June 30, 2009

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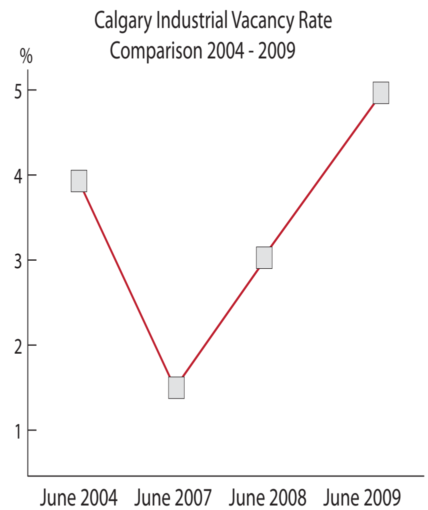
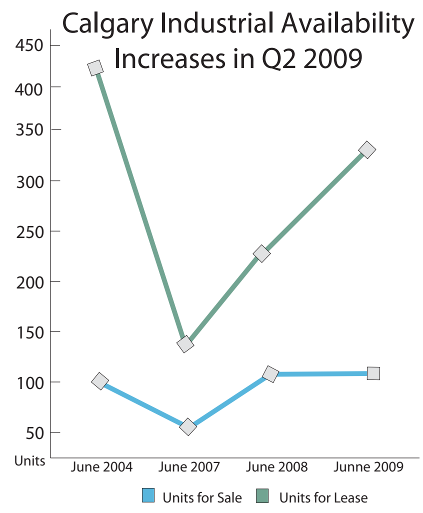
Calgary Regaining Industrial Real Estate Affordability



Calgary's industrial market is regaining affordability for tenants and purchasers alike as values have been steadily declining since the beginning of 2009. While landlords, vendors, and developers were assessing the impact of our global economic crisis in the last quarter of 2008, tenants and purchasers were speculating that after several years of rapidly rising rental and purchase costs, declining values were sure to come their way. Finally in January this started to occur as industrial building ownership in the community concluded that a rapid recovery was not on the horizon.

Rental Rates

Developers have led the way in rental rate reductions and incentive increases this year as speculative projects they were not able to halt at the commencement of the recession became completed with no or minimal leasing activity. Substantial carrying costs on these projects have triggered lower rent costs, increased free rent, and increased allowances for tenants as developers have struggled to increase leasing activity on their projects. Existing building owners have followed suit as they did during our previously rising market and have reduced their overall asking rental rates to ensure that a disparity between new and old product continues. Tenants will not lease older properties due to traditionally higher operating costs if there is not a sufficient gap between the two product segments. The warehouse sublease market is becoming prevalent in Calgary, especially in the large bay segment.



Calgary Industrial Unit Availability Increases in 2009 (a "unit" is defined as a freestanding building or a unit within a building)	June 2004 (Pre-Boom)		June 2007 (Boom Period)		June 2008 (Trending Down)		June 2009 (Recession)	
	Sale	Lease	Sale	Lease	Sale	Lease	Sale	Lease
	116	430	57	148	119	245	131	329
Total Available Units	546		205		364		460	
Vacancy %	4%		1.5%		3%		5%	

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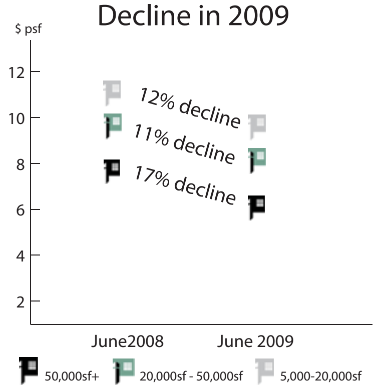
Current economic conditions are forcing many distribution and manufacturing operations to downsize, eliminate redundant facilities, or close altogether, spurring an increase in existing building supply that has not been seen in recent years. Increased bankruptcies are also bringing existing space inventory to our market. These new supply contributors, combined with recently completed developments, have increased our overall vacancy rate to approximately 5.0%, a significant increase compared to 1% during the peak of our boom (last quarter of 2006) and 4% at the beginning of this year. Increased supply and decreased rental rates are illustrated on the graphs and tables on the previous page and below.

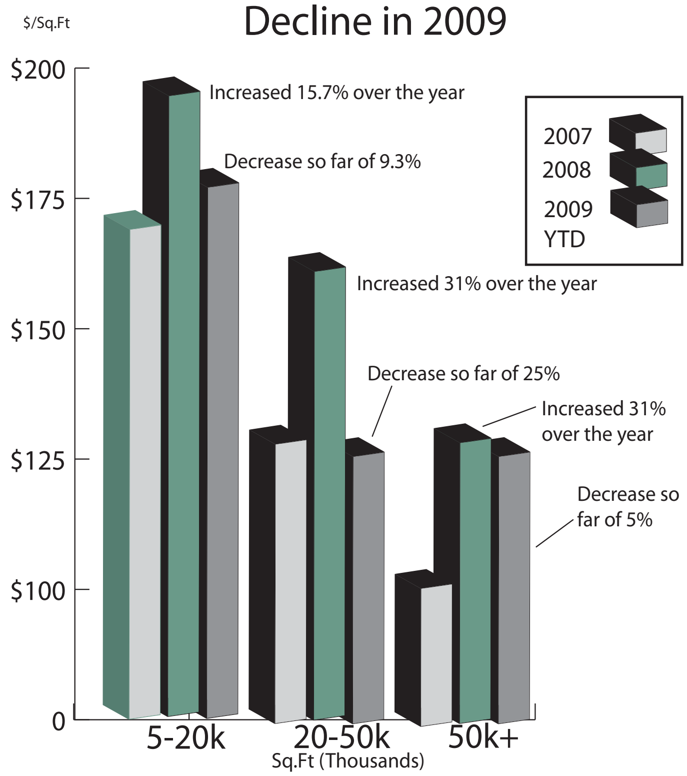
Calgary Asking Rental Rates Decline in 2009

	June 2008	June 2009
Unit Size Range ("unit" is defined as a freestanding building or a unit within a building)	Average Asking Lease Rate Rate (psf/annum)	Average Asking Lease Rate Rate (psf/annum)
50,000 sf +	$7.98	$6.64 (17% decline)
20,000sf - 50,000 sf	$10.30	$9.14 (11% decline)
5,000sf - 20,000 sf	$11.25	$9.93 (12% decline)

Calgary Asking Rental Rates Decline in 2009



Calgary Industrial Sale Values Decline in 2009



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

Industrial Building Values

Purchasers have also benefited from lower demand and increased supply as sellers have began to overcome the opposite kind of sticker shock they enjoyed from 2005-2008. While many vendors held firm on asking prices in the last quarter of 2008, many came to realize that reduced asking and subsequent sale prices were required in order to dispose of their asset. Owner/user sellers who had previously committed to building brand new facilities during the late stages of the boom led

Calgary Industrial Asking Prices Decline in 2009

	June 2008	June 2009
Unit Size Range ("unit" is defined as a freestanding building or a unit within a building)	Average Asking Price (Per Square Foot)	Average Asking Price (Per Square Foot)
50,000 sf +	$175	$133 (24% decline)
20,000sf - 50,000 sf	$179	$164 (8% decline)
5,000sf - 20,000 sf	$258	$201 (22% decline)

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the way in price reductions as they were now finding themselves carrying two properties during a period of rapidly declining revenues. An increase in vendor mortgages has increased sale activity recently. Please see the illustrations on the previous page and below outlining the decline in industrial building sale values over the last six months compared to 2008 and 2007.

Calgary Industrial Real Estate Market[1]	2007	2008	2009 YTD	2009 Annualized	%Change
Total Volume	$509,235,770	$652,058,599	$64,880,971	$129,761,942	↓ 80%
Number of Transactions (over $1 million)	109	94	40	80	↓ 15%
Industrial Investment Sales Volume	$302,262,976	$444,608,596	$21,959,255	$43,918,510	↓ 90%
Number of Transactions (over $1 million)	38	30	13	26	↓ 13%
Industrial Owner/User Sales	$206,972,794	$207,450,003	$42,921,716	$85,843,432	↓ 59%
Number of Transactions (over $1 million)	71	64	27	54	↓ 16%

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

Industrial Land Values

Limited service land values have declined more than fully serviced values mainly due to the fact there has been more sale activity in that segment. Limited serviced values have declined approximately 31% in the last 12 months, from approximately $350,000 per acre to $240,000 (YTD 2009 per acre sale price average).

Fully serviced land values have been subject to massive “speculative” declines which have not fully crystallized as of yet due to a lack of deals actually being completed. Many believe values are far below the current average of approximately $575,000 per acre in SE Calgary and $750,000 per acre in NE Calgary, as demand for fully serviced land has been almost non existent in 2009 compared to previous years. Sellers have not been forced to drop prices as they have in other segments due to an overall lack of offer activity as constructing new properties in this portion of our economic cycle does not make financial sense for most businesses and developers.

Land supply is at its highest level in recent years as our largest inventory holder and seller of industrial land, The City of Calgary, continues to market the remaining 21 lots in the high quality Eastlake Industrial Park totaling 56 acres, with asking prices in the $550,000 to $675,000 per acre range. Additionally, The City of Calgary has recently released Great Plains Phase IV, providing an additional 17 parcels totaling 90 acres of fully-serviced land with asking prices in the $525,000 to $675,000 per acre range. There are parcels also being offered for sale in the mixed-use NW business centre, Royal Vista Business Park. Of the 31 parcels initially offered for sale, two have sold, seven are conditionally sold, and 22 parcels remain available totaling 48 acres of land with several types of zoning. Asking prices range from $725,000 to $900,000 per acre. Increased supply combined with decreased demand has prompted The City of Calgary to extend their building commitment start date from one year from the date of closing to three years, and further, have eliminated the concept

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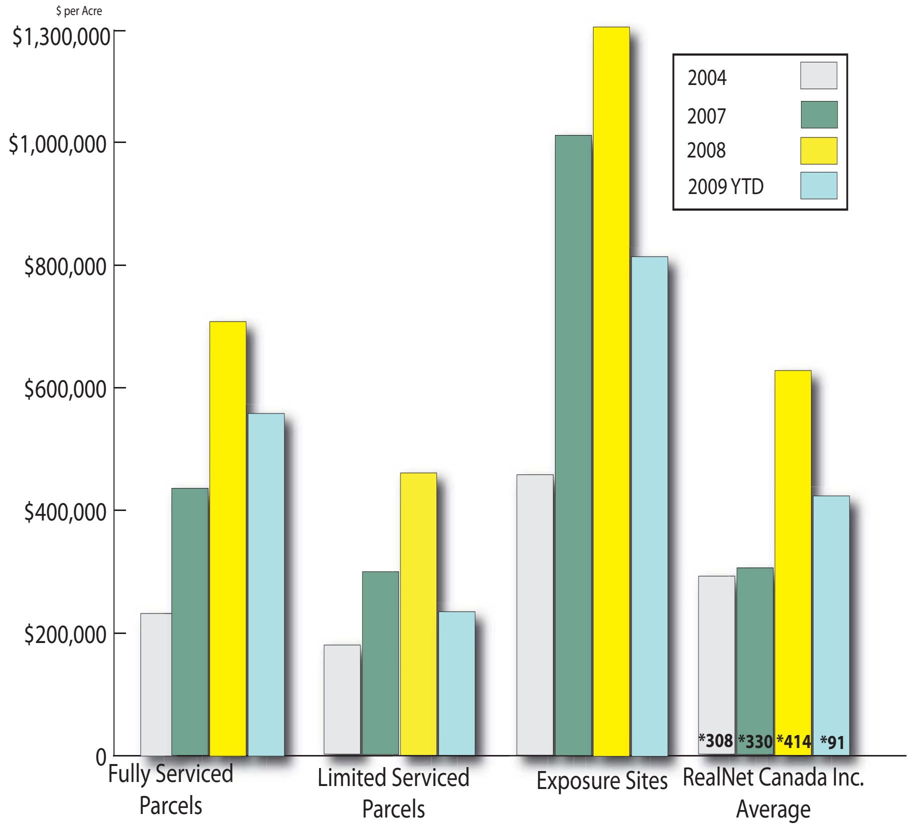
of a substantial completion deadline altogether. This is a significant difference in approach from previous years in which "auctioning" the land to the highest bidders with one year start dates and two year completion dates were the norm.

Calgary Industrial Land Values Decline in 2009



Source: Inducor Real Estate Solutions

*Above represents number of acres sold to create the average indicated.

Outlook

The balance of 2009 will see a continuation in declining rental rate and purchase values which will benefit our market in the long-term. Values had reached ranges during our peak economic period that were not affordable and/or sustainable for businesses. Declining values will create a more balanced market for companies to operate in and hopefully revive interest in new entries to our marketplace. Previous to our "boom" Calgary's industrial market possessed one of lowest places to do business in North America but as our competitive cost advantage deteriorated, so too did the number of new entrants to Calgary. We expect values to decline another 10% overall in the lease and sale market throughout the balance of 2009 before stabilizing in the first quarter of 2010.

The new construction pipeline comprised of "planned" and "under construction" projects is quickly running dry as developers pause on the commencement of new developments, unless significant pre-leasing has been secured. New and existing building inventory will be absorbed in the next 12-24 months, eventually creating a shortage of supply, which will in turn trigger new developments and subsequent increases in rental rates, land values, and sale values. A window is present to complete lease extensions, consolidations, and relocation transactions at lower costs than in years past which should be capitalized on for those businesses that had positioned themselves to survive the recent downturn.

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