



**2008** **COLLIERS**  
**REAL ESTATE REVIEW**

**COLLIERS**  
INTERNATIONAL

Our Knowledge is your Property

**GOOD EVENING AND  
WELCOME TO  
COLLIERS REAL ESTATE REVIEW  
2008**



# An Overview of Canadian Market Conditions

David Bowden  
January 2008





## ***Some Key Issues:***

- *Canadian Dollar: Life near Parity*
- *Cost of Capital: Availability & criteria tighter*
- *Cap Rates: Limited upward pressure*
- *U.S. Economy: Risk of Recession*



## Trends in the East

### Office Markets:

- *Tight supply, and growth in Public Sector will support performance.*
- *Service Sector employment growth of 3.3% supported demand.*
- *Activity levels, and caution, in Financial Services sector will have a minor impact on CBD's.*
- *Toronto Region rents rise by 10%, upward pressure continues in 2008.*
- *4.3 Million s.f. of new supply 2009 – 2010.*
- *Condo development squeezing available sites in Toronto.*
- *Ottawa Region vacancy down to 5.5%, government demand will drive healthy market.*
- *Montreal shows improvement, vacancy drops to 9.1% , Net rents climb by 7%.*



## Trends in the East

### Industrial Markets:

- Domestic demand supports growth in warehousing & distribution centres.
- Goods Producing sector employment drops 1.2%.
- Auto industry, wood products, furniture and fabricated metal lead the downturn.
- Toronto vacancy remains at 5.4%.
- Scarcity drives land prices up, leads developers to alternative areas.
- Newer warehousing & distribution facilities perform well, mitigating downturn in manufacturing.



## Trends in The West

### Office Markets:

- Energy will continue to drive Alberta office markets.
- Calgary remains challenging for tenants with 3.2% vacancy.
- Edmonton ended the year at 3.9% and saw the Whyte Avenue district finish the year at a 0.0% Vacancy.
- Vancouver remains a solid performer, finding space is a challenge with vacancy of 4.7%.
- Victoria is functionally at zero vacancy, Regina has vacancy rate of 2.1%.
- Winnipeg rides health of Manitoba's economy and low unemployment, vacancy drops to 6.8%.



## Trends in The West Industrial Markets:

- Oil boom continues to create demand.
- B.C. outperforms the East on strong employment gains.
- Manitoba's healthy employment levels and economic growth sustain performance.
- Vancouver sits at 1.5% vacancy, healthy absorption for 2007.
- Calgary adds 4.5 million sq. ft., absorbs the new supply to end the year with 1.7% vacancy.
- Regina industrial market tightens by 22%, vacancy now 4.3%.



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New EPCOR Tower on STATION LANDS



Manulife Place



Beaver House



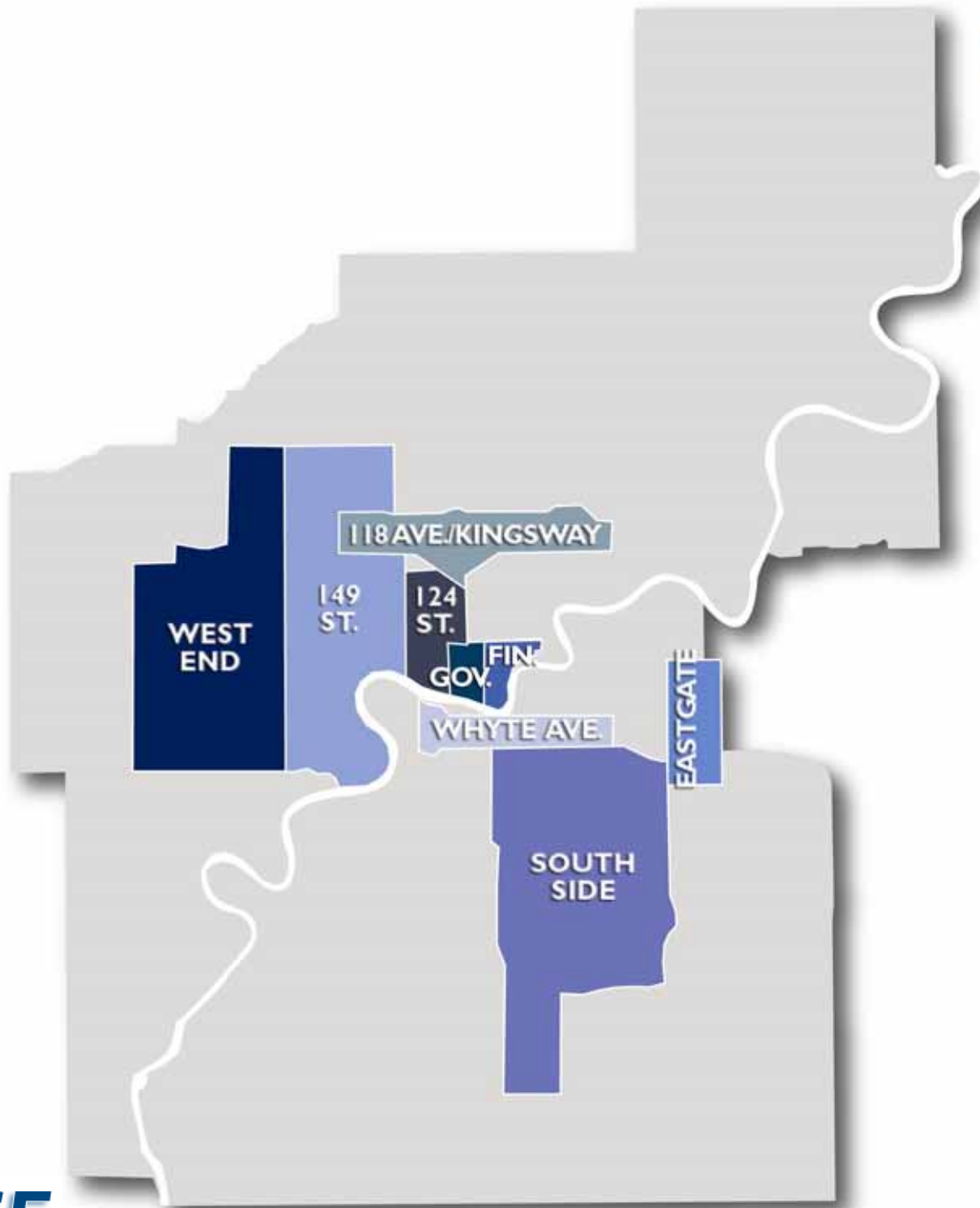
New Cecil Place on Jasper Avenue & 104 Street



Commerce South Office Park  
"Building D"

**OFFICE** Speaker: Ian Bradley

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**OFFICE**

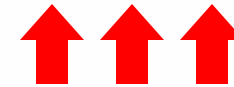


## Edmonton Office Market Highlights (2007)

- *Vacancy Down*



- *Rates Up!*



- *Lots of New Construction*

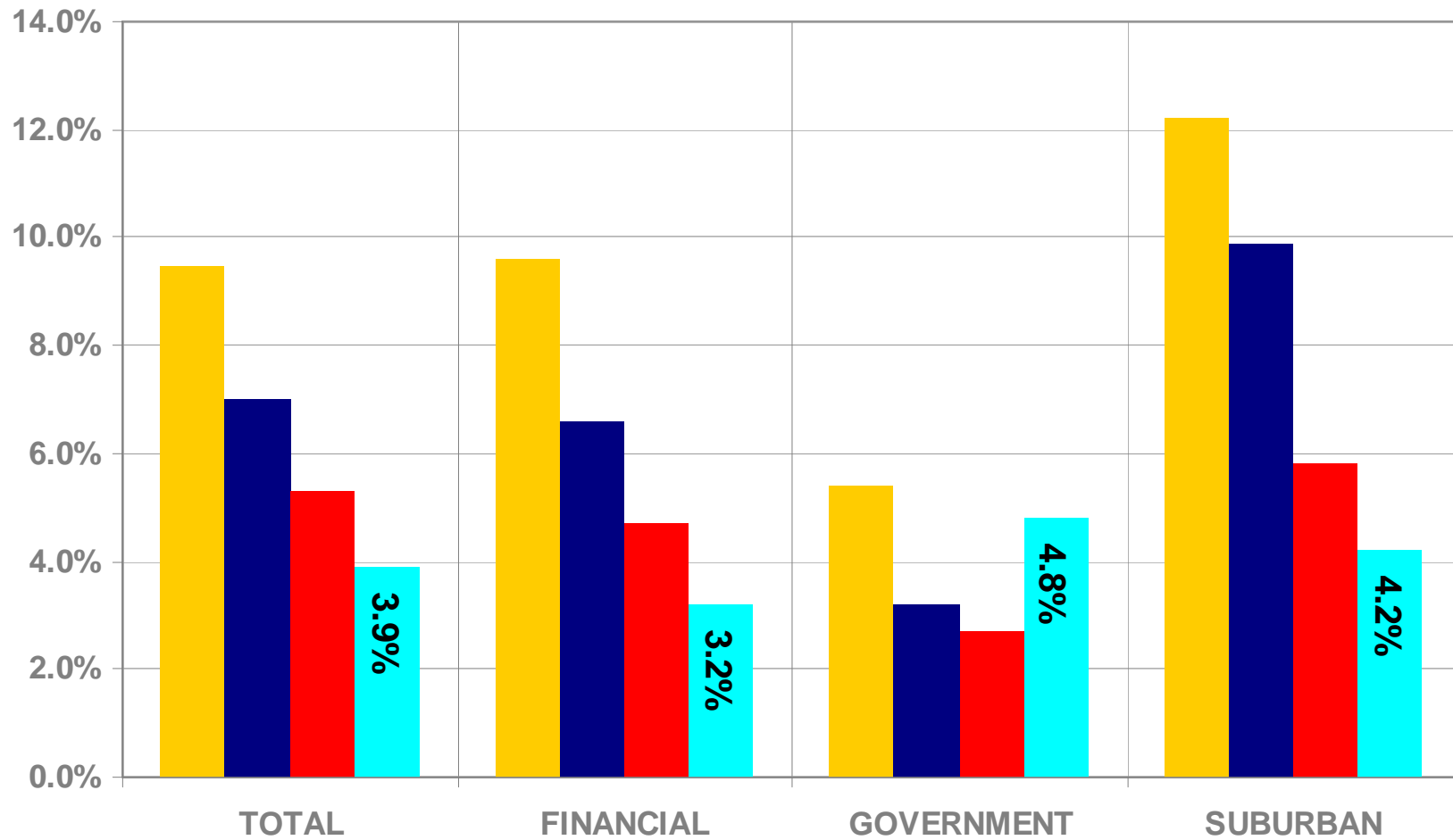


- *Large Deals!*

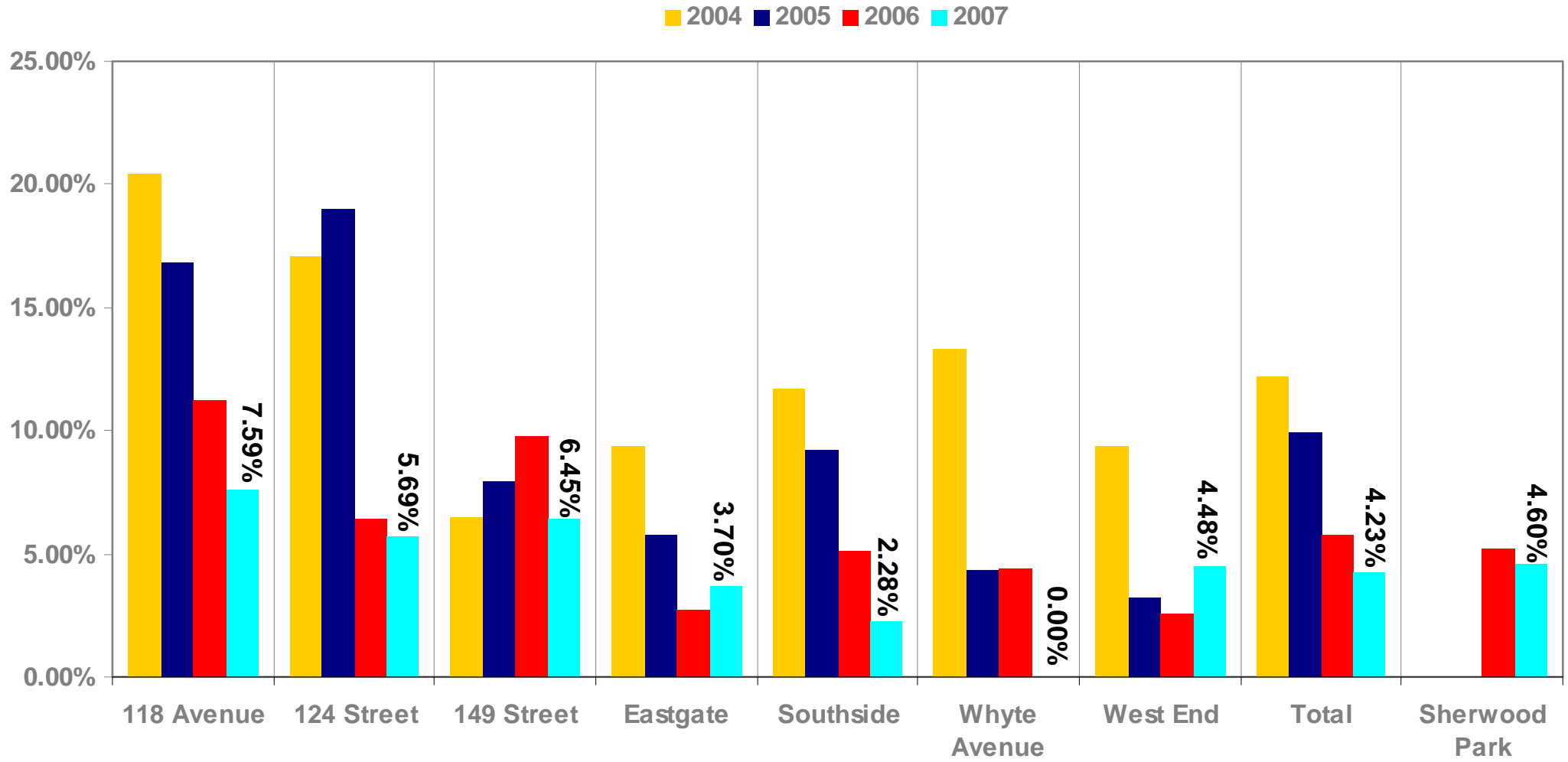


## Edmonton Office Vacancy Rate (%)

2004 2005 2006 2007



## Suburban Vacancy (%)



## Office Projects Currently Under Construction

### Downtown



**Cecil Place/Sobeys Building**      **42,000 square feet (office)**      **2008**  
**21,000 square feet (retail)**



**Professional Building**      **210,587 square feet (office)**      **2009**  
**25,355 square feet (retail)**



**EPCOR Tower/Station Lands**      **580,000 square feet (office)**      **2011/2012**

### West Edmonton



**Finning Building**      **80,000 square feet (office)**      **2008**

## Office Projects Currently Under Construction

### Southside



**Commerce South Office Park "Bldg D"**      74,000 square feet      2008



**Commerce South Office Park "Bldg E"**      64,000 square feet      2008



**Roper Ridge Business Park – North Site**      45,000 square feet      2008



**The Steppes**      75,000 square feet      2008



**Rutherford Professional Building**      13,329 square feet      2008



**Guild 51<sup>st</sup> Avenue Business Centre**      80,000 square feet      2008

## Office Projects Currently Under Construction

### Sherwood Park



**Broadmoor Place VII & VIII**

**150,000 square feet**

**2008**

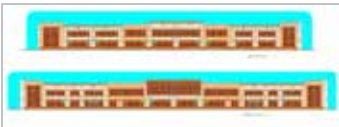


**Shivam Development**

**60,000 square feet**

**2008**

### Leduc/Nisku

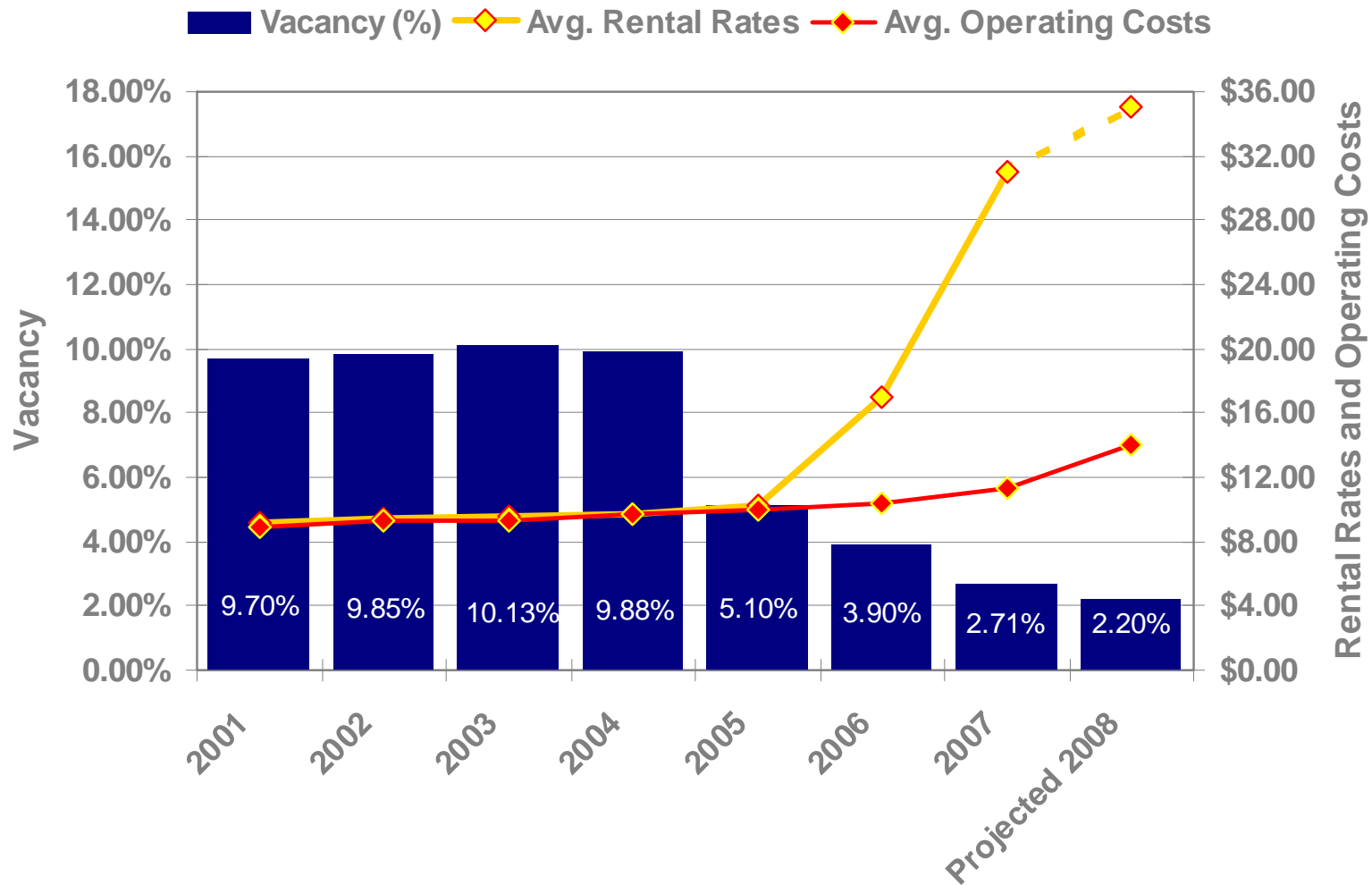


**Shivam Development**

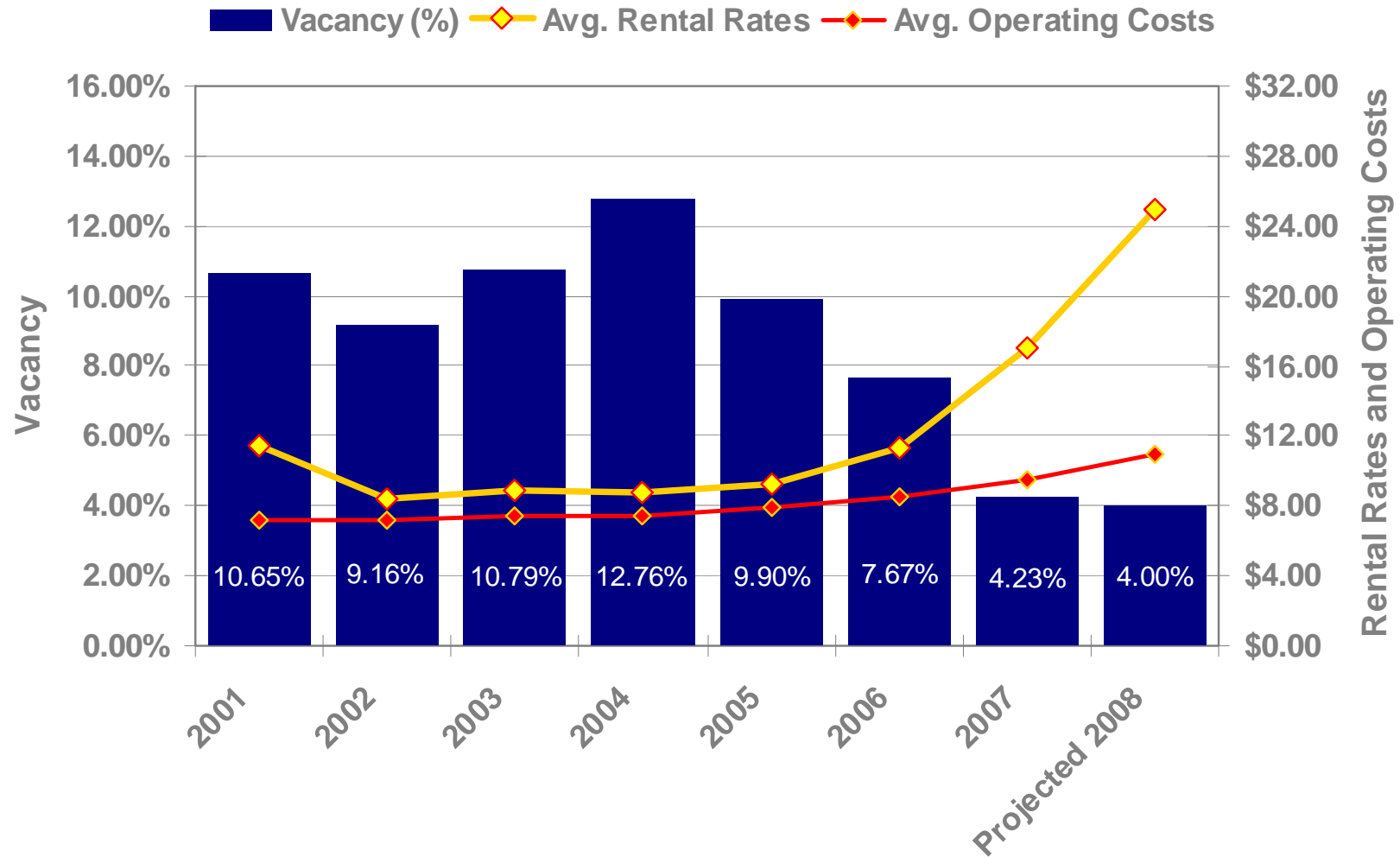
**69,000 square feet**

**2008**

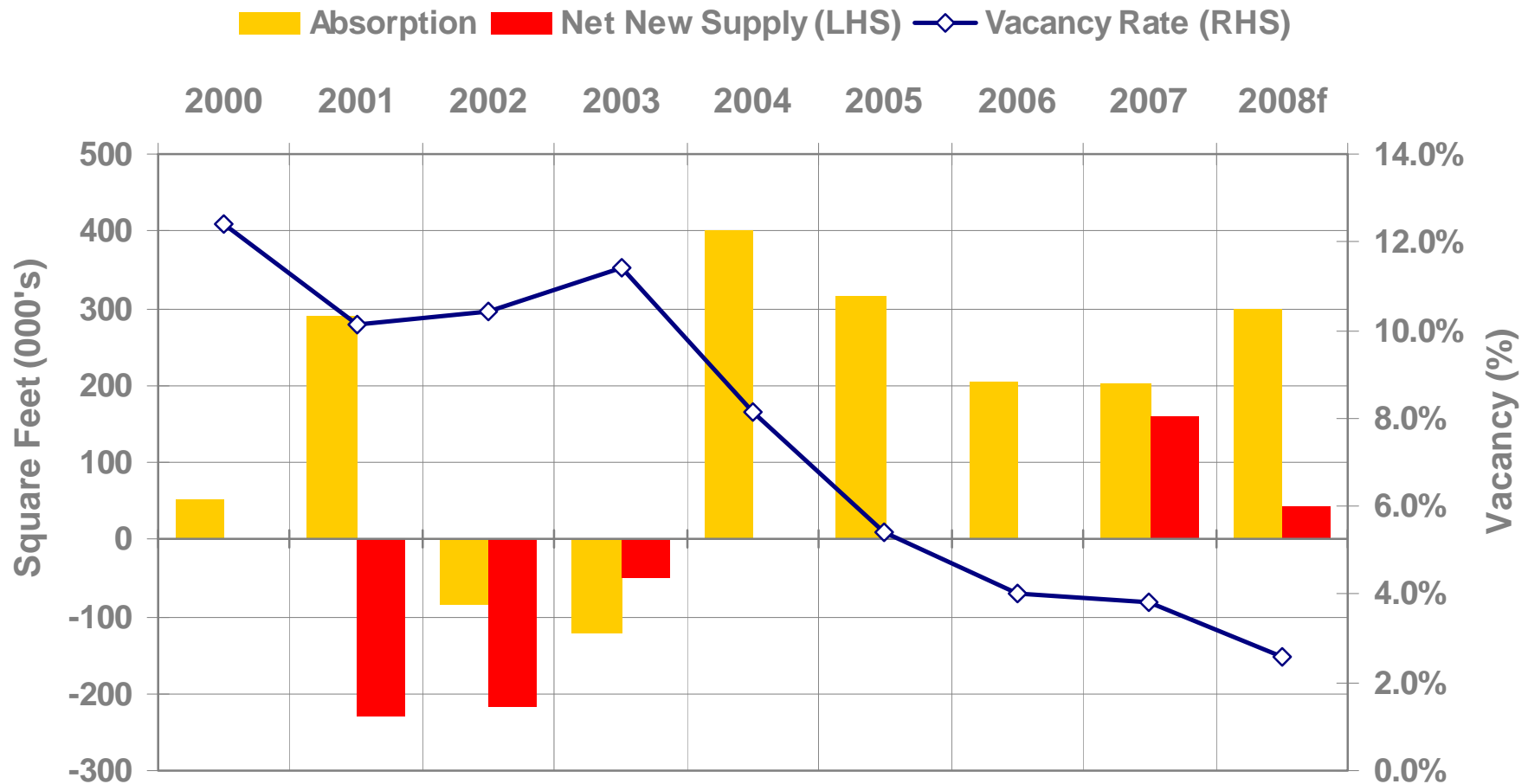
## Lease Rates & Operating Costs - Financial District Class "A"



## Lease Rates & Operating Costs - Suburban "All Classes"



## Downtown Absorption, Net New Supply and Vacancy Trends



## Large Downtown Leases in 2007

Building	Square Feet	Rental Rate (psf)	NER
<b>CN Tower</b>	70,000	\$16 - \$22	\$18.50 (Est.)
<b>ING Building</b>	65,600	\$24 - \$30	\$22.50
<b>Manulife Place</b>	25,600	\$38	\$38.00
<b>Bell Tower</b>	14,200	\$30	\$27.58
<b>Oxford Tower</b>	13,500	\$33	\$25.69
<b>Manulife Place</b>	10,000	\$29 - \$33	\$27.74

## Large Suburban Leases in 2007

Building	Square Feet	Rental Rate (psf)	NER
Commerce South Office Park	74,000	\$22 (Average)	\$17.38
Former IKON Building	34,000	\$11 - \$12.25	\$11.51
Harley Court	25,300	\$20	\$16.37
The Steppes	17,400	\$24 - \$26	\$20.49
Rutherford Professional Centre	16,300	\$25	\$16.17

## Edmonton Office Market Forecast 2008

### “Market Indicators”

	Q1-2008	Q2-2008	Q3-2008	Q4-2008
Availability	↓	↓	↑	↓
Net Absorption	↑	↑	↑	↑
Construction	↑	↑	↑	↑
Rental Rates	↑	↔	↔	↑

## Edmonton Office Brokerage



**Ian Bradley**



**Chad Boddez**



**Cameron Martin**



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Stony Plain Redevelopment



Galleria Beaumont



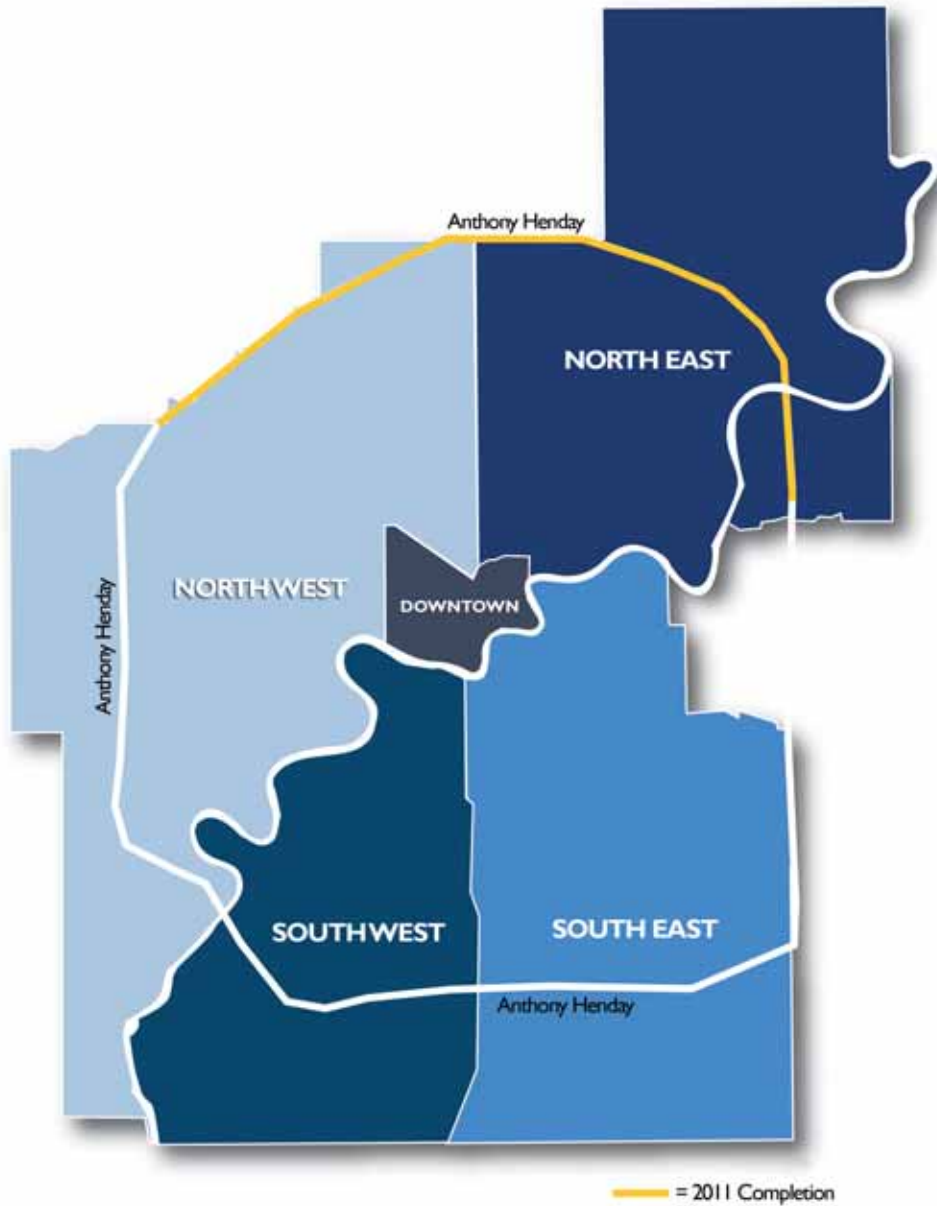
Palisades Shopping Centre



Liberty Landing

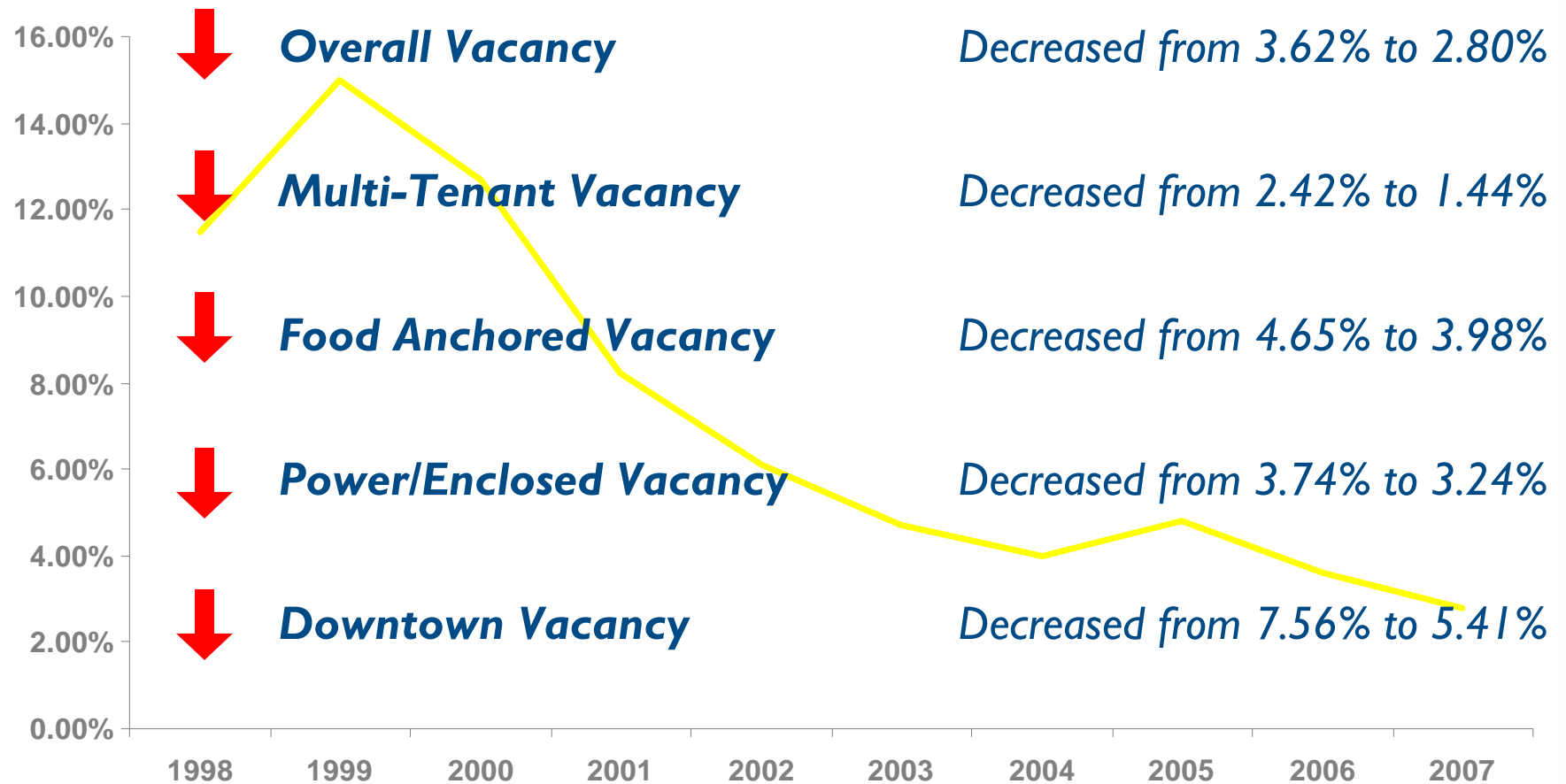
## Edmonton Retail Market Highlights (2007)

- *Vacancy down* 
- *Construction costs* 
- *Rental Rates & Land Prices* 
- *Alberta Communities explosive Retail growth*
- *Anthony Henday expansion continues*



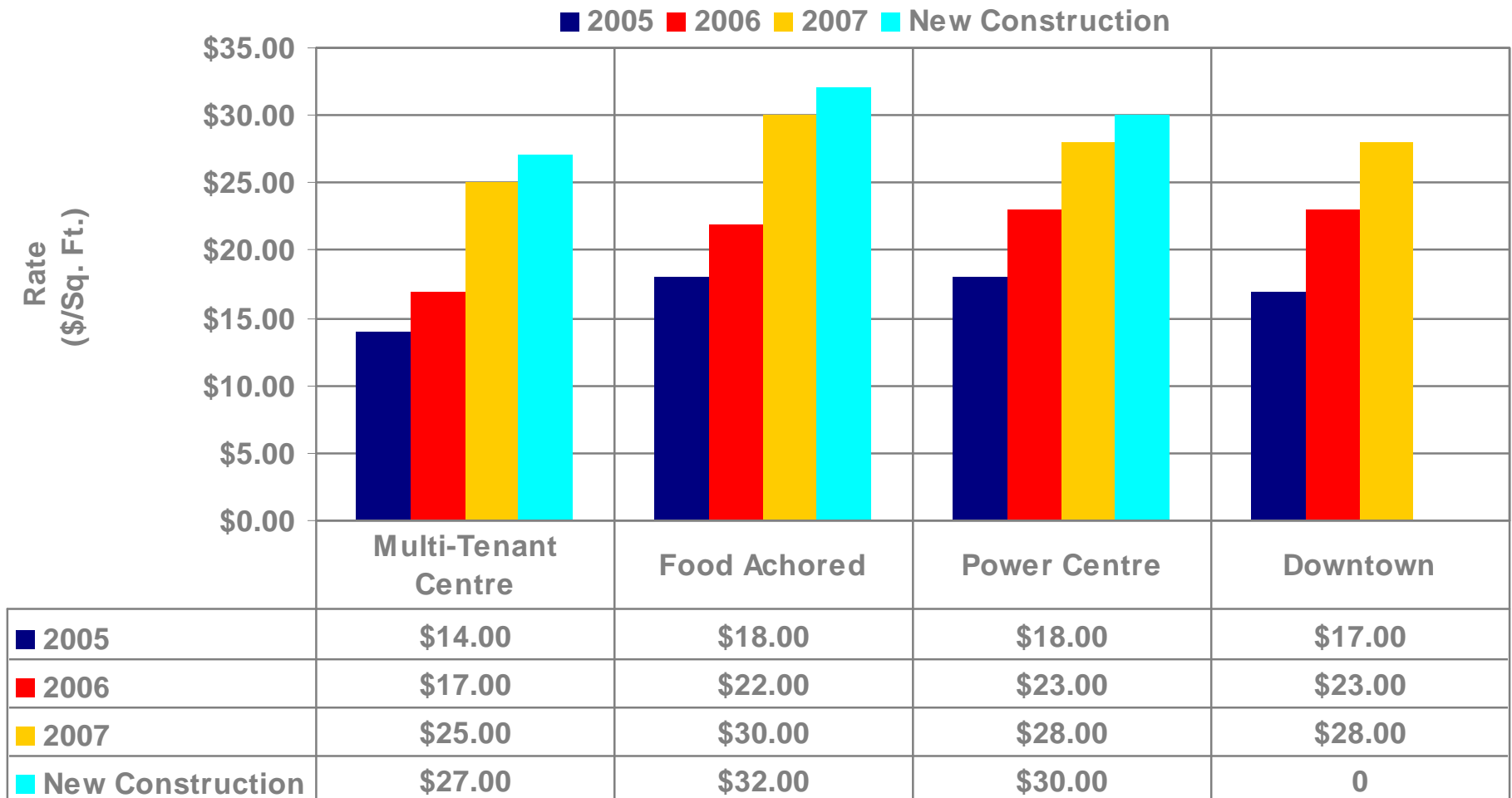
- **SOUTHEAST**
  - Ellerslie
  - The Meadows
- **SOUTHWEST**
  - Terwillegar Heights
  - Windermere
- **NORTHWEST**
  - The Grange
  - Palisades
- **NORTHEAST**
  - Edmonton North
  - Pilot Sound
- **DOWNTOWN**
  - Jasper Avenue
  - 104 Avenue

## Edmonton Retail Vacancy Rate (%)



Source: The Network

## Edmonton Comparable Lease Rates



## 2007 Most Active Retailers!



- Car Dealerships
- Financial Institutions
- Food Stores
- Drugstores
- Medical related businesses



## *Retail Opportunities for 2008*

- **Rollover Upside!**
- **Redevelopments Projects**
- **Assignments**
- **Joint Ventures**
- **Small Market Redevelopments**

## Edmonton Retail Brokerage



**Cam Picketts**



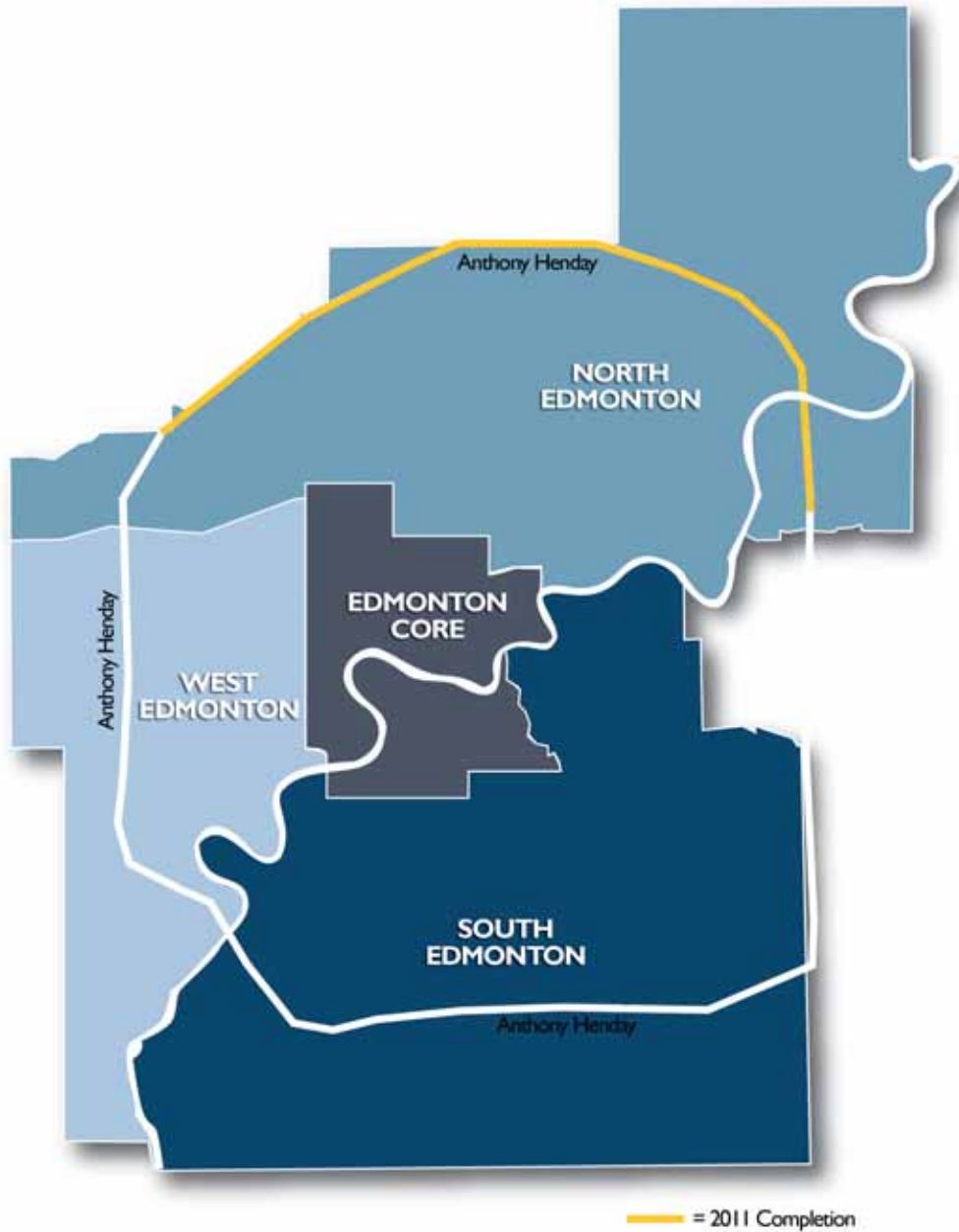
**Kelly Horwood**



**Casey McClelland**



**Larry Guilbault**



**ICON Towers**  
(Jasper Ave & 104 Street)

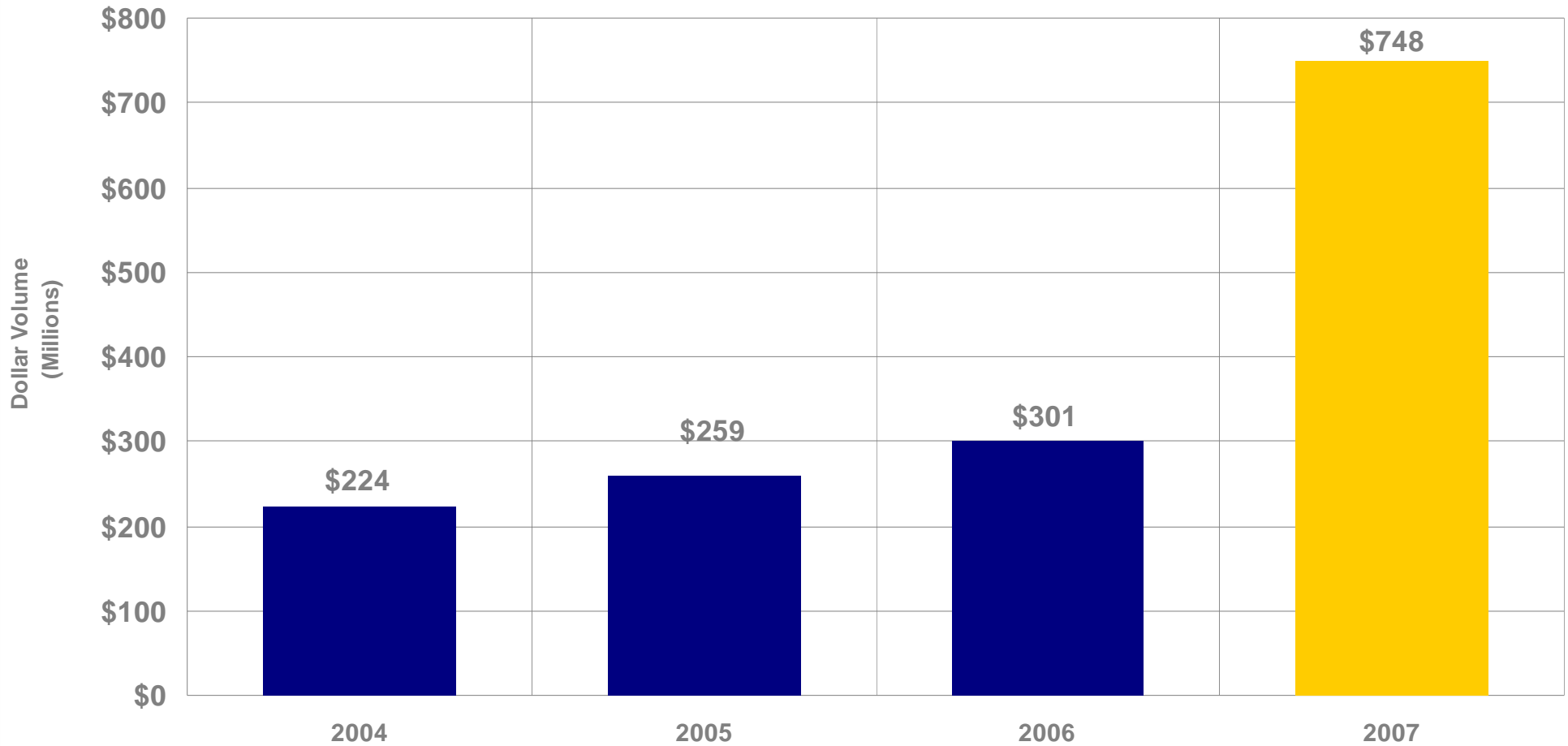


## ***Edmonton Multi-Family Market Highlights (2007)***

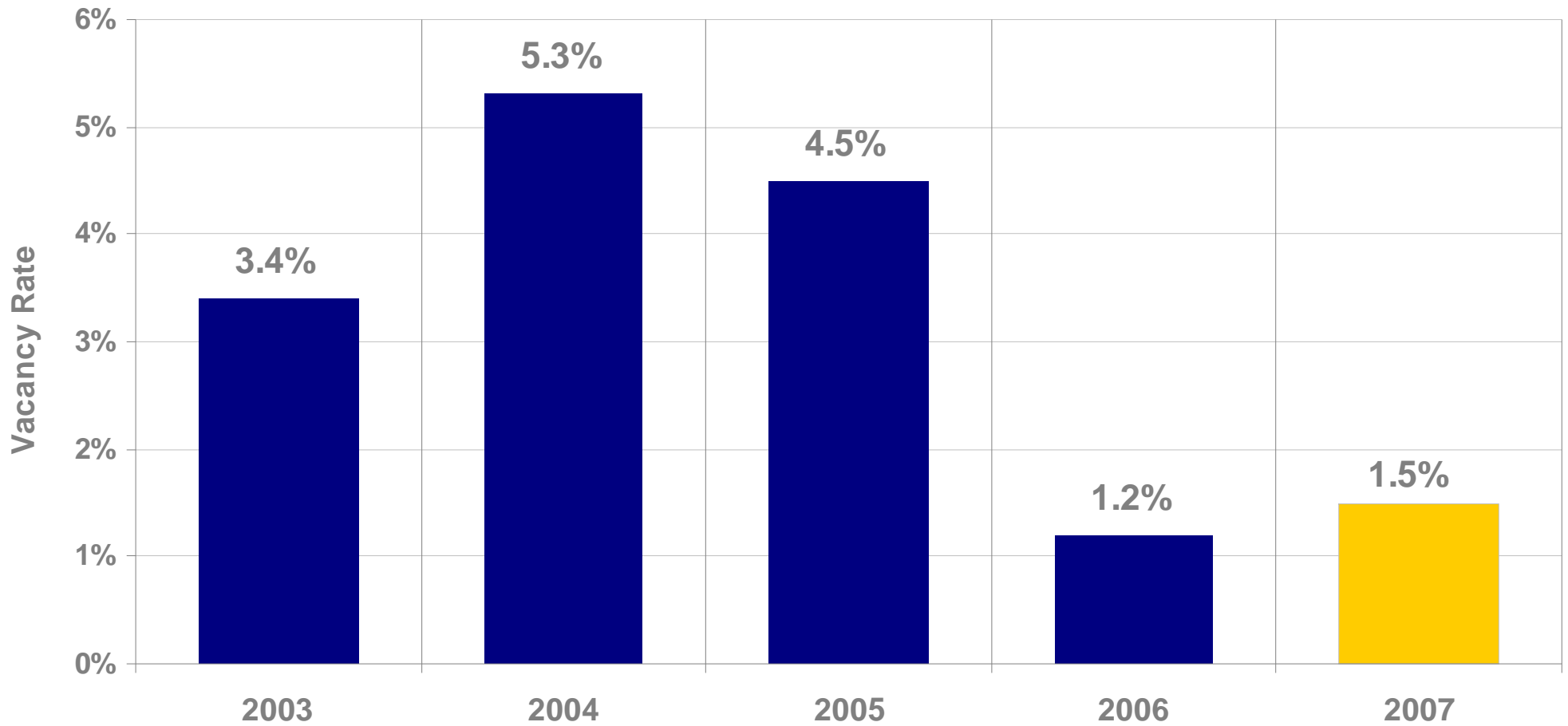
- ***Trading Volumes***
- ***Average rental rate increased***
- ***Revival of the Cap Rate!***



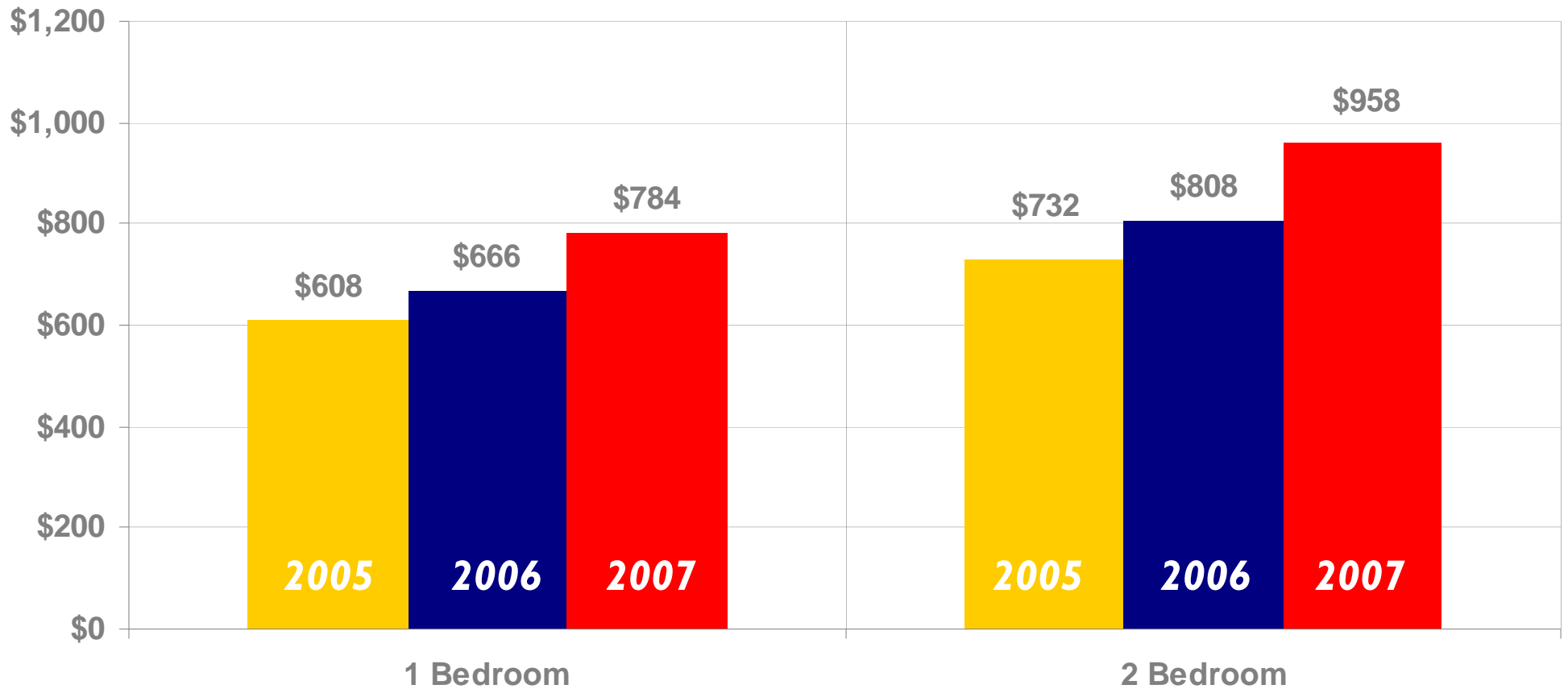
## Edmonton Multi-Family Building Sales (\$)



## Edmonton Multi-Family Vacancy Rate (%)



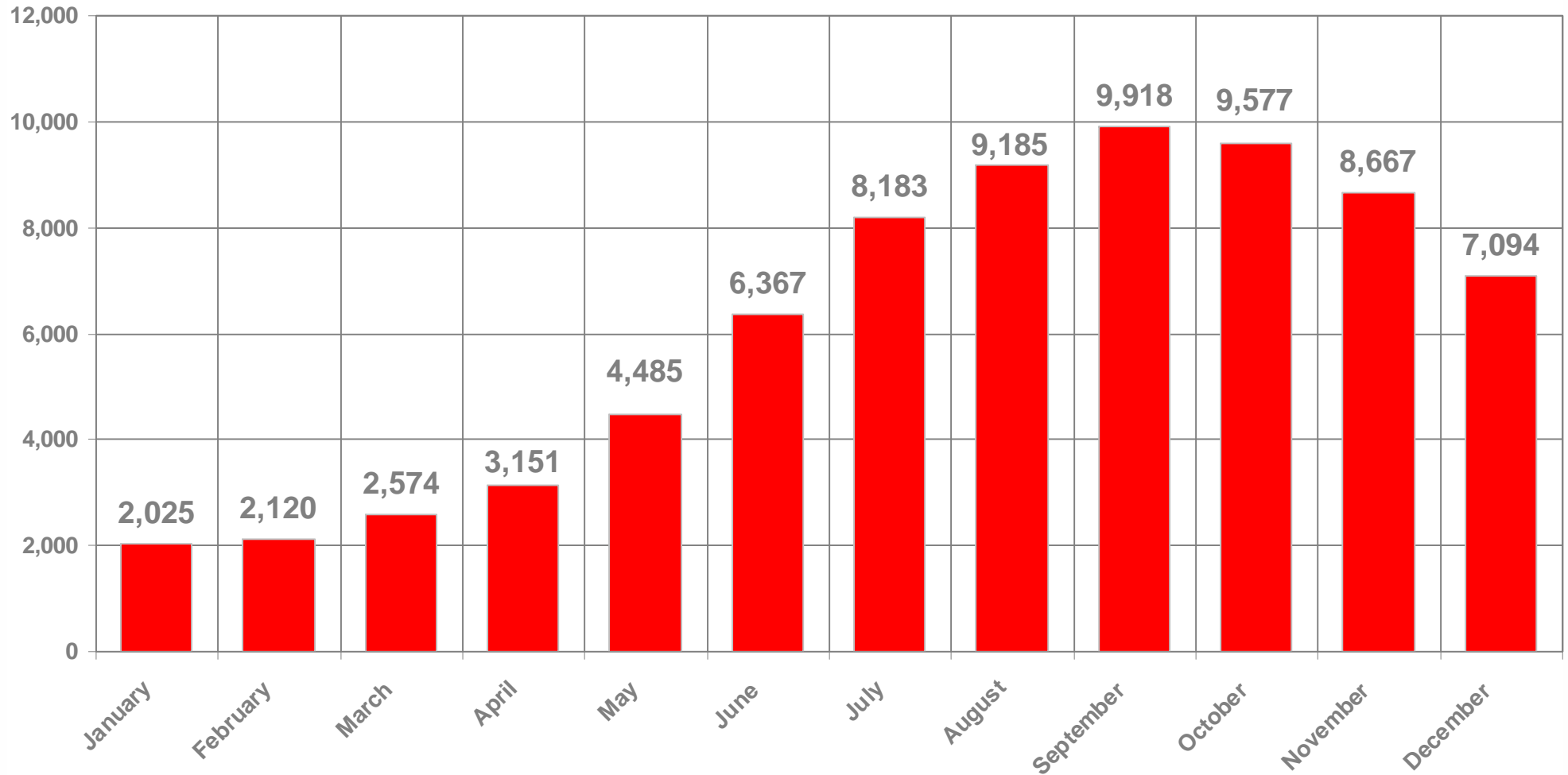
## Edmonton Average Rental Rates (\$)



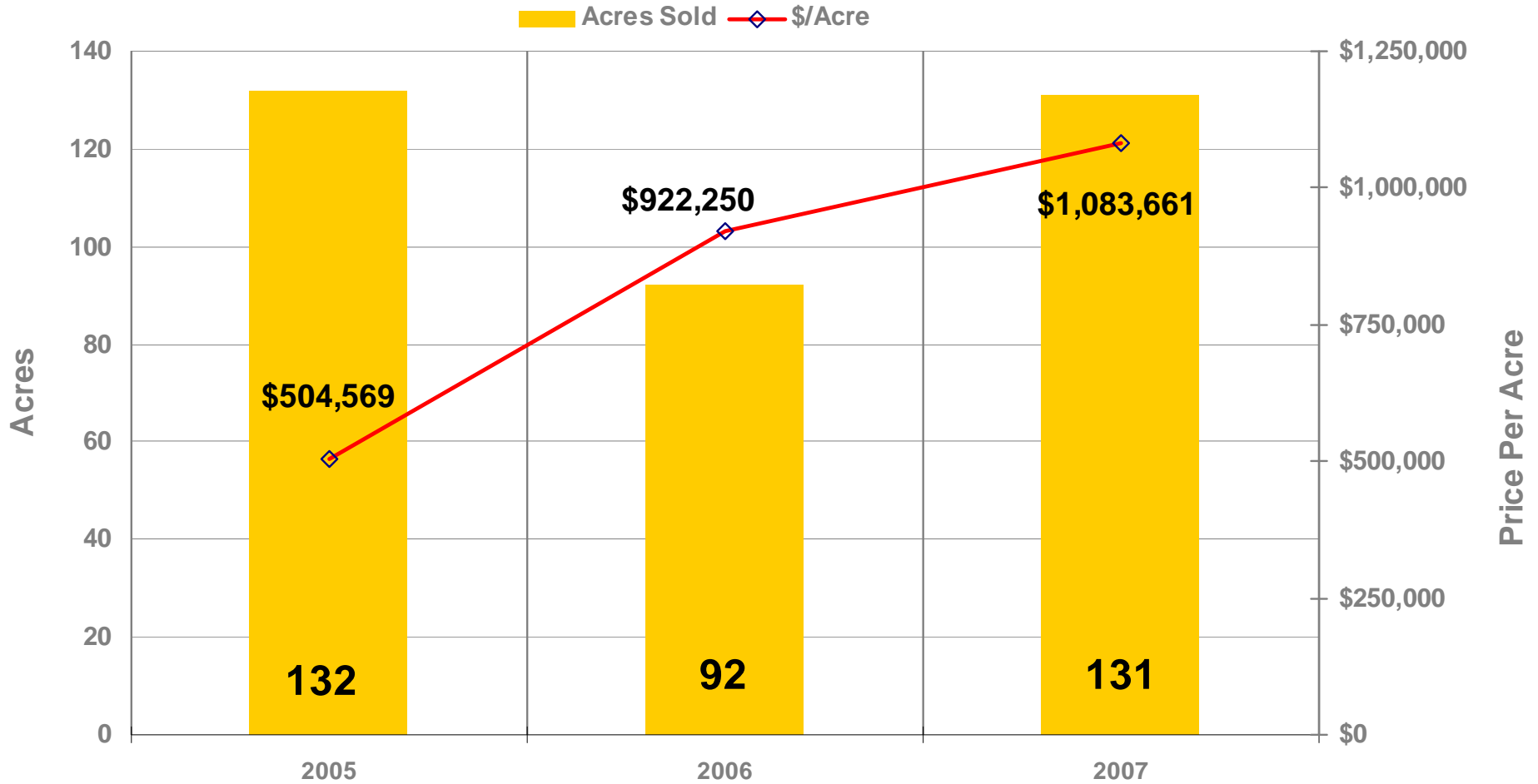
## Average Sale Price Per Walk-Up Unit (\$)



## Edmonton MLS Single Family Listing Inventory



## Edmonton Multi-Family Land Sales (\$)



## Edmonton Multi-Family Market Forecast 2008

- Condo conversions



- Rental starts



- Looking Ahead...

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Edmonton City Core



St. Albert Trail Centre



Bank of Montreal Building



GE Turbine Building

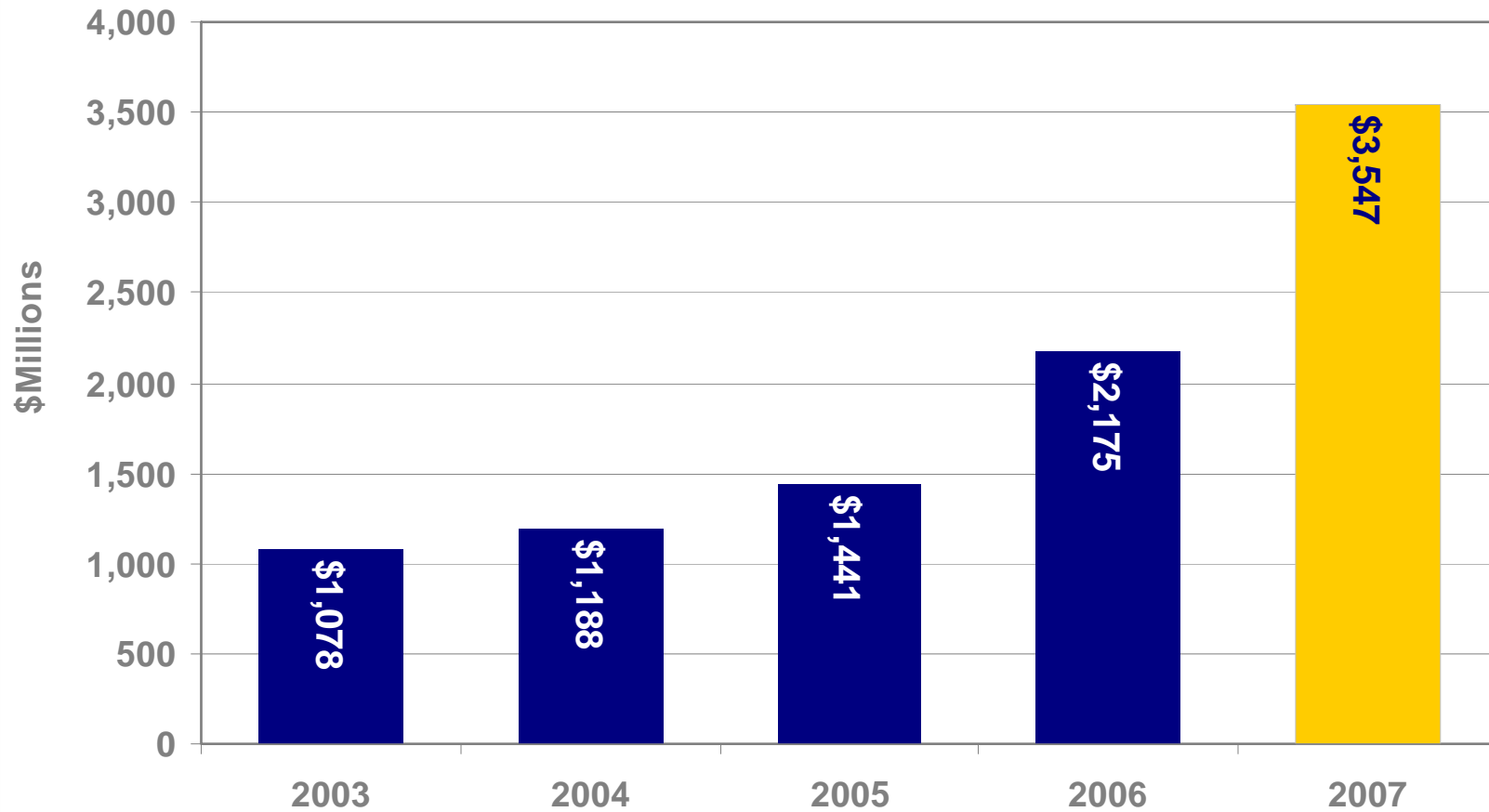
**INVESTMENT** Speaker: Rick Argue

## ***Edmonton Investment Market Highlights 2007***

- ***Demand continued to exceed supply!***
- ***Buyers and Sellers!***
- ***Market Fundamentals!***

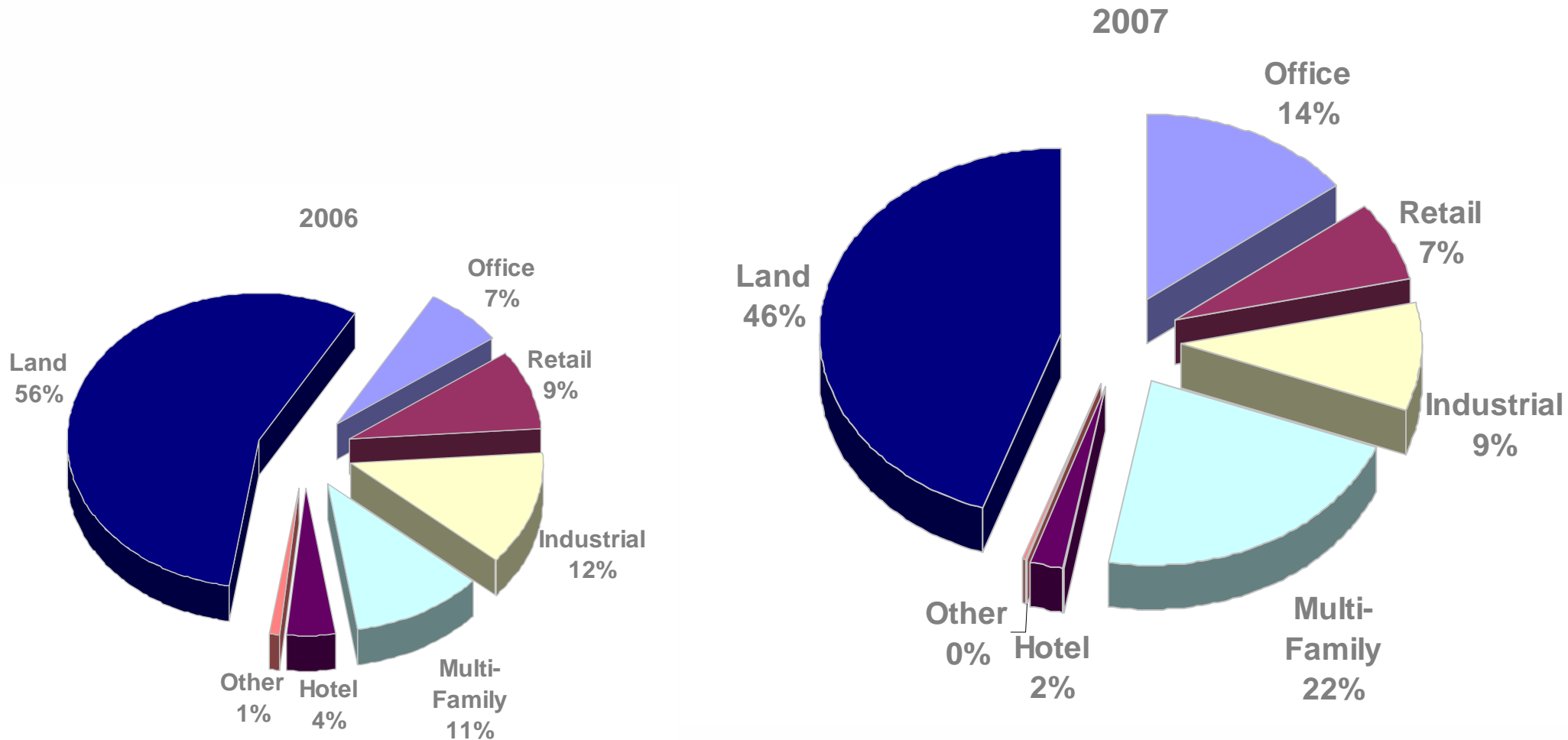
## Greater Edmonton Gross Sales Activity

Historical Transaction Volume (Sales >\$1M)



Source: The Network

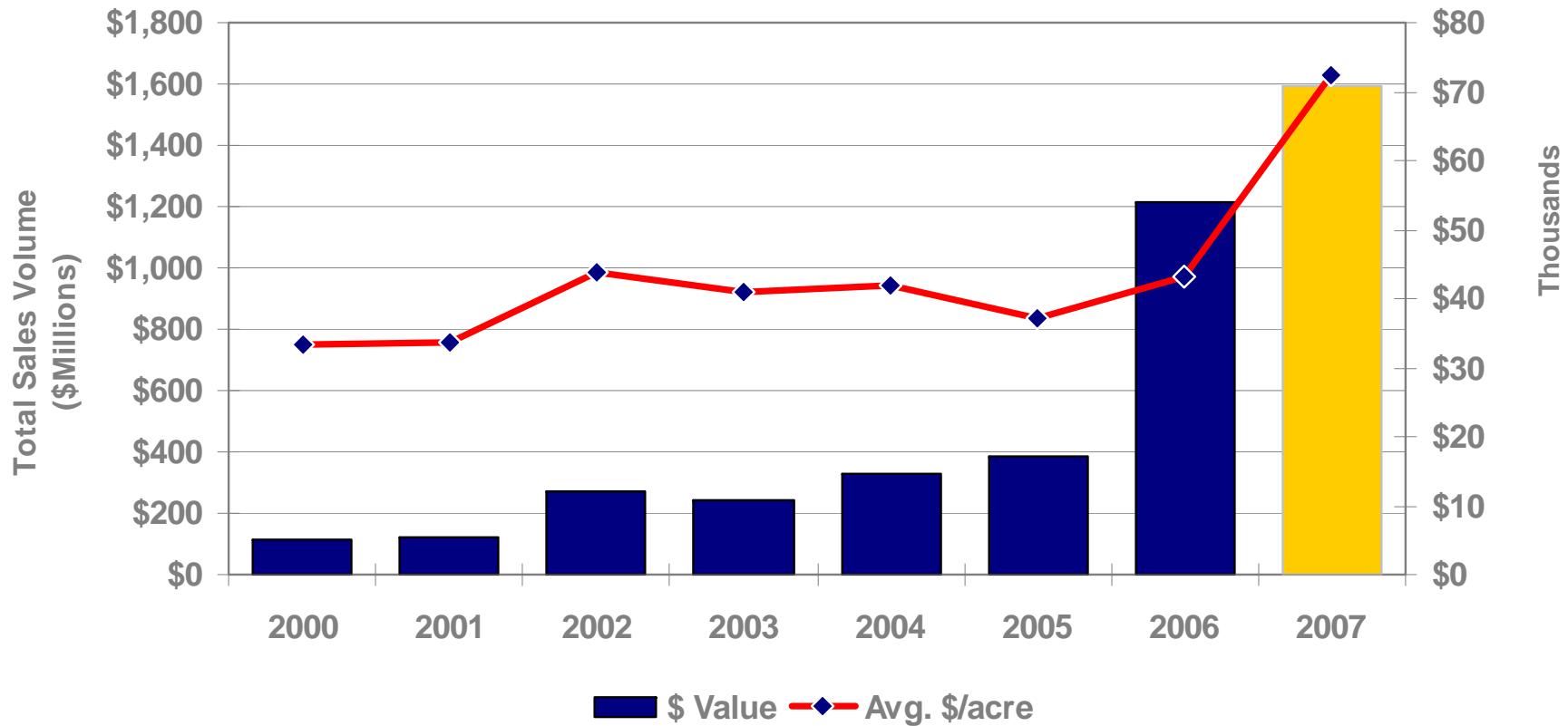
## Transaction Volume by Product Type



Source: The Network

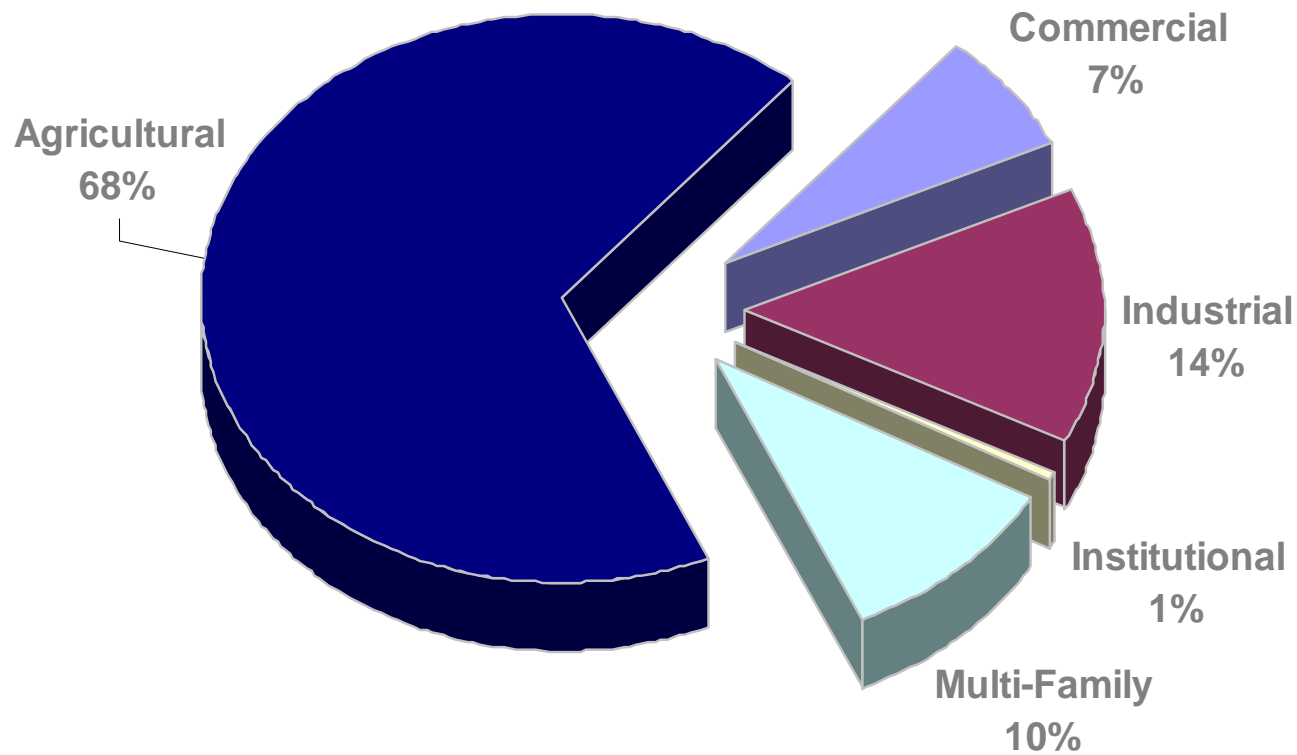
## Edmonton Land Investment

Edmonton Land Investment Market Activity  
(Sales >\$1M)



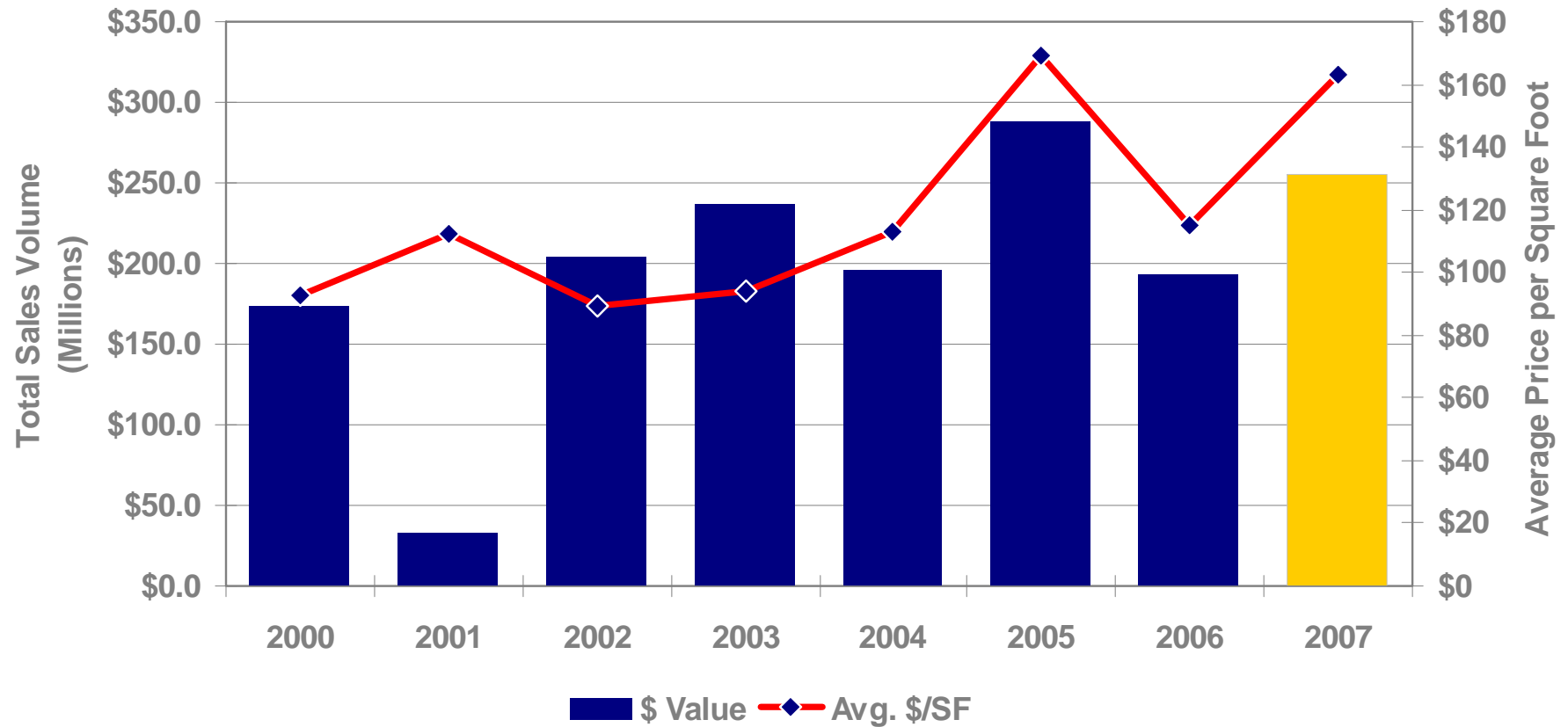
Source: The Network

## Edmonton Land Sales by Type



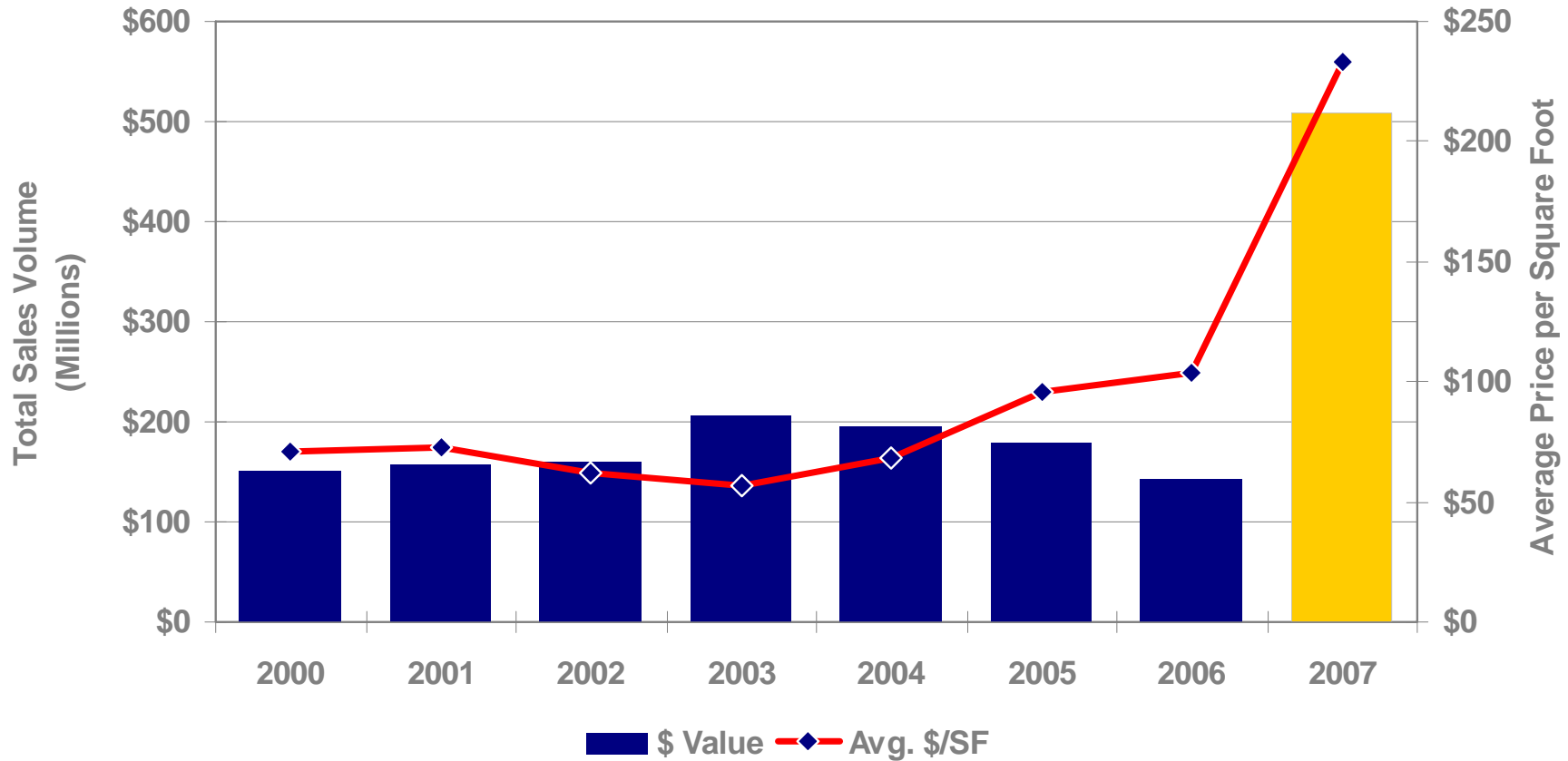
## Edmonton Retail Investment

Edmonton Retail Investment Market Activity  
(36 sales total \$255 Million >\$1M)



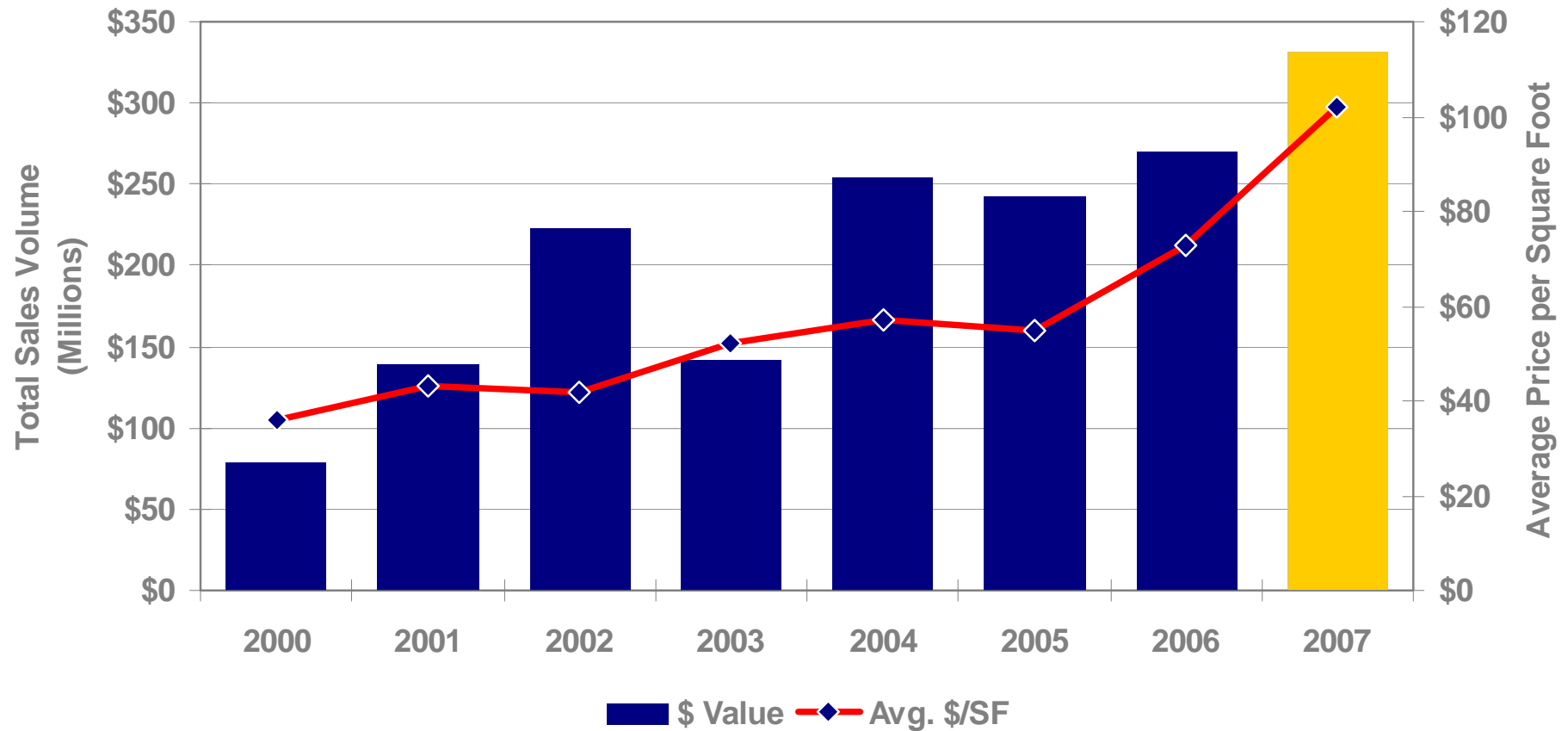
## Edmonton Office Investment

Edmonton Office Investment Market Activity  
(55 sales total \$508 Million >\$1M)

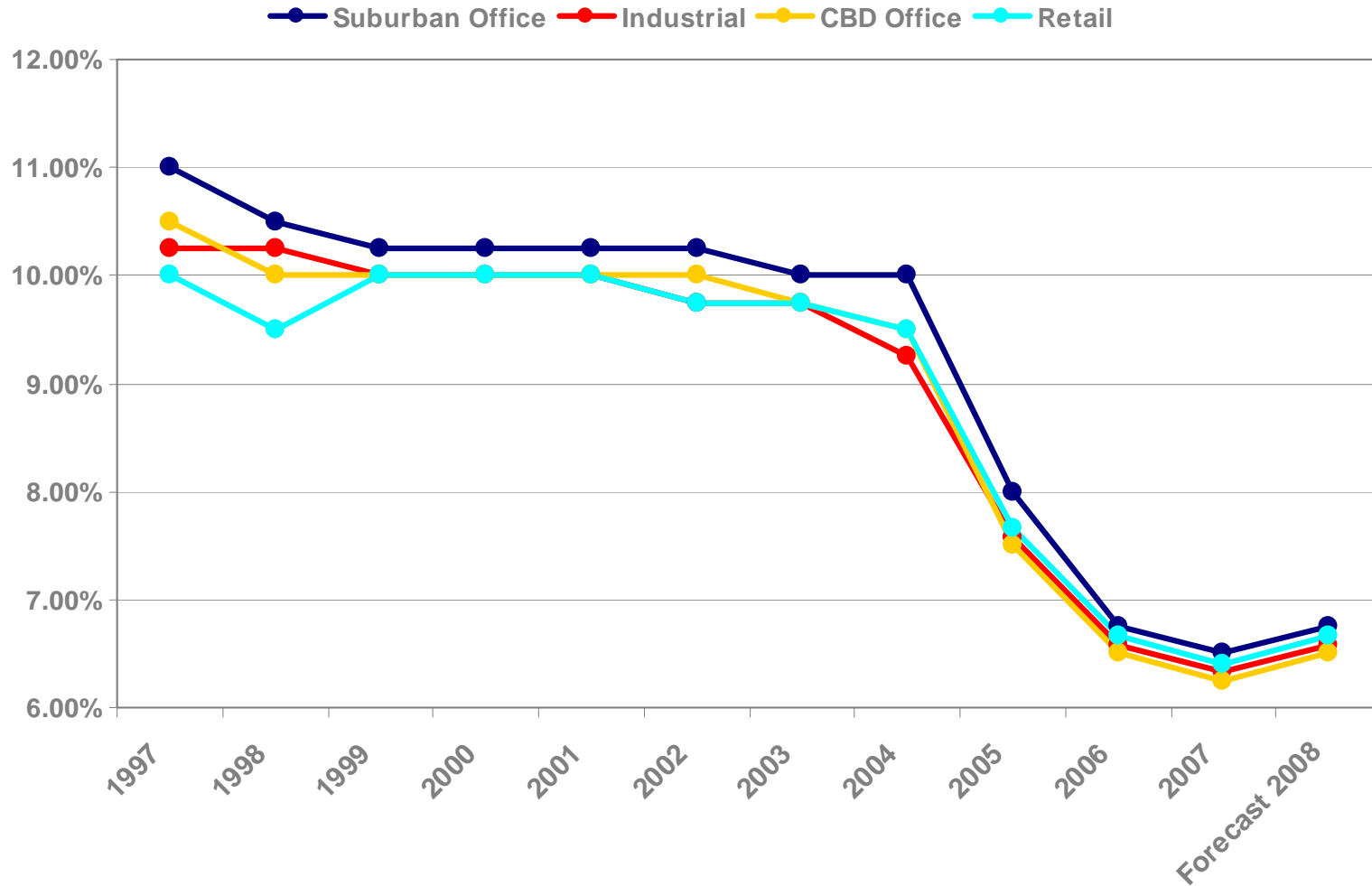


## Edmonton Industrial Investment

Edmonton Industrial Investment Market Activity  
(105 sales total \$330 Million >\$1M)

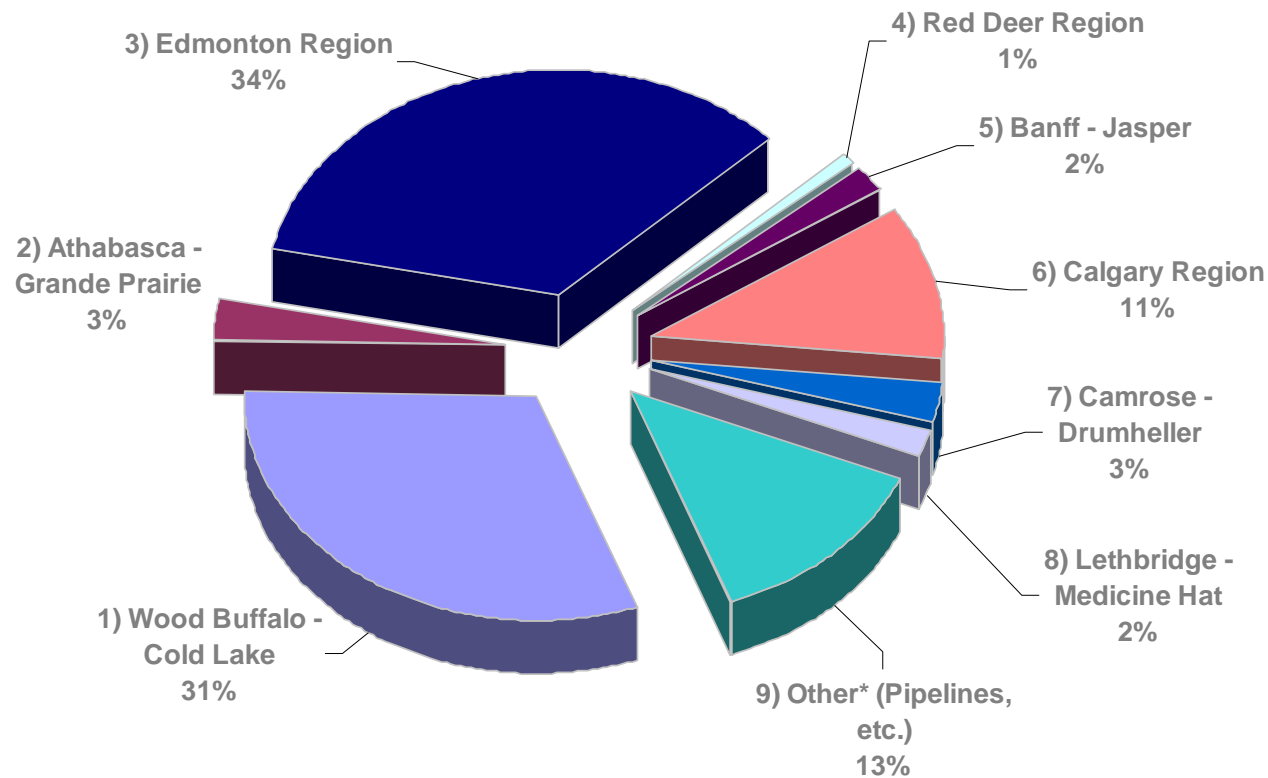


## Edmonton Capitalization Rates



## Major Alberta Projects Over \$5 Million

Albert Major Construction Projects  
(Total \$238 Billion, > \$5Million)



Source: Alberta Employment, Immigration and Industry

## **Edmonton Investment 2008 Forecast**

- ***Activity Level Remains High!***
- ***Capitalization Rates Firming!***
- ***Looking Ahead!***

## Edmonton Investment Brokerage



**Rick Argue**



**Ken Williamson**



**Michael Keating**



**George Dawson**



**Kevin Petterson**



**Nicole Villareal**







**Tammy Shields**



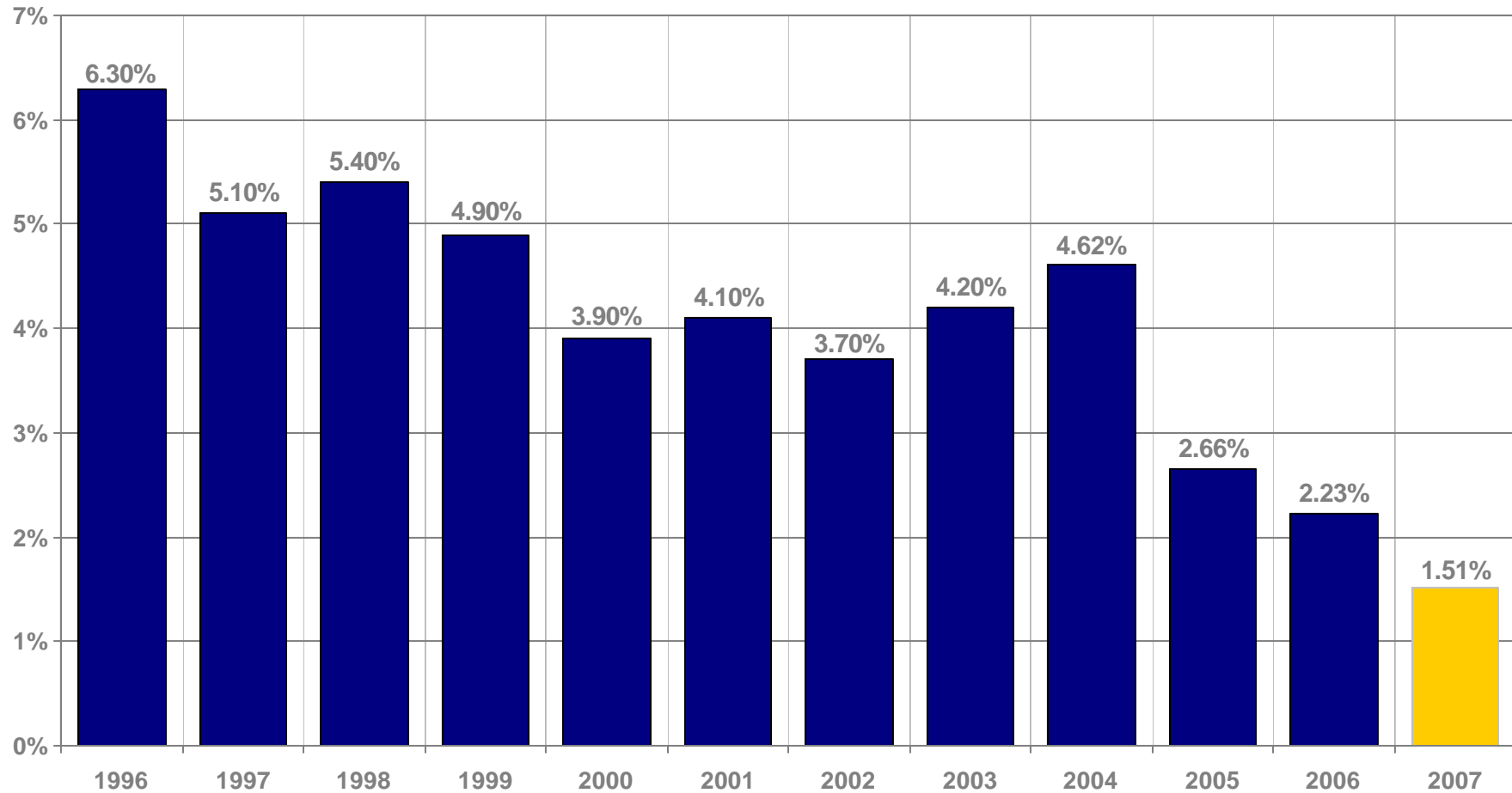
**Ted Mildon**



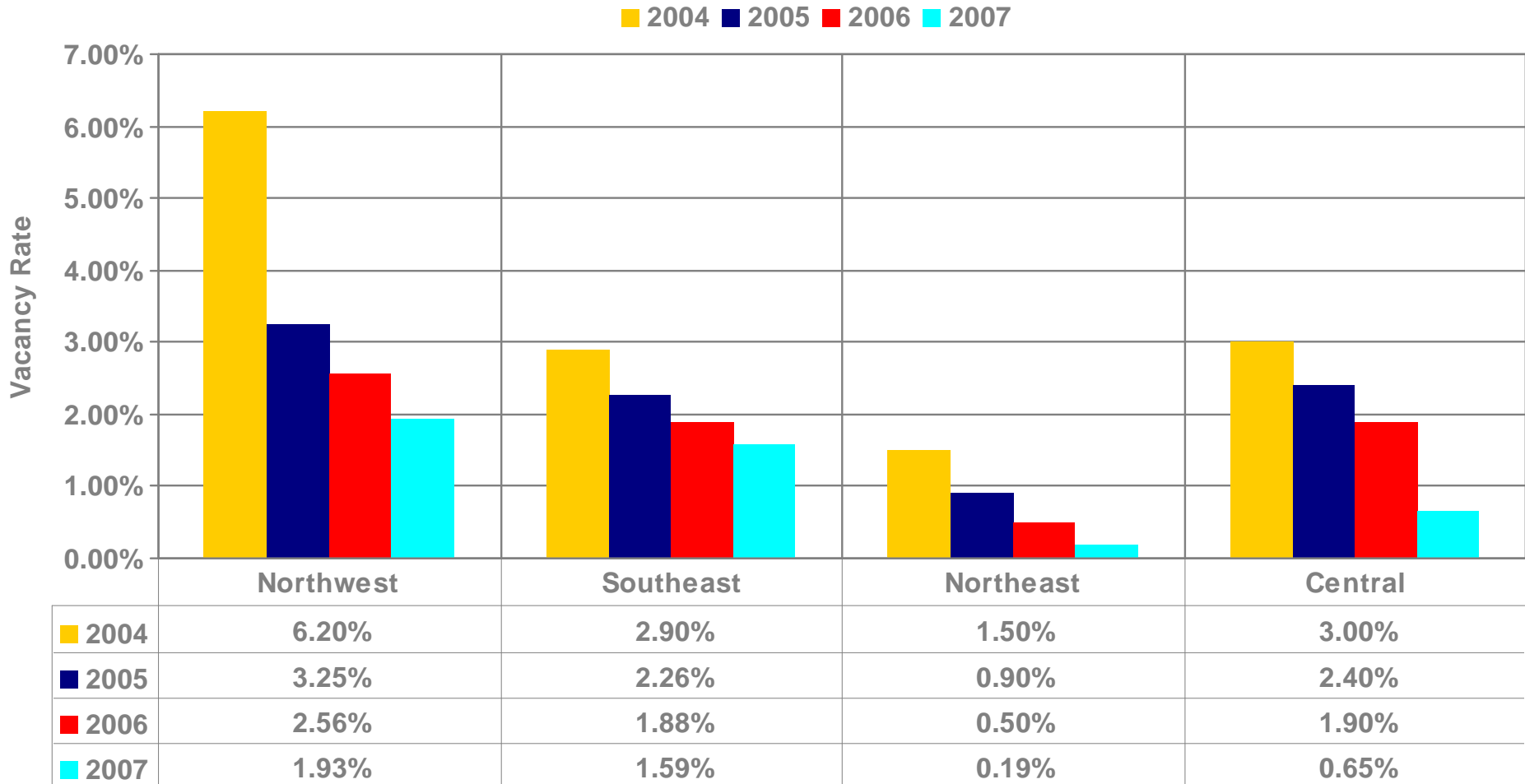
## Greater Edmonton Industrial Market Highlights (2007)

- **94 million square feet!**
- **Vacancy continues to decrease** 
- **2.9 Million sq. ft. of new construction!**
- **Rental rates continued to rise across the board** 
- **3.1 million square feet of absorption in 2007** 
- **Construction costs also continue to rise!** 

## Greater Edmonton Industrial Vacancy Rate (%)

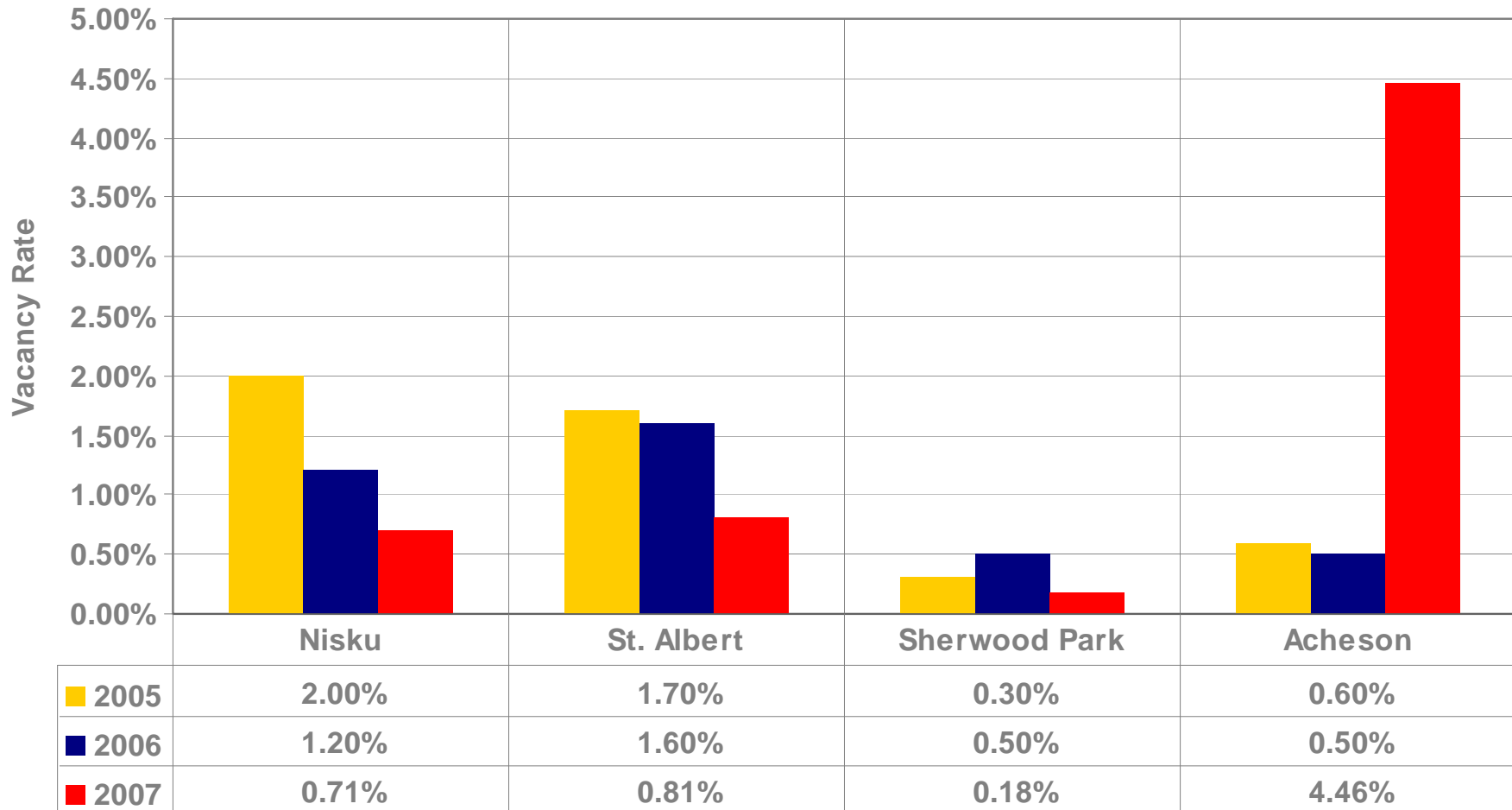


## Vacancy Rates by Sector – Edmonton Proper

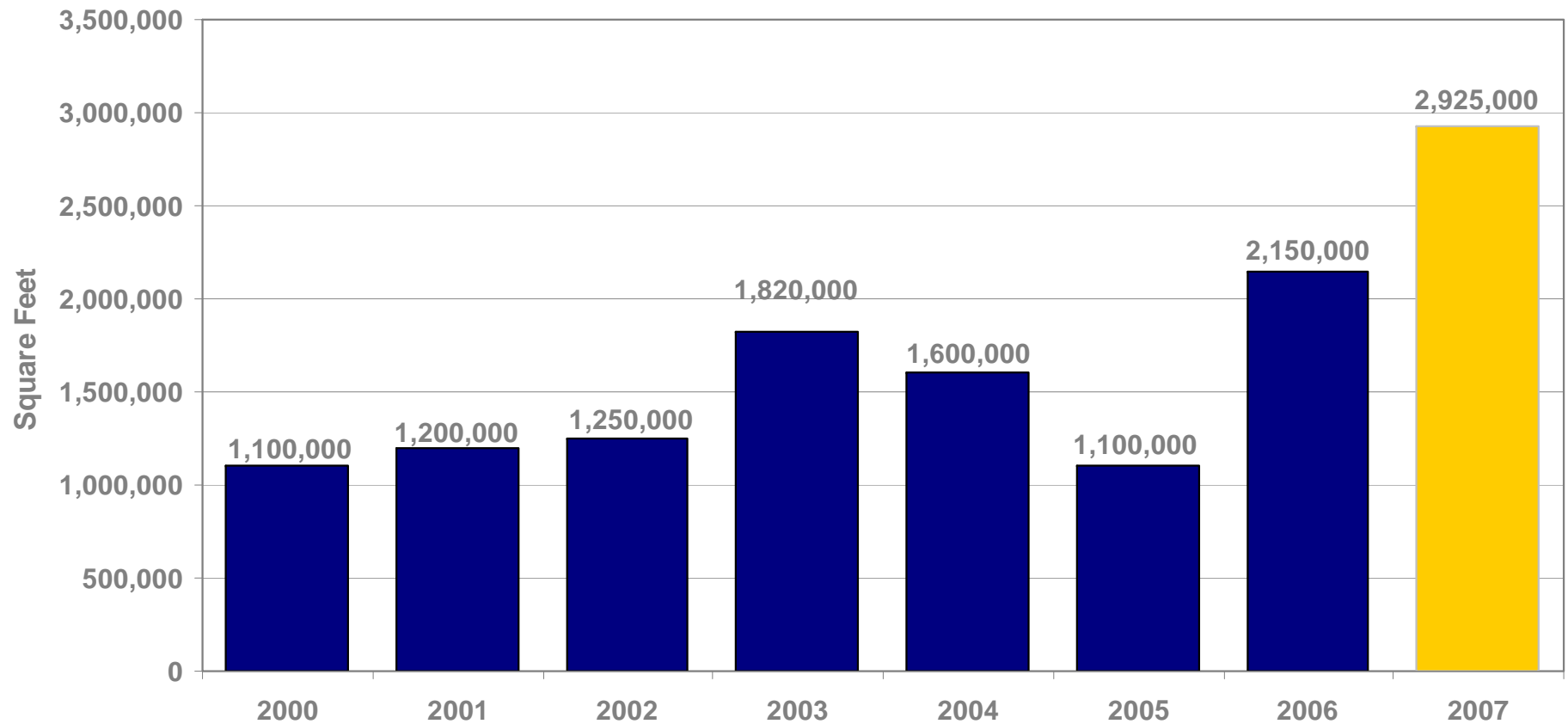


## Vacancy Rates by Sector – Greater Edmonton

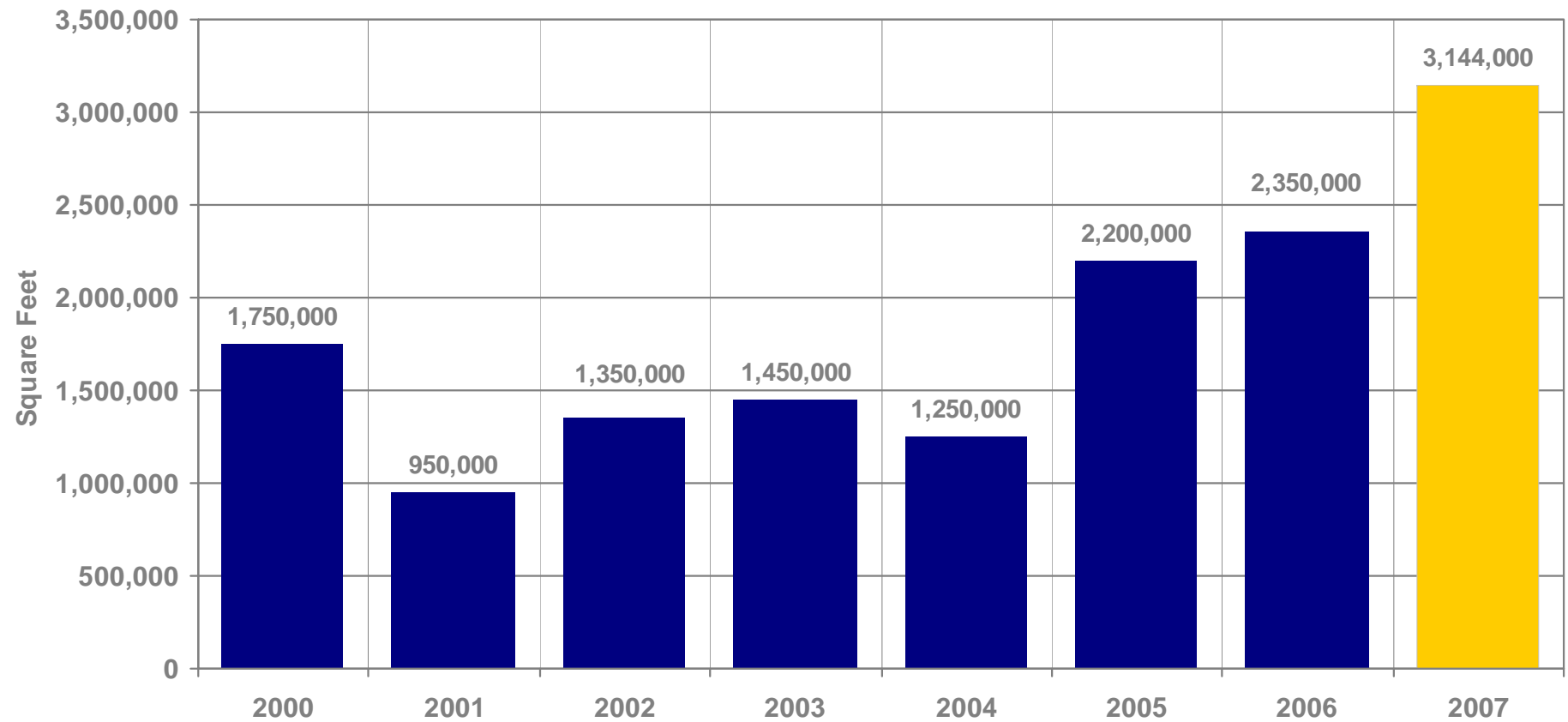
2005 2006 2007



## Edmonton Proper New Construction



## Edmonton Proper Industrial Net Absorption



## ***Edmonton Industrial Market – Supply/Demand***

- **Shortage of existing Lease Alternatives**
  - Multi-tenant bays with no yard
  - Shop facilities with yard
  - Rail serviced facilities
- **Addition of new product in NW, SE and Nisku**
- **Serviced land (IM/IB/IH) continues to be difficult to find**
- **Small lots are also difficult to find**

## Lease Comparables

### Existing Product

Area	Size (sf)	Face Rate (average PSF)
Northwest	50,000	\$5.50 - \$6.00
Northwest	8,000	\$6.75 - \$8.50
Southside	50,000	\$5.75 - \$6.25
Southside	5,000	\$7.25 - \$12.00

### New Product

Area	Size (sf)	Face Rate (average PSF)
Northwest	10,000	\$7.75 - \$9.50
Northwest	100,000	\$6.75 - \$8.75
Southside	10,000	\$8.50 - \$12.90
Southside	100,000	\$7.25 - \$8.75

## Industrial Land Sales

- **Edmonton Proper**

Fully serviced sites (average)	(IM)	\$500,000.00 - \$600,000.00 per acre
	(IB)	\$600,000.00 - \$750,000.00 per acre
Un-serviced land sites (average)	(AGI)	\$175,000.00 - \$200,000.00 per acre

- **Nisku/Leduc**

Fully serviced sites (average) \$275,000.00 - \$350,000.00 per acre

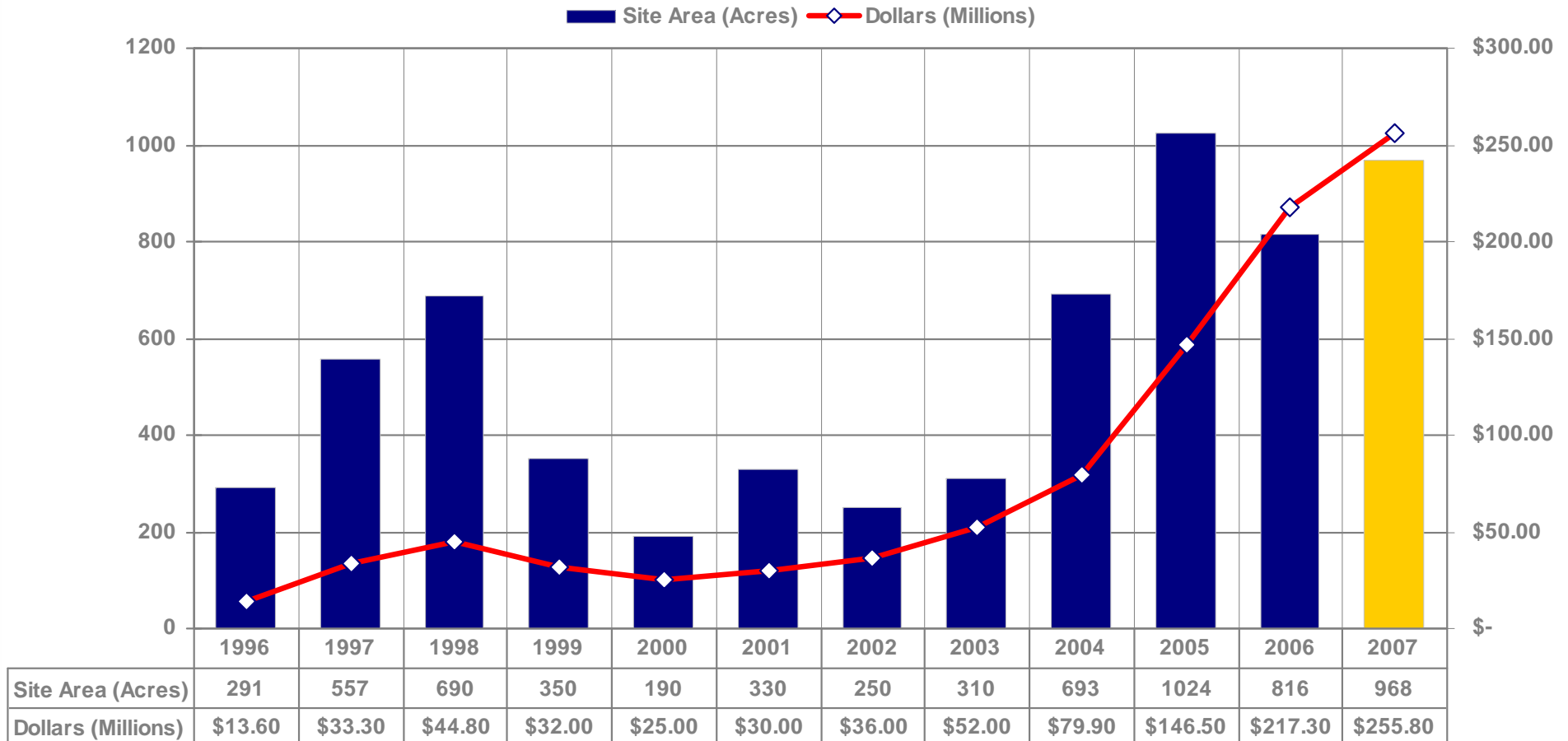
- **County of Strathcona**

Fully serviced sites (average) \$450,000.00 - \$600,000.00 per acre

- **Acheson Business Park (Parkland County)**

Fully serviced sites (average) \$295,000.00 - \$380,000.00 per acre

## Industrial Land Sales – Greater Edmonton




## ***Industrial New Developments - Northwest***

- Yellowhead Transport Depot (Remington)
- Horizon Business Park (Hopewell)
- Fourell Lands (Panattoni)
- Northwest Business Park
- Sunwapta Industrial Park (GE/ Dundee)
- City West Business Park (Bentall/ ING)
- Northport Business Park (ING/ Verus)
- Golden West Golf Course Site (Qualico)
- Westpoint (HOOP)

## ***Industrial New Developments - Southeast***

- South Central Business Park (Remington/ GWL)
- 50<sup>th</sup> Street Business Park (GPM)
- Prospect Business Park (GWL & Remington)
- Capital Industrial Park
- Eilerslie Industrial Park
- Gateway Business Park (WAM)
- Roper Ridge Business Park (Trillium)
- Pylypow Development Site
- CityView Centre (Oxford)

## ***Industrial Forecast - 2008***

- Speculative Construction 
- Vacancy Rates 
- Lease Rates 
- Land Prices 
- Challenges
  - Construction Costs!
  - Increased Demand, Lack of Supply!
  - Shrinking Labour Pools!
  - \$U.S. Dollar
  - Costs for non-oil & gas participants

## Edmonton Industrial Brokerage



**Gary Antoniuk**



**Jeff Grobman**



**Darryl McGavigan**



**Derek Shybunka**



**Paul Belter**



**Michael Keating**



**Steven Pearson**



**Bruce Stubbs**



**Rod Connop**



**David Kraus**



**Twyla Purschke**



**Carla Voss**



**Sean Day**



**Jonathan Zukiwsky**

# Thank you for attending the our Annual Colliers Real Estate Review 2008!



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