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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 Second Quarter 2011 Edmonton Office Market Report*:
http://www.avisonyoung.com/library/pdf/Edmonton_Brochures/Research_Articles_and_Reports/2011Q2_Office_Report.pdf

**Increased activity expected in Edmonton's
South Side district in latter half of 2011 and into 2012**

Avison Young releases its Second Quarter 2011 Edmonton Office Market Report

Edmonton, AB — The South Side district, one of Edmonton's primary commercial growth nodes, is witnessing increased demand as it continues to recover from the office supply surplus experienced in 2008 and 2009. This growing demand comes while the city's financial core is set to experience a similar surplus in what has become commonly known as the "EPCOR Effect", whereby 543,000 square feet will be reintroduced to the marketplace through tenant relocations upon the opening of the new EPCOR Tower at Station Lands in late 2011.

These are some of the key trends noted in **Avison Young's Second Quarter 2011 Edmonton Office Market Report**, released today.

"The South Side District has traditionally been a sought-after location for engineering firms, specifically those whose business is tied to the oil and gas sector. We are now seeing signs that these firms are back into expansion mode," comments Avison Young Principal **Cory Wosnack**. "As these industries begin to grow, the need for additional staff will result in increased demand for office space."

Prior to the arrival of the recession in fall 2008, many private and institutional developers, who were bullish on the Alberta economy, commissioned speculative office projects. A large percentage of the new projects occurred in the ever-expanding South Side market due to the benefits of its proximity to the airport, the Anthony Henday ring road and an expanding retail and amenity mix. The collision of timing between the recession and the completion of new buildings resulted in South Side vacancy rates reaching 15.7% in 2009.

Despite the availability of existing inventory with attractive financial packages, some organizations have pursued new design-build projects at higher price points. These decisions were driven by the flexibility of design contribution, location and requirements not adequately or efficiently met by existing structures, according to the report.

To take advantage of improving conditions and compete with lower-priced older product, landlords are continuing to offer financial packages featuring numerous incentives.

“The current market conditions will not last. At the end of the second quarter, the South Side district registered a vacancy rate of 12.8%,” notes Wosnack. “By the end of the third quarter, we expect the vacancy rate to drop further to approximately 10%. As buildings begin to fill, landlords will begin to raise their price expectations and limit their incentive packages.”

Increasing activity in Northern Alberta’s oil and gas sector is expected to further increase demand for available office product as companies and other organizations seek project space, making occupancy dates critical to a user’s overall site-selection analysis.

“In combination with being strong financial alternatives, these remaining opportunities from the previous economic boom period will be strongly positioned to win deals, as they are months ahead of build-to-suit projects and ready for tenant fixturing immediately,” adds Wosnack. “That’s not to say that some tenants won’t be pursuing build-to-suit opportunities; but for the most part, there are some great opportunities for tenants to find modern space that already exists.”

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 750 real estate professionals in 24 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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