

Springbank Industrial Needs Addendum

Rocky View County

Prepared for: Rocky View County

December 14, 2016





Sherry Baers
Manager, Planning
Rocky View County
911 – 32 Avenue NE
Calgary Alberta, T2E 6X6

December 14, 2016

Re: Springbank Industrial Needs Addendum

Dear Ms. Baers

Tate Economic Research Inc. (TER) is pleased to provide this letter outlining our findings with respect to Springbank's industrial needs.

1. Mandate & TER Conclusions

TER has been retained to review the industrial needs for Springbank. The basis of this review is the 2014 Rocky View County Industrial Land Capacity Study conducted by Watson & Associates Economists Ltd. and Millier Dikenson Blais (Watson Report).

Based on TER's examination of the Watson Report, the following conclusions have been reached:

- Given the change in the economic climate since the Watson Report was conducted, it is likely that the amount of industrial demand has been overstated.
- The Watson Report was conducted on a County wide basis and therefore a detailed examination of the supply and demand characteristics specific to Springbank was not conducted.

The basis of these conclusions is summarized in the following sections of this letter.

2. Watson Report Conclusions

A draft version of the Watson Report was delivered to Rocky View in May 2014.

With respect to the supply of industrial land, the Watson Report concluded:

“Rocky View County has a significant supply of designated vacant industrial lands, totalling an estimated 3,798 gross acres (1,537 gross Ha). Adjusted for non-developable features, the County’s net developable industrial land supply is estimated at 2,976 net acres (1,204 net Ha). Additional reductions to the net developable vacant industrial land supply have been made to account for long-term land vacancy. Adjusted for land vacancy, the County’s net developable vacant industrial land supply is 2,529 net acres (1,024 net Ha). Of the total net developable industrial land supply, 55% is located in Balzac, 18% in Shepard/Janet, 15% in Fulton Industrial Area, 6% in Conrich and 1% in Springbank/Mountainview. The remaining 5% of vacant lands are distributed throughout the County.” (p.iii)

With respect to the demand for industrial land, the Watson Report concluded:

“Over the forecast period (i.e. 2014-2034), Rocky View County’s industrial lands are anticipated to accommodate 12,930 jobs (65% of the County’s total employment growth). Balzac is anticipated to accommodate 55% of employment growth on industrial lands, while Shepard/Janet is expected to accommodate 24%, Conrich 16% and 4% in other areas of the County.” (p.iii) [note: “other areas” includes Springbank].

“Based on forecast employment density trends, industrial land demand (absorption) within Rocky View County is expected to total approximately 2,482 net acres (1,004 net Ha) over the 2014-2034 period, of which 48% would be in Balzac, 25% in Shepard/Janet, 21% in Conrich and 6% in other areas of the County.” (p. iv)

With respect to the industrial land requirements, the Watson Report concluded:

“Based on the existing supply of developable vacant industrial land, Rocky View County, as a whole, appears to have a sufficient supply of industrial lands to meet long-term needs to 2034. However, there are significant imbalances in demand vs. supply, when assessed by industrial area. In accordance with the existing supply of vacant industrial lands versus long-term demand, Rocky View County has an insufficient supply of industrial land in Shepard/Janet and Conrich to meet long-term needs to 2034. In contrast, there is sufficient industrial land supply in Balzac and the rest of the County to meet long-term needs (to 2034).” [emphasis added] (p.iv)

3. Macro Demand Overstated

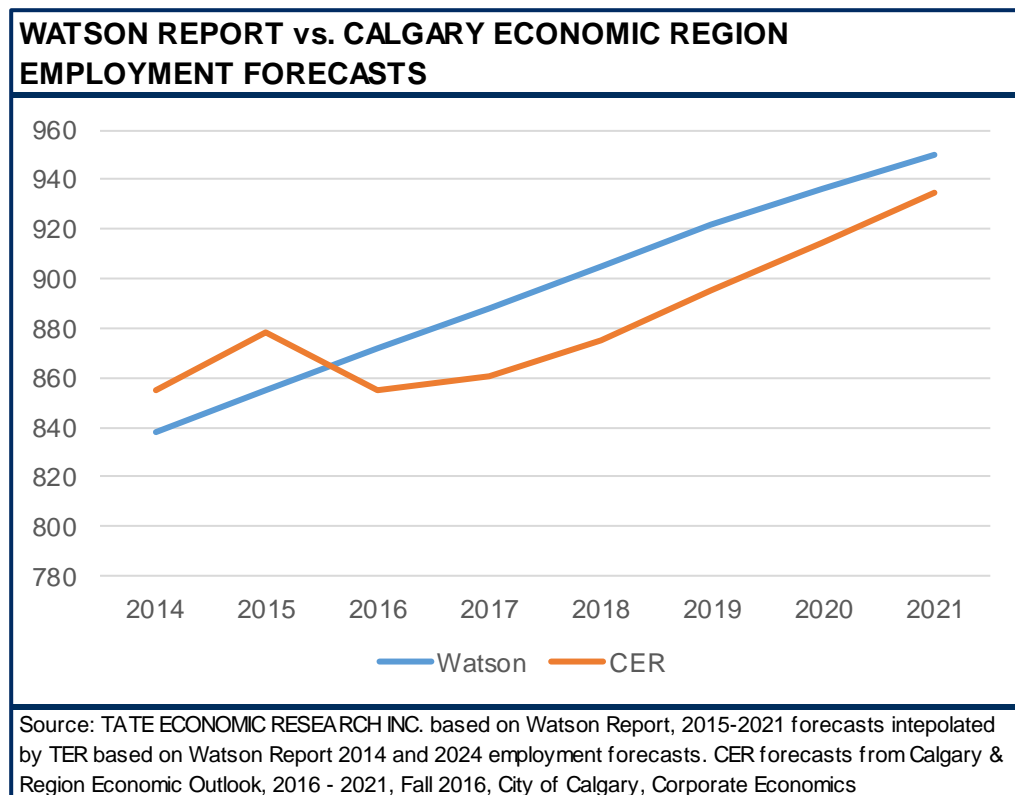
The two main components of an industrial land needs analysis are the supply of and demand for industrial lands. Based on our experience with Watson, we have no reason to question the methodology and source of establishing the supply of vacant industrial land available for development.

The main input into quantifying the demand for industrial land is the employment forecast. It is our opinion that the demand for industrial land has been overstated based on several interrelated factors:

- 1) The Watson Report was completed one month prior to the start of the precipitous decline in the price of oil;
- 2) Consequently, the GDP forecasts utilized in the Watson Report were significantly overstated; and,
- 3) The basis for industrial land demand is employment forecasts. As a result of the recession starting in 2015, and forecast to remain to 2017, employment levels have been revised downward.

The Watson Report used a top down approach when determining Rocky View County employment forecasts. The starting point is the Calgary Economic Region (CER) forecasts. The figure below illustrates the pre-recession Watson Report CER forecasts and the more recent City of Calgary September 2016 CER forecasts.

The City of Calgary CER report forecasts 2021 employment at 935,000, which is below the Watson Report's forecast of 950,000. Over the period 2014 – 2021, the CER employment forecast growth is approximately 28% less than the Watson Report forecast for a same period.



The revised employment forecasts would result in a decrease in the overall demand for industrial space.

4. Springbank Demand Not Quantified

Figure 5-7 in the Watson Report, replicated below, illustrates that there is a surplus of 399 net acres in the “Other” area which includes Springbank. Based on the assumption that the employment growth has likely been overstated, it can be inferred that the surplus of industrial lands is greater than that in Figure 5-7 of the Watson Report:

Figure 5-7: Rocky View County Industrial Land Need (Demand vs. Supply), 2014-2034

	Balzac		Shepard/Janet		Conrich		Other	
	2014-2024	2014-2034	2014-2024	2014-2034	2014-2024	2014-2034	2014-2024	2014-2034
Net Industrial Land Demand	603	1,186	361	631	201	525	73	140
Net Industrial Land Supply (reflecting vacancy adjustment)	1,390	1,390	446	446	154	154	539	539
Net Industrial Land Surplus/ (Shortfall)	786	204	85	(185)	(47)	(371)	467	399
Net Land Need with Vacancy Adjustment¹	-	-	-	218	55	436	-	-
Gross Land Need²	-	-	-	336	85	671	-	-

Source: Watson & Associates Economists Ltd.

1. A 15% land vacancy adjustment has been assumed to account for vacant parcels of land which will not develop over the long-term in proposed industrial expansion areas.

2. Assumes 65% net to gross ratio. Excludes land requirements associated with non-developable environmental features.

Even if employment growth were to accelerate in the future and match the Watson Report forecasts, there would still be a surplus in the “Other” areas. However, it should be noted that the majority of surplus lands within the “Other” areas are outside of the Springbank industrial area, as illustrated in the figure below.

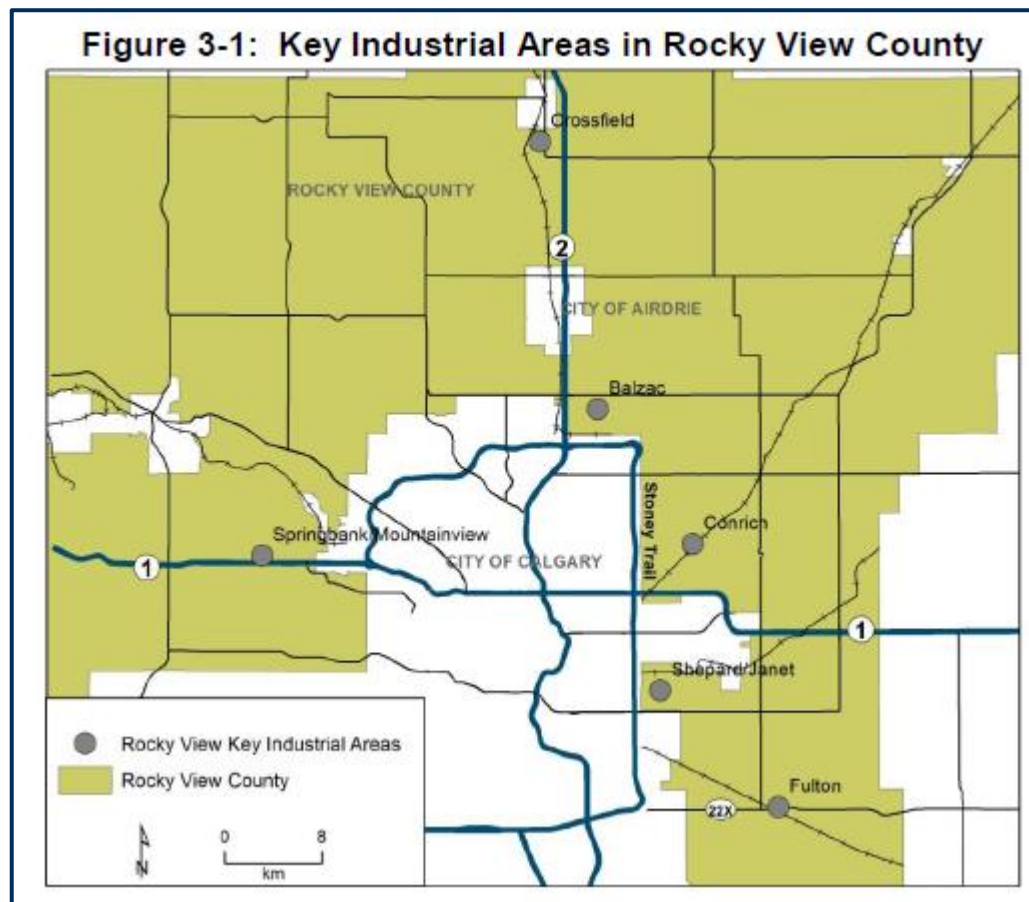
VACANT INDUSTRIAL LAND IN "OTHER" AREAS	
Area	Developable Vacant Land (ac.)
Fulton Industrial	378
Springbank Mountainview	23
Crossfield	0
Other/Rural	138
Total Other	

Source: TATE ECONOMIC RESEARCH INC. taken from Watson Report p. 39.

The Watson Report is conducted on a County wide basis and did not specifically address demand in the Springbank Mountainview Industrial Area.

5. Springbank Industrial Land Needs

As illustrated in the Watson Report Figure 3-1, Springbank represents the only supply of industrial lands west of the City of Calgary. Given its location, Springbank will have a unique set of demand generators that are difficult to quantify in a County wide assessment.



Based on the Watson Report it is unclear how many years of supply the current 23 acres within the Springbank Mountainview Industrial Area represents. Anecdotal evidence through conversations with industrial land brokers indicate that demand for smaller 1 to 2 acre industrial lots in Springbank is steady, and there could be 5 – 10 acres absorbed per year.

There are also 155.5 acres of vacant lands in the designated Springbank Airport Interface lands south of the airport which could accommodate future industrial land demand. These lands were not considered in the Watson Report due to their designation.

It should be noted that TER has not quantified the historical absorption in Springbank and therefore cannot comment on the adequacy of the existing supply. Furthermore, TER has not assessed the 'readiness' of the Springbank Airport Interface lands and cannot comment on the adequacy of that supply.

Given its location as the only supply of industrial lands west of the City of Calgary, and the relatively small amount of vacant shovel ready designated supply, it is the recommendation of TER that consideration should be given to designating additional lands given its unique locational attributes.

Yours truly,
TATE ECONOMIC RESEARCH INC.

A handwritten signature in black ink, appearing to read 'S. Patel', with a stylized flourish at the end.

Sameer Patel
Vice President