Market Outlook 2009

Calgary Region

Although economies across the globe are gearing down, especially in the United States, where it is expected to be a long period of time before a true recovery will be realized, Calgary's economy is largely on strong footing but showing a definite slow down comparatively speaking to the last few years. It is expected population growth will continue with a marginal rate of 2 percent over 2008's growth, the employment growth is forecasted to be 2.2 percent in 2009, the unemployment rate will increase by 3.5 percent with an expected inflation rate of 3.5 percent.

Markets

Currently, there is over 12 million square feet of office product under construction or near
Office Market:

There are currently 160 buildings containing over 41 million square feet in the downtown core of which 30 million square feet are classed as AA or A buildings. There are currently 39 office projects under construction containing 9.3 million square feet. Of these projects 21 buildings with 4.6 million square feet are expected to open for Tenants in 2009 which may bring the Calgary office vacancy rate up over 9 percent, the highest in the last few years. To add to this there are currently 42 other projects in the pre-leasing stage with an additional 26 projects that are proposed but need sufficient preleasing to get the projects into the ground. This would add an additional 20 million square feet of office space to the market.

Retail Market:
There has been a notable slow down in the retail markets in the United States which have caused a number of large US retailers to close a number of their stores. This downturn has actually helped Calgary's market as a number of these retailers see Western Canada and especially Calgary to be the markets that may help them through this trying time. A large number of US retailers who have not been in our market before are now opening stores in a number of our centers. Notable names include Sephora, Restoration Hardware, Crate & Barrel, Bass Pro Shops, Lowe's, Lacoste and Kiel's and Coach. Others looking seriously are include Tiffany's, Abercrombie & Finch, Apple, Louis Vuitton and Cabela's. There are over 39 projects totaling 10.2 million square feet in planning, marketing and constructions phases.

Industrial Market:
Calgary's industrial market has remained fairly steady throughout 2008 with a number of projects reaching completion which will push vacancy rates up slightly from 2.56 percent to 4 or 5 percent. There are currently 1.2 million square feet of projects under construction with only a few planned over the next 9 – 12 months. A lack of suitable serviced land in Calgary has pushed a number of large projects and owner user Tenants to buy and develop outside of Calgary in the MD of Rockyview, Balzac and Airdrie. However, for the first time in several years, private developers will be bringing large tracks of developable, serviced land on stream over the next few years. This will add another dimension to the Industrial market that will prove invaluable.

Commercial Lenders have reduced the availability of debt and tightened underwriting assumptions, altering expectations of both buyers and sellers. The variance in market expectations has resulted in wide spread discrepancies among the investor market with regards to real estate values. Having said this, the Calgary market continues to exhibit strong economic values reducing the concern of most investors. We anticipate real estate values to remain stable over the next 9-12 months with investors, lenders, developers and tenants looking to invest in our economy.

Source: NAI Commercial (Calgary) Inc.

Calgary At-A-Glance

Rates are provided in _X__SF ___ SM per ___ Month _X__ Year

Currency Used: Country's Currency __CDN$______

Definitions of terms are provided for your easy reference (Pages 5-6) **Classification**	**Low Rental Rates**	**High Rental Rates**	**Vacancy Rate**
Downtown Office — Submit as Full Service Rates			
New Construction (AAA)	CDN40.00	CDN55.00	0.0%
Class A (Prime)	CDN30.00	CDN45.00	1.7%
Class B (Secondary)	CDN25.00	CDN40.00	5.7%
Suburban Office — Submit as Full Service Rates			
New Construction (AAA)	CDN24.00	CDN30.00	2.5%
Class A (Prime)	CDN20.00	CDN25.00	3.7%
Class B (Secondary)	CDN20.00	CDN24.00	3.9%
Industrial Space — Submit as Net (Triple Net) Rates			
Bulk Warehouse	CDN 6.00	CDN 9.00	8.07%
Manufacturing	CDN 6.50	CDN 9.00	8.59%
High Tech/R&D	CDN 8.50	CDN14.50	10.16%
Retail Space — Submit as Full Service Rates			
Downtown (High Street Shops)	CDN25.00	CDN110.00	0.0%
Neighbourhood Service Centres (Retail Units in Parks)	CDN23.00	CDN30.00	2.5%
Community Power Centres (Big Box)	CDN26.00	CDN35.00	0.35%
Regional Malls	CDN60.00	CDN150.00	0.43%
Solus Food Stores *(European Region Only)*	N/A	N/A	N/A

Development Land (Provided per _X__ Acre ___ Hectare)

Classification	**Low)**	**High**
Office in CBD *(Per Buildable _X_SF/__SM)*	CDN 35.00	CDN 235.00
Land In Office Parks	CDN 400,000	CDN 1,050,000
Land In Industrial Parks	CDN 650,000	CDN 1,000,000
Office/Industrial Land—Non Park	CDN 500,000	CDN 900,000
Retail/Commercial Land	CDN 600,000	CDN 1,600,000
Residential	CDN 50,000	CDN 700,000

Source: NAI Commercial Calgary