



Economic Summary

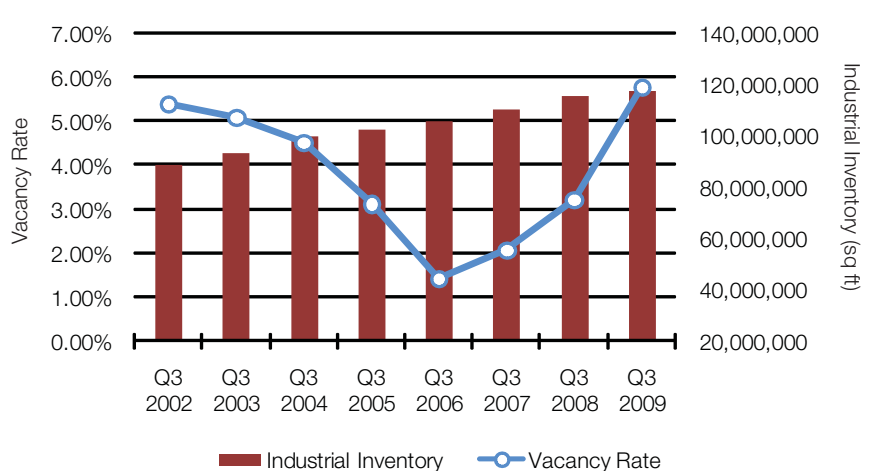
According to data released by Statistics Canada, in Q3 2009 Canada officially emerged from the recession. Posting real GDP growth of .1% in June, Canada continues to outperform other developed nations. In addition, the Canadian employment picture appears to be improving; 27,500 jobs were added to Canadian payrolls in August, and individuals making EI claims actually dropped by 31,500. The Canadian unemployment rate remains higher than a year ago, but at 8.4% it remains lower than the 9.8% unemployment rate in the US or 9.5% in the European Union. Furthermore, a recent report by TD Bank chief economist Don Drummond predicts Canada will grow at 2.5% in 2010, revised up from 1.4% just months earlier. Drummond predicts Canada's growth will be led by exports and a stronger than average domestic market. Canada's high currency and continuing uncertainty in the US market are cited as obstacles to a recovery.

What is true for Canada as a whole is equally true of Alberta and Calgary. According to the Conference Board of Canada, Alberta will recover faster than other Canadian provinces and is expected to grow at 3.3% in 2010 as world demand for oil and natural gas improves. Calgary is already showing signs of recovery. The Calgary Real Estate Board's September numbers show that year on year, residential sales volumes are up 12.4% and prices during the same period are up 1.1%. Calgary Economic Development forecasts that Calgary real GDP will grow at 1.2% in 2010, rebounding from a contraction of -2.5% in 2009. Calgary's unemployment rate remains elevated compared with this time last year at 7.1%, but again, this is below the national average and reflects the strength of the Calgary market. The value of commercial building permits in Calgary increased to \$277 million in September 2009 from \$246.5 million in August 2009. Depressed natural gas prices, the high dollar and pending US climate legislation are mentioned as impediments to an economic rebound.

Vacancy Rate by Industrial Area		
	Q3 2009	Trend
Northeast	6.54%	↑
Southeast	6.75%	↑
Central	4.35%	↑
City Wide	5.77%	↑
Net Absorption	-263,808 sq ft	

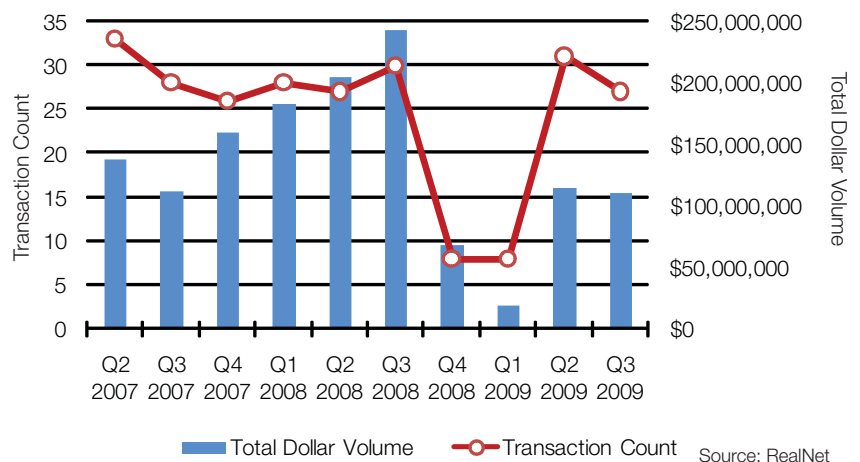
Source: DTZ Barnicke

Vacancy and Industrial Inventory



Source: DTZ Barnicke

Investment in Industrial Real Estate



Source: RealNet

Calgary Industrial Market Summary

Calgary's industrial vacancy rate continues to rise, currently sitting at 5.77%, up 55 basis points from last quarter and 257 basis points from one year ago. Despite the increase in vacancy, the Calgary market remains healthy as inventory growth has slowed considerably in response to reduced demand. Investment in industrial real estate has rebounded; the total dollar volume of transactions bottomed out at just \$19 million in Q1 2009, but has jumped above \$110 million for the previous two quarters. The amount of sublease space on the market continues to increase, currently totaling 15.3% of the total available sq ft in the city. Net absorption Q3 was -263,808 sq ft, as firms gave space back to the market and new projects work to secure tenants.

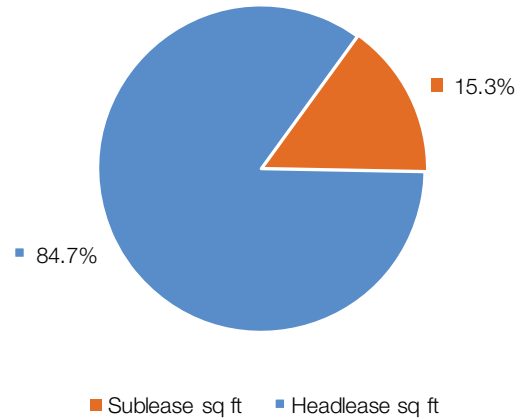
On the tenant side, interest has picked up and there is a more positive business outlook going forward. Despite this renewed optimism, decisions makers continue to evaluate any real estate decision with great scrutiny. Firms are making sure they have the necessary cash flow to support any new real estate expansion. In addition, users are very price sensitive and continue to look for bargain properties or heavy discounts. Finally, unless there are significant savings or operational efficiencies to be realized, renewals are seemingly less risky and often more attractive to tenants than relocating and taking on new space.

Developers and landlords have reacted to a very different leasing atmosphere. Due to the continued lack of new prospects and a more competitive leasing environment, many landlords have become more motivated, realistic and flexible when dealing with tenants. The spread between asking rates and rates at which a deal can be commenced have narrowed; additionally, incentives such as free rent, tenant inducements and rights have become more prevalent. Existing tenants have found themselves in a strong position as landlords look to renew their tenants early in order to maintain cash flow and occupancy levels. Landlords have become increasingly aware of their competition and have adjusted their rates and strategy accordingly. Inventory growth has levelled off sharply as developers have shown little appetite for bringing speculative space onto the market; projects are being pushed to the point where building can commence, but developers are waiting for the economic climate to improve or have substantial pre-leasing in place prior to breaking ground.

Increased competition for tenants, rising levels of sublease space and a less robust economic environment have forced lease rates down; rates have declined approximately 20% across the board from their highs. Many landlords have begun advertising lower rates and incentives in order to attract interest. The most dramatic difference in lease rates has occurred in the large bay market (50,000 sq ft +), with numerous options available, including many subleases and a large number of new buildings. While there has been a reduction of lease rates, we have yet to see "fire sales" in the head-lease market; instead, rates have declined gradually across all categories.

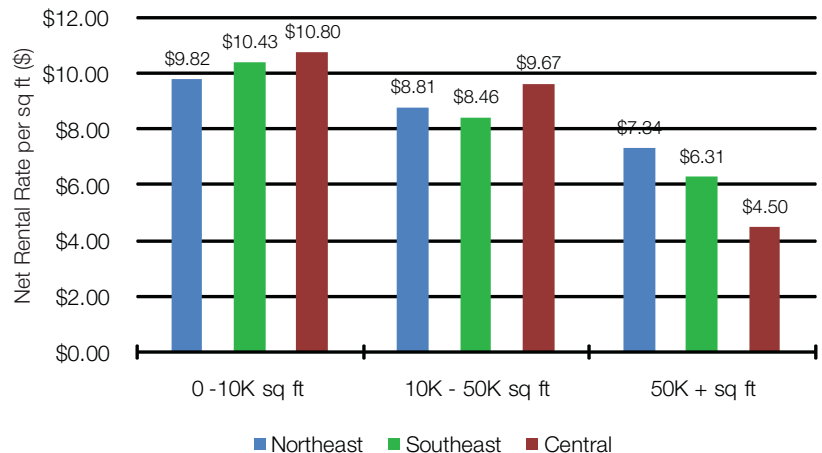
Sales have picked up from their lows in Q1 2009; the total transaction count has more than tripled from a low of 8 in Q1 2009 to 31 in Q2 2009 and 27 in Q3 2009. Dollar volumes

Ratio of Space by Lease Type



Source: DTZ Barnicke

Average Net Rental Rate (Asking)



Source: DTZ Barnicke

are also rebounding to pre-recession levels, although have yet to reach the highs experienced late 2007 and early 2008. The average price for industrial condos in Calgary ranges from \$145 - \$170 per sq ft for undeveloped space, while developed space sells in the \$175 - \$200 per sq ft range. For larger buildings the spread is more dramatic: \$85 - \$130 per sq ft. This larger spread is can be attributed to factors such as site size, building age, exposure and future development potential. Finally, in response to tighter credit conditions, vendor financing is become more common in the sales process.

Demand for industrial land has fallen off dramatically in the past few quarters and a number of new parcels have been brought on stream adding to the supply. Serviced lots within the city limit start at \$500,000 per acre and climb to over \$800,000 for prime locations within the city. Semi-serviced land along the 84th street corridor starts at \$275,000 sq ft per acre. In Airdrie/Balzac, serviced land starts at \$425,000 per acre but can be priced as high as \$650,000 depending upon access and exposure.

Existing New Development				
Project	Developer	Size (sq ft)	Area Vacant	Percent Leased
Stoney Industrial Centre	WAM Developments	1,111,627 sq ft	316,435 sq ft	71%
Great Plains Distribution	ING-OPUS	657,800 sq ft	473,000 sq ft	28%
TCC AirFreight & Logistics Centre	Trammell Crow	503,729 sq ft	247,229 sq ft	51%
Rangewinds Industrial	Sun Life Financial	456,461 sq ft	137,260 sq ft	70%
Hopewell Airport Park	Hopewell Development	308,832 sq ft	112,319 sq ft	63%
Canal Industrial Park - Building A	Bentall LLP	226,897 sq ft	53,474 sq ft	76%

Planned Industrial Developments			
Project	Address	Developer	Size
Canal Industrial Park - Building B	68 th Street & 108 th Avenue SE	Bentall LLP	404,077 sq ft
Hopewell Distribution Park - Phase II	5855 - 68 th Avenue & 7000 57 th Avenue SE	Hopewell Development	853,780 sq ft
Wagon Wheel Industrial	261216 Wagon Wheel Road	One World Developments	310,150 sq ft
Wagon Wheel Industrial	SW 11 Blk 3 Lots 1, 2, 6 & 7	GPM	456,300 sq ft

Planned Industrial Parks			
Project	Address	Developer	Size (acres)
Points North Business Park	HWII & HW 567	Centron-Homburg	130 acres
Saddleridge Business Park	80th Avenue & 40th Street NE	Verus/ING	300 acres
Oxford Airport Park	HW II & Country Hills Boulevard NE	Oxford Properties	201 acres

Top Industrial Sales - Q3 2009					
Address	Size (sq ft)	Price	Price/sq ft	Lot Size	Vendor
4100 Westwinds Drive NE	302,135	\$25,825,000	\$85	15.84 acres	Grosvenor Canada Limited
7007 54 th Street SE	177,747	\$20,100,000	\$113	9.6 acres	Hopewell Development Corporation
8816 40 th Street SE	19,350	\$5,760,000	\$298	4.75 acres	Mullen Group Inc.
3716 64 th Avenue SE	56,000	\$4,975,000	\$89	4.0 acres	GMW Properties Limited
3651 23 rd Street NE	49,356	\$4,650,000	\$94	1.7 acres	Kings Fashion Manufacturing

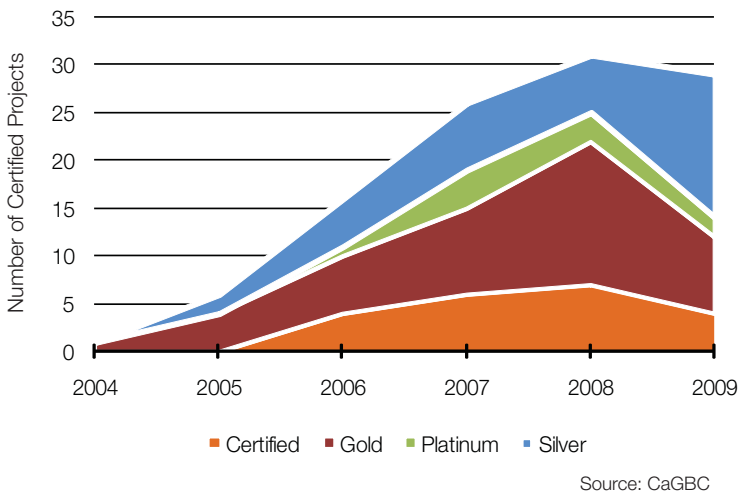
Source: RealNet

Green Building Trends In Canada - LEED

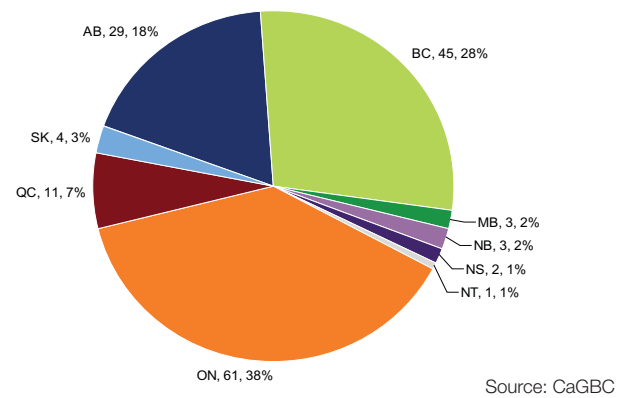


- LEED stands for Leadership in Energy and Environmental Design
- LEED is a green building rating system, based on a collection of standards in multiple categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality

LEED Certified Projects in Canada



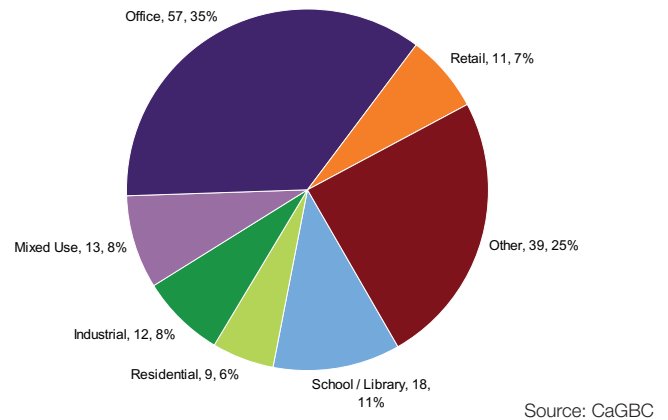
LEED Certified Projects by Province



Notable Points on LEED Trends

- A better understanding of the requirements and costs involved in achieving a LEED certification from consultants, architects, interior designers, contractors, developers and end users is enhancing registration and the certification target
- Trends show "Silver is the new certified, and Gold is the new Silver". Growth in projects achieving certified status has flattened as more users opt for silver or greater levels of certification
- LEED Commercial Interiors (CI) is gaining momentum. LEED for Commercial Interiors is the green certification system for the tenant improvement market offering a benchmark for more workable and sustainable workplace environment

LEED Certified Projects by Building Type



DTZ Barnicke Industrial Team

Brent Johannesen

brent.johannesen@dtzbarnicke.com

Direct Tel: 403 508 6470

Dave Jorgensen

dave.jorgensen@dtzbarnicke.com

Direct Tel: 403 508 1219

Lukas Mayer

lukas.mayer@dtzbarnicke.com

Direct Tel: 403 355 8933

Drew Gilbertson

drew.gilbertson@dtzbarnicke.com

Direct Tel: 403 508 1217

Rob Kutos

rob.kutos@dtzbarnicke.com

Direct Tel: 403 355 8929

VJ Tukkimaki

vj.tukkimaki@dtzbarnicke.com

Direct Tel: 403 355 8925

Tyson Vandament

tyson.vandament@dtzbarnicke.com

Direct Tel: 403 517 2660

DTZ Barnicke

810 - 715 Fifth Avenue SW
Calgary, Alberta, Canada T2P 2X6

Tel: 403 508 1215

Toll Free: 1 866 508 1215

Fax: 403 508 2675

Disclaimer

This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, DTZ Barnicke can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this report. Information contained herein should not, in whole or part, be published, reproduced or referred to without prior approval. Any such reproduction should be credited to DTZ Barnicke.

© DTZ Barnicke Limited, Real Estate Brokerage 2009