

The Industrial Report

Mid-Year
2011



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The Calgary Market Overview

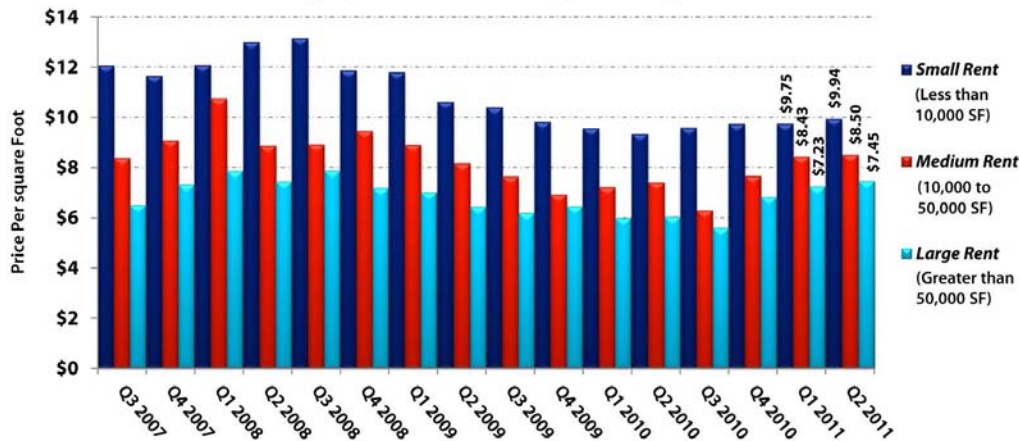
Vacancy based on the Avison Young Calgary Industrial Landlord Vacancy Index* increased to 7.0% for the second quarter of 2011. Consistent with historical trends, the central district had the lowest vacancy at 3.8%, followed by the Southeast at 6.4%, and the Northeast at 9.6%. It is worth noting that prior to the increase for the second quarter, overall vacancy actually decreased from 6.8% at the end of 2010 to 6.2% in the first quarter of 2011. This is reflected through the increase in overall average asking rate from \$7.54 per square foot (psf) at year end 2010 to \$8.33 psf in first quarter 2011, and \$8.47 psf in the second quarter. The sudden increase in vacancy for this quarter can primarily be attributed to a few large pockets of space 100,000 square feet (sf) or greater in size that have become available through major landlords.

Notable 2011 Mid-Year Industrial Lease Deals

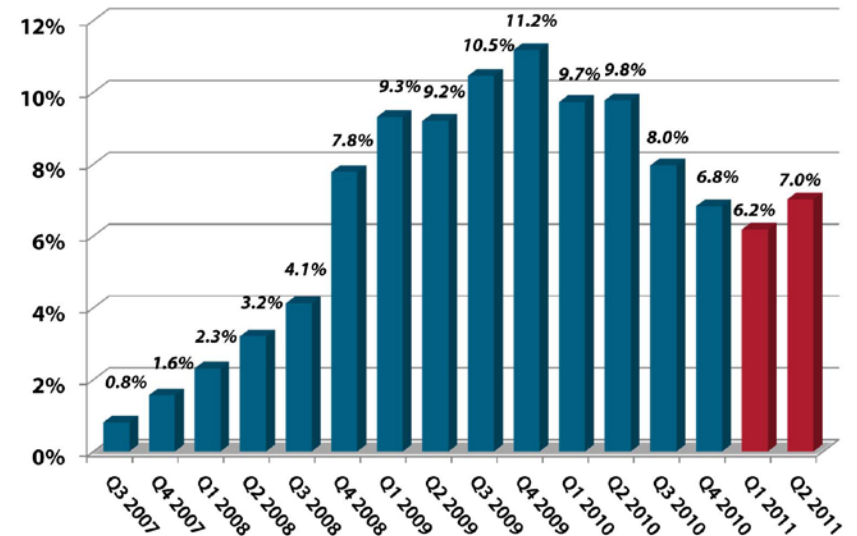
Tenant	Building	Area Leased (SF)	Lease Type
Flexpipe Systems	3501 - 54th Avenue SE	142,000	Renewal
CGC Inc.*	5025 - 52nd Avenue SE	71,000	Expansion
Premium Line Express Inc.*	4447 - 46th Avenue SE	49,000	New
Thermon Canada	3110 - 14th Avenue NE	46,000	Renewal
Corporate Express Canada Inc.*	2305 - 22nd Street NE	41,000	Renewal

* Indicates transactions Avison Young was involved with.

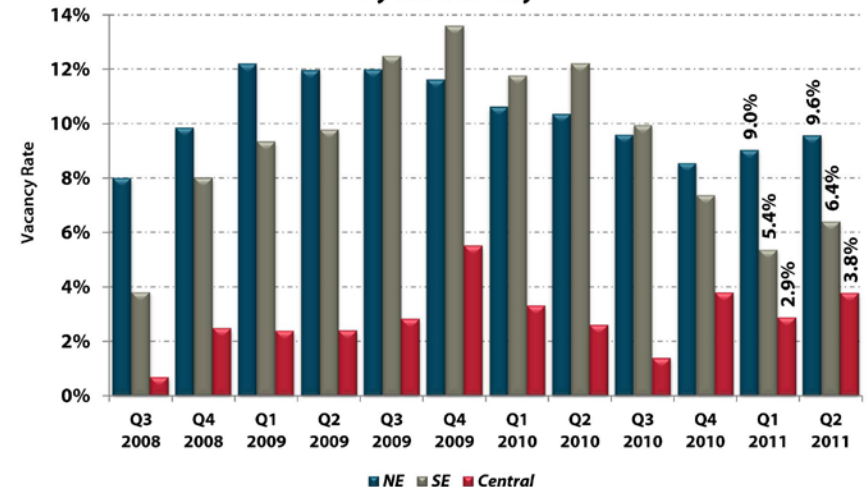
Calgary Industrial Average Asking Rents



Avison Young Calgary Industrial Landlord Vacancy Index*



Avison Young Calgary Industrial Landlord Vacancy Index* By Area of City



* 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.

Economic Indicators

The relationship between Calgary's industrial real estate market and Alberta's economy is evident through a few key economic indicators. As wholesale trade dollar volume in Alberta began to rise in September 2009, vacancy began its decline shortly after. The same correlation can also be found with manufacturing shipments. Both economic indicators appear to be trending upwards long term, as strengthening of the economy is expected to continue. Statistics Canada's Labour Force Survey for July 2011 reported that employment rose by 12,000 in Alberta, the third consecutive monthly increase. Alberta's 3.8% growth rate over the last year is substantially higher than the national average of 1.5%, and also the highest of all provinces. While vacancy increased for the second quarter, long term trending based on key economic indicators and vibrant leasing activity in the market points to lower vacancy going forward.

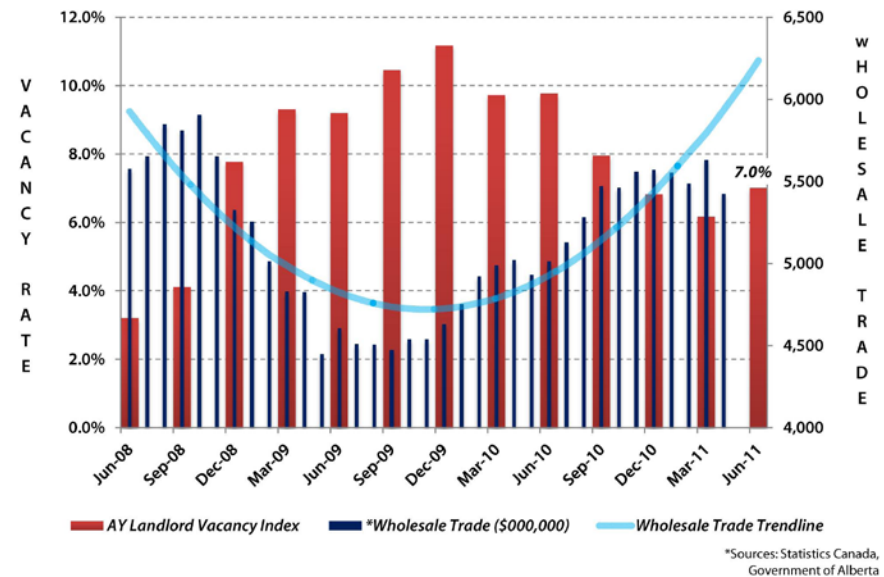
Capacity utilization in Canada increased from 72.8% in the fourth quarter of 2009 to 76.4% in fourth quarter 2010, according to compiled data from Statistics Canada. The computer and components sector operated at 97% capacity, the highest of all sectors. Other well performing sectors include paper at 87%, clothing at 85%, and rubber products at 83%. The oil and gas extraction sector, particularly indicative of the Alberta economy, operated at 84% capacity. As utilization rate rises, businesses will be pressured to expand and build to accommodate demand from the market. This is anticipated to ramp up demand for construction going forward, with the sector operating at 73% capacity in fourth quarter 2010. There are already signs in the market of this taking place with multiple industrial development projects under construction in Calgary.

Current Industrial Developments

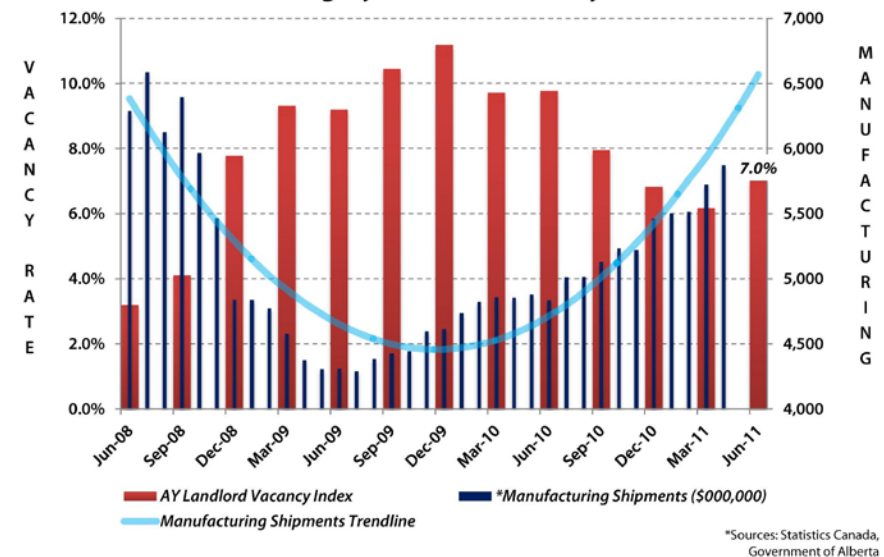
There are currently 4 active industrial developments in the Northeast quadrant; with another located just beyond the city limits. The Calgary Airport Authority recently broke ground on the second phase of the global logistics park. Located just inside the corner of Deerfoot Trail and Airport Trail, the 331 acre development will provide space for airside as well as warehouse & distribution operations. The airport tunnel agreement between the City of Calgary and the Airport Authority is advantageous for boundary areas in the Northeast and extended out skirts in the long term through increased labour accessibility. Combined with a healthy consumer retail market, Calgary continues to cement its status as a viable regional hub for the transportation of consumer and industrial goods.

WAM Development has begun construction of building-4 in Stoney Industrial. A certified candidate for Leadership in Energy and Environmental Design (LEED), the property is expected to add 436,000 sf to the market in late 2011. Building-D in phase-2 of Hopewell Airport Park is also expected to add 150,000 sf in late 2011. Oxford Properties' Airport Business Park is also expected to deliver 395,000 sf to the market early 2012. When fully developed, the multi-phased development will include 3.3 million sf of warehouse space.

Alberta Wholesale Trade & Calgary Industrial Vacancy



Alberta Manufacturing Shipments & Calgary Industrial Vacancy



The previously announced \$200-million CN Logistics Park located just east of Calgary also broke ground with expected completion in late 2012. The intermodal yard site will include over 2 million square feet (msf) of warehouse space over 680 acres, with room for the construction of on-site distribution centres. Key benefits include proximity to the Calgary International Airport and easy access to the Transportation Utility Corridor (TUP). Potential sale of CN's current Sarcee yard in the Southeast also presents future real estate opportunities. Meanwhile, the City of Calgary has begun marketing the 220 acre Dufferin North lands adjacent to the CPR intermodal facility in Southeast Calgary.

Industrial Buildings

There were 29 sales of industrial buildings in Calgary for the first 6 months of 2011, with total dollar volume of \$177 million dollars. While average price per transaction decreased slightly from 2010, average price per square foot remained steady at \$116 per square foot (psf) for 2011 thus far compared to \$118 psf for 2010. The majority of sales occurred in the second quarter of 2011, with 17 transactions and \$84 million dollars in volume. Along with the economic recovery, additional demand has been seen from the oil and gas sector and segments of distribution businesses. This is particularly true for freestanding buildings with large yard space, in which there is a shortage. This in turn has caused an increase in demand for industrial land, particularly in newer industrial areas located in the Northeast and Southeast quadrants.

Industrial Land

During the first half of 2011, there were 11 transactions with sale prices of \$500,000 and up in the City of Calgary. There were 6 sales of serviced land, 2 sales of unserviced land, and 3 sales of partially serviced land. The city currently has a very limited supply of partially serviced land within the city limits. This is directly reflected in the increase of average price per acre of partially serviced land to \$548,214, while the average price per acre of unserviced land decreased to \$131,088 for the quarter. The decreasing availability of serviced land is also reflected in the increase of average price per acre in the city overall. This is the case across all districts of the city, the Southeast and Northeast quadrants, for which sales were recorded. It remains to be seen what impact the phased multi-year increase of development levies in suburban areas approved by City Council might have on the market. Going forward, it is possible for the price of serviced land in the city to increase as a result of the higher cost of land development.



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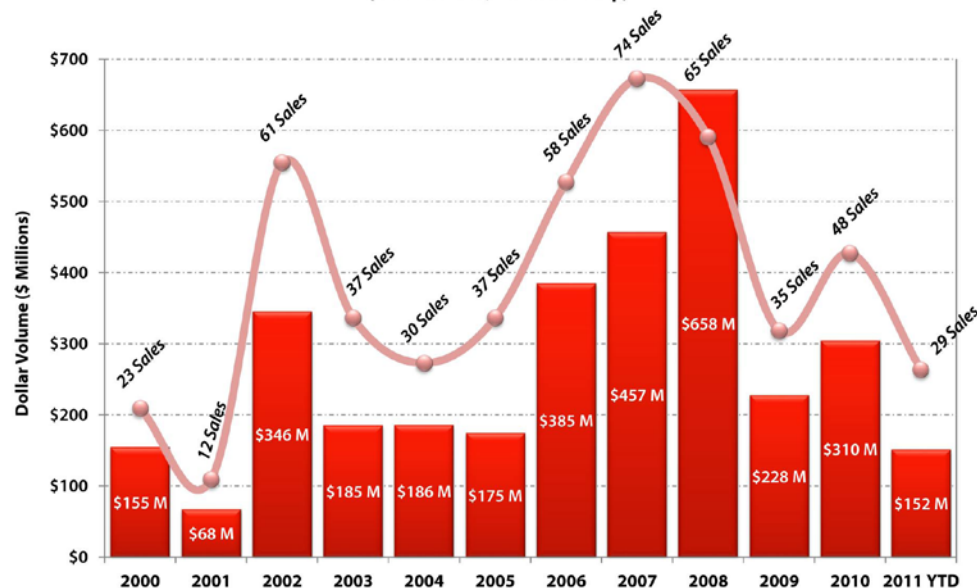
Notable 2011 Mid-Year Industrial Sales

Sale Date	Property	\$/SF	Total Price	Purchaser	Vendor
May-2011	803 & 803R - 24th Avenue SE	\$132	\$26,000,000	The City of Calgary	New Urban GP Ltd.
Mar-2011	930 - 64th Avenue NE	\$98	\$12,600,000	Deerfoot/64th Holdings Ltd.	GWL Realty Advisors
Mar-2011	4880 - 104th Avenue SE*	\$126	\$12,200,000	104 Avenue Holdings Ltd.	S.I.P. Holdings Ltd.
Jan-2011	415 Manitou Road SE	\$65	\$7,961,530	Friday Investment Group	Imperial Valley Holdings Ltd.
May-2011	105 - 58th Avenue SE*	\$179	\$7,075,000	Mall 58 GP Ltd.	Canadian Urban Ltd.

* Indicates transactions Avison Young was involved with.

City of Calgary Annual Industrial Property Sales

(Sale Prices of \$2 Million and Up)



Notable 2011 Mid-Year Serviced Industrial Land Sales

Sale Date	Address	\$/Acre (\$F)	Total Price	Purchaser	Vendor
Apr-2011	7491 - 110th Avenue SE	\$1,471,739	\$3,385,000	Cado Investments Ltd.	764916 Alberta Ltd.
Mar-2011	11199 - 48th Street SE*	\$560,000	\$2,772,000	Daymac Ventures Ltd.	WAM Development
Jan-2011	24 Freeport Place NE	\$905,000	\$2,244,400	Shirin Investment Group	Boundary Investments Ltd.
Apr-2011	20 Freeport Place NE	\$847,300	\$2,118,250	1028009 Alberta Ltd.	Boundary Investments Ltd.

* Indicates transactions Avison Young was involved with.

AVISON YOUNG FEATURED INDUSTRIAL LISTINGS



320 Acres, MD of Rockyview
1 mile from Calgary city limits
Sale Opportunity



3661 - 48th Avenue SE
7,825 SF
Warehouse on 1.26 Acres
Sale Opportunity



10615 - 48th Street SE
Bays 10 & 11: 8,606 SF
Southeast Industrial
Build-to-Suit Opportunity



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



4447 - 46th Avenue SE
25,000 SF to 50,000 SF
Eastfield Industrial
Leasing Opportunity



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



5825 Burbank Road SE
11,520 SF
Burns Industrial
Leasing Opportunity

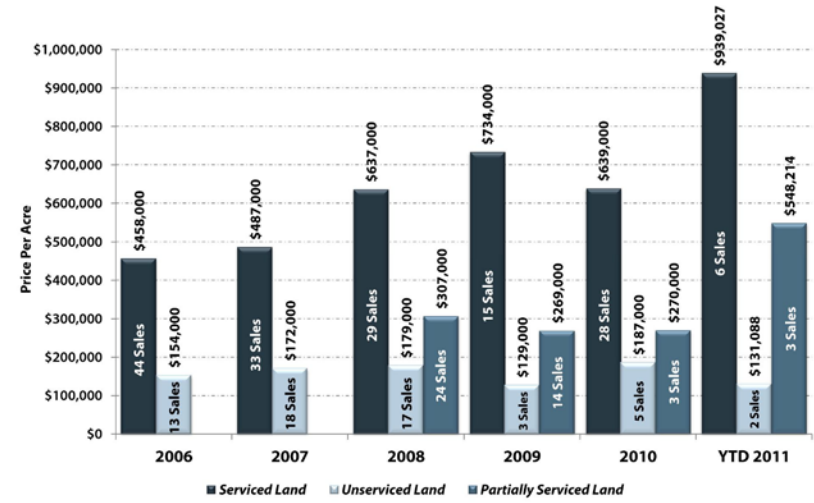


60 Industry Way SE, Unit 3
5,850 SF
Shepard Industrial
Sale Opportunity

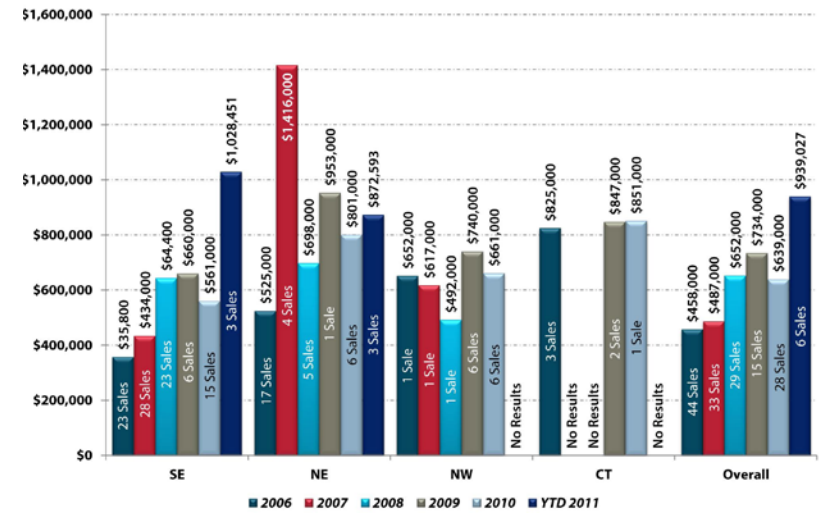


6110 - 44th Street SE
Condo Bays: 9,157 SF - 41,114 SF
Foothills Industrial
Sale Opportunity

Calgary Industrial Land Average Price Per Acre



Calgary Serviced Industrial Land Average Price Per Acre by Location



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