



**News Release**

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**COMMERCIAL REAL ESTATE RECOVERY STILL MONTHS AWAY; VACANCY RATES  
CONTINUED TO RISE IN THE THIRD QUARTER**

*- Canada's downtown office markets brace for wave of new inventory -*

**(TORONTO, ON) – Monday, September 21<sup>st</sup>, 2009** – Wavering economic fundamentals prompted vacancy rates to rise in Canada's commercial real estate sector for the third straight quarter this year, according to a National Office and Industrial Trends Third Quarter Report from CB Richard Ellis Limited (CBRE) released today.

During the third quarter, the overall vacancy rate for both downtown and suburban office markets continued to climb, up from 6.3 to 9.4 per cent, year-over-year. Limited new job creation in Canada's 'white-collar' industries and the addition of new inventory in two of Canada's three largest office markets are cited as reasons for the increase.

"Canada's downtown office market is doubly burdened by a surplus of space, with buildings currently under construction and a swell of inventory that will continue to be added to the market – a reality not fully reflected in this quarter's vacancy numbers," explained John O'Bryan, vice-chairman, CB Richard Ellis Limited. "These conditions of burgeoning space are expected to negatively impact vacancy rates for some time, at least until economic fundamentals are restored and employment figures resume in sectors that typically occupy downtown office space."

Third quarter vacancy rates rose most noticeably in Canada's larger downtown office markets, namely Vancouver, Calgary and Toronto. Meanwhile, vacancy rates in the country's smaller office markets, specifically in suburban areas, also rose, albeit at a lesser rate. Municipal, provincial and federal government tenants have added some measure of stability in these markets.

As Canada continues to grind its way out of the recession, vacancy rates are expected to climb further in the fourth quarter and well into 2010.

(more)

In **Vancouver**, third quarter downtown and suburban vacancy rates climbed from 5.4 to 8.9 per cent, year-over-year, while sublet space (as a percentage of total vacant space) went from 8.9 to 18.0 per cent. Overall, limited new development in the downtown office market has helped steady conditions in Vancouver, making it one of the more stable markets of any in the country.

**Calgary's** third quarter was characterized by a noticeable jump in vacancy rates, up from 4.7 to 13.1 per cent, year-over-year. The city's oil and gas industry and commercial market remained inexorably linked, as players both large and small continue to recognize that even Calgary has not been immune to the country's new economic reality. Accordingly, sublets (as a percentage of total vacant space) also increased in the third quarter, rising from 25.6 to 40.7 per cent from the same period last year. Average net rent for class A commercial space also experienced a precipitous third quarter drop, going from \$35.98 to \$25.18 per square foot, year-over-year.

Trending closely to its sister-city to the south, **Edmonton's** vacancy rate in the third quarter also increased, although less dramatically, from 5.0 to 8.3 per cent, year-over-year. Despite a noticeable year-over-year increase, Edmonton's sublet market (as a percentage of total vacant space) continues to be the healthiest of all Western Canada markets surveyed, even though it has risen from 5.0 to 14.7 per cent, year-over-year.

Backed by strong local economic conditions, commercial activity in **Winnipeg** remained healthy in the third quarter, as the city recorded one of the country's lowest vacancy rates, rising from 4.8 to 7.5 per cent, year-over-year. The city's sublet market (as a percentage of vacant space) showed slight signs of improvement, declining slightly from 23.1 to 22.5 per cent, year-over-year.

**Toronto's** overall vacancy rate crept towards double-digits in the third quarter, rising from 6.6 to 9.1 per cent, year-over-year. Third quarter net absorption in Toronto was the highest of any Canadian market surveyed, at 1,348,789 square feet at the end of the three-month period. The surge in absorption in the downtown market is attributed almost entirely to the completion of the Bay Adelaide and RBC Centres. Once tenants begin occupying their already leased space in both towers, the vacancy rate in the city's downtown market is expected to climb further, as currently occupied space becomes vacant. Further positive absorption is expected in the fourth quarter of 2009 when the 780,000 square foot TELUS Tower is completed.

The overall vacancy rate in the **Waterloo Region** edged slightly upwards in the third quarter, up from 6.4 to 6.7 per cent, year-over-year. Like many Canadian markets, challenging economic conditions slowed third quarter commercial real estate activity. With the area's marginal year-over-year vacancy rate increase, the Waterloo Region and the surrounding area remain among the most stable markets in the country. The scheduled rapid transit system construction and the area's ties to the technology and education sectors have the Region's market poised for long-term growth.

Vacancy rates in **London** also rose slightly during the third quarter, up from 13.6 to 14.8 per cent, year-over-year. In the third quarter, London's sublet market (as a percentage of vacant space) shrank, dropping from 13.6 to 7.3 per cent, year-over-year, a sign of strengthening conditions moving into the fourth quarter.

Continuing with second quarter 2009 trends, **Ottawa** again recorded the lowest overall third quarter vacancy rate in the country, rising from 5.0 to 5.8 per cent, year-over-year. The slight increase in vacancy rates bodes well for many area tenants, offering more options in what is typically a limited office market. Looking forward, the Nation's capital appears poised for growth, as industry experts are beginning to see increasing deal velocity in Ottawa's commercial market.

**Montreal** remains impacted by recessionary conditions, although less so than many other Canadian commercial real estate markets. During the third quarter, vacancy rates went from 8.3 to 10.3 per cent, year-over-year, with negative 386,992 square feet of net absorption, the second highest of any market surveyed in the third quarter. Montreal's suburban office market fared better in the third quarter than the downtown core, as vacancy rates rose only slightly from 12.8 to 13.7 per cent, year-over-year, compared to 5.9 to 8.4 per cent, year-over-year, in the downtown market.

Backed by strong fundamentals and a broad based economy, **Halifax's** commercial real estate market performed well in the third quarter, despite vacancy rates rising from 8.4 to 10.2 per cent, year-over-year. Healthy demand and no new development have many in the area anticipating that the current inventory will be absorbed in the near future. In the third quarter of 2009, sublets (as a percentage of total vacant space) dropped from 21.4 to 16.8 per cent from the same period last year.

## About CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm (in terms of 2008 revenue). The Company has more than 30,000 employees (excluding affiliates), and serves real estate owners, investors and occupiers through more than 300 offices (excluding affiliates) worldwide. CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis has been named a BusinessWeek 50 "best in class" company and Fortune 100 fastest growing company two years in a row.

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