

State of the Economy

Calgary Semi-Annual Economic Review

January 2011

Summary of Economic Indicators

Summary of Economic Indicators - Calgary	
Population	
July 1, 2009 - CER	1,322,292
Inflation rate	
Year over year (Oct.) - CMA	0.8%
Employment	
Change over year (Nov.) - CER	0.5%
Employment Insurance beneficiaries	
Change over year (Oct.) - CMA	-37.2%
Unemployment rate	
May 2010 - CER	6.1%
Average hourly wage	
Change over year (Nov.) - AB	0.3%
Average weekly earnings	
Change over year (Nov.) - AB	6.6%
Retail sales	
Change over year (Q3 2010) - CMA	5.5%
Housing starts - CMA	
Change over year (YTD Nov.)	55.0%
Building permit values	
Change over year (YTD Oct.) - CER	-9.2%
Major Calgary project values	
Change over year (Nov. 2010) - City of Calgary	-9.7%
Median Calgary house price (single family)	
Nov. 2010 - City of Calgary	\$399,900
Downtown office vacancy rate	
Q3 2010 - City of Calgary	14.5%
Suburban office vacancy rate	
Q3 2010 - City of Calgary	14.2%
Industrial real estate vacancy rate	
Q3 2010 - City of Calgary	4.1%

State of the Economy – Introduction

Like the ascent from Calgary to the Rockies, the road out of recession has been an uphill yet, by no means, a steady climb. Month-over-month indicators show mild undulations through the year and, after a 2009 with two distinct personalities – a volatile first half and more stable but measured second half – 2010 was a continual climb up Scott Lake Hill.

For Calgary, a couple of primary factors – continued, depressed natural gas prices and the laggard economy in the United States – have been a constant headwind, creating drag on the vehicle. At the same time, lagging confidence from consumers and businesses, has meant pressure on the gas pedal has been weak, particularly as bends in the road appear.

However, with oil prices recovering to pre-recessionary levels, strong recent indicators of foreign direct investment and commercial real estate absorption rates – particularly of high-end space - exceeded expectations in late 2010. There may be a tailwind forming.

With 2010 behind us and 2011 stretched out in front, we look at the condition of the vehicle and the road ahead which will both impact our journey.

Labour Markets

Calgary's labour market continues to show signs of struggle. While signs of economic recovery may be on the radar for some companies, they are reluctant to hire in an environment of uncertainty. We continue to hear some reports of layoffs while few companies indicate they are looking to bring on large numbers of full-time staff, instead looking to secure part-time or contract based staff.

As a result, the unadjusted unemployment rate for November was 6.1 per cent, down from 6.9 per cent in November 2009. Total employment in Calgary was up by 3,500 jobs in November from a year earlier with the largest gains (3,000) attributable to hiring of part-time positions. Unemployment of more than six per cent continues to indicate a sharp contrast to the rates of 2007, when fewer than three per cent of Calgarians were out of work.

While the monthly statistics indicate 48,600 people are unemployed in the Calgary Economic Region, down by 6,700 from November 2009, a worrisome shadow looms. Although the working age population in the region grew by 24,500 to 1.084M by November 2010, from 1.059M persons in November 2009, the labour force – people

actively employed or looking for work - has contracted by 3,200 to 799,500 from 802,700 a year earlier. While some people may be striking out into the world of self-employment, many job seekers appear to have ceased looking for work, effectively removing themselves from the equation as they wait for hiring conditions in those ever-valuable, permanent full-time jobs to recover.

Of the total number of unemployed people in the Calgary Economic Region, only 11,000 were receiving Employment Insurance benefits. This figure is markedly lower from a year earlier as a result of the unemployed people using up their allotted weeks of Employment Insurance benefits. Consequently we continue to see increased pressure on other programs, including provincial income support rolls as well as Calgary non-profit and human services organizations, which have not eased through 2010, with softer labour conditions.

Calgary has long been able to boast labour market participation rates among the highest in the country, indicating our ability to engage different segments of the population in our employment market. The participation rate for the Calgary Economic Region in November 2010, was 73.7 per cent, well above the national (66.9 per cent) and Alberta (72.4 per cent) average, but lower than a year earlier at 75.7 per cent. While not surprising in light of the recession, this declining yet still high rate, combined with aging demographics and the volatility of inter-provincial migration, points to underlying concern about the workforce which may be available in the region in future.

Through the last half of 2010, local employment numbers continued to recover from the losses experienced throughout the recession. Total employment in November 2010, was up to 750,900 with more than 82 per cent of those – 618,900 – being full-time. And while unemployment numbers in Calgary have come down more sharply than in the rest of the country, it will take some time for labour conditions to catch-up to the renewed confidence in other areas of the economy.

Other economic indicators

The mixed – and in some ways conflicting - story among other economic indicators in Calgary illustrates the slow and steady nature of the economic recovery.

In the energy sector, 2010 was a year of opposites. The stabilization of oil prices to rates nearly double those seen at the depths of 2009, bodes well for profitability and investment in the sector. With prices at \$90US per barrel by December 2010, conventional producers are increasing drilling activity.

In the oil sands, activity levels were also on the rise throughout the year. While investments in the oil sands during 2010 were still far below the hectic pace of 2008,

when capital spending reached approximately \$24 billion, spending in 2010 kept pace with 2009. Capital spending for 2010 was estimated to close out at just under \$14 billion. As part of its crude oil forecast, the Canadian Association of Petroleum Producers (CAPP) has indicated that in 2010 and beyond, thanks to more robust commodity prices and market demand, many non-conventional oil projects that were deferred in the past two years, will return to active development.

Driven by the sound commodity price, CAPP reports land sales between January and October 2010, reached nearly \$2 billion, well ahead of the levels achieved over the same period last year. Foreign direct investment in the sector, particularly from China and Korea, was also strong at \$11 billion over the past 12 months, spurring an uptick in activity, including hiring.

Key for Alberta and Calgary, the price of natural gas remains a dragging factor on the economy. High reserves, increased supply from shale gas opportunities and a U.S. economy with lagging industrial demand all contribute to prices well off previous levels, currently still below \$4/GJ. Even though the balance is shifting as we see oil sales outstripping those from natural gas in terms of total producers' sales values over the previous two years, natural gas remains the key component of Calgary's employment and corporate revenue mix.

The real estate sector is seeing similar contradictory indicators. From a residential real estate perspective, housing starts were up by 55 per cent as of November year-over-year. Residential building permit values were up 34.2 per cent cumulatively as of October 2010, compared to the same time frame in a very soft 2009.

Following slowed pace of re-sale activity for 2010, had total MLS sales of single family properties down 18.6 per cent as of November, from the previous year. For condominiums, the decrease was even more dramatic with November YTD unit sales down by 38.5 per cent compared to a year earlier. The 2009 activity was likely fuelled by first-time buyers incented to purchase by low interest rates and forthcoming mortgage rule changes. As a result, smaller pools of buyers in 2010 left housing stock on the market. Prices responded to the slowing market coming off 2009 levels by 2.2 per cent for single family properties and 4.4 per cent for condominiums.

On the other hand, the office real estate market experienced increased demand through 2010. Absorption of downtown space has been positive throughout the past four quarters, the result of a return to downtown by some companies, increased space demand from within oil sands and engineering sectors and continued tenancy shift into higher quality A and AA class space. That said, the continued addition of new office product to the marketplace has driven to an average third quarter 2010 office vacancy

rate at 14.5 per cent compared to 12.6 per cent for Q3 2009. This vacancy rate did not reach the higher levels forecast by analysts who anticipated a flood of product which would have been greater than current demand.

On the industrial side, an uptick in distribution centre activity meant markets remained tight as vacancy rates were down to 4.1 per cent in Q3 of 2010, compared to 4.7 per cent a year earlier.

After deflation of 0.1 per cent through 2009, Calgary experienced a return to positive inflation in 2010. Between October 2009 and October 2010, the Consumer Price Index rose by 0.8 per cent. With excess slack and capacity in the economy, inflation rates remained modest and are not likely to be much of a concern going forward.

2011 Forecast

As some of the undulations of 2010 level off, Calgary can expect a more sustainable level of economic activity in 2011. In 2011 and beyond, the City of Calgary forecasts that a combination of moderate employment growth, commiserate labour income growth and increased consumer confidence will drive increases in gross domestic product in the region by 3.3. per cent in 2011. In other key indicators, the following are expected for 2011

- Unemployment rate of between 5.2 and 6.2 per cent
- Employment growth of 1.6 per cent
- Inflation at 2.5 per cent

Labour

Average Hourly Wage Rate (Alberta)

The demand for labour in Alberta has grown over the past year as more oil and gas projects are moving forward and the economy picks up since the global downturn. The unemployment rate for Calgary was 6.1 per cent for November 2010, with 3,500 jobs gained since November 2009. The current labour market in Alberta is slowly improving, but causing little pressure on the province's average hourly wages, which increased 0.3 per cent from November 2009 to November 2010, to \$25.16 an hour.

Employment

Employment numbers for Calgary have bounced monthly between growth and contraction in 2010. Calgary's economy has gained 3,500 jobs (a 0.5 per cent increase) since November 2009. Total employment was estimated at 750,900 in November 2010, up from 747,400 a year prior. Calgary accounted for 6.2 per cent of the job gains in Alberta, on a year-over-year basis.

Unemployment Rate

Calgary's unemployment rate decreased in 2010, with a rate of 6.1 per cent in November, compared to a rate of 6.9 per cent in November 2009. This rate reflects increased employment growth as a result of the rebounding economy.

Employment by Industry

The goods-producing industries led the way in job creation in Calgary this year, adding 9,700 jobs since the end of last year, a 5.3 per cent increase, while the services-producing sector lost 3,200 jobs, a 0.6 per cent decrease over the same period. In all industries, the Calgary Economic Region gained 6,400 jobs since December 2009.

Since the end of 2009, across both the goods-producing and services-producing sectors, the major drivers in terms of job gains were Business, Building and Other Support Services (8,200), Construction (9,900) and Trade (9,500). The major sectors with job losses in the same period were Other Services (-10,300), Transportation and Warehousing (-4,200) and Public Administration (-2,100).

Indicator - Calgary Economic Region	Nov 2010	Dec 2009	Nov 2009	YTD Change		YOY Change	
				Number	%	Number	%
Average Hourly Wage Rate (\$) - Alberta	25.16	24.82	25.08	0.34	1.4%	0.08	0.3%
Employment	750,900	744,500	747,400	6,400	0.9%	3,500	0.5%
Unemployment Rate (%)	6.1%	7.1%	6.9%	-1.0%	-	-0.8%	-
Employment by Industry							
TOTAL INDUSTRIES	750,900	744,500	747,400	6,400	0.9%	3,500	0.5%
Goods-Producing Sector	193,400	183,700	190,900	9,700	5.3%	2,500	1.3%
Agriculture	9,800	9,600	11,000	200	2.1%	-1,200	-10.9%
Forestry, Fishing, Mining and Oil & Gas	47,900	48,900	50,800	-1,000	-2.0%	-2,900	-5.7%
Utilities	7,300	7,400	8,200	-100	-1.4%	-900	-11.0%
Construction	81,800	71,900	75,900	9,900	13.8%	5,900	7.8%
Manufacturing	46,500	45,800	45,000	700	1.5%	1,500	3.3%
Services-Producing Sector	557,600	560,800	556,500	-3,200	-0.6%	1,100	0.2%
Trade	112,300	102,800	99,700	9,500	9.2%	12,600	12.6%
Transportation and Warehousing	41,500	45,700	43,400	-4,200	-9.2%	-1,900	-4.4%
Finance, Insurance, Real Estate and Leasing	44,700	46,300	46,500	-1,600	-3.5%	-1,800	-3.9%
Professional, Scientific and Technical Services	75,800	74,200	79,800	1,600	2.2%	-4,000	-5.0%
Business, Building and Other Support Services	31,400	23,200	25,900	8,200	35.3%	5,500	21.2%
Educational Services	43,300	45,600	43,800	-2,300	-5.0%	-500	-1.1%
Health Care and Social Assistance	77,300	77,800	77,300	-500	-0.6%	0	0.0%
Information, Culture and Recreation	32,300	34,900	36,000	-2,600	-7.4%	-3,700	-10.3%
Accommodation and Food Services	43,300	42,100	37,700	1,200	2.9%	5,600	14.9%
Other Services	32,300	42,600	41,500	-10,300	-24.2%	-9,200	-22.2%
Public Administration	23,400	25,500	24,900	-2,100	-8.2%	-1,500	-6.0%

Retail Trade

Retail Sales

Retail sales in Calgary in the third quarter of 2010, were \$21.6 billion, up 5.5 per cent from Q3 2009.

Indicator – CMA	Q3 2010	Q4 2009	Q3 2009	YTD Change		YOY Change	
				Number	%	Number	%
Retail Sales (\$Millions)	21,551.91	20,720.16	20,425.23	831.8	4.0%	1,126.7	5.5%

Construction

Housing Starts

Year-to-date cumulative total housing starts in Calgary increased by 55.0 per cent for 2010, up from 5,661 in 2009 to 8,776 this year. An increase of 29.2 per cent was experienced in single-detached starts, while starts for all other housing types increased dramatically by 130.2 per cent, from 1,445 in 2009 to 3,327 in 2010.

Indicator - Calgary CMA (Units)	Nov 2010	Nov 2009	YTD Cumulative		YOY Change	
			2010	2009	Number	%
			Number			
Housing Starts - Total	555	832	8,776	5,661	3,115	55.0%
Housing Starts - Single-Detached	366	604	5,449	4,216	1,233	29.2%
Housing Starts - All Others	189	228	3,327	1,445	1,882	130.2%

Building Permits

Total cumulative building permit values as of October 2010, dropped considerably, with a 9.2 per cent decrease from \$3.6 billion in 2009, to \$3.3 billion this year. Residential building permit values have turned around in 2010, with a 34.2 per cent year-over-year growth in value. Non-residential permits declined at a year-over-year rate of -43.2 per cent.

Indicator - Calgary Economic Region	Oct 2010	Oct 2009	YTD Cumulative		YOY Change	
			2010	2009		
			Number		Number	%
Total (\$Millions)	279.1	630.9	3,301.8	3,637.2	-335.4	-9.2%
Residential (\$Millions)	168.0	239.5	2,141.6	1,595.7	545.9	34.2%
Non-Residential (\$Millions)	111.1	391.4	1,160.1	2,041.5	-881.4	-43.2%

Major Projects

While the number of major Calgary projects (of value greater than \$5 million) has decreased by 9.8 per cent over the past 12 months, the total value of these projects has dropped by 9.7 per cent over the same period to \$21.4 billion. The project sectors with the highest value in November 2010, were Commercial/Retail (\$6.9 billion), Infrastructure (\$5.1 billion) and Institutional (\$3.2 billion). Leading developments among Calgary's major projects include The Bow office tower, Stonegate Landing retail, office and industrial development, and Alberta Health Services' Hospital for South Calgary.

Indicator	Nov 2010	Dec 2009	Nov 2009	YTD Change		YOY Change	
				Number	%	Number	%
Value (\$Millions)	21,364.0	25,536.4	23,670.4	-4,172.4	-16.3%	-2,306.4	-9.7%
Number	165	188	183	-23	-12.2%	-18	-9.8%

Real Estate

Residential

MLS Sales

Calgary's housing market started the year stronger than it finished as conditions declined in the second half of 2010. Sales of housing units followed the same trend as housing inventory, with the second half of 2010 being weaker than the first. Buyers have an abundance of products to choose from and can be more selective in their buying criteria.

Month-end inventories of single family homes increased from 2,658 in November 2009, to 3,869 in November 2010, growth of 45.6 per cent. Condominium inventories grew 31.2 per cent, from 1,434 in November 2009, to 1,882 in November 2010.

Sales of single family homes decreased from 1,095 in November 2009, to 891 in November 2010, a drop of 18.6 per cent. Sales in the more affordable condo market also decreased by 38.5 per cent over the same period, with November 2010 sales of 310 units as compared to 504 units the year before.

Sales of housing units were down for both single family and condominium markets in the first 11 months of 2010, compared to the same period in 2009, at -16.7 per cent and -18.8 per cent respectively.

The median price of a single family home in November 2010, was \$399,900, a 2.0 per cent decrease in price from November 2009, when the median price was \$408,000. Condominium prices decreased by 4.4 per cent over the year, with the median sale price landing at \$253,300 in November 2010, down from \$264,900 in November 2009.

Indicator	Nov 2010	Nov 2009	YTD Cumulative		YOY Change	
			2010	2009	Number	%
			Number			
Single Family						
Sales	891	1,095	11,361	13,644	-204	-18.6%
Median Sale Price (\$)	\$399,900	\$408,000	\$408,000	\$391,000	-8,100	-2.0%
Condominium						
Sales	310	504	4,861	5,987	-194	-38.5%
Median Sale Price (\$)	\$253,300	\$264,900	\$267,250	\$260,000	-11,600	-4.4%

Commercial

Downtown Office

Office space leasing activity and absorption in the downtown office market has exceeded expectations so far in 2010, with a resurgence of demand and an increase in leasing activity after a dismal year in 2009. Engineering companies as well as the oil and gas industry have leased back most of the space they gave up in 2008 and 2009, due to the economic downturn. Work on oil sands projects had geared up, resulting in demand for downtown office space. The A and AA classes of office buildings had the highest levels of leasing activity in the downtown market.

Average vacancy rates in the downtown market have increased in 2010, compared to 2009 rates, from 12.6 per cent in Q3 2009 to 14.5 per cent in Q3 2010. Due to higher demand in Class AA and A space, vacancy dropped substantially from 14.3 per cent to 11.8 per cent over the quarter for Class AA space. Vacancy currently stands at 13.2 per cent (Class A), 17.2 per cent (Class B), 17.2 per cent (Class C), and 39.4 per cent (Class D).

Average asking lease rates have leveled off in the past few quarters, and appear to have hit bottom. Analysts are anticipating a rise in asking rates going forward in Class AA and some key Class A buildings as the vacancy in these classes of buildings drops. Rates for classes B, C and D are expected to remain flat in the foreseeable future. Q3 2010 lease rates averaged \$21.92, compared to average lease rate of \$22.01 per square foot in Q3 2009.

Absorption in the downtown market has been positive in the past four quarters. This is a result of new demand in office space from engineering companies due to oil sands projects resurging resulting in a reduction of available space and positive absorption. In Q3 2010, absorption was 424,630 square feet with year-to-date downtown absorption at 1,242,970 square feet.

One new building (Eighth Avenue Place) was added to the Class AA inventory thus far in 2010, adding 1,040,000 square feet of space. Total downtown office space currently totals 36.7 million square feet. Another 1,700,000 square feet of Class AA space is currently under construction in downtown Calgary.

Indicator - Calgary	Q3 2010	Q4 2009	Q3 2009
Absorption	424,630	20,120	-472,924
Vacancy Rate	14.5%	15.5%	12.6%

Suburban Office

Like the Calgary downtown office market, there has been a flight to quality in the suburban office market. Overall activity is picking up as many engineering projects are commencing, and some companies are expanding, resulting in suburban market absorption.

The Calgary suburban office market has grown over the year, with an additional 188,606 square feet of space added to the inventory. An additional 260,475 square feet is currently under construction in class A space. Calgary's total inventory for the suburban office market stands at 20.1 million square feet, with 24.8 per cent being located in the Beltline.

Vacancy rates for the suburban market increased from 14.0 per cent in Q3 2009 to 14.2 per cent in Q3 2010. Vacancy rates vary by class of building. In Class A building, vacancy is 13.6 per cent. Vacancy rates for Class B and C buildings are 14.7 and 16.5 per cent respectively.

Net lease rates have decreased over the past year, with average net lease rates at \$16.77 in Q3 2010, compared to \$19.35 in Q3 2009. 'A' class rates remain higher due to more demand for space, while 'B' and 'C' class rates have declined at a higher rate.

Absorption in the suburban office market has remained positive for the past six quarters, following negative absorption in Q1 2009. Net absorption for the first three quarters of 2010 was 499,763 square feet.

Indicator - Calgary	Q3 2010	Q4 2009	Q3 2009
Absorption	304,601	91,329	77,563
Vacancy Rate	14.2%	15.7%	14.0%

Industrial

Calgary's industrial market has improved, demonstrated by decreased overall vacancy and decreased availability of space. Vacancy has continued to drop every quarter since Q4 2009, with the current vacancy rate of 4.1 per cent. Rental rates have stabilized, and tenants have been taking advantage of the current market conditions as the economy rebounds by expanding space and renewing current space at lower rates.

Availability has decreased to 5.0 per cent as the market saw significant leasing activity for space over 50,000 SF in Q3 2010. Currently, 8.2 per cent of all industrial space available is in the larger than 50,000 square feet space. Small bay space accounts for 52.3 per cent of available space, and mid-bay space accounts for 26.1 per cent of available space.

Average asking lease rates decreased quarterly in 2009, with rates starting to increase again in Q2 and Q3. The current average asking lease price is \$7.55 per square foot.

Q3 2010 was the fourth consecutive quarter of positive absorption, with year-to-date positive absorption of 1.7 million square feet. This is a result of larger pockets of space being leased. As well, several projects were completed this year, impacting absorption and adding 517,146 SF to industrial inventory.

Indicator - Calgary	Q3 2010	Q4 2009	Q3 2009
Absorption	401,897	1,185,725	-1,258,965
Vacancy Rate	4.1%	5.2%	4.7%

Consumer Price Index / Inflation

From October 2009 to October 2010, prices paid by Calgarians for goods and services, as measured by the Consumer Price Index (CPI) basket, rose by 0.8 per cent. Higher prices were most significant in gasoline, energy and purchases of passenger vehicles. Over this same period, the shelter component of the CPI (which accounts for roughly one quarter of the consumer's basket of goods and services), increased by 0.9 per cent, while rented accommodation decreased by 2.7 per cent. Prices for water, fuel and electricity decreased by 5.2 per cent.

Indicator	Oct	Dec	Oct	YTD Change		YOY Change	
	2010	2009	2009	Number	% (Inflation)	Number	% (Inflation)
CPI (2002=100)	122.9	122.1	121.9	0.8	0.7%	1.0	0.8%

Sector Analysis – Transportation & Logistics

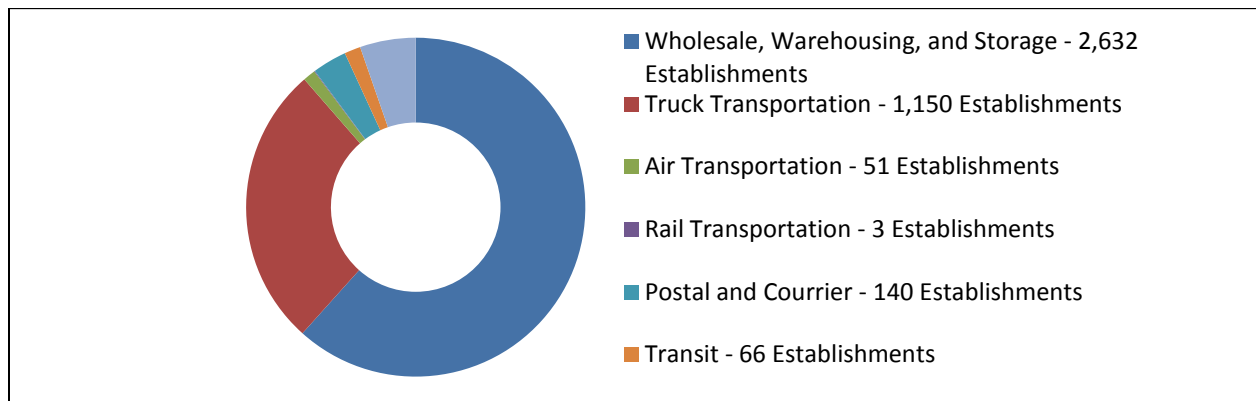
Calgary's transportation and logistics (T&L) sector is a dynamic sector, comprised of air, rail and truck transportation, wholesale trade and warehousing, postal and courier activities and other transit support activities. As highlighted in the December 2010 *Transportation and Logistics Sector Profile*, the local sector includes both of the major Canadian railways, a leading airline, as well as a variety of companies operating as wholesale, retail and third-party logistics providers. Over the last decade, employment in the transportation and warehousing sector has increased by over seven per cent and currently employs nearly 80,000¹ workers. Past growth in this sector has been due to a variety of factors including strong transportation infrastructure, access to serviced land, a growing international airport, a strategic geographic location at the intersection of two major highway corridors and within reach of Western Canadian centers, comparatively low shipping costs and a large concentration of head office activity. Additionally, Calgary's growing economy, continued investment from sector leaders and continued interest from industry and supporting stakeholders will continue to drive the establishment of Calgary as a major Canadian transportation and logistics hub in an increasingly competitive marketplace.

Employment and Business Establishments

Calgary's T&L sector produces over \$3.6 billion in GDP and employs nearly 80,000 workers at over 4,260 business establishments. The sector represents six per cent of Calgary's total GDP and real growth in the sector has averaged three per cent per year for the last decade.

¹ This employment number includes Industry employment numbers for both transportation and warehousing workers as well as those employed in a distribution centre environment (Retail – wholesale distribution sector).

Figure 1 – Composition of Calgary’s Transportation and Logistics Sector



As Canada’s energy capital, Calgary is home to 114 head offices, many of which operate in the energy sector, along with other headquarters that service the financial, manufacturing, transportation and logistics and retail sectors. The combined assets of the nine largest T&L companies headquartered in Calgary are over \$19 billion and these firms continue to invest in all aspects of the sector.

A number of companies have made some recent investments in the Calgary region. Walmart, Costco, Canadian Tire, Sears, Westfair Foods, Shoppers Drug Mart, WestJet, Canadian Pacific Railway – these are just a few names of companies selecting Calgary as the site for major investments for logistics offices, distribution centres and major transportation infrastructure projects. Supported by a strong infrastructure of highway, rail and air transportation, Calgary has become western Canada’s distribution hub for the wholesale, retail and third-party logistics provider sectors. Investment activity in Calgary transportation and logistics sector has been strong over the last several years. With 40 million square feet of new retail space currently under construction, major retailers have already selected Calgary as an integral part of their western retail distribution strategy

Table 1 – Selected Recent Investments/New Leases in the Calgary Region

Company	Investment	Size	Capital Investment
CN Railroad	Calgary Logistics Park	2 million square feet of warehousing capacity on 680 acres of land	\$100 million
UPS	Distribution Centre	150,000 square feet	\$30 million
Walmart Canada	Distribution Centre	400,000 square feet	\$97 million
Calgary Airport Authority	New Runway (to be completed by 2014)	14,000 feet	\$500 million
Calgary Airport Authority	International Facilities Terminal (to be completed by 2015)	120,000 square metres and 20 aircraft gates	\$1.3 billion
Whirlpool	Distribution Centre	439,000 square feet	Unavailable
Harmony Distribution	Distribution Centre	356,000 square feet	Unavailable

Many of these investments are being made in Calgary's major industrial regions. Within the three major regions, there are 46 individual, local industrial regions, all located in areas with easy access to rail, road, and air transportation. Some notable industrial and business parks include:

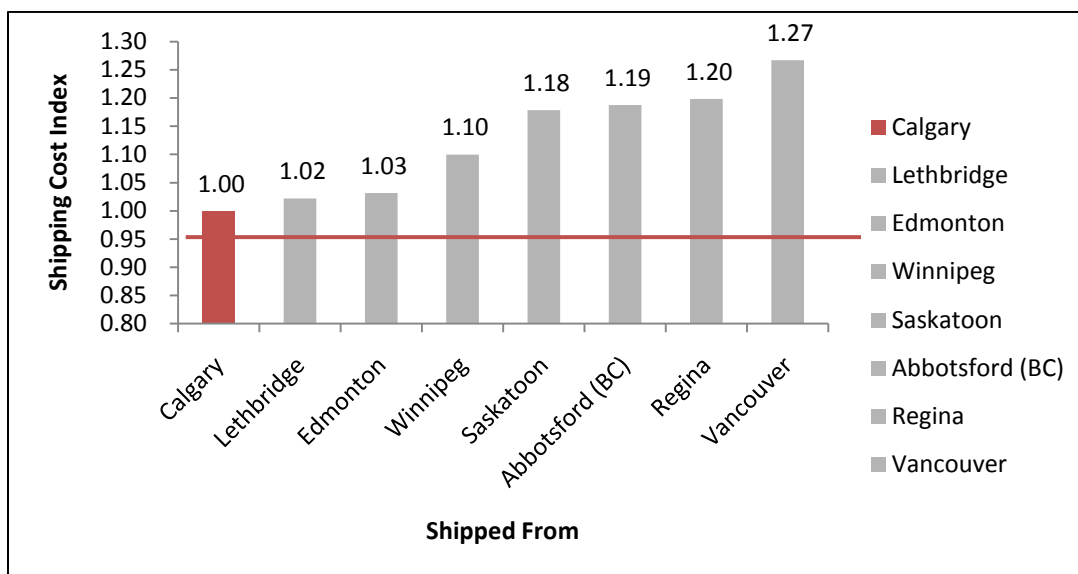
- Aurora Business Park – located on one of the last large lots of land that is both immediately near the Calgary International Airport and of suitable quality for a business campus. The creation of a business park in this location (north of Beddington Trail, east of Centre Street, south of 96th Avenue, west of the CPR line) was initially proposed in 1981, and has been undertaken in order to meet city council's continued strategy of influencing traffic away from the downtown area and creating suburban employment centres so that residents may live near where they work. The Aurora Business Campus will be completed over a 20-25 year period.
- Westwinds Business Park – located near the McKnight/Westwinds C-Train Station, it houses facilities for Shaw Cable and various other businesses.
- Great Plains Industrial Park – located in the centre of Calgary's southeastern industrial centre, with quick access to Deerfoot Trail and many other industrial sites. It is zoned I-G for general light industrial use.
- Dufferin Industrial Park – located in the southeastern industrial centre on Canadian Pacific Railway lines, the Dufferin Industrial Park is zoned for medium industrial use and will provide fully serviced rail industrial lots. The vision is to

expand the existing intermodal facility with a focus on providing a focal site for rail dependent businesses within the City of Calgary. Phase One lots will be available in 2012.

Strategic Location

Thanks to a strategic location at the heart of western Canada, Calgary is particularly well-suited for distributing agricultural, energy and manufactured goods to elsewhere in Canada, the United States and global markets. Calgary has highway distribution access in all directions, as it is conveniently located at the intersection of the Canamex Corridor (a 'smart corridor' connecting Mexico, the U.S., Canada and Alaska) and the Trans-Canada Highway. A market of 50 million people is accessible by ground transportation within 24 hours. Calgary sees a large share of activity from Canada's busiest port, with 40 per cent of imports through Vancouver being distributed through Calgary. Compared to other markets in western Canada, Calgary offers the lowest shipping costs to western Canada and major U.S. markets. As such, the city acts as a unique re-distribution point for manufactured goods coming from outside Alberta to other North American markets.

Figure 2 - Benchmark Index of Shipping Costs from Cities and Towns in western Canada²



² (www.ups.com); Shipping costs based on lowest cost to ship a 5 lb. parcel, November, 2010. Average Shipping Cost based on selected North American shipping destinations including major US destinations: New York City, Los Angeles, Chicago, Miami, Philadelphia, Dallas-Fort Worth, Boston, Houston, Atlanta, Phoenix, Seattle, Minneapolis-Saint Paul, Denver, Portland (OR) and major Western Canada Destinations: Vancouver, Calgary, Edmonton, Winnipeg, Abbotsford (BC), Saskatoon, and Regina.

In order to capitalize on all the assets and strengths that exist within the transportation and logistics sector, Calgary Economic Development recently commissioned an opportunities study to identify the best support mechanisms to further promote and champion the long-term development and competitiveness of the sector. The study found that the sector plays an important role in the overall economy, as a T&L sector that keeps costs low while delivering valuable services underpins the competitiveness of all other sectors of the regional economy. The study showed that in addition to Calgary's strategic location and shipping cost advantage, other economic activities such as oil and gas extraction along with regional agriculture and food production will present continuing opportunities for expansion of T&L sector activities. Additionally, increased trade with large developing economies, particularly China and India, will likely grow in importance and shape the demand for T&L services in the decade ahead.

While Calgary enjoys many location and access advantages as a premier hub for logistics operations in Western Canada, there are challenges that could impact Calgary's continued prominence as a location of choice for T&L activities. The cost of both labour and serviced land threatens the ability of Calgary's T&L sector to continue to offer competitively priced services. At the same time, increased competition is emerging from other Western Canadian jurisdictions. Given the size and importance of the sector to economic activity in Calgary, the T&L sector warrants attention as economic activity stabilizes in 2011.

Sources:

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