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AVISON YOUNG

Media Release

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Editors/Real Estate Reporters

- Please click on link to view Avison Young's *Third Quarter 2010 Edmonton Office Report*:
http://www.avisonyoung.com/library/pdf/Edmonton_Brochures/Research_Articles_and_Reports/2010Q3_Office_Report.pdf

Edmonton's office vacancy rate notches up to 9.6%, but increased transaction volume suggests market is improving

Avison Young releases its Third Quarter 2010 Edmonton Office Report

Edmonton, AB — The Edmonton office market witnessed negative absorption for the third straight quarter in 2010 as tenants left behind 75,872 square feet (sf) more space than they took up between July 1 and September 30, 2010.

As a result, vacancy rose to 9.6% in the third quarter of 2010, up 1.3 percentage points from the second quarter, as the economic downturn continued to stifle growth in the office leasing market. Many private sector companies continue to streamline their operations, with the city's largest occupiers of space – all three levels of government – remaining stagnant.

These are some of the key trends noted in **Avison Young's Third Quarter 2010 Edmonton Office Report**, released today.

"Despite the negative absorption, a moderate level of momentum is returning to the office market, as we have witnessed an increase in leasing activity over the past three months," comments Avison Young Principal **Cory Wosnack**. "With asking rates back to levels not seen since 2006, tenants are taking advantage of the opportunity to sign favourable lease agreements."

According to the report, competition to win tenancies continues to put downward pressure on lease rates across all sectors of the Edmonton office market, and it is anticipated that lease rates could fall by another 10% to 15% over the next 12 months.

In some cases, unprecedented tenant inducement packages are being used to entice potential tenants to relocate while maintaining acceptable rental costs. At the same time, many landlords are

upgrading their common areas in an effort to attract tenants in an increasingly competitive marketplace.

Currently, the average asking rental rate for class AA space in the financial district is \$25 per square foot (psf), down from \$27 psf in the first quarter in 2010; while the average asking rate for class A space in the downtown area has dropped to \$23 psf from \$25 psf in the first quarter.

“With conditions in the office market becoming increasingly attractive for tenants, we are anticipating a ‘flight to quality’ in 2011 as a number of tenants from class B office buildings upgrade their address by moving into class A and AA properties at affordable financial terms,” says Wosnack.

Founded in 1978, Avison Young is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 700 real estate professionals in 23 offices across Canada and in the U.S. The company provides value-added, client-centric investment sales, leasing, advisory, management, financing and mortgage placement services to owners and occupiers of office, retail, industrial and multi-residential properties.

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