Calgary

*Statistics refer to Greater Calgary Area

Population*	Office vacancy	Industrial inventory
1 million	3%	106.8 million sq ft
Office inventory	**CBD Class A vacancy**	**Industrial vacancy**
48.5 million sq ft	2.5%	2.1%

Christopher Ridabock

Market overview
Calgary shows no signs of cooling. Despite record rents, demand for new buildings and expansion space remains strong. Robust consumer spending, record low unemployment and the strength of the energy-related activities across the province continue to support tight market conditions. Calgary continues to attract energy companies and investors from around the world. The economy expanded by 4.4% in 2007 and is expected to grow by 4.3% in 2008.

As a result of booming conditions, the residential market is seeing strong price gains and strong demand for both single family and multi-family product type. It is not uncommon to see projects sell out within days of being launched. Condo pricing is now in the $400 per square foot range and rising with some high-end luxury projects pre-selling close to $1,000 per square foot range. A live/work trend is beginning to emerge as commuting to the downtown core becomes more difficult given increasing traffic congestion.

Office market
Office vacancy was a mere 3% at the end of Q3 2007, up 1.3% year over year from the start of the year as the first of the new construction came on stream. Over 2.8 million square feet was added to the inventory in 2007, the majority added to the downtown market without any significant impact in overall vacancy. Calgary continues to boast one of the tightest office markets in Canada and asking rates have felt significant upward pressure as a result. Average office net rental rates are now in the mid-$40 per square foot range and reach upwards of $60 per square foot for coveted AA class space, if you can find it. Interest in the Beltline and suburbs continues to grow as tenants look for more cost effective options. However, pricing has been on the rise in these locations as well.

There is some relief in sight, with roughly 9.4 million square feet of new supply currently under construction for delivery between Q4 2007 and 2011, of which 22% is build to suit. Pre-leasing activity for this supply has been extremely strong given the level of pent-up demand in the market.

Industrial market
The industrial market remains one of the tightest in North America with vacancy well below 2%. Demand for new space in the Southeast and the Northeast is strong. Hopewell, Remington and WAM are the most active developers with large scale projects at lease rates approaching $7 per square foot for high-end distribution, warehousing and logistics space. Industrial serviced land is in short supply and high demand, with pricing reaching record levels over the last two years, nearing $650,000 per acre for the highest exposure sites and $450,000 for premium sites. The city of Calgary recently released phase 3 of the Eastlake Industrial Centre to the public. This final phase contains 26 lots on approximately 73 acres of land.

Distribution is one of the fastest growing sectors in the industrial market and as such there has been significant development surrounding the airport. Among the airport projects is the Trammell Crow Airport Logistics development which has received positive response from the market, and construction on the next phase is anticipated soon.

Investment market
The overall investment climate remained strong in 2007. Transaction volume was high and prices continued to rise on the basis of both lower yields and massive rental rate increases across all markets. Expect more of the same in 2008. However, there are likely to be changes on the horizon as the growth of rental rates is likely to moderate as more leases roll over into the new rental rate reality of the Calgary market.

Retail market
With the overall strength of the Calgary economy, low unemployment and increased disposable income, retail demand remains solid. Retail sales were up 8% in 2007 and another strong year is forecast for 2008. Shopping centers remain a prime target for investors and some are being purchased for upgrading opportunities and mixed use future development. With significant residential condo development near the Stampede Grounds, at Stampede Station, and throughout the Beltline area, it is likely that we will be seeing more land acquisition for better quality retail use.

Sponsored by the United Horsemen of Alberta, in conjunction with Ivanhoe Cambridge, CrossIron Mills, a 1.4 million square foot super-regional retail and entertainment complex will be moving ahead after finally receiving its needed water allocation.