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**COMMERCIAL REAL ESTATE INVESTMENT DROPS IN FIRST HALF OF  
YEAR; 2008 INVESTMENT EXPECTED TO BE 40% LESS THAN 2007**

Investment in Canadian commercial real estate declined sharply in the first half of 2008 and investment for the year as a whole is expected to be considerably lower than last year's record level, CB Richard Ellis Limited, says in a mid-2008 report on the investment market.

The report says that in the first six months of 2008 investment in the Canadian commercial real estate market totaled \$10.0 billion, 24% lower (\$3.1 billion) than the \$13.1 billion invested in the first half of last year. The 2007 amount was a record for investment in Canadian commercial real estate.

Stefan Ciotlos, interim president of CB Richard Ellis Limited, said that there are a number of important factors that contributed to a reduction in investment during the first half of the year.

These include some uncertainty on the part of investors as to the Canadian and world economies, a reduction in the availability of debt financing, a lower level of available properties for purchase, and a smaller number of investors. The lower number of transactions (2,542 in 2008 versus 2,875 in 2007) and investment dollar volume show clearly that all of these factors are having an impact on the commercial real estate investment market in Canada. As well, foreign investment was down a very sizable 39% to \$581 million from \$947 million in the first half.

Ciotlos said that “we expect the investment market for 2008 as a whole to be about 40% lower, possibly even more, than the record \$32.2 billion invested last year. At a 40% decline, it would amount to about \$20.0 billion in investment for the year as a whole and put the 2008 year end results less than the \$24.2 billion invested in 2006 and about par with the \$19.8 billion invested in all of 2005. In both 2005 and 2006, investments in the first half were lower than in the second half -- \$7.7 billion in 2005 and \$8.5 billion in 2006, but were followed with strong second halves.

“However, a strong second half is unlikely to occur this year because what began as a sub-prime credit crisis in the U.S. has become a de-leveraging of all global asset classes impacting Bay and Wall Street’s views of real estate in general. The U.S. is currently undergoing a very difficult investment climate and investment sales in the U.S. were down 60% at the end of June, according to Real Capital Analytics, a firm which reports on the U.S. commercial real estate market.

“Additionally, the second half of the current year will not end nearly as strong in Canada as it did in 2007 when three significant REIT transactions totaling over \$6 billion changed hands in the last half of 2007. These transactions began in the first half of 2007 but were not completed until the second half. However, since they were unusually large and were completed in the second half

of the year they resulted in a sizable investment bump in the last six months of 2007. We do not have that taking place this year.

“Nevertheless, our Canadian real estate fundamentals continue to be strong for the most part and we do not anticipate any kind of downturn comparable to the one in the US. While large pools of capital continue to be available in Canada to qualified buyers for commercial real estate investments, conduits, for example, have dried up, and lenders today are much more stringent in their lending requirements than they were in the past.”

In the nine major markets covered in the study, only Vancouver saw investment increase while the remainder showed declines. On a comparative basis, the results of the combined three largest markets in eastern Canada (Toronto, Montreal, Ottawa) again saw more collective investment than the three western markets. This took place notwithstanding investments in those markets declined to \$5.1 billion from \$6.9 billion in the first half of 2007. The western markets (Calgary, Vancouver, Edmonton) had total investment of \$4.4 billion, down from \$5.3 billion in the first half of 2007.

Toronto, Canada’s largest market, continued to see the most investment (\$3.7 billion) of any individual market but still down from its record mid-year 2007 level when it reached \$4.5 billion. The reduction in investments in the Toronto market was the largest half-year drop of any market in Canada. However, as noted earlier, the REIT sales in the last half of 2007 skewed the results for last year. Calgary, which has enjoyed a position as the hottest real estate market in Canada, saw investment drop from \$2.9 billion a year ago to \$2.2 billion in the first half of this year, a still healthy amount considering the size of the market and the amount of real estate activity in that market in recent years. Vancouver continued to show strong investor appeal with investments increasing from \$1.5 billion to \$1.6 billion. Edmonton saw a drop in investment to \$634 million from \$870 million in the first half of 2007.

Other markets with declines were London, which dropped to \$86 million in investment from \$353 million last year; Waterloo, which declined from \$465 million to \$289 million; Ottawa, which dropped from \$618 million to \$322 million; Montreal, which reported a decline in investment to \$1.1 billion from \$1.7 billion in the comparable period a year ago and Halifax which saw investment decline to \$153 million from \$193 million last year.

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