

**For information: Ray Wong
Director National Research
(416) 815-2353**

**Kim Mercado
National Senior Research Analyst
(416) 815-2375**

**Bob Harper
Harper & Harper
(905) 237-1842**

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**AVERAGE NATIONAL OFFICE RENTS JUMP IN FIRST QUARTER 2007
DUE TO HIGHER RENTS IN THREE WESTERN CANADIAN CITIES**

Other Canadian cities see rents flat or rising only modestly

Fueled by a combination of the country's lowest vacancy rates and steadily rising rents in Calgary, Edmonton and Vancouver, national average rents for downtown Class A office space in Canada climbed to their highest level since 2003.

Average rent for downtown office Class A space in the first quarter of 2007 shot up nearly \$1.00 per square foot to a \$20.29 psf, up from \$19.35 psf only three months ago, CB Richard Ellis Limited says in a first quarter 2007 report. In 2003 rents were \$21.24 psf. All rent prices are for downtown Class A office space.

The report says that Calgary, Edmonton and Vancouver represent only 26.8% of the total Canadian office market, but they have a disproportionate impact on the national market because each of those cities is enjoying a significant boom in office demand.

Average Class A downtown office rents in Calgary rose to \$43.03 per square foot from \$42.53 psf in the last quarter of 2006, the highest average rents for that type of space in Canada; Edmonton average rents in the same period jumped to \$18.83 psf from \$16.19 psf, while Vancouver average rents rose to \$27.24 from \$26.43.

Ray Wong, director national research CB Richard Ellis, says that in contrast to the steadily increasing rents in the three western cities, downtown Class A rents in cities such as Toronto, Ottawa, Montreal and Halifax are either flat or rose only modestly in the two quarters. "Toronto, which represents 35% of the total Canadian market, saw rents remain virtually unchanged at \$20.84 per square foot compared with \$20.86 psf in the last quarter of 2006; Montreal's (16% of the market) average rents rose to \$19.01 psf from \$18.62 psf in the first quarter of 2007; Ottawa's (12.9% of the market) was \$24.25 psf in both periods; Halifax's (2.3% of the market) rose slightly to \$17.43 psf versus \$17.14 psf. In total, those cities make up 66.8% of the total Canadian office market.

"Clearly, red hot rent prices in the three western cities skew overall average rents in Canada upward even though they represent only a little over one quarter of the overall market," Wong said.

The CB report noted that the prices cited are average rents for downtown Class A office space and that prices for individual buildings will vary in each of the cities. "All of the cities have individual factors that are affecting some rents but supply and demand continues to play a key role in most rent prices," Wong said.

The CB Richard Ellis report said that as expected there is a close correlation between vacancy rates and rents with the three western cities showing continually declining vacancy rates and rising rents as a result primarily of virtually full markets. Calgary, which had nearly full market conditions in the last

quarter of 2006, remained almost the same, reporting only a 1.2% vacancy rate. Edmonton saw its vacancy rate in the two periods decline to 4.8% from 5.1% while Vancouver's vacancy rate dropped almost a full point, from 3.4% to 2.6%. (Note that vacancy rates are for 'A' class space.)

In the other cities cited, Montreal's vacancy rate dropped slightly to 8.4% from 8.8% while Ottawa's vacancy rate rose from 1.9% to 2.0%

One anomaly in the correlation between low vacancy rates and its impact on rents is found in Toronto which saw its Class A downtown vacancy rate drop very significantly ... from 7.4% at the end of last year to 5.6% in the first quarter of this year yet average rent increases were mostly non-existent and did not keep in lockstep with the increase in demand.

Wong said "while Toronto has a very low downtown vacancy rate, rents have not kept pace with the lower levels of vacancies. The likely cause of the flat rent market in Toronto is the fact that three new buildings totaling 3.1 million square feet of office space are coming to the market by 2009 meaning that tenants will have much more space to choose from than they do now. The prospect of a sizable amount of new space coming to market within three years means that if landlords expect to get existing tenants to renew leases or others to lease space for more than three years, they have to be competitive today. Once the new buildings are up the vacancy rate will increase and the market will be even more competitive."

When Class A rents are compared in the suburban markets, there is little correlation between vacancy rates and average rents. The average rent prices during the first quarter are more pronounced in the three cities in western Canada and the other cities. Each of the western cities saw average rents for Class A space increase: Calgary rose from \$23.71 psf to \$24.71 psf; Vancouver rose from \$17.59 psf to \$18.06; Edmonton from \$16.80 psf to \$17.10 psf as

demand continued to be very strong. These results occurred despite Vancouver having a relatively high Class A rate of 11.8% whereas Calgary and Edmonton's were the lowest in the country (1% and 4% respectively)

In the other cities surveyed, all showed lower average suburban rents due to a variety of local factors rather than one single factor such as the huge demand found in the western cities: Montreal from \$13.86 psf to \$12.89 psf; Halifax from \$15.77 psf to \$15.65 psf.

In Toronto, the vacancy rate rose only slightly – to 10.9% from 10.6% while rents increased \$0.32 psf; Ottawa had a slight drop in the vacancy rate to 3.7% from 4.0%, yet rents remained flat ... Montreal saw a sizable vacancy rate drop ... to 15.2% from 16.9% but rents dropped by \$0.97 psf; during the same periods, Halifax saw the vacancy rate drop from 15.7% to 8.0% yet rents declined on to \$15.65 psf from \$15.77 psf.