

The Industrial Report

FALL 2011



Intelligent Real Estate Solutions

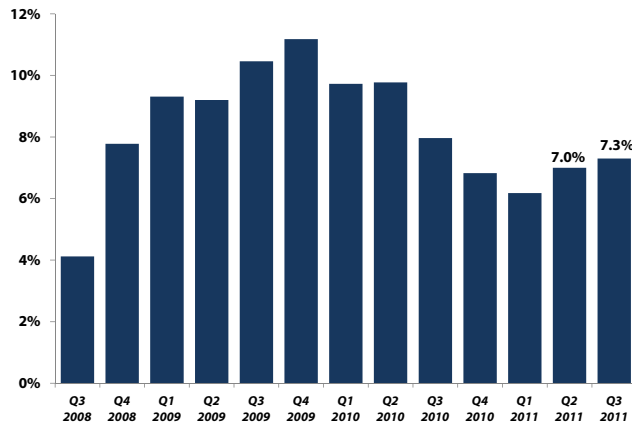
The Calgary Industrial Market In Review

Industrial Availability - 4.4%

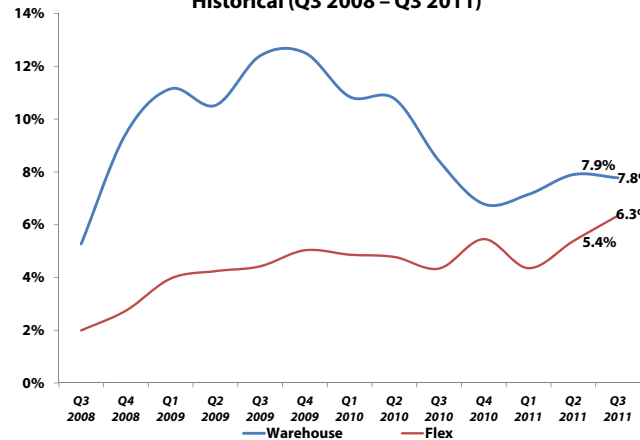
In the fall of 2011, Calgary's industrial market continued its modest growth with the third consecutive quarter of declining availability. Long-term vacancy has been trending downward since the end of 2009, spurring a construction cycle from which new developments are now coming to market. This has applied upward pressure on vacancy rates despite positive overall absorption. Expect new supply from WAM, Hopewell, Oxford and Tonko to keep availability stable in the 4% range through 2012.

The Calgary economy in general has experienced noticeable growth through 2011 and clearly remains attractive to investment. However, an uncertain American economic recovery is tempering expansion. Forecasts of sustained high oil prices and projections for drilling activity have prompted spinoff industries to expand accordingly, albeit with caution. It is difficult to imagine momentum continuing at the current rate with such uncertainty amongst our most important trading partner. Owing to the American recession, total value of exports has diminished slightly since last quarter while wholesale trade and the value of manufactured goods continue to increase. "Cautious optimism" is the best way to characterize the current economic dynamic which is reflected in the steadily declining industrial availability rate.

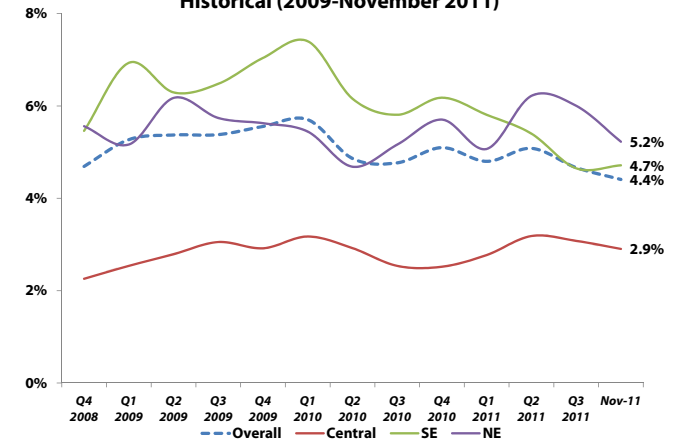
Avison Young Industrial Vacancy Index*
Historical (Q3 2008 - Q3 2011)



Avison Young Industrial Vacancy Index*
By Type
Historical (Q3 2008 - Q3 2011)



Calgary Industrial Availability
By Region
Historical (2009-November 2011)



* This index is a composite of the vacancies of the largest multi-tenant landlords in Calgary. These 21 Landlords represent the majority of the active leasing market.

Vacancy

Including sublease space, industrial market availability in Calgary has continued to decline at a modest rate since early 2010 with availability reaching 4.4%, a slight drop of 0.2% from the second quarter of 2011. There has been remarkable long-term stability in the industrial leasing market with overall availability resting between 4% and 6% for the past three years. In Calgary's major sub-markets, the Southeast has been the most dynamic in this measure, dropping from 6.2% available to 4.7% in the past year. In the same period, the Northeast has dropped from 5.7% to 5.2% and the Central region has seen a marginal increase in available space from 2.5% to 2.9%

Avison Young's Industrial Landlord Vacancy Index* for fall 2011 is 7.3%. This index is a survey of the portfolios of the 21 largest landlords in Calgary, which represent approximately 35% of the city's industrial inventory and the majority of the leasing activity taking place. Index vacancy up from 7.0% in third quarter 2010, and down from 8.0% one year previous. This minor vacancy increase can be more accurately attributed to new supply coming off the current construction cycle rather than a softening of the market.

The vacancy index can also provide a more sensitive view of vacancy by product type. There are two main types of industrial space: flex and warehouse. Flex space is typically defined as smaller (less than 10,000 sf) bays with a higher proportion (greater than 25%) of showroom and/or office space, whereas warehouse space is typically in larger format buildings with relatively little office and/or showroom space. Warehouse style product currently has an index vacancy of 7.8%, whereas flex style product has an index of 6.3%. The flex index vacancy rate has increased from 5.4% in the second quarter to 6.3% in November while the warehouse index has largely stabilized in the 7% range.

Net Rental Rates

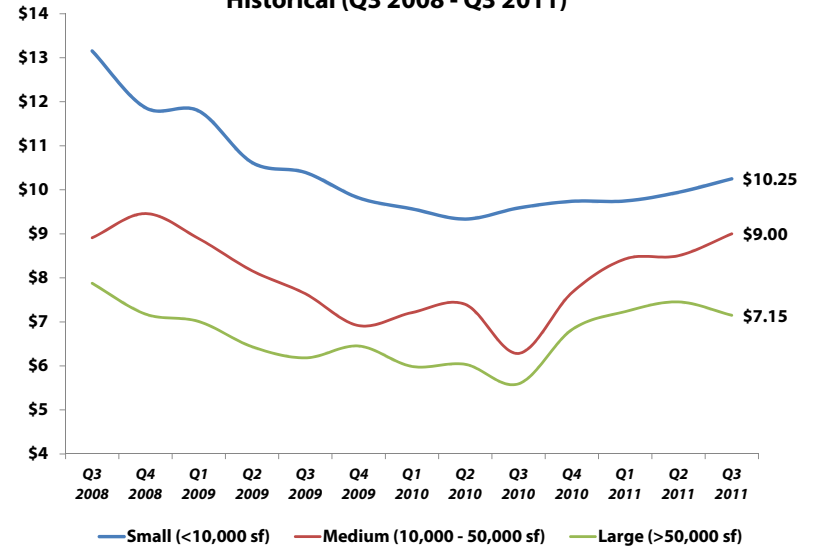
Asking rental rates have seen incremental increases since reaching recent lows in early 2010. The average asking rate for space less than 10,000 sf was \$10.25 in November 2011. For space between 10,000 and 50,000 sf the average asking rate was \$9.00 psf. Spaces greater than 50,000 sf in area have actually seen a slight drop in asking rental rates having dropped slightly to \$7.15 psf net from \$7.45 in the second quarter of 2011.

Operating costs and taxes have also been on a slow increase through 20110. Tenants occupying space less than 10,000 sf can expect to pay an average of \$3.85 psf per annum in addition to the negotiated net rent. Spaces between 10,000 and 50,000 sf have an average operating cost of \$3.43 psf and when looking at space greater than 50,000 sf the average is \$3.09 psf. The overall average rate for taxes and operating costs across all surveyed properties in Calgary is \$3.40 psf.

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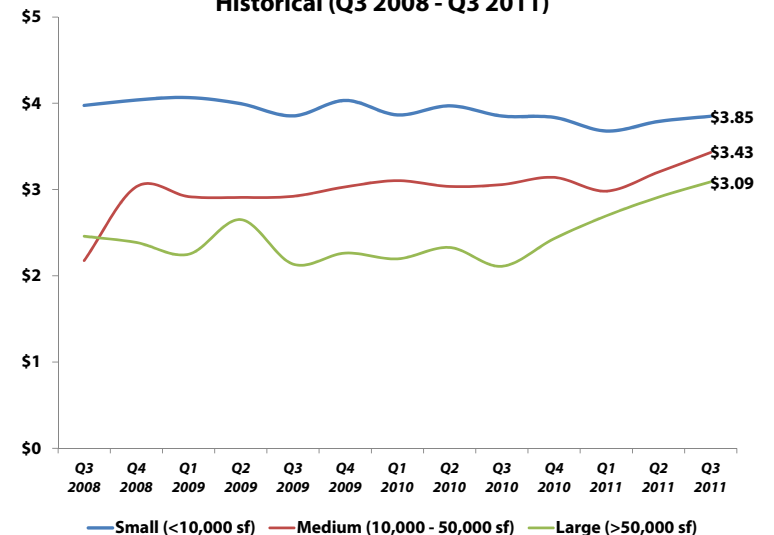
Calgary Industrial Asking Lease Rates By Size

Historical (Q3 2008 - Q3 2011)



Calgary Industrial Average Additional Rent By Size

Historical (Q3 2008 - Q3 2011)



Current Industrial Development

Currently, Hopewell, Tonko, Oxford and WAM all have industrial properties in various stages of phased development. Significantly, most of this new development is taking place in the Northeast near the airport. Since the second quarter, a few notable new buildings have been completed. These include WAM's "Building-4" in the Stoney industrial park and Hopewell's "Building-D" in the Airport Park. These buildings alone represent 0.5% of Calgary's industrial market.

Hopewell has recently completed "Building-D" in their airport park just east of Barlow Trail and south of Country Hills Blvd. This general warehouse property is set for tenant occupancy in February of 2012 and about 70% of the 147,000 sf building is still available for lease. "Building A" of Hopewell's Great Plains development will be the first of three to come to market, adding 455,000 sf to industrial inventory in the south by the spring of 2012. Buildings "B" and "H" will together add an additional 567,000 sf of warehouse however construction timelines are yet to be determined.

In the early development stages is Oxford's Airport Business Park development, a mixed use development to be located northwest of airport trail and 19th street NE. Phase 1 of this development includes two industrial buildings: "B1" and "F" which together will add an additional 536,000 sf of warehouse space to the growing airport industrial region in Calgary's northeast.

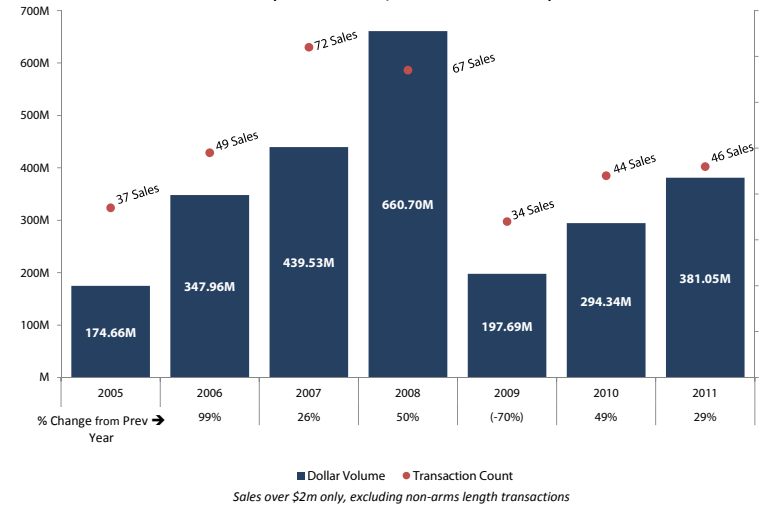
WAM Development has recently completed "Building 4" at Stoney Industrial Park, a 436,000 sf warehouse building in Calgary's northeast which is now available for lease. Currently in development, Tonko's Starfield Logistics Center in southeast Calgary will be comprised of 900,000 sf of industrial space upon completion. The initial phase of this development will be available for occupancy as early as the fourth quarter of 2012.

Industrial Property and Land Investment

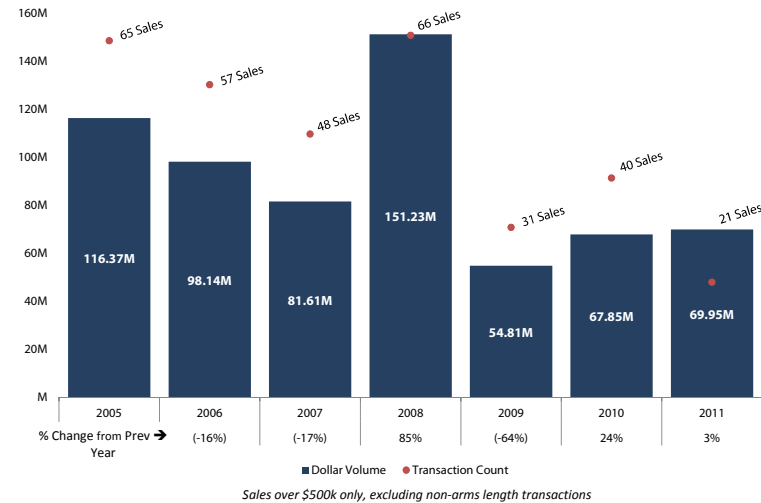
As of November 2011, industrial building sales have increased from 2010 levels in terms of both dollar volume and transaction count. However, the average price has declined from \$148 per sf in 2010 to \$124 per sf in 2011. After taking a massive hit in 2009 when industrial building sales dropped 70% from previous levels, investment activity has been on a steady and stable recovery. In 2011, 46 sales (valued \$2million and above) together valued at \$380 million represent a 29% increase in total dollar volume over 2010.

The trend of industrial land sales shows a similar story of recovery after 2009 as total dollar volume has been increasing steadily. Investment certainly hasn't recovered to 2008 levels; however, the past three years have been trending in the right direction. As of November 2011, there has been \$70 million in Calgary industrial land sales, a marginal increase of 3% over 2010 levels.

Calgary Industrial Property Sales Tracking
(Sale Prices of \$2 Million and Above)



Calgary Industrial Land Sales Tracking
(Sale Prices of \$500 Thousand and Above)



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AVISON YOUNG FEATURED INDUSTRIAL LISTINGS



2.54 acres up to 26.96 acres (+/-)
Springbank Commercial Park
Hwy 1 & RR 33
Sale or Lease Opportunity



6110 - 44th Street SE
Condo Bays: 9,157 SF - 41,114 SF
Foothills Industrial
Sale Opportunity



260129 Dwight McLellan Tr, Balzac, AB
151.51 Acres
Sale Opportunity



155 Acre Development Site
Stonegate Industrial
High profile on Country Hills Blvd
Development Opportunity



7111 - 6th Street SE
24,388 SF
Foothills Industrial
Leasing Opportunity



6810 - 6th Street SE
5,280 SF - 31,470 SF
Foothills Industrial
Leasing Opportunity



7005 - 6th Street SE
1,700 SF - 11,406 SF
Foothills Industrial
Leasing Opportunity



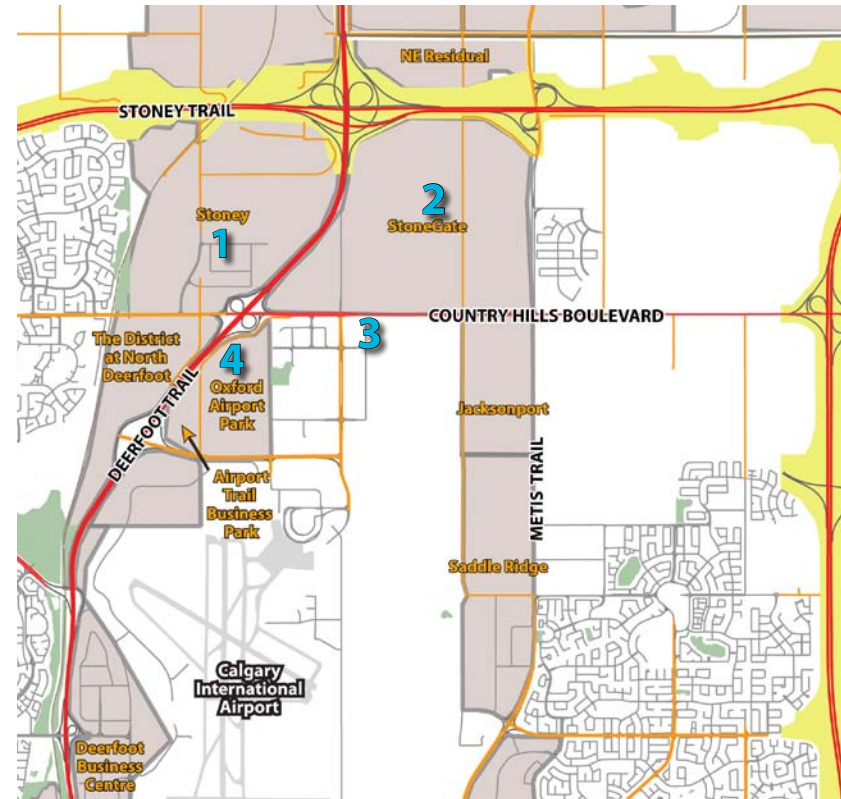
6812 - 6th Street SE
1,103 SF - 9,926 SF
East Fairview
Leasing Opportunity



503 Railway Avenue, Langdon, AB
10.59 acres 16 km east of Calgary
Sale Opportunity

City of Calgary

Noteworthy NE Industrial Developments



1. WAM Development - Stoney Industrial Park
2. WAM Development - StoneGate
3. Hopewell Development - Hopewell Airport Park
4. Oxford Properties - Airport Business Park

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