



# THE REAL DEAL

## Market Snapshot

Calgary's industrial inventory grew by approximately 4 million square feet in the last 12 months to approximately 110 million square feet. Net new supply and absorption have both totaled 4 million square feet approximately in this time period, resulting in stable vacancy rates, ranging overall from 1.5 - 2.0%.

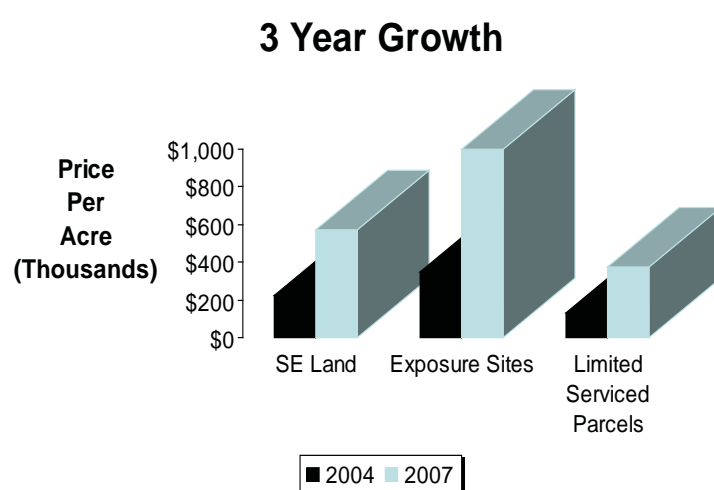
Net rental rates and overall sale values have increased significantly since Fall 2006. Net rental rates are up by as much as 50% in some segments, even higher for specific tenant renewal transactions. Units of 50,000sf and greater demand an average net rent of \$6.50psf, units of 10,000-50,000sf lease for approximately \$9.00psf and units under 10,000sf are now regularly leasing in the double digit rental rate range of \$10.00 - \$13.00psf.

Sale values range from \$100 - \$200psf depending on the size, location, and quality of property. Small bay industrial condominiums sell in the \$180 - \$200psf range, buildings 10,000 - 30,000sf are valued \$140 - \$150psf, and buildings larger than 30,000sf are typically trading in the \$100 - \$140psf range.

## Astonishing growth observed from 2004-2007

Fully serviced land values have increased 150% in value to approximately \$600,000 - \$1,000,000 per acre, depending on location and exposure, from \$225,000 to \$450,000 per acre just three years ago. Limited serviced parcels were trading for \$130,000 to \$145,000 per acre in 2004 compared to \$350,000 - \$375,000 per acre today, an average increase of 60% per annum.

Units for lease in 2004 totaled 430 compared to 148 today. There were 116 opportunities for purchase in 2004 compared to only 57 available today. These are astounding numbers relative to the inventory growth in our market during this time period.



## Is Overbuilding occurring in Calgary?

Analysis of the market indicates that overbuilding is not occurring. Strategic discipline by developers, fully-serviced land supply constraints, and strong absorption have resulted in vacancy rates remaining at an exceptionally low number of approximately 2.0%.

New supply of industrial space is occurring at a rate of approximately 1 million sq.ft per quarter for the last year, keeping pace with the same rate of absorption, approximately 1 million sq.ft per quarter.

Our new construction pipeline indicates the market will not be overbuilt in the near future either. This is due to the fact that  $\pm 1.7$  million sf, or 38%, of total new space planned, underway, and recently completely ( $\pm 4.5$ m) is already spoken for. Net new supply will equate to  $\pm 2.1$  million sf by the end of 2008. When this amount is added to current vacancy of  $\pm 2.4$  million sf, it equates to  $\pm 4.5$  million sf of space to transact on in next 14 months. Provided absorption continues at its current level of approximately 4 million sf per annum, vacancy will remain approximately 2.0%. Half of the current absorption level, or 2 million sf, will result in an overall vacancy rate of approximately 3.8%, still very low relative to other major North American markets.

## FEATURE LISTINGS



3007 57th Avenue SE

- Investment Opportunity
  - 36,435 sq.ft
  - 1.5 Acres
  - Ample parking
- Fully fenced and paved yard storage



4919 - 4949, 61 Avenue SE  
Hanover Commerce Centre

- Exposure property
- Up to 30,455 sq.ft
  - In units of:
    - 5,070 sq.ft
    - 6,257 sq.ft
    - 19,128 sq.ft

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## Calgary Market Strengths and Weaknesses

Alberta's economic environment is a key strength in our market. This is not only due to facility expansion directly attributable to the oil and gas sector, but also due to the consumption of goods in our province. The greater the amount of expenditure on consumer goods, the more logistics infrastructure required to move these goods. Logistics facilities to accommodate this spending is a significant part of our market and the vast majority of new construction occurring is dock loading property designed to accommodate the storage and shipment of goods.



Calgary possesses a significant strength of reaching the largest trading area at the lowest cost. Current wage and fuel expenses create strong arguments to locate your facility in Calgary given its population reach in a 24 hour drive time. Real estate expenses often equate to a lower portion of operating expenses compared to labor and shipping costs. The Calgary Airport Authority has also done an exceptional job in establishing superior international cargo handling infrastructure in Calgary to facilitate the flow of material coming from and being shipped around the world.

Real estate houses employees and many are still finding it very difficult to purchase or rent a suitable, affordable home in our city. It is hoped that the severe employee shortages that many employers are experiencing will be

addressed by the current housing price correction occurring in our market.

High land and construction values are creating affordability and sustainability concerns among business in our market. Continued demand and exceptionally low supply of fully serviced land, resulting from lack of infrastructure expenditure by The City of Calgary and Province of Alberta, have resulted in exceptionally higher values. While construction prices have stabilized, current construction price levels and increased land values have been detrimental in development proformas. This creates further supply constraints as existing inventory is essentially "frozen" with very little space turnover. Those occupying it either can't find what they need to buy or lease or can not afford a new facility.

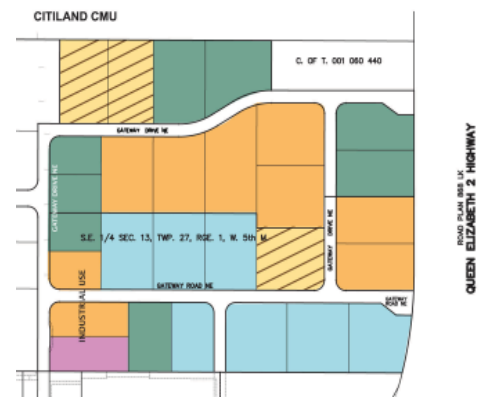
Market opportunities to capitalize on include anticipated long-term employment growth forecasts, fully serviced land opportunities outside of Calgary such as Airdrie and Balzac, speculative development in dock loading units under 10,000sf, any type of development with yard component, and limited serviced land development due to the strong track record of this type of product in the 84th Street SE corridor.

Threats to our market include oil and gas royalty tax increases, Edmonton becoming an "inland port" and strengthening its logistics reputation in our province, increased US shopping resulting in increased eastern Canadian warehouse capacity eventually effecting Calgary, housing price increases which will decrease employee availability, and continued infrastructure constraints resulting in low land supply and employees exiting our market.

## Looking Ahead

We expect that demand will keep pace with new construction in Calgary, vacancy will remain stable in the 2.0 - 3.0% range, land values will continue rising perhaps resulting in \$800,000 to \$1,000,000 values for typical "infill" sites, rental rates will rise due mainly to higher land costs, and sub-markets such as Airdrie and Balzac will greatly benefit from Calgary land constraints. Additionally, employers within Cross Iron Mills and industrial businesses establishing themselves in these areas will benefit from employee availability in these markets and the development of Stoney Trail will lessen the perception and reality of drive times to trading areas.

## FEATURE LISTINGS



- Phase I
- Phase II
- Phase III
- Lots being retained by ownership group for development
- City of Airdrie Emergency Services Station

### Airdrie, Alberta

- Rare, fully serviced industrial land
- 27 parcels totaling 54 acres
- 1.07 - 2.72 acre parcels



### 4517 Manhattan Road SE

- 1 Dock & 1 Drive - In
  - 8,432 sq.ft
  - \$12.50 per sq.ft
- Demisable to 4,153 sq.ft and 4,279 sq.ft



### 3016 - 10th Avenue NE

- Close to Barlow Trail and Calgary International Airport
  - 8,400 sq.ft
- 1 Dock & 1 Drive - In
- Ideal for Wholesale tenant



### 234155 Wrangler Road MD of Rocky View

- 20,000 sq.ft
- 25 parking stalls
  - 2.47 Acres
- 3 drive - in loading
- Newly constructed