

Edmonton Commercial Market Report

Quarter 2 2009

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City Centre Airport To Close In Phases



The City Centre Airport has been grounded.

City council today voted 10-3 to close the gateway – making room for a “transit-oriented” residential and commercial development. The closure will be done in phases, with one of the runways closing as early as this year. It could be decades before the airport is completely shuttered.

“Let’s not fool ourselves one bit at all,” said Mayor Stephen Mandel. “This is a motion to close the airport. “It might not be tomorrow morning ... but it gives us time to find solutions to some of the problems.” The decision was part of a last-minute “compromise” brought in by Coun. Ed Gibbons. It appeared to blind side those councillors pushing to keep the airport open, who unsuccessfully tried blocking Gibbons’ motion from being debated.

“I got this motion less than three hours before this hearing,” said a frustrated Coun. Linda Sloan, who along with Tony Caterina and Ron Hayter voted against the motion. Caterina – who raised the issue of expanding service at the airport shortly after being elected in 2007 – asked the matter be referred back to administration for more information, but the idea was quickly shot down.

The plan calls for the city to begin immediate discussions with Edmonton Airports to close runway 16-34. Negotiations will also begin with NAIT over plans to expand its campus onto airport property. The NAIT LRT line – still in the planning stages – may also be realigned using some of the freed up airport land. Medevac service will continue to use the remaining runway for the foreseeable future, but will at some point be moved to the International Airport or another regional airfield.

A date for the final closure will be determined by city council. Gibbons said that may not occur for another 15 to 35 years. The motion also calls for the city to be the developer of the property. Cal Nichols, chairman of the Alberta Enterprise Group – which was fighting to save the airport – called the decision “very disappointing. A recent city report suggested the 217 hectares of land near downtown could be transformed into a vibrant, “transit-oriented” community, home to more than 24,000 people, while putting up to \$335 million into city coffers.

Meanwhile, Mandel said he wasn’t worried about the future of the Edmonton Indy, which is held annually at the airport. “I don’t think that’s an issue we have to be overly concerned about,” Mandel told reporters today. He said it may be a decade or more before the airfield is decommissioned. “Who knows if the race will even be here then,” Mandel said. “I mean, races like all things have their life expectancy. So, that’s a pretty moot point at this time.”

Pushing Through The Lease Deals



**NORTH CENTRAL OFFICE LEASE -
2300SF 10810 - 119 STREET**



**OFFICE OR RETAIL FOR LEASE -
1625 SF TO 3000 SF 108 AVE 101 ST**

any changes in vacancy in Edmonton except in office space where more space is coming available real soon. Rental rates in all three are dropping just slightly a bit, and you will see some major inducements by the landlords to keep their center

In the leasing front, its not a torrid pace, but scattered deals are being done both in industrial, office and retail. We are still in for the long haul until the market improves. Retailers are still down 20% from last year, and its rather easy to find a contractor this summer. The signs of the time. If you read the latest edition of the Western Investor, they are painting the future of commercial properties in the U.S as bleak. Some of the highlights from the Western Investor:

Some 270.5 billion commercial property loans are going to become due this year and many borrowers won't be able to refinance. General Growth Properties, the second biggest landlord went into bankruptcy, the largest in US. history. Defaults on office, retail and industrial buildings have doubled and some regions being in the 80% percent range according to Reis Inc. Losses in real estate loans could hit 53 billion. Vacancy rates for office will hit 17.6%, 10.9% for retail, 12.6% for industrial and 7.7% for apartments. One example is Las Vegas with 24% of commercial properties in distress. Not good news. What does this mean for Canada and Alberta? Is it going to come north of the border? In our opinion, it will be the same effect as the housing market has went between the two country's. Canada has a different system, so we should weather the storm. We are going to feel the effects of less capital to finance projects as we are seeing now. The recession is going to be here for quite some time, but Alberta has the ability to turn it around quickly with the rise in the cost of oil. We don't see

Source - www.EdmontonRealEstateNews.com

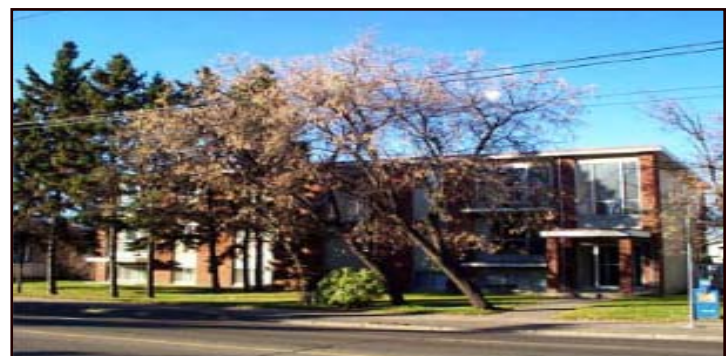
Multi-Family Housing Benefits Both Landlords & Renters

Despite economic uncertainty, the Edmonton Real Estate multi-family housing market in 2009 will bring some benefits to both landlords and renters, says a new report. "Billions of dollars have been invested in the economic growth of northern Alberta and, unless the worldwide demand for oil remains depressed, the long-term forecast for Edmonton will continue to be positive," said the annual Edmonton Apartment Report released Tuesday by Cushman and Wakefield. "As worldwide demand for energy grows, Alberta's economy will grow with it, and the jobs created and labour required will no doubt have positive effects on the multi-family market."

The apartment vacancy rate for 2008 was 2.4 per cent, up from 1.5 per cent in 2007 and 1.2 in 2006. For renters, the report forecasts, "increasing vacancy and competition from rented condominiums should curb rental increases." More landlords are predicted to offer incentives to renters - a practice that nearly vanished in 2006. During 2008, rents increased an average of 8.9 per cent year-over-year. Cushman and Wakefield forecasts an increase of 3.5 per cent for 2009.

Sales of Edmonton multi-family properties will likely remain below average in 2009 as high-leverage financing remains hard to get, the report said. "As prices continue to stabilize, investors remain cautious about entering the multi-family market," the report said. "Only those properties that are priced with reasonable rates of return, or those with superior quality and location, are attractive to purchasers." Sales volume in 2008 fell to \$218 million from \$990 million in 2007. Only 1,871 units were sold last year, down sharply from 8,474 in 2008. On the other hand, volatility in equity markets may push investors toward real estate and prices are predicted to continue falling, the report said.

Source - Global News



**WEST EDMONTON 10+ UNITS
\$100,000 PER DOOR**

Financing For Investment - Still Hard To Come By

The investment market is slow in terms of sales, but there are some good properties starting to surface in the market. However, financing is still hard to come by with the right terms. In Canada and Alberta things look rather stable, but the cap rates are still rising more in eastern Canada than anywhere else. It looks like in Alberta the cap rates are touching 8% for good AAA properties. If your a banker or purchaser it looks like a good time to buy, but if your a seller its just not viable at above 8% cap rates. Therefore, few sales are actually being made. *Source - www.EdmontonRealEstateNews.com*



BRUNSWICK MOTOR INN - VERMILION, AB
\$3,750,000



ESTABLISHED MOTEL - EDMONTON, AB
\$4,500,000

Simplify Your Alberta Industrial Property Purchase

There are two new tools brought into play by Alberta Environment to simplify, and reduce your risk in purchasing industrial property in Alberta.

1. Easy View of Environmental Site Assessment (ESA) history on a property. Using Alberta Registries Land Titles SPIN2 technology, the Environmental Site Assessment Repository allows you to search for a site by legal land description, municipal address or map. If information on a site is available, users can download, email and print relevant information and documents. The Environmental Site Assessment Repository is an online, searchable database that provides scientific and technical information about assessed sites throughout Alberta. Environmental site assessments determine the quality of soil and groundwater of a site, particularly at retail gas stations and other commercial and industrial sites. A site assessment does not necessarily mean a site is, or ever was, contaminated. Give it a try here: <http://environment.alberta.ca/2948.html>

2. Peace of Mind. Alberta Environment will now provide closure of regulatory liability against changing remediation guidelines through its new, Remediation Certificate Program. Remediation certification is a voluntary process that provides assurance that additional remediation is not required if remediation guidelines are amended or updated. Remediation certificates will provide lending institutions, investors, and the public assurance that substance releases have been remediated to the satisfaction of Alberta Environment for a defined land use. Initially, remediation certificates will be available for petroleum storage tank (PST), such as retail gas station sites. In the future, the program will be expanded to include upstream oil and gas sites. Site owners who wish to receive a remediation certificate must submit a remediation certificate application form and \$1,000 application fee. To support the program, Alberta Environment developed A Guide to Remediation Certificates for Petroleum Storage Tank Sites, Remediation Certificate Application Form, Third Party Risk Management Plan Agreement form, and a Fact Sheet. These documents are available at <http://environment.alberta.ca/3498.html>

Source - edmontonindustrial.wordpress.com



SPRUCE GROVE IND. LAND & BUILDING
\$1,750,000



INDUSTRIAL INVESTMENT PROPERTY
\$2,300,000

Working With RE/MAX Commercial Downtown



RE/MAX Commercial Services is Edmonton's only RE/MAX office that is 100% focused on Commercial Real Estate. Located in the heart of downtown Edmonton, we are fully connected to the pulse of the city and our professionals have the expertise to meet all your commercial real estate needs.

Our Agents specialize in Business and Investment Real Estate. Our services range from small business brokerage to mergers and acquisitions. Our client list ranges from private Edmonton (and area) firms to publicly-traded multi-nationals. Our key to success involves a customer-focused approach to everything we do, coupled with a Real Estate 'Brand' synonymous with respect, trust and integrity.

When you work with us, you can rest assured that you will be dealing with highly qualified industry specialists who are well versed with the Edmonton-area real estate and business market.

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