



Intelligent
Real Estate Solutions

THE Office Report ^{Q4} 2011

BUILDING DOWNTOWN

Development in the core is poised to have a substantial effect on the office market

Is Edmonton set to experience a development boom in the Central Business District? Planning for a number of new development sites in the downtown area means proponents of urban density in Edmonton should be optimistic about the possibilities for the downtown core.

Of the 32 development opportunities outlined (see inside page), half of the projects are either currently under construction or are expected to have shovels in the ground within the next year. The others are projects that are dependent on the successful completion of other projects, have infrastructure already in place to facilitate construction, have plans drawn for their use but with no construction timetable, or are located in prime locations where development in the downtown core is most likely to occur in the near future.

While some buildings are new construction, occupying what would have otherwise been a surface parking lot, there are also projects where the space being built is a reclamation of a site that requires re-purposing. For instance, the work being done on GE's First&Jasper project will transform what was a class B office building and two obsolete buildings into a class A asset that will improve the streetscape and vibrancy of one of Edmonton's premier intersections. Move further west and construction on the Jaffer Building will take an office building that had grown tired and old, and transform it into a project that is anticipated to attract strong interest from office users.

In addition to new or improved office space, new residential, retail and public spaces are also being built and will contribute to increased vibrancy and activity in the central core. From Procura's Mayfair apartments to the new Royal Alberta Museum and 108th Street's new streetscape and designation as Capital Boulevard, each project adds another level of new activity to downtown Edmonton and with it brings the increased potential for other future developments.

The increase in activity translates

into a number of impacts for the downtown office market. The first is that it demonstrates the confidence of businesses in the capital region both within the Edmonton market, and to those evaluating the city from other regions across North America. Where Edmonton has long been the city where many companies have either maintained a token presence or none at all, new development and vibrancy can attract new business to the city itself.

More immediately, the new developments can boost the value of downtown office space. New developments, amenities and residential units translate into more people in the core on a regular basis and encourages other businesses to locate in the heart of the city. As a result, this development activity and increased demand can only increase the value of other downtown real estate.

Looking into the future, the investment into the Central Business District could pay off in attracting new business to the city who might not have considered Edmonton a viable market without a vibrant central core. With a strong economy and continued growth in the near term, the time for downtown development is here.

MOVERS & SHAKERS



Enbridge will be expanding by 55,000 sf in Enbridge Place at 10130 - 103 Street and have committed to 93,000 sf in TD Tower.



CSS Corporation has agreed to a five year commitment for 17,300 sf in Broadmoor Plaza B.



Grant Thornton has renewed 30,000 sf over three floors in Scotia Place.



Ricoh Canada has renewed 17,400 sf in the IKON Building at 16011 - 116th Avenue.



Miller Thomson has renewed 41,000 sf in the top two floors of Commerce Place.

FEATURE LISTING



Medical Wellness Centre
Currents Drive & Windermere Boulevard
Up to 80,000 sf of medical office space within the existing Currents of Windermere site in Southwest Edmonton.

- 1 The Pearl**
Regency Developments is constructing a 35 storey luxury condo tower at Jasper Avenue and 120th Street. 2014 occupancy.
- 2 CWB Main Branch**
Developer John Day has proposed a 10-14 storey mixed-use building that would combine retail, office and residential units.
- 3 The Federal Building**
\$275 million redevelopment slated to be occupied by the Provincial Government. Will include a new 650 stall underground parkade.
- 4 Jasper & 116th**
0.5 acre site owned by Canterra Developments. Current plans are for a mixed-use, mid-rise building.
- 5 West 4th Avenue**
Proposed site of unique office and retail development. The developer is Chrisen Realty.
- 6 111th & Jasper Site**
Owned by Canterra Developments. The current concept is a 12 storey building consisting of 120,000 sf.
- 7 Cascadia**
Procura has proposed a residential or office development based on market demand.
- 8 Mayfair South**
\$185 million, 16 storey residential development by Procura. Occupancy in 2012. Main floor will be retail space.
- 9 Mayfair North**
Second phase of Mayfair development by Procura. Main floor would have retail space.



- 32 Ukrainian Heritage Museum**
The \$11 million conversion project by the Canadian Archives & Museum of Alberta at 96th Street and Jasper Avenue will be completed in 2013.
- 31 Yorkton Condos**
Proposed condo development by Yorkton at 105th Avenue and 98th Street.
- 30 Royal Alberta Museum**
Joint project by all levels of government. \$340 million project constructed by Ledor and designed by Dialog.
- 29 Alberta Hotel**
Under construction by Gene Dub and future home of CKUA Radio. 2012 completion.
- 28 Station Lands**
Mixed use development by Qualico on 9.14 acres that could feature 2.5 million sf of office, hotel, retail and residential space.
- 27 LRT Expansion**
Northwest LRT expansion to NAIT campus.
- 26 Aurora Project**
\$325 million condo project by Urban Landmark to consist of six towers and five townhouse buildings totalling 1,443 units.

- 10 108th & Jasper Development Site**
Speculative Procura development site. Proposed 240,000 sf office or residential development.
- 11 NorQuest College**
Plans are in place to expand and double their size with construction of a 295,000 sf teaching facility.
- 12 Jaffer Building**
Jaffer Properties are renovating the entire property. Will complete the construction in 2012.
- 13 Capital Boulevard**
\$17.6 million renovation of five city blocks along 108th Street between 104th Avenue and 99th Avenue ending at Centennial Plaza. Completion in 2012/2013.
- 14 Birks Building**
Melcor is renovating the property to make it more energy efficient. 2012 completion.
- 15 104th Street Site**
Proposed new office condo development by Melcor on 104th Street and 101st Avenue.
- 16 Melcor Park**
Office development site owned by Melcor at 102nd Street and Jasper Avenue. Proposed use would be a new office tower.

- 25 City Centre Airport**
Environmentally sustainable, transit oriented, mixed use development by the City of Edmonton for up to 30,000 residents.
- 24 Staples Site**
Proposed office development site owned by Oxford Properties on the southwest corner of 101st Street and 104th Avenue.
- 23 Kelly Ramsey Block**
Developer John Day has proposed a boutique hotel or office with main floor retail for the site on Rice Howard Way.
- 22 Entertainment District**
The development will include a new arena, hotel, casino, and shopping uses. Currently in the design phase of the project.
- 21 Greyhound Site**
Current Greyhound Bus Station is targeted as a potential development site once the downtown arena project is underway.
- 20 First & Jasper**
GE's rejuvenation of the former EPCOR Centre and creation of a new podium office and retail space. 2012/2013 completion.
- 19 Commerce II**
Conceptual second tower of Commerce Place. Structural footings are in place to allow for a future high rise building.
- 18 AIMCo Office Tower**
Conceptual office tower on 102nd Street that would consist of 32 floors of office space developed by AIMCo.
- 17 Ironwood Site**
Conceptual office condo development site owned by Ironwood Developments at 103rd Street and 102nd Avenue.

THE OFFICE REPORT VACANCY STATS

AS OF DECEMBER 2011 Overall City 9.5% ▼ 0.5%

Downtown	8.5% ▼ 0.7%	Government	6.1% ▼ 0.1%	Suburban	11.2% ▼ 0.4%	Eastgate	12.5% ▲ 0.2%	South Side	10.5% ▲ 0.1%	Whyte Avenue	5.1% ▼ 1.4%
Financial	9.7% ▼ 0.9%	124th Street	15.7% ▲ 0.6%	149th Street	12.3% ▲ 1.7%	Kingsway Avenue	7.9% ▲ 1.9%	Sherwood Park	17.6% ▼ 2.8%	West End	7.4% ▼ 3.5%

YTD ABSORPTION

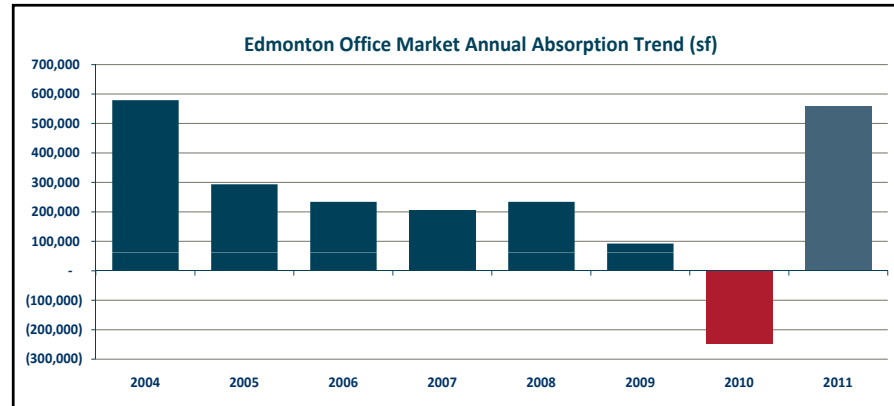
Overall City	558,032 sf
Downtown	438,949 sf
Suburban	119,083 sf

THE VACANCY REPORT

In 2011, the Edmonton office space inventory absorbed more net area than the last five years combined. The expansion of engineering, energy companies and financial service firms in downtown Edmonton has resulted in 439,000 square feet (sf) of space being absorbed in the past 12 months. A total of 558,000 sf was absorbed across the Edmonton office market with substantial growth in both the South Side and West End districts. Among the most notable

expansions accounting for this incredible surge in absorption were Enbridge, Stantec, Intact Insurance, EPCOR, Worley Parsons, Alberta Law Enforcement Response Team (ALERT) and the Federal Government (Department of Justice). Typical annual absorption

in Edmonton's office market is closer to 250,000 sf. Financial district vacancy remains relatively high at 9.7% entering 2012 when compared to the 7.5% reported at year end 2010, however, there are indications that leasing activity will remain strong going into 2012.



District/Class	Inventory (sf)	Direct Lease (sf)	Sublease (sf)	Vacancy Overall	Vacancy Direct	Vacancy Sublease	Absorption YTD (sf)	Average Asking Rates (psf)	Average Occupancy Costs (psf)
Financial									
AA	4,189,149	368,806	24,358	9.4%	8.8%	0.6%	481,095	\$25.00	\$17.50
A	3,900,246	179,932	25,049	5.3%	4.6%	0.6%	86,801	\$21.00	\$17.10
B	1,786,144	315,610	16,033	18.6%	17.7%	0.9%	(224,046)	\$18.00	\$13.20
C	1,010,955	120,242	5,180	12.4%	11.9%	0.5%	(2,864)	\$15.00	\$12.10
Subtotal	10,886,494	984,590	70,620	9.7%	9.0%	0.6%	340,986		
Government									
A	2,626,848	232,893	15,771	9.5%	8.9%	0.6%	93,980	\$19.00	\$12.90
B	1,662,418	55,016	4,180	3.6%	3.3%	0.3%	(22,963)	\$17.00	\$13.40
C	1,115,977	22,175	-	2.0%	2.0%	0.0%	26,946	\$13.00	\$11.30
Subtotal	5,405,243	310,084	19,951	6.1%	5.7%	0.4%	97,963		
Downtown Total	16,291,737	1,294,674	90,571	8.5%	7.9%	0.6%	438,949		
Suburban									
118 Avenue/Kingsway	510,249	34,926	5,545	7.9%	6.8%	1.1%	(9,884)	\$16.00	\$11.40
124 Street	862,574	115,611	19,385	15.7%	13.4%	2.2%	5,602	\$16.00	\$11.10
149 Street	967,646	106,259	12,365	12.3%	11.0%	1.3%	(50,915)	\$13.50	\$9.70
Eastgate	997,443	116,674	7,730	12.5%	11.7%	0.8%	110	\$16.00	\$11.00
Southside	3,176,988	293,906	39,395	10.5%	9.3%	1.2%	102,158	\$16.00	\$10.50
West End	1,169,096	79,475	6,543	7.4%	6.8%	0.6%	36,233	\$16.00	\$10.80
Whyte Avenue	480,587	21,385	3,194	5.1%	4.4%	0.7%	6,594	\$19.00	\$11.90
Sherwood Park	784,954	115,522	22,588	17.6%	14.7%	2.9%	29,185	\$15.50	\$10.20
Suburban Total	8,949,537	883,758	116,745	11.2%	9.9%	1.3%	119,083		
Overall Total	25,241,274	2,178,432	207,316	9.5%	8.6%	0.8%	558,032		



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Avison Young is the real estate partner businesses trust for intelligent, integrated solutions. We deliver results that are aligned with your strategic business objectives, supporting real estate initiatives that add value and build competitive advantage for your organization.

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