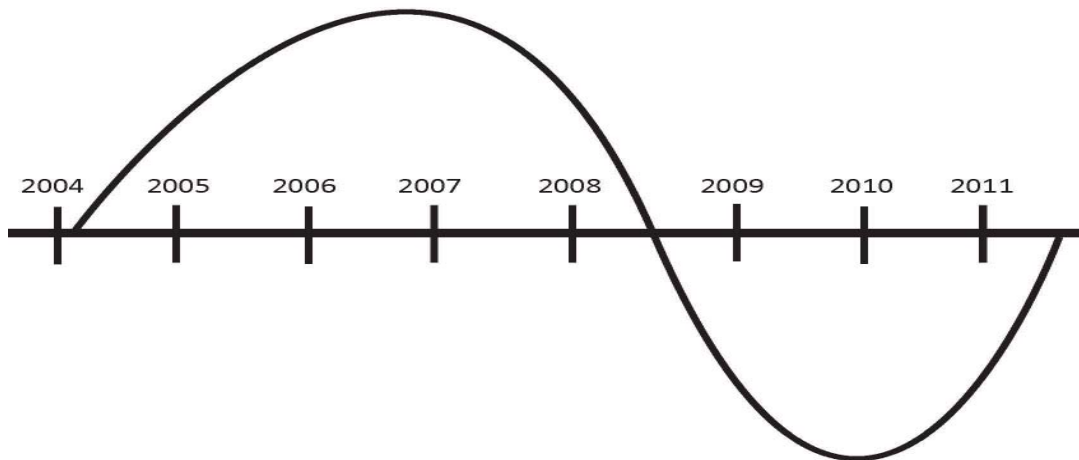




THE REAL DEAL

The Economic Cycle - Our Market Shift Was Scheduled

Calgary's industrial market experienced significant softening in demand in 2008. However, this slow-down, while substantial, should also be considered within a pattern of dynamic economic activity. Considering that an average economic cycle typically runs 7-10 years and with a general agreement that our market activity level began to substantially increase in 2004, we had previously anticipated a slowdown in market activity to the levels that we finally experienced by year end (please see diagram below). The good news is that while local, national, and global economic conditions have adversely affected our industrial market activity, vacancy rates, and property values, they have yet to do so to the same extent experienced by other asset classes in Calgary such as the residential and office leasing markets.



Vacancy Rates Rise but Rental Rates Hold

Vacancy rates rose moderately over the course of 2008 but are still low relative to most other markets in North America and low enough to still be considered technically a landlord's market, a concept that creates many challenges in completing lease and sale transactions due to high levels of price reduction expectations by local, regional, and national tenant and owner/user decision makers. All tenants and owner users want to negotiate better financial arrangements in new deals, but most landlords have experienced unprecedented increases in rental rates and low portfolio vacancy rates in the last decade, creating a very prevalent "wait and see" attitude in our market despite surrounding economic conditions. Additionally, rates held in 2008 due to the fact most new supply is found in new properties which were constructed based on minimum rental rate expectations and maximum construction cost budgets, but most of these new industrial projects came in at or above expected construction cost budgets. Reducing rental rates on these properties would create significant reductions in overall investment returns, something most developers are not prepared to accept at this stage.



THE REAL DEAL

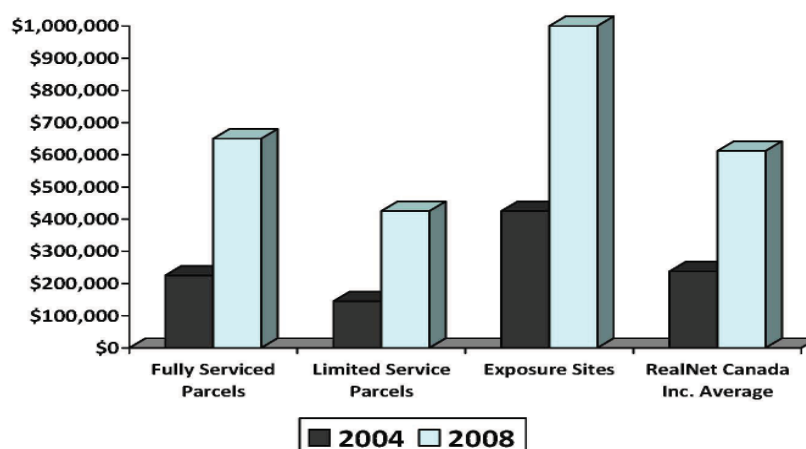
Land Values Increase 2008

Fully-serviced industrial land availability and supply was again limited again in 2008. The bulk of available lots offered for sale were by The City of Calgary, who released 19 lots in Eastlake Industrial Park in June of this year with an asking price range of \$525,000 to \$625,000 per acre. The tender process to sell the lots generated approximately 41 bids and all of the lots were awarded to prospective purchasers. As of early December, however, only four lot sales had actually closed. Agents, landlords, tenants, developers, and owner/users all highly anticipated The City's most recent release in the same business park as The City is the largest seller of industrial land in Calgary and have historically had significant influence on market values. On December 18th, 2008, The City re-released the remaining 15 lots in Eastlake and all but one lot increased in asking price per acre, with increases between \$35,000 and \$65,000 per acre on the remaining lots. The weighted average asking price for these 15 lots totaling 46.11 acres on December 18th was \$621,015 per acre compared to \$582,030 per acre in June, 2008. The City also added five new available parcels in the same business park creating a total of 20 new industrial land parcel opportunities, ranging in asking prices of \$550,000 to \$675,000 per acre.

Additionally, The City of Calgary released fully serviced industrial lots in Great Plains IV Industrial Park, east of 52nd Street and north of Glenmore Trail SE. Similarly priced to Eastlake, these 17 lots were offered for sale between \$525,000 and \$675,000 per acre, with a weighted average of \$597,643 per acre for the 89.63 acres.

The last significant release in 2008 was The City of Calgary's Royal Vista Business Park in NW Calgary, which offered 28 industrial/commercial lots for sale, totaling 58.92 acres, with a weighted average asking price of \$793,805 per acre.

With respect to completed transactions, RealNet Canada Inc. reports that approximately 414 acres of industrial land sold in 2008 with an average selling price of \$612,348 per acre, compared to 330 acres selling in 2007, with an average of \$322,431 per acre. These were significant increases in value compared to the pre-boom average of \$237,815 per acre for 308 acres in 2004.



The Industrial Investment Market

Calgary's industrial investment real estate sales volume increased in 2008 over 2007, based on market transactions and excluding all non-arms length deals, land exchanges and owner/user building sales. Although there was an 47% increase in sales volume, the industrial investment sales market experienced a 21% decrease in number of transactions. Large transactions drove sales volume higher in 2008 which saw 9 transactions over \$20 million compared to only 3 in 2007.

The largest transaction included the \$60 million sale/lease back from Versacold Canada Corporation to KingSett Capital. KingSett acquired the Calgary buildings as part of a portfolio containing 23 cold storage buildings located throughout North America, comprising a total gross floor area of approximately 3.6 million square feet. The second largest transaction at \$36 million was Ledcor's Maynard Road building selling to Artis REIT in September 2008.

The market witnessed a number of large and mid-sized sale/lease backs in 2008 as owner/users realized a gain on their building equity after a seven year run on industrial building values. 2008 was a year of economic turmoil with tightening credit markets. In such an environment we would normally expect to see a decrease in sales volume, however, the larger portfolio and sale/lease back offerings that were brought to the market in late 2007 and early 2008 closed ahead of the economic meltdown in October. Since then, we have seen average capitalization rates increase a full 100 basis points, from approximately 7% to 8% due to lower demand, increased equity required to complete deals, and perceived higher risk in tenants' long-term financial stability.

Calgary Industrial Real Estate Market ¹	2007	2008	% Change
Total Volume	\$ 509,235,770	\$ 652,058,599	28%
Number of Transactions (over \$1 million)	109	94	-14%
Industrial Investment Sales Volume	\$ 302,262,976	\$ 444,608,596	47%
Number of Transactions (over \$1 million)	38	30	-21%
Industrial Owner/User Sales	\$ 206,972,794	\$ 207,450,003	0.2%
Number of Transactions (over \$1 million)	71	64	-10%

Source: Real Net Canada, data compiled and analyzed by Inducor Real Estate Solutions

1) All transactions over \$1 million, excludes non-arms length transactions and land sales

PROVEN PERFORMANCE



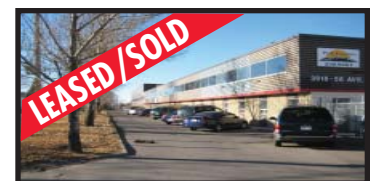
5505 - 72ND AVENUE SE

- Completed 184,000 sq.ft lease distribution facility for Mark's Work Wearhouse / Canadian Tire



4700 & 4750 - 102ND AVENUE SE

- Completed 28,000 sq.ft long term lease build to suit on 13.43 acres for Direct Integrated Transportation / Canada Cartage



3916 - 56TH AVENUE SE

- Completed the leasing and sale of 78,410 sq.ft building on 4.0 acres.



19 AERO DRIVE SE

- Completed 32,800 sq.ft lease manufacturing distribution and lease facility for The Authentic T-Shirt Company / SanMar



THE REAL DEAL

2009 Projections and Recommendations

With respect to property sales, the sale/lease back trend will continue and likely increase in 2009 as corporations seek alternative financing facilities outside the traditional debt and equity markets. However, we believe 2009 will see a decrease in investment, land, and owner/user sales volume and number of transactions in comparison to 2008. While other metropolitan centers across Canada have been harder hit by current economic conditions, Calgary's market has been somewhat sheltered due to \$150 a barrel oil prices a mere five months ago. With oil now trading at or below \$40 a barrel and oil and gas projects being regularly shelved, sales in the Calgary industrial market will surely slow their pace in 2009.

This reduced pace will keep upward pressure on capitalization rates, lowering average investments sale values, and downward pressure on land and owner/user values. Developers will not be prepared to build on speculation at the same levels we have experienced since 2004 due to lack of leasing confidence in the market and a very restrictive borrowing climate, significantly lowering fully serviced land absorption. This will likely initially cause land values to decline, followed by owner/user values, which are partially valued on the respective land component of the property. Construction costs, which began to drop in the last quarter of 2008, will continue to decline in 2009 partially as a result of lower material costs but primarily as an outcome of the anticipated reduction in labor costs due to a significantly lower number of construction projects in the province in 2009 and beyond. The combination of lower land values and lower construction costs will create lower owner/user values as lower replacement costs will create downward pressure on existing building values.

Lease rates will likely remain stable for the first half of 2009, although many landlords will offer increased incentives such as free rent, cash allowances, and other tenant inducements in order to complete transactions, lowering net effective rental rates. Face rates will hold during this time period but likely only until the middle of 2009. At that point, landlords will determine whether there is light at the end of the economic tunnel or not, failing which, rates will begin to decline. If confidence renews in the last half of 2009, rates will likely hold throughout the year.

Astute developers will position themselves in 2009 for the next wave of economic activity. As history tends to repeat itself, those that have serviced, zoned, and subdivided land in their inventory, especially with site plans designed and approved for construction, will be the most successful during the next cycle of industrial inventory growth. Virtually all new industrial inventory has recently been completed, leaving very little product currently under construction. Most developers have postponed new projects until the beginning of the next cycle, only leaving a new supply pipeline of approximately 2.58 million square feet of space being marketed that can be occupied 10 -12 months from lease signing. Considering that annual absorption and new supply in our market has ranged from 2 to 6 million square feet per annum for the last decade in our market, a lack of increase to this total will likely result in a shortage of industrial space during the next growth cycle and tremendous new development opportunity in our marketplace. Those positioned for growth will accommodate demand, which will increase in late 2009 and throughout 2010.