

Calgary Market Summary

Calgary continues to feel the effects of the recession. Lower commodity prices, declining investment and further job losses continue to challenge the economy. Calgary's GDP contracted by 2.3% in the second quarter of 2009 and the unemployment rate has doubled in a year to 6.2%.

In Calgary's commercial/industrial marketplace, notable trends this quarter include:

- An increase in the industrial vacancy rate to 5.22% in Q2 2009 from 4.96% in Q1 2009
- Continued downward pressure on rental rates/prices as the market adjusts to current economic climate
- Calgary experienced net absorption of -258,523 sq ft in Q2 2009 as a result of users bringing space back onto the market and a more challenging leasing environment

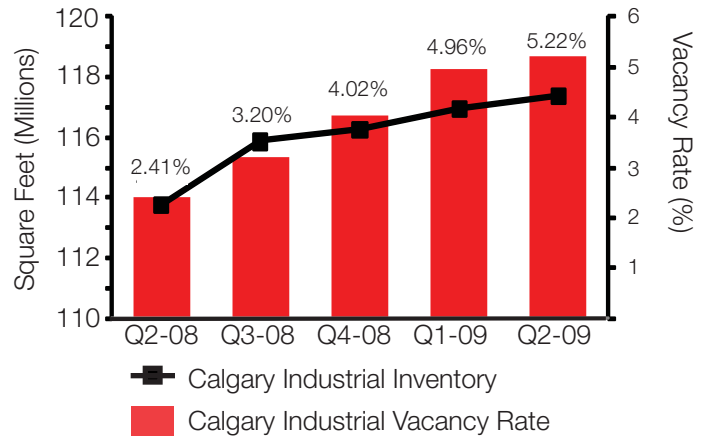
Large Bay Distribution

In the large bay distribution category competition for tenants remains strong. Many of the same buildings sit vacant today as did one year ago. There have been a limited number of transactions over 50,000 sq ft completed in Calgary marketplace in 2009 and pricing for this category remains challenging.

Notable figures within the large bay category include:

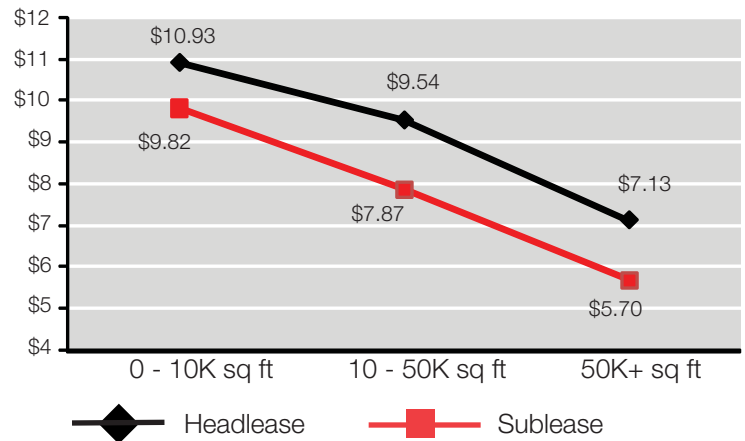
- 31 building options are currently available greater than 50,000 sq ft comprising approximately 3,000,000 sq ft
- Sublease space represents approximately 16% of this market (500,000 sq ft) while new space comprises 50% of the market (1,500,000 sq ft)
- A trend in this category for higher ceilings (30'-32'),

Vacancy Rate/Industrial Inventory



*Please note that Calgary Industrial Inventory includes surrounding cities such as Airdrie

Average Net Rental Rate Headlease vs. Sublease



*Please note that Average Net Rental Rate is calculated using asking rates, not finished deals

Economic Summary

	Canada			Alberta			Calgary		
	Q2 08	Q2 09	Trend	Q2 08	Q2 09	Trend	Q2 08	Q2 09	Trend
Real GDP	.1%	-2.2%	↓	-2.2%	-2.4%	↓	1.5%	-2.3%	↓
Unemployment Rate	6.1%	8.4%	↑	3.6%	6.6%	↑	3.1%	6.2%	↑
Employment Rate	64.3%	62.2%	↓	72.1%	70.0%	↓	73.8%	72.3%	↓
Inflation Rate	1.7%	.4%	↓	3.2%	.7%	↓	3.2%	1.61%	↓
Housing Starts	223,000	138,000	↓	10,792	3,125	↓	5,752	1,067	↓
Building Permits	5.759B	3.71B	↓	3.694B	1.788B	↓	1.328B	580M	↓

Sources: StatsCan, CMHC, Alberta Department of Finance, Calgary Economic Development

improved loading ratios and the option for trailer storage

- Greater spread in lease rates between existing vs. new product has become more dramatic

In response to the current conditions, landlords have become more aggressive, lowering asking rates an average of 15% while increasing incentives such as free rent and inducements. Going forward, tenants should benefit from decreased rental rates and increased real estate options. Developers have quickly delayed projects before moving onto the next phase of construction. There is a reluctance to bring new space onto the market without leases in place to fill vacant space. Look for built-to-suit options to become more popular, as in the case of Wal-Mart, who partnered with developer Stuart Olson to construct a \$115 million, 400,000 sq ft distribution facility in Balzac.

Small Bay

Interest in the small bay market continues to be active, although the pace of transactions has slowed and prices have declined. Recent trends in the small bay category include:

- Prices for empty shell space have fallen from \$190-210 per sq ft last year to \$165-180 per sq ft today
- Lease rates have remained constant, averaging above \$10 per sq ft in all quadrants of the city

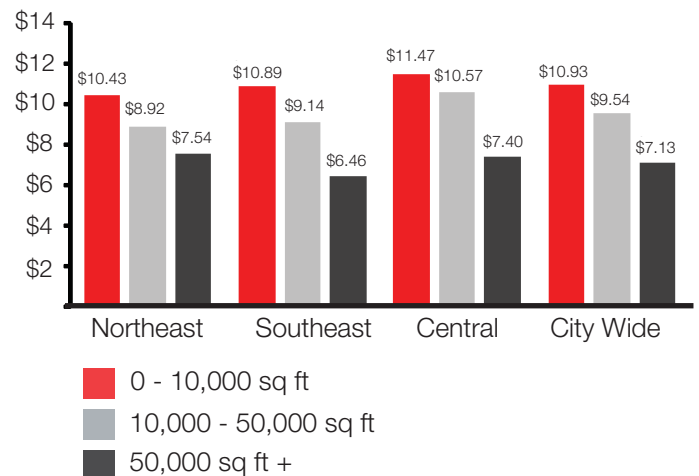
Owner/User

Sales activity within the owner-user market continues to be slow throughout the Calgary market. Purchasers are reluctant

to transact and are evaluating their real estate decisions with increased scrutiny. Many owners and developers have had to reduce asking prices to attract interest, making proper pricing and effective marketing top priorities in the sales process.

Financing continues to be an issue for many firms. Many companies are beginning to recover stranded equity and re-structure annual expenditures through methods such as consolidation, sale or sale/lease back of their real estate assets. With this said, purchasers with access to capital find themselves

Average Net Rental Rate - Q2 2009



*Please note that Average Net Rental Rate is calculated using asking rates, not finished deals

Top Industrial Sales - Q2 2009

Address	Size (sq ft)	Price	Price/sq ft	Lot Size	Vendor
* Westwinds Drive & 40 th Street NE	584,084	\$97,000,000	\$166	58.94 acres	Nortel Networks
* 2729 48 th Avenue SE	71,750	\$9,100,000	\$127	7.36 acres	Samuel, Son & Co.
4115 116 th Avenue NE	17,750	\$4,000,000	\$228	3.88 acres	Stampede Crane
3949 54 th Avenue NE	31,444	\$3,350,000	\$107	1.40 acres	Grant Metal Products
4750 30 th Street SE	12,220	\$2,500,000	\$205	2.01 acres	Western Crating

* indicates DTZ Barnicke deal

Development Projects

Name	Address	Size (sq ft)	Stage	Developer
Hopewell Distribution Park - Bld. A	5855 68 th Avenue SE	454,977	Pre-leasing	Hopewell Development
Canal Industrial Park - Bld. B	6980 108 th Avenue SE	404,077	Pre-leasing	Bentall
Rangewinds - Bld. F	5600 22 nd Street SE	137,260	Tenant Fixturing	SunLife Financial
Highland Park Bld. 1 & 2	East Lake Blvd. & Highland Park Way	57,942	Tenant Fixturing	Beedie Group
7th Avenue Office/Warehouse	2719 7 th Street NE	27,440	Tenant Fixturing	Private Group
Panterra 86	5830 86 th Avenue SE	20,640	Built to suit	Panterra

in a position to take advantage of lower prices, increased supply and motivated sellers.

Land

Since the current downturn took hold, demand for industrial land has fallen off considerably and there has been a number new projects put on stream adding to the supply of available lots:

- Serviced lots within the city limits start at \$500,000/acre
- Semi-serviced land along the 84th Street Corridor start at \$275,000/acre
- Serviced land in Airdrie/Balzac start at \$425,000/acre

The City of Calgary recently changed the business conditions for Eastlake Industrial Centre to help induce purchasers and spur interest:

Vacancy - Q2 2009		
Quadrant	Percentage	Square Feet
Northeast	6.20%	2,177,419
Southeast	6.04%	3,077,651
Central	3.10%	883,500
City Wide	5.22%	6,133,570

- Building commitment extended from 1 to 3 years
- No date for substantial completion
- Ended the tender process for land sales

The combination of increased supply, reduced prices and motivated vendors will provide purchasers with increased opportunities in the coming quarters.

Serviced Land for Sale

Name	Location	Address	Developer	Total Size
Wagon Wheel Industrial Park	Balzac	HW II & HW 262	Avenue Commercial	320 acres
Crosspointe Industrial Park	Balzac	HW II & HW 262	Hopewell Development	235 acres
Pointe North Business Park	Balzac	HW II & HW 262	Homburg-Centron	130 acres
Gateway Commerce Centre	Airdrie	HW II & Veteran's Blvd.	Citiland Group	54 Acres
Great Plains IV Industrial Park	Calgary	Glenmore Trail & 68 th Street SE	City of Calgary	218 acres
Eastlake Industrial Centre	Calgary	114 th Avenue & 52 nd Street	City of Calgary	430 acres

Top Land Sales - Q2 2009

Address	Size (acres)	Price	Price/acre	Vendor
11575 14 th Street NE	71.6	\$18,000,000	\$251,541	Intreo Corporation
261039 Wagon Wheel Road	29.1	\$11,632,000	\$399,601	Rocky Mountain Corporation
8018 Glenmore Trail SE	37.3	\$7,877,250	\$211,000	Private Investor
56 Technology Way SE	8.7	\$2,100,000	\$240,055	Walton International Group
39 Technology Way SE	8.0	\$1,932,000	\$239,851	Walton International Group

Source: RealNet Canada

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