CB RICHARD ELLIS

2009
Market Outlook
EDMONTON

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:: Put the client first – always.

:: Tailor our services to the client's needs.

:: Think innovatively, but act practically.

:: Help the client make the most informed business decisions.

:: Deliver results.

EDMONTON

Overview

Edmonton and the surrounding area continue to be one of the top performing economies in the country. Roughly $83 billion worth of major development projects are either underway or planned for the region. The resource sector is propelling this growth, causing many to hold their collective breath to see what impact the drop in oil prices will have on this economy. As a result, GDP will be lower in 2009 and is forecasted to grow at 1.8%, and Edmonton's unemployment rate is expected to inch up slightly to 3.7%.

Office

Demand for downtown office space was strong in 2008, which kept the vacancy rate hovering around 5.0%. Demand was particularly strong for Class AA and Class A space, where vacancies were closer to 3.5% and 4.0% respectively. With no new supply expected until late 2009 the vacancy rate should remain in this range. Suburban office space was also highly coveted, with Class A vacancy at 2.5%. Again, tenants have sought Class A space the most. The suburban vacancy rate will likely inch upwards as anticipated projects will add more than 345,000 SF of new inventory in 2009. The most active office tenants in 2008 continued to be engineering firms, construction companies, government organizations and financial/insurance companies. Significant transactions in 2008 include the 65,000 SF Colt Engineering lease in Commerce South Office Park, the 35,000 SF GWL Assurance Company lease in Cecil Place, the City of Edmonton's 34,700 SF lease in Scotia Place, the 30,500 SF Ledcor Group lease in The Steppes and Yotta Yotta's 28,520 SF lease in the Yotta Yotta Building.

Industrial

The industrial market in Edmonton saw availability rise for the first time since 2005. Although demand for space has remained strong, as evidenced by more than 1.5 million SF of positive absorption in 2008, it has not kept up with the unprecedented development boom that added 3.9 million SF of new supply in 2008 alone. Average lease rates have increased slightly throughout 2008 to $9.45 psf and this trend will likely continue for the foreseeable future. Significant transactions in 2008 include a number of deals in Southside including, CE Franklin's 153,000 SF lease, 103,000 SF leased by AGS Group, 60,500 SF leased by Veka Canada, the 50,000 SF Goodall Rubber lease, as well as the 101,000 SF Wesco Distribution lease in Northwest.

Market Overview

	2008*	2009**
Office		
Inventory (SF in millions)	21.7	22.3
Overall Vacancy Rate (%)	5.2%	5.3%
Overall % of Vacant Space for Sublet	4.7%	7.6%
Central Vacancy Rate (%)	5.0%	4.9%
Suburban Vacancy Rate (%)	5.6%	5.9%
Central Average Asking Net Rental Rate (psf)	$24.24	$25.00
Suburban Average Net Rental Rate (psf)	$20.00	$21.50
Total Average Asking Net Rental Rate (psf)	$22.61	$23.51
Total Absorption (SF in millions)	0.42	0.51
Total New Supply (SF in millions)	0.44	0.56
Industrial		
Inventory (SF in millions)	95.8	96.6
Availability Rate (%)	4.9%	3.3%
Average Asking Net Rental Rate (psf)	$9.45	$9.75
Average Asking Sale Price (psf)	$162.46	$164.08
Total Absorption (SF in millions)	1.50	2.34
Total New Supply (SF in millions)	3.95	0.80

**projected*
***forecasted*

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Retail

Very low unemployment and high levels of personal disposable income in Edmonton translated into high consumer confidence and record spending in 2008. The retail vacancy rate of 2.3% is not expected to increase since the majority of new developments are typically preleased before completion. As economic difficulties continue south of the border, many U.S. retailers looking to establish a presence in Edmonton are now rethinking their expansion plans for 2009. Significant transactions for 2008 include the 53,000 SF Future Shop lease in South Edmonton Common, the 45,000 SF Cineplex Odeon lease in Currents of Windermere and Best Buy's 30,000 SF lease also in Currents of Windermere.

Investment

After a record-setting year in 2007, Edmonton's investment market shifted back to historically normal sales volumes in 2008. Capitalization rates increased slightly, despite a high demand for Class A investment product. Looking ahead to 2009, sales volumes will likely slow down as the scarcity of debt continues to be a barrier to investment activity. Significant transactions in 2008 include: Petroleum Plaza, a 315,000 SF Class A downtown office, sold for $130.0 million; Meadowlark Health and Shopping Centre, a 301,000 SF regional shopping centre, sold for $75.8 million; Servus Credit Union, a 129,000 SF Class A suburban office, sold for $42.0 million; Terrace Plaza, a 142,000 SF Class A suburban office, sold for $25.6 million; and Highfield Place, a 102,000 SF Class A downtown office, sold for $18.0 million.

Investment Transaction Volume

	2007	2008*
Office	$419	$400
Industrial	$339	$200
Vacant Land	$811	$375
Retail	$307	$215
Multi-residential	$659	$180
Hotel	$228	$60
Total	$2,763	$1,430

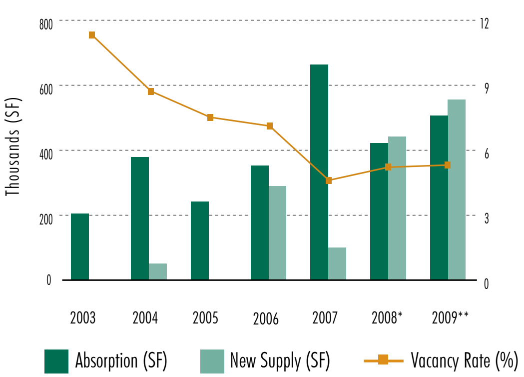
All amounts expressed in millions
**projected*

Significant Investment Transactions for 2008

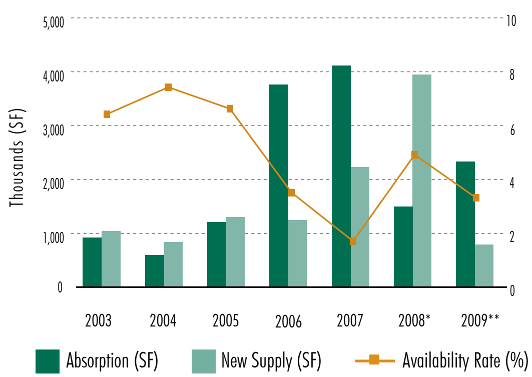
Name	Size (SF)	Price	Property Type
9915 & 9945 – 108 Street	315,065	$130.0	Office
1 Meadowlark Park Shopping Ctr	301,175	$75.8	Retail
151 Karl Clark Road	128,728	$42.0	Office

All $ amounts expressed in millions

Office Overall Supply & Demand



Industrial Overall Supply & Demand



Meadowlark Shopping Centre, Edmonton, Alberta

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GLOSSARY OF TERMS:

net absorption:
the change in occupied square feet from one period to the next.

net effective rent:
net rent minus the value of applicable tenant inducements.

net rent:
the quoted rental rate, not including taxes and operating costs.

net rentable area (nra):
the gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies and stairwell areas.

occupied square feet:
net rentable area not considered vacant.

under construction:
buildings that have begun construction as evidenced by site excavation or foundation work.

vacancy rate:
vacant square feet divided by the net rentable area.

vacant square feet:
available net rentable area that is either physically vacant or immediately available.

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