



THE Office Report

VACANCY: 8.5%

2014 ABSORPTION : (88,165) sf

Q4 2014

THE OTHER GUYS

EDMONTON'S SUCCESS STORIES AMIDST UNCERTAINTY

The construction of new office towers blanketed headlines in 2014 as three Edmonton organizations made decisions to anchor newly constructed high rise towers. Although these moves will undoubtedly bring important changes to the city, the news has overshadowed the actions of other important tenants in Edmonton's office market.

Edmonton's 'bread and butter' transactions haven't traditionally been made by the 400,000 sf juggernauts, but rather the sub 100,000 sf tenants whose actions don't routinely make headlines.

In the time since the Kelly Ramsey project broke ground through to Enbridge's announcement to consolidate their offices, this sub 100,000 sf market has been active. Although there are several companies which have expanded over the past 18 months, we have chosen 30 that represent the major growth sectors and patterns which are indicative of the activity in the rest of the market.

The list of companies we have chosen to represent this 'silent majority' is outlined on the back cover.

As mentioned in our Q2 office report, **Edmonton's engineering sector has prospered as a result of Alberta's strong primary industry and energy sectors.** In addition to the firms we named in Q2, several more engineering companies have chosen to expand their regional offices. Bantrel expanded into 47,000 sf in Twin Atria (4999 - 98th Avenue), Horton CBI leased 24,000 sf in the former Willbros Building (261 Seneca Road in Sherwood Park), Select Engineering took 25,000 sf in the Former Lloyd Sadd Building (17413 - 107 Avenue) and DES Engineering relocated into 12,000 sf in the Coronet Building (8403 Coronet Road). Continuing growth in the engineering sector has also extended to the Association of Professional Engineers and Geoscientists of Alberta (APEGA), who have expanded into 37,000 sf in Scotia Place (10060 Jasper Avenue), up from 26,000 sf.

Construction companies were similarly ambitious throughout the year. PCL has completed an expansion of their current North American Head Office on 99 Street. The new addition totals 60,000 sf, bringing the footprint of PCL Business Park (5400 - 99 Street) from 92,000 sf to 152,000 sf. The added space will allow PCL to grow alongside their expanding portfolio. Chandos meanwhile more than doubled their office space to 28,000 sf, moving into the former Cold FX Building (9604 - 20 Avenue) in the Edmonton Research Park. Similarly, Leducor has relocated into 97,000 sf in the former Intuit Building (7008 Roper Road).

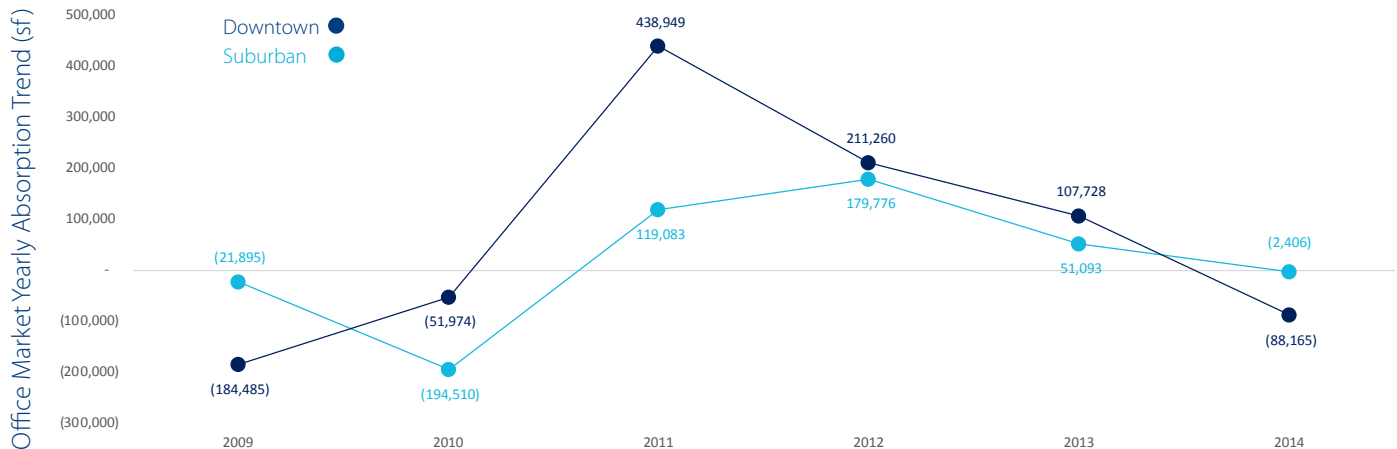
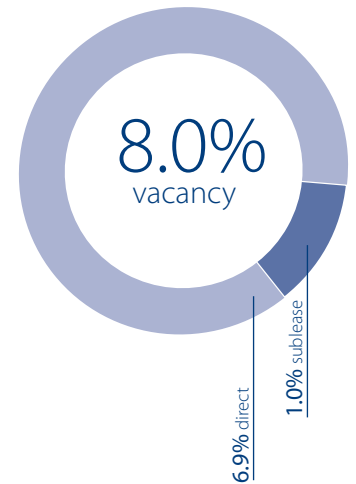
With oil prices weighing heavily on the minds of Albertans and the prospect of a medium term effect on revenues now a foregone conclusion, there is still room for optimism. Although Edmonton's economy is heavily reliant on the oil and gas sectors, it is not the sole factor determining the livelihood of the region. The economy as a whole is in a markedly different place today than in 2009, and the structural problems that caused the late 2000s collapse are conspicuously absent.

The growth of these sub 100,000 sf tenants helps to illustrate that the decisions made by Edmonton's largest corporate entities are not the sole dictator of the strength of the market. If the growth of these companies continues it will help to balance the market following Stantec, Enbridge and the City of Edmonton's transfer of space in 24 to 48 months.



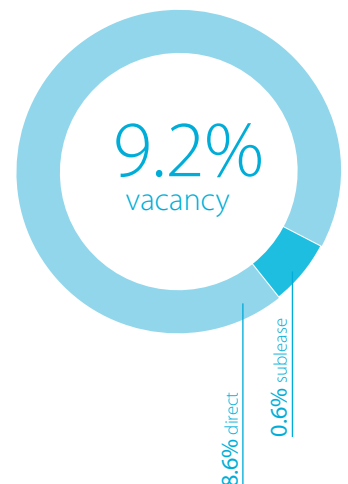
Downtown

- On December 9th **Enbridge** announced their decision to lease space in Manulife Place and the future Kelly Ramsey Tower, which is scheduled for occupancy in late 2016. The company has not yet announced a timeline for their transfer of space. Enbridge currently occupies **250,000 sf in Enbridge Place** (10130 - 103 Street), **175,000 sf in Enbridge Tower** (10201 Jasper Avenue), **97,000 sf in TD Tower** (10088 - 102 Avenue), **84,000 sf in Manulife Place** (10180 - 101 Street), **18,000 sf in the Royal Bank Building** (10117 Jasper Avenue) and **25,000 sf in Oxford Tower** (10025 - 102A Avenue). Under the new agreement, Enbridge will occupy the 2nd through 15th floors of the Kelly Ramsey Tower, (totaling approximately 300,000 sf of space) and an additional 100,000 sf in Manulife Place.
- MNP** has announced a deal to move their offices from Elm Business Park and Bell Tower (where they occupy 19,800 sf and 35,000 sf respectively) and **consolidate into 72,125 sf in 101 Street Tower**. The vacated space in Elm Business Park will be marketed for sublease beginning in Q1 2015. As part of the deal, **MNP has also secured the naming rights to 101 Street Tower**. Signs will be put up on two sides of the tower, replacing the ATB Financial logos which were taken down in Q4 2014.



Suburban

- Paragon Business Park (Broadview Road & Bethel Drive, Sherwood Park) has begun pre-selling. The first phase of the development will feature a 60,000 sf office condo building and a 50,000 sf industrial condo warehouse. The second phase will feature one additional office condo building and an additional industrial condo warehouse. Hungerford, the developer, is aiming for occupancy in the fall of 2016.
- Tristate Homes' new building (1230 - 91 Street) at Gateway Business Park (91 Street & Parsons Road) has opened for occupancy. The building adds roughly 15,000 sf to the Summerside market. Tristate joins Homes By Avi, Lincolnburg and Landmark Homes, who have all moved into the area.
- The series of overpasses joining the Yellowhead Highway to Sherwood Drive and Broadmoor Drive are progressing rapidly. On completion they will address some of the access issues Sherwood Park has had in the past, and improve commute times to the Clover Bar area as well as the new Emerald Hills Development.



	Total Inventory	Direct Vacancy	Sublease Vacancy	Absorption (YTD)	Vacancy Rate	Vacancy Direct	Vacancy Sublease	Average Occupancy Costs	Average Lease Rates
Financial									
AA	4,008,429	339,588	13,673	(14,566)	8.8% ▼ (0.5%)	8.5% ▼ (0.3%)	0.3% ▼ (0.2%)	\$18.75 ▲ \$0.25	\$25.75 ▼ (\$0.25)
A	4,782,075	292,066	118,159	189	8.6% ▲ 0.1%	6.1% ▼ (0.9%)	2.5% ▲ 1.1%	\$17.50 ▲ \$0.25	\$20.25 - -
B	1,796,096	117,800	0	(12,603)	6.6% ▼ (0.6%)	6.6% ▼ (0.6%)	- - -	\$15.25 ▲ \$0.25	\$17.00 ▼ (\$1.50)
C	1,096,798	80,978	0	(28,823)	7.4% ▲ 1.2%	7.4% ▲ 1.2%	- - -	\$12.25 - -	\$16.00 ▲ \$0.50
Subtotal	11,683,398	830,432	131,832	(55,803)	8.2% ▼ (0.2%)	7.1% ▼ (0.5%)	1.1% ▲ 0.3%	\$15.75 - -	\$19.50 ▼ (\$0.50)

Government									
A	2,640,324	149,292	1,879	40,498	5.7% ▼ (0.2%)	5.7% ▼ (0.2%)	0.1% ▲ 0.1%	\$14.75 ▲ \$0.25	\$16.50 ▼ (\$1.75)
B	1,452,635	166,446	43,948	(67,489)	14.5% ▲ 0.7%	11.5% ▼ (2.3%)	3.0% ▲ 3.0%	\$14.25 - -	\$18.00 ▲ \$0.50
C	1,333,421	40,805	0	(2,965)	3.1% - -	3.1% - -	- - -	\$12.50 - -	\$14.25 - -
Subtotal	5,426,380	356,543	45,827	(29,956)	7.4% ▲ 0.1%	6.6% ▼ (0.7%)	0.8% ▲ 0.8%	\$14.00 ▲ \$0.25	\$16.50 ▼ (\$0.25)

Suburban									
118 Avenue & Kingsway	1,524,016	64,228	0	(28,291)	4.2% - -	4.2% ▲ 0.1%	- ▼ (0.1%)	\$12.50 ▲ \$0.25	\$17.75 ▲ \$0.75
124 Street	909,905	111,022	4,200	16,002	12.7% ▲ 0.3%	12.2% ▲ 0.2%	0.5% - -	\$13.50 ▲ \$0.25	\$18.00 ▲ \$0.25
149 Street	1,587,661	67,543	0	54,865	4.3% ▼ (1.5%)	4.3% ▼ (1.5%)	- - -	\$11.50 - -	\$17.50 - -
Eastgate	1,287,755	148,246	0	(4,033)	11.5% ▲ 0.3%	11.5% ▲ 0.3%	- - -	\$10.50 ▲ \$1.00	\$19.25 ▲ \$1.00
Southside	3,536,637	264,763	44,094	(70,325)	8.7% ▲ 1.4%	7.5% ▲ 1.4%	1.2% - -	\$12.00 - -	\$18.00 ▲ \$1.00
Summerside	779,014	65,978	10,561	(1,757)	9.8% ▼ (0.5%)	8.5% ▼ (0.4%)	1.4% - -	\$11.00 - -	\$24.00 ▲ \$0.25
West End	1,674,153	217,319	16,870	15,576	14.0% ▼ (0.3%)	13.0% ▲ 0.2%	1.0% ▼ (0.5%)	\$10.75 ▼ (\$0.25)	\$18.75 ▲ \$2.25
Whyte Avenue	599,278	63,572	1,354	(24,890)	10.8% ▲ 0.7%	10.6% ▲ 0.7%	0.2% - -	\$16.25 - -	\$19.25 - -
Sherwood Park	1,177,766	115,372	4,388	40,447	10.2% ▼ (2.5%)	9.8% ▼ (2.4%)	0.4% ▼ (0.1%)	\$8.25 ▲ \$0.25	\$18.00 ▼ (\$0.25)

Totals									
Downtown	17,109,778	1,186,975	177,659	(85,759)	8.0% - -	6.9% ▼ (0.6%)	1.0% ▲ 0.5%	\$15.00 ▲ \$0.25	\$18.50 ▼ (\$0.25)
Suburban	13,076,185	1,118,043	81,467	(2,406)	9.2% ▲ 0.1%	8.6% ▲ 0.1%	0.6% ▼ (0.1%)	\$11.50 - -	\$18.75 ▲ \$0.75
Overall	30,185,963	2,305,018	259,126	(88,165)	8.5% - -	7.6% ▼ (0.3%)	0.9% ▲ 0.3%	\$12.50 - -	\$18.50 ▲ \$0.25

Feature Listings

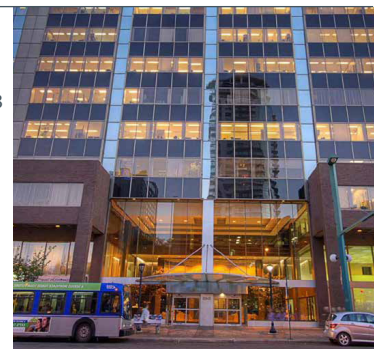
The Market at Magrath: 14127 - 23 Avenue

- **2nd floor opportunity 21,188 sf**
- **3rd floor opportunity 1,646 sf**
- One of southwest Edmonton's premier office buildings
- Surrounded by amenities including banks, restaurants, and retail outlets
- Located directly off of Rabbit Hill Road, with easy access to Anthony Henday Drive and QE II



10405 Jasper Avenue (Former Standard Life Centre)

- **15,297 sf available on the 5th floor**
- **T.I. & free rent packages available**
- **Elegant 19 storey office building with 3 storey granite lobby**
- State of the art conference centre including full telecommunication capabilities, fully-equipped kitchen and service room with photocopier, fax and printer
- Free on-site fitness centre for tenants



The Market at a Glance - Private Sector Growth

COMPANY	BUILDING	EXPANSION SIZE	SECTOR
Alberta Innovates	Bell Tower	70%	ENGINEERING PROFESSIONAL ASSOCIATION
APEGA	Scotia Place	40%	ENGINEERING
ASET	9Triple8 Jasper	59%	ENGINEERING, TECHNOLOGY
Bantrel	Twin Atria	23%	ENGINEERING
Bird Construction	Former AECOM Building	88%	CONSTRUCTION
Bits in Glass	First Edmonton Place	69%	INFORMATION TECHNOLOGY
Kennedy Architects	Limelight Building	309%	ARCHITECTURE
Brookfield Residential	Finesse Building	38%	REAL ESTATE
Canada ICI	Manulife Place	48%	REAL ESTATE
Canadian Western Bank	Canadian Western Bank Place	26%	FINANCIAL INSTITUTION
CBM Lawyers	TD Tower	30%	LEGAL SERVICES
Chandos	Former Cold FX Building (9604 - 20 Avenue)	108%	CONSTRUCTION
Covenant Health	Tawa Center / Harley Court	48%	MEDICAL
CyberTech Automation	17533 - 106 Avenue	200%	ENGINEERING
DES Engineering	Coronet Building	46%	ENGINEERING
Group2 Architecture	100 Street Place	61%	ARCHITECTURE
Horton CBI Limited	Former Willbros Building	55%	ENGINEERING
Institute of Health Economics	Standard Life Centre	35%	HEALTH RESEARCH
Kingston Ross Pasnak	9Triple8 Jasper	57%	ACCOUNTING
Ledcor Group	Ledcor Campus	76%	CONSTRUCTION
Long View Systems	101 Street Tower	93%	INFORMATION TECHNOLOGY
Melcor Developments	Melton Building	58%	REAL ESTATE
MNP LLP	101 Street Tower	32%	ACCOUNTING
National Oilwell Varco	Meridian Plaza	42%	ENERGY
PCL	PCL Business Park	65%	CONSTRUCTION
Regus Business Centres	First Edmonton Place	66%	BUSINESS SERVICES
Scotia Capital	Bell Tower	15%	FINANCIAL
Select Engineering Consultants	Former Lloyd Sadd Building	134%	ENGINEERING
Tridon Communications	CityView Business Park	123%	COMMUNICATIONS
Zag Creative	Icon II	46%	MARKETING

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