|------------------|-------------------------|---------------------|
| Financial | | | | | | | | | |
| AA | 4,008,429 | 351,513 | 21,382 | (34,200) | 9.3% ▲ 0.1% | 8.8% ▲ 0.1% | 0.5% - | \$18.25 - | \$27.50 - |
| A | 4,782,075 | 336,973 | 68,915 | 4,526 | 8.5% ▲ 0.7% | 7.0% ▼ (0.3%) | 1.4% ▲ 0.9% | \$17.25 ▼ (\$0.25) | \$20.50 - |
| B | 1,796,096 | 130,077 | - | (24,880) | 7.2% ▼ (0.1%) | 7.2% ▼ (0.1%) | - - | \$15.00 ▲ \$0.25 | \$18.50 ▲ \$0.25 |
| C | 1,068,163 | 65,919 | - | (20,709) | 6.2% ▼ (0.6%) | 6.2% ▼ (0.6%) | - - | \$12.25 - | \$15.50 ▲ \$0.75 |
| Subtotal | 11,654,763 | 884,482 | 90,297 | (75,263) | 8.4% ▲ 0.3% | 7.6% ▼ (0.1%) | 0.8% ▲ 0.4% | \$15.50 - | \$20.50 ▲ \$0.50 |

Government

| | | | | | | | | | |
|----------|-----------|---------|---|----------|---------------|---------------|------------|------------------|------------------|
| A | 2,640,324 | 157,065 | - | 34,604 | 5.9% ▼ (0.3%) | 5.9% ▼ (0.3%) | - - | \$14.50 ▲ \$0.25 | \$18.50 (\$0.25) |
| B | 1,446,547 | 199,157 | - | (56,252) | 13.8% ▲ 1.6% | 13.8% ▲ 2.5% | - ▼ (0.9%) | \$14.25 - | \$17.50 ▲ \$0.25 |
| C | 1,333,421 | 40,805 | - | (2,965) | 3.1% ▼ (0.1%) | 3.1% ▼ (0.1%) | - - | \$12.50 - | \$14.25 (\$1.25) |
| Subtotal | 5,420,292 | 397,027 | - | (24,613) | 7.3% ▲ 0.2% | 7.3% ▲ 0.5% | - ▼ (0.2%) | \$13.75 - | \$17.00 (\$0.25) |

Suburban

| | | | | | | | | | |
|-----------------------|-----------|---------|--------|----------|----------------|----------------|-------------|--------------------|--------------------|
| 118 Avenue & Kingsway | 1,524,016 | 65,077 | 2,174 | (28,397) | 4.4% ▲ 1.7% | 4.3% ▲ 1.7% | 0.1% - | \$12.25 ▲ \$0.50 | \$17.00 ▲ \$0.50 |
| 124 Street | 909,905 | 128,222 | 4,200 | (1,198) | 14.6% ▼ (0.6%) | 14.1% ▼ (0.6%) | 0.5% - | \$13.25 ▼ (\$0.25) | \$17.75 ▲ \$0.25 |
| 149 Street | 1,567,245 | 90,154 | - | 32,254 | 5.8% ▼ (1.2%) | 5.8% ▼ (1.2%) | - - | \$11.50 - | \$17.50 ▲ \$0.75 |
| Eastgate | 1,287,755 | 143,865 | - | 348 | 11.2% ▲ 0.3% | 11.2% ▲ 0.3% | - - | \$9.50 - | \$18.25 - |
| Southside | 3,578,926 | 220,069 | 41,994 | (38,842) | 7.3% ▲ 1.8% | 6.1% ▲ 0.8% | 1.2% ▲ 1.0% | \$12.25 ▲ \$0.25 | \$17.00 ▼ (\$0.50) |
| Summerside | 785,039 | 73,064 | 10,561 | (2,818) | 10.7% ▼ (1.6%) | 9.3% ▼ (1.7%) | 1.3% - | \$11.00 - | \$23.75 ▲ \$0.25 |
| West End | 1,609,763 | 185,034 | 24,470 | 6,351 | 13.0% ▼ (0.7%) | 11.5% ▼ (0.7%) | 1.5% - | \$11.00 ▲ \$0.25 | \$16.50 ▼ (\$0.50) |
| Whyte Avenue | 599,278 | 59,148 | 1,354 | (20,466) | 10.1% ▲ 4.7% | 9.9% ▲ 4.7% | 0.2% - | \$16.25 ▲ \$0.75 | \$19.25 ▼ (\$0.25) |
| Sherwood Park | 1,177,766 | 143,920 | 5,776 | 10,511 | 12.7% ▲ 1.4% | 12.2% ▲ 1.1% | 0.5% ▲ 0.3% | \$8.00 - | \$18.25 ▼ (\$0.25) |

Totals

| | | | | | | | | | |
|----------|------------|-----------|---------|-----------|-------------|-------------|-------------|-----------|-----------|
| Downtown | 17,075,055 | 1,281,509 | 90,297 | (99,876) | 8.0% ▲ 0.2% | 7.5% ▲ 0.1% | 0.5% ▲ 0.2% | \$14.75 - | \$19.00 - |
| Suburban | 13,039,693 | 1,108,553 | 90,529 | (42,257) | 9.2% ▲ 0.7% | 8.5% ▲ 0.4% | 0.7% ▲ 0.3% | \$11.50 - | \$18.00 - |
| Overall | 30,114,748 | 2,390,062 | 180,826 | (142,133) | 8.5% ▲ 0.4% | 7.9% ▲ 0.2% | 0.6% ▲ 0.2% | \$12.50 - | \$18.25 - |

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