



News Release

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CANADIAN ECONOMY CONTINUES TO IMPACT FIRST QUARTER COMMERCIAL REAL ESTATE VACANCY RATES

- Negative absorption and sublet space climbs across all Canadian markets -

(TORONTO, ON) – Thursday March 19, 2009 – Challenging economic conditions in the manufacturing, retail and resource sectors coupled with access to capital constraints, all contributed to rising commercial real estate vacancy rates in the first quarter of 2009, according to the National Office and Industrial Trends First Quarter Report from CB Richard Ellis Canada (CBRE) released today.

First quarter commercial real estate vacancy rates in both downtown and suburban markets rose from 6.3 to 7.5 per cent, year-over-year. Meanwhile, net absorption, aided by increased commercial inventory and rising unemployment, continued to decline, from 2,642,611 to - 2,013,229 square feet, year-over-year.

“The residual effects of the Canadian economic downturn continued to impact first quarter commercial real estate market conditions,” explained John O’Bryan, vice-chairman, CB Richard Ellis Canada. “In almost all cases, vacancies remained broadly based - a trend we expect to continue for the balance of 2009 - while more news regarding the slowing Canadian economy continues to surface.”

Sublet space during the first quarter also increased, from 3,827,568 to 6,329,040 square feet, year-over-year, as more companies nationwide have begun reconsidering their need for underutilized office space.

In **Vancouver**, the investment capital that flowed into the city as it ramped up for the 2010 Olympic Winter Games began to wind down in the first quarter, while the past decade’s resource-based growth cycle has seen a steep decline alongside the country’s new economic reality. Accordingly, many companies in the Vancouver area have been forced to re-evaluate their need for existing and/or augmented office space, prompting first quarter commercial office vacancy rates to rise from 6 to 7.3 per cent, year-over-year.

(More)

Similarly in **Calgary**, demand for commercial space continues to be impacted by sliding energy prices, as total overall vacancy rates increased from 4.3 to 8.1 per cent from the same period last year. Capital investment in the province's energy sector has been scaled back, while Alberta's first provincial deficit in years contributed to business uncertainty in the first quarter. Analogous economic factors in **Edmonton** led to an increase in first quarter vacancy rates as well, rising from 4.9 to 6.5 per cent, year-over-year.

Overall vacancy rates in **Winnipeg** rose only slightly during the first quarter of 2009, rising from 5.4 to 5.7 per cent from the same period last year. Strong economic fundamentals continue to buoy businesses throughout Manitoba, as it remains one of few Canadian provinces where Gross Domestic Product is expected to rise in 2009.

The more conservative and generally more mature markets of central Canada led to less commercial volatility and vacancy rate fluctuations during the first quarter. In **Toronto**, total overall vacancy rates rose year-over-year from 6.8 to 7.7 per cent, and were moderated slightly by limited new construction in the city's suburban market. The banking and professional services industries continue to act as anchors for the downtown's class A commercial real estate space, while the completion of several landmark properties is expected to push vacancy rates higher in subsequent quarters.

"Larger tenants in Toronto have primarily driven the demand for new space that is environmentally efficient and aligned with the current infrastructure requirements of their businesses," added O'Bryan. "As tenants upgrade to new space, the buildings they vacate will be able to undergo retrofit improvements."

Moving to **Ottawa**, the federal government continues to anchor commercial property activity in that market, as total overall vacancy rates rose from 4.9 to 5.1 per cent from the same period in 2008. Ongoing stability in the city's commercial market is uncertain, however, as vacancy rates in Ottawa's suburban market – while stable in the first quarter – remain intrinsically linked to the success of several large tenants in the technology sector.

Low inventory rates continue to insulate **Montreal's** commercial market, as capital flow throughout the city seems stable and tenants who have chosen to operate in that market have done so strategically. During the first quarter, total overall vacancy rates rose from 7.9 to 8.8 per cent, year-over-year.

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