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## Media Release

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### **Edmonton office vacancy rate rises to 9.4% as rents continue to drop across the city**

#### ***Avison Young releases its Second Quarter 2010 Edmonton Office Market Data***

**Edmonton, AB** — The Edmonton office vacancy rate continues to move steadily upward, reaching 9.4% at the end of the second quarter of 2010. After gaining 0.4 percentage points in the first quarter of this year, office vacancy increased by 0.7 percentage points in the second quarter. The overall vacancy rate in Edmonton at the end of 2009 was 8.3%.

The increasing vacancy continues to put downward pressure on asking rental rates, with class AA space now averaging \$25 per square foot (psf), down from \$27 psf in the fourth quarter of 2009. The average asking rental rate for class A space in the downtown area has dropped to \$22 psf from \$25 psf in the fourth quarter of 2009. The decline in rents has returned Edmonton to levels that were last experienced in 2006.

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

"Despite the fact that vacancy continues to rise, Edmonton is still a stable real estate market," comments Avison Young Principal **Cory Wosnack**. "The market is trying to find its equilibrium and we believe that we are not far from that point. Businesses in the Edmonton area are still readjusting their business models and, until we start to see sustained growth over a longer period of time, companies will continue to protect their bottom line by reducing their costs."

The decline in rental rates has been accompanied by larger tenant inducements. Landlords continue to offer enticing incentive packages in an effort to secure quality tenants for their buildings. Increases in operating costs and property taxes have put some buildings at a competitive disadvantage.

"The competitiveness of the Edmonton office market, especially in the downtown's financial core, is allowing tenants the opportunity to take advantage of excellent financial terms when they are looking to relocate or renew their existing lease," adds Wosnack. "Sublease opportunities around the city are also continuing to put downward pressure on rental rates, which have dropped by an average of 10%

since the beginning of the year. However, increases in operating costs and property taxes in 2010 have reduced the margin of savings on tenants' total all-inclusive rental costs."

The amount of sublease space on the market continues to grow and now represents 17% of all available space in the city. The suburban office market, although only accounting for roughly one third of Edmonton's total inventory, is home to 55% of overall sublease space. The southside district alone accounts for 27% of the city's sublease space, much of which is located along the Anthony Henday corridor in the city's southeast.

"The sublease market poses an interesting challenge to Edmonton landlords," states Wosnack. "As the term on the existing head lease gets closer to expiring, it becomes much more difficult to achieve near-full recovery on the sublease. We are going to witness more sublandlords slashing their sublease asking rates in order to attract subtenants and offset unused space costs. This occurrence creates a more competitive marketplace between sublandlords, who need to recover costs, and head lease landlords, who need to maintain value in their properties."

The office market data was released in advance of Avison Young's **Second Quarter 2010 Office Market Report**, which is to be issued in July. Below are the vacancy rates and absorption figures for all districts in the Edmonton office market for the second quarter of 2010.

District/Class	Inventory (sf)	Direct Lease (sf)	Sublease (sf)	Vacancy Overall	Vacancy Direct	Vacancy Sublease	Absorption YTD (sf)
<b>Financial</b>							
AA	3,564,149	195,175	17,493	6.0%	5.5%	0.5%	(32,878)
A	3,900,246	185,883	71,215	6.6%	4.8%	1.8%	(37,657)
B	1,723,577	91,156	30,608	7.1%	5.3%	1.8%	(30,784)
C	1,010,955	169,276	-	16.7%	16.7%	0.0%	12,512
<b>Subtotal</b>	<b>10,198,927</b>	<b>641,490</b>	<b>119,316</b>	<b>7.5%</b>	<b>6.3%</b>	<b>1.2%</b>	<b>(88,807)</b>
<b>Government</b>							
A	2,626,848	362,257	48,406	15.6%	13.8%	1.8%	(32,828)
B	1,662,418	29,945	4,054	2.0%	1.8%	0.2%	12,051
C	1,115,977	41,981	-	3.8%	3.8%	0.0%	(5,948)
<b>Subtotal</b>	<b>5,405,243</b>	<b>434,183</b>	<b>52,460</b>	<b>9.0%</b>	<b>8.0%</b>	<b>1.0%</b>	<b>(26,725)</b>
<b>Downtown Total</b>	<b>15,604,170</b>	<b>1,075,673</b>	<b>171,776</b>	<b>8.0%</b>	<b>6.9%</b>	<b>1.1%</b>	<b>(115,532)</b>
<b>Suburban</b>							
<b>118 Avenue/Kingsway</b>	510,249	22,877	-	4.5%	4.5%	0.0%	10,152
<b>124 Street</b>	862,574	93,495	24,218	13.6%	10.8%	2.8%	(28,772)
<b>149 Street</b>	967,646	55,865	4,621	6.3%	5.8%	0.5%	(20,633)
<b>Eastgate</b>	997,433	128,744	-	12.9%	12.9%	0.0%	(99,990)
<b>Southside</b>	2,738,434	270,931	106,870	13.8%	9.9%	3.9%	9,154
<b>West End</b>	1,051,096	82,824	33,784	11.1%	7.9%	3.2%	(2,760)
<b>Whyte Avenue</b>	480,587	28,228	1,622	6.2%	5.9%	0.3%	(7,724)
<b>Sherwood Park</b>	703,072	102,632	42,185	20.6%	14.6%	6.0%	(32,497)
<b>Suburban Total</b>	<b>8,311,091</b>	<b>785,596</b>	<b>213,300</b>	<b>12.0%</b>	<b>9.5%</b>	<b>2.6%</b>	<b>(173,070)</b>
<b>Overall Total</b>	<b>23,915,261</b>	<b>1,861,269</b>	<b>385,076</b>	<b>9.4%</b>	<b>7.8%</b>	<b>1.6%</b>	<b>(288,602)</b>

*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 600 real estate professionals in 18 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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