

Calgary Business Condo Report Year-End 2010



Intelligent
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BUSINESS CONDOMINIUM OVERVIEW

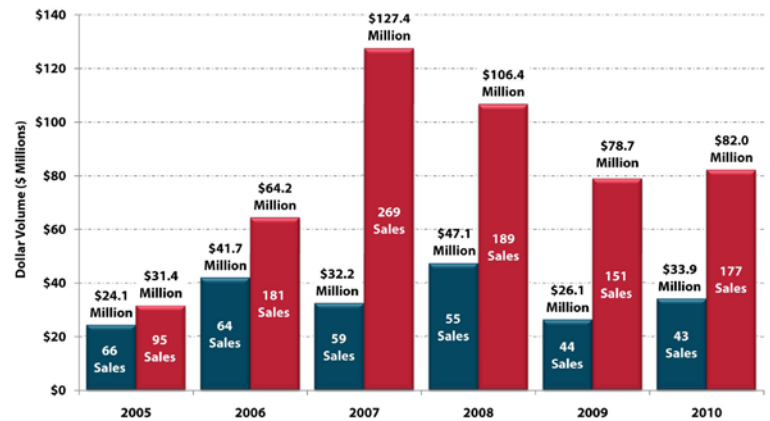
Business condominiums work much the same as their residential counterparts. A company can decide that instead of renting their space, they want to purchase one or more units in a commercial condominium project for their business operations. Similarly, just as industrial and office/retail are separate products in the leasing market, they are also experiencing completely different environments and activity level changes in the business condominium sales market following the past two years of economic turmoil.

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.

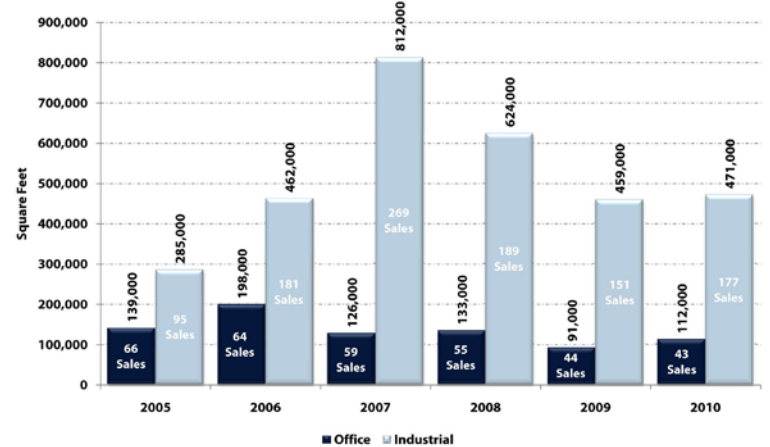
Price corrections in 2009 for the business condominium market were moderate. Price increases were recorded again in 2010. Transaction volume is also starting rise once again. The number of office condominiums transactions in 2010 remained flat versus 2009, but saw the average price per square foot increase 6%. Industrial condominiums, meanwhile, saw the number of sales increase 17% in 2010 versus the previous year, and the average price per square foot rise approximately 1%.

The biggest surprise of the past two years however, was the lack of distress sales. There were only three recorded distress sales for the office and retail business condominium market segments in 2010 and five for the industrial sector. These numbers are significantly lower than any predictions made at the start of the downturn. There were only five distress sales for all types of business condominium units in 2009. Small business owners have proven resilient in Calgary and have survived the economic downturn successfully.

Calgary Business Condominium Sales
Dollar Volume and Number of Sales



Calgary Business Condominium Sales
Square Feet and Number of Sales



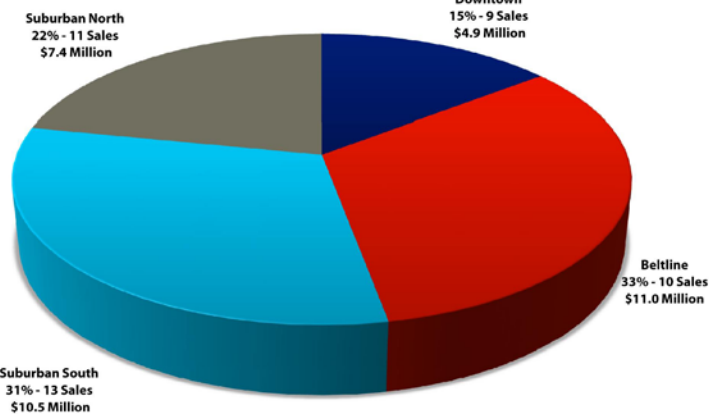
Office & Retail Condominium Market

2010 saw \$33.9 million in 43 office and retail condominium sales. This is up \$7.8 million (30%) from 2009 which saw a dollar volume of \$26.1 million in 44 sales, but down \$13.2 million (28%) from 2008, which saw a dollar volume of \$47.1 million in 55 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 55 office condominium transactions citywide for all of 2008.

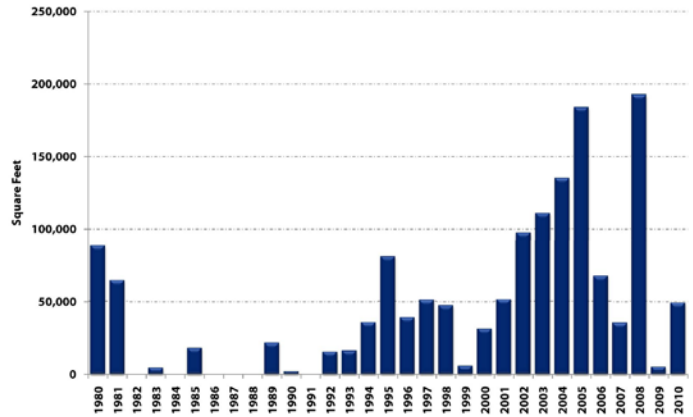
Little new office and/or retail condominium construction has taken place since the completion of Concrete Equities Place and Douglasdale Centre in 2008. A small number of ground floor commercial units have recently been completed in Bella Casa and Riverside Quays (late 2009 and early 2010 respectively), as well as Copperstone Landing, a new exclusively retail condominium titled centre. A total of four properties containing office and/or retail condominium units were completed in 2010. This equaled approximately 49,000 sf and added about 4% to the current inventory of properties. New construction will be slow to start the year, but could pick-up quickly if the demand materializes, as a number of projects are in the planning stages, waiting for sufficient interest. The Shoppes of Copperfield is one project that will be constructed this year, containing approximately 12,700 sf of retail space, it is completely pre-sold.

Looking at the different submarkets for 2010, the Downtown market's nine sales were sold for a total of \$4.9 million (one of these sales were court-ordered), the Beltline saw 10 sales worth a total of \$11.0 million (three of these sales were court-ordered), the Suburban South saw 13 sales worth a total of \$10.5 million, and the Suburban North saw 11 sales worth a total of \$7.4 million.

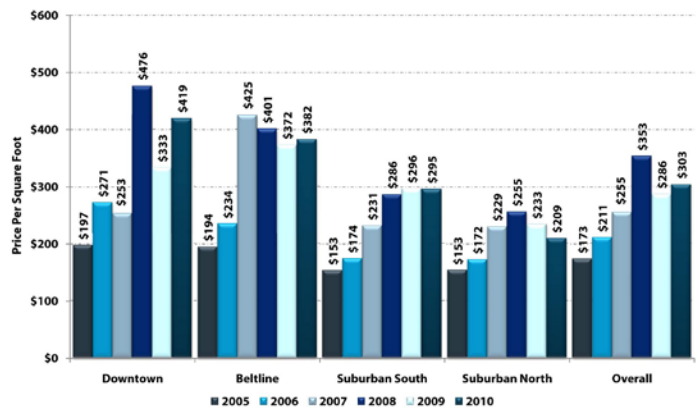
The typical floor area involved in a sale in 2010 was 2,600 sf. When the market is broken-down into its different sub-areas, the average for Downtown was 1,300 sf, the Beltline was 2,900 sf, 2,700 sf in the Suburban South, and 3,200 sf in the Suburban North. The business condominium market is dominated by small businesses looking for their own space, in a city that has traditionally focused on much larger leases.



Overall Calgary Office & Retail Condominium Inventory Added
(Total current inventory: 1.4 million square feet)



Calgary Office & Retail Condominiums
Average Price Per Square Foot



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 2010 had an average sale price of \$295 psf in the South and \$209 psf in the North. The Beltline meanwhile had an average sale price of \$382 psf. The Downtown market saw an average price per square foot of \$419 psf. The overall average prices have increased an average of 6% over 2009, but remain below the peak average of \$353 psf recorded in 2008. Activity levels are expected to pick up as vacancy levels start to drop in the leasing market.

Current asking prices for office/retail units under construction or recently completed have shifted to \$375 to \$400 psf in the

Downtown core, with no parking available, \$375 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 to \$500 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.

Industrial Condominium Market

New industrial condominium 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 (615,000 sf) completed in 2006, 13 (517,000 sf) in 2007, 14 (528,000 sf) in 2008, nine (572,000 sf) in 2009 and seven (200,000 sf) in 2010. There are not any projects currently under construction, but there are 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 5.7 msf.

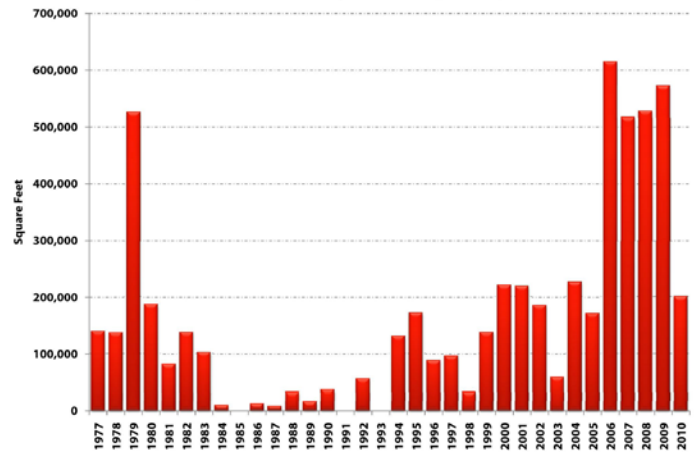
The dollar volume of sales for industrial condominiums in Calgary and area for 2010 was up 4% compared to the volume for 2009. There was \$82.0 million recorded in 177 sales in 2010, versus \$78.7 million in 151 sales in 2009. This remains behind the pace set in 2008 with \$106.4 million in 189 sales, and 2007 with \$127.4 million in 269 sales.

Looking at the different sub areas so far this year: Northeast Calgary saw 73 sales worth a total of \$29.9 million, the Southeast saw 53 sales worth a total of \$28.5 million, the Central industrial area saw 12 sales worth a total of \$6.1 million, the East side (east of 84th Street SE) has seen 30 sales worth a total of \$14.5 million, and Airdrie and Balzac have seen nine sales worth a total of \$3.0 million.

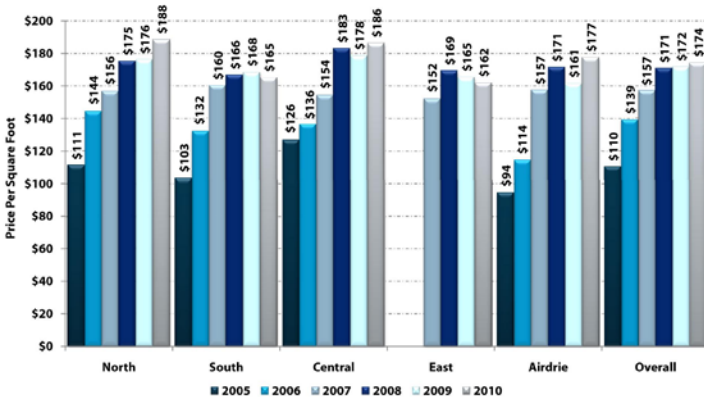
The typical floor area involved in a sale in 2010 for industrial condominiums in Calgary and area is 2,700 sf. When looking at the different sub areas of the city we see the average is 2,200 sf in Northeast part of the city, 3,300 sf in the Southeast, 2,700 sf in the Central area, 3,000 sf in the Eastern area, and 1,900 sf in Airdrie and Balzac.

The average price per square foot for industrial condominiums fell within a fairly narrow range across the city in 2010. The Northeast has a current average sale price of \$188 psf, the Southeast has an average of \$165 psf, Central Calgary has an average of \$186 psf, the area just to the East of the city is averaging \$162 psf, and Airdrie and Balzac had an average of \$177 psf. The overall average is \$174 psf, but the range in prices is between \$140 and \$280 psf, due to different criteria such as location, access, age, design, percentage of office/showroom space, and quality.

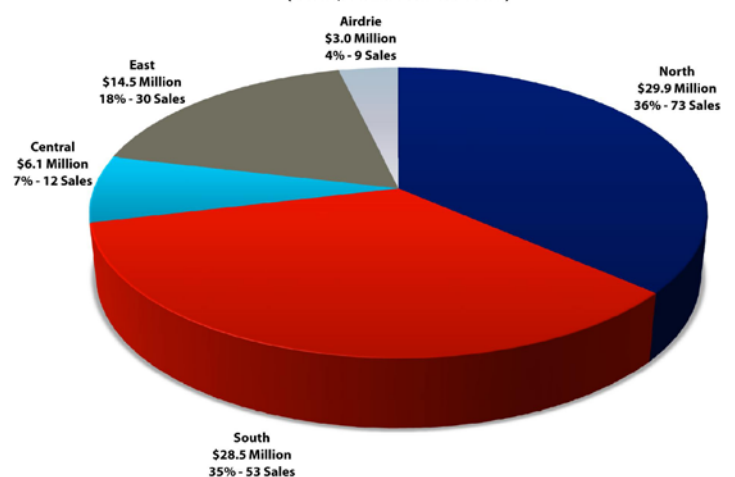
Calgary & Area Industrial Condominium Annual Inventory Added
(Total current inventory: 5.7 million square feet)



Calgary & Area Industrial Condominiums
Average Price Per Square Foot



2010 Calgary & Area Industrial Condominium Sales
(Total: \$82.0 Million - 177 Sales)



Prices have remained relatively flat since 2008, having increased an average of 2% over the last two years. 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.

Featured Avison Young Calgary Listings

www.avisonyoung.com



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



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



235105 Wrangler Drive SE
3,600 sf
Southeast Industrial
Condominium Unit



8800 Venture Avenue SE
4 Bays - 2,700 sf each
Southeast Industrial
Condominium Units



Parkside Place
1,570 sf
Beltline Office
Condominium Units

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For further information on the contents of this report, please contact:

Susan Thompson, Research Manager
403.232.4380
susan.thompson@avisonyoung.com



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