

Calgary Business Condominium Report

Spring 2010

**AVISON
YOUNG**

Intelligent
Real Estate Solutions

BUSINESS CONDOMINIUM OVERVIEW

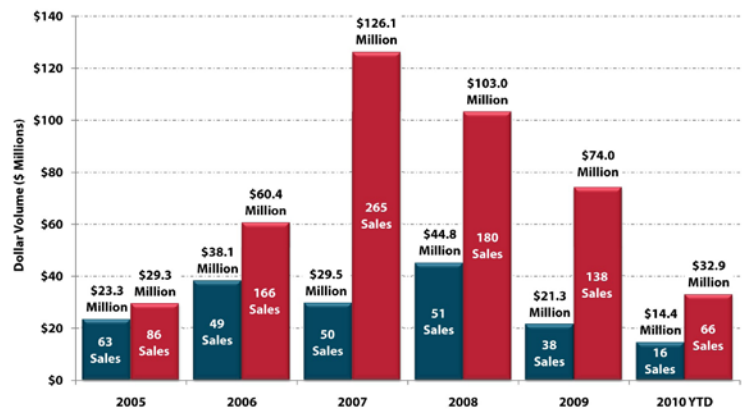
Just as industrial and office/retail business condominiums are two separate products in the commercial real estate market, they are also experiencing completely different environments and activity level changes following the past 18 months of economic turmoil.

While rental rates have declined, as long as interest rates remain low, the buy versus lease question remains. The same question that faces home owners versus renters applies to businesses looking for commercial space. Business condominiums are uniquely positioned to meet the needs of small to mid-sized businesses, typically service-oriented businesses that can safely predict their permanent space needs. Despite any short-term negatives associated with the recent economic downturn, an obvious benefit to owning commercial property is its appreciation over time. Property investment is considered a stable, long-term investment. The recent changes in interest rates have not deterred investors or owner/users. Access to financing remains available as long as there is sufficient equity to back-up the loan. However, financing a speculative building under current economic conditions is challenging.

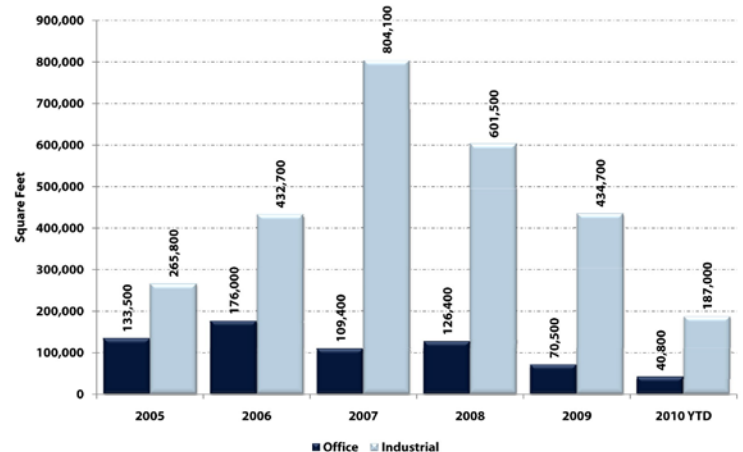
Price corrections in 2009 for the business condominium market were moderate. Price increases are starting to be recorded again so far in 2010. Transaction volume is also starting to rise once again. Office condominiums saw a decrease of 47% in the number of transactions in the first five months of 2009 versus the number taking place in the same time period in 2008, but have recorded a 45% increase year-to-date in 2010 versus the same period in 2009. Industrial condominiums meanwhile fared better; the number of sales was down 16% in January through May 2009 versus 2008, and is down 1% so far in 2010 versus 2009.

The biggest surprise of the past 18 months however, was the lack of distress sales. There were only two recorded distress sales for each of the office and industrial business condominium market segments in 2009. These numbers are significantly lower than any predictions made at the start of the year. The numbers are anticipated to increase in 2010 though, as court-ordered transactions take longer than

Calgary Business Condominium Sales



Calgary Business Condominium Sales



traditional sales, and there are several still working their way through the system. Between January and May this year there have been three office/retail court-ordered sales and two industrial condominium court-ordered sales.



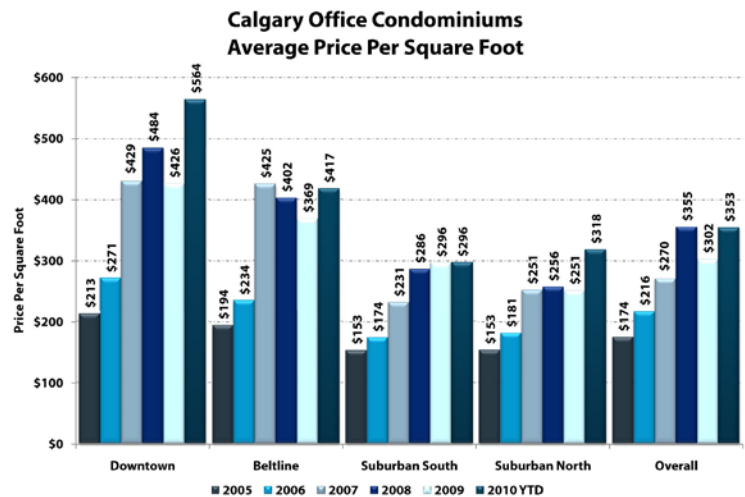
Office & Retail Condominium Market

On average over the past five years, 42% of both the annual number of sales and the dollar volume of office and retail condominiums have taken place between January and May. Given this statistic, and the fact that the first five months of 2010 have already exceeded the dollar volume for the same time period in both 2009 and 2007, this year is on track for a healthy return in sales. January through May 2010 has seen \$14.4 million in 16 office condominium sales, the same period in 2009 only saw \$6.4 million in 11 sales, while the first five months of 2008 saw \$26.1 million in 30 sales, and the same period in 2007 saw \$12.9 million in 18 sales. A major factor for 2008 setting such a record was the completion of Concrete Equities Place (396 – 11th Avenue SW) in March by Calgary based development company Genco Development Corporation. This project represented 15 of the 51 office condominium transactions citywide for all of 2008. Annual transaction volumes for previous years were \$29.5 million in 50 sales in 2007, \$44.8 million in 51 sales in 2008, and \$21.3 million in 38 sales in 2009.

Little new office and/or retail condominium construction has taken place since the completion of Concrete Equities Place and Douglasdale Centre in 2008. A small number of ground floor commercial units have recently been completed in Bella Casa and Riverside Quays (late 2009 and early 2010 respectively), but these only added about 1% to the current inventory of properties. The new construction anticipated to be added to the market in 2010 is Copperstone Landing, a new exclusively retail condominium titled centre.

Looking at the different submarkets so far in 2010, Downtown and Beltline Calgary cannot be called true representative averages. The Downtown market has only recorded one sale, and all of the sales for the Beltline were in the same building and included a number of court ordered sales. That being said, during January through May 2010 the Downtown market's one sale was valued at \$529,000, the Beltline saw five sales worth a total of \$6.8 million (three of these sales were court-ordered), the Suburban South saw eight sales worth a total of \$5.6 million, and the Suburban North saw two sales worth a total of \$1.5 million.

The typical floor area involved in a sale year-to-date in 2010 was 2,600 sf. When the market is broken-down into its different sub-areas, the average for both Downtown and the Beltline combined was 2,900 sf, 2,400 sf in the Suburban



Featured Avison Young Calgary Office Condominium Listings



634 - 6th Avenue SW
69,500 sf
Future Downtown Office
Condominium Development



Parkside Place
1,870 sf (6 Fl) & 8,469 (5 Fl)
Beltline Office
Condominium Units



1010 - 8th Avenue SW
3,530 sf
Downtown Office
Condominium Unit



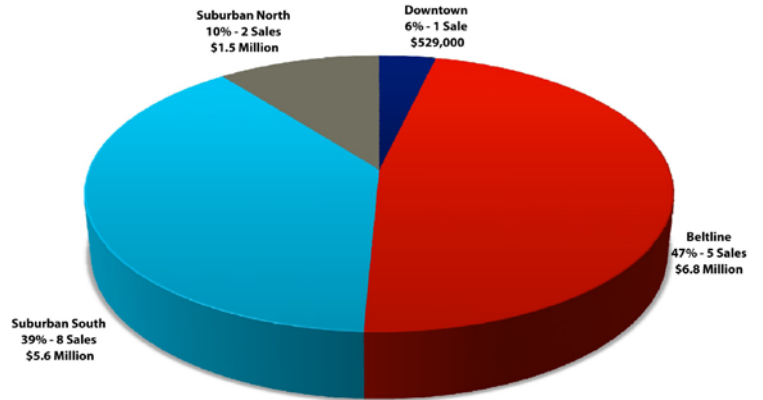
Concrete Equities Place
2,605 sf
Beltline Office
Condominium Unit

South, and 2,400 sf in the Suburban North. The business condominium market is dominated by small businesses looking for their own space, in a city that has traditionally focused on much larger leases.

The average price per square foot (psf) for office and retail condominium sales continues to differ considerably between areas of the city. The suburban areas in the first five months of 2010 had average sale prices of \$296 psf in the South and \$318 psf in the North. The Beltline meanwhile had an average sale price of \$417 psf. However, the sales that have taken place so far this year have all taken place in the same building. The single Downtown sale to take place so far in 2010 had a price of \$526 psf. Prices have increased an average of 17% over 2009 averages, but remain slightly below the peak average of \$355 psf recorded in 2008. Activity levels are expected to remain sluggish as long as vacancy remains high in the leasing market.

Current asking prices for office/retail units under construction or recently completed have shifted to \$425 psf in the Downtown core, with no parking available, \$425 psf in the Beltline with the ability to purchase parking and \$240 to \$325 psf in the suburban areas with ample surface parking. Resale units meanwhile are currently asking approximately \$300 psf for both the Downtown and Beltline markets, while the suburban markets are asking anywhere between \$200 and \$400 depending on the location, quality and type of use.

2010 YTD Calgary Office Condominium Sales
(Total: \$14.4 Million - 16 Sales)



Industrial Condominium Market

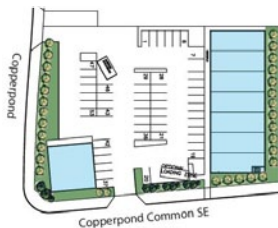
New construction has remained brisk for the past five years, adding approximately 2.4 million square feet (msf) of inventory. Calgary and area saw 16 properties completed in 2006, 13 in 2007, 13 in 2008, nine in 2009 and one so far in 2010. There is one project currently under construction, and a number proposed once the economy picks up again, as the amount of available inventory is beginning to run out. The current industrial condominium inventory for Calgary and area is 4.9 msf.

The dollar volume of sales for industrial condominiums in Calgary and area for the first five months of 2010 was almost identical to the volume for the same period in 2009. There have been \$32.9 million recorded in 66 sales year-to-date 2010 versus \$36.2 million in 67 sales January to May 2009. This remains well behind the pace set in the same time period in 2008 with \$46.9

Featured Avison Young Industrial & Retail Condominium Listings



90 Freeport Boulevard NE
4,000 sf
Northeast Industrial
Condominium Unit



Shoppes of Copperfield
up to 11,880 sf
Future Retail
Condominium Units



2280 - 39th Avenue NE
1,230 sf
Southeast Industrial
Condominium Unit



Copperstone Landing
1,363 sf & 2,183 sf
Southeast Retail
Condominium Units

million in 80 sales, and 2007 with \$55.7 million in 107 sales. Previous annual sale volumes were \$74.0 million (138 sales) in 2009, \$103.0 million (180 sales) in 2008, and \$126.1 million (265 sales) in record-year 2007.

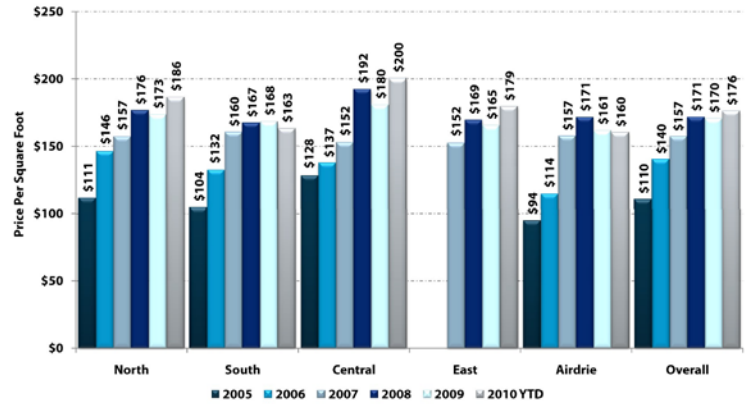
Looking at the different sub areas so far this year: Northeast Calgary has seen 32 sales worth a total of \$14.0 million, the Southeast has seen 21 sales worth a total of \$12.3 million, the Central industrial areas have seen four sales worth a total of \$2.3 million, the East side has seen four sales worth a total of \$2.9 million, and Airdrie and Balzac have seen five sales worth a total of \$1.4 million.

The typical floor area involved in a sale so far in 2010 for industrial condominiums in Calgary and area is 2,800 sf. When looking at the different sub areas of the city we see the average is 2,300 sf in Northeast part of the city, 3,600 sf in the Southeast, 2,800 sf in the Central areas, 4,000 sf in the Eastern area, and 1,800 sf in Airdrie and Balzac.

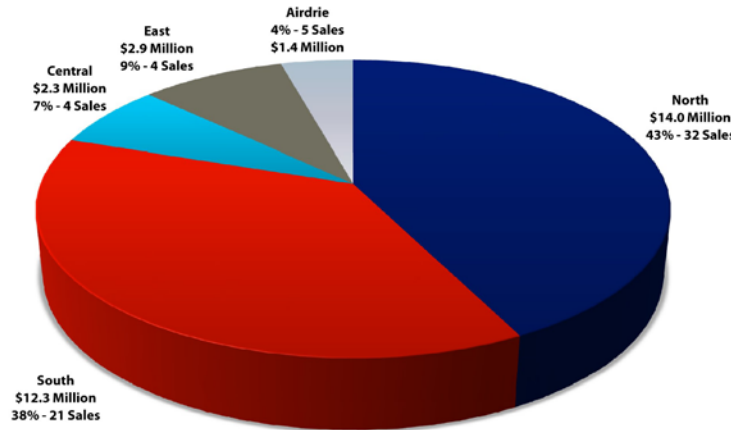
The average price per square foot for industrial condominiums continues to fall within a fairly narrow range across the city. The Northeast has a current average sale price of \$186 psf, the Southeast has an average of \$163 psf, Central Calgary has an average of \$200 psf, the area just to the East of the city is averaging \$179 psf, and Airdrie and Balzac have an average of \$160 psf. The overall average is \$176 psf, but the range in prices is between \$140 and \$280 psf.

Prices have remained relatively flat since 2008, having decreased an average of 1% in 2009 and increased an average of 4% so far this year. At this time, average asking prices for recently completed industrial condominium units are in the \$160 to \$200 psf range inside the city limits, while resale units are in the \$150 to \$190 psf range. When looking at areas just outside of the city such as Airdrie, Balzac and east of the city, average asking prices are currently in the \$135 to \$180 psf range.

**Calgary & Area Industrial Condominiums
Average Price Per Square Foot**



**2010 YTD Calgary & Area Industrial Condominium Sales
(Total: \$32.9 Million - 66 Sales)**



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