



News Release

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NO SURPRISES IN 2010 FOR CANADA'S COMMERCIAL REAL ESTATE MARKET

- Vacancy rates rise in the fourth quarter; minimal growth, but predictability anticipated in 2010 -

(TORONTO, ON) – Thursday, December 17th, 2009 – An increase in leasing activity and improved access to capital in the fourth quarter has prompted Canada's commercial real estate sector to gradually gain some momentum, and show signs of life, according to a National Office and Industrial Trends Fourth Quarter Report released this morning from CB Richard Ellis Limited (CBRE).

Overall vacancy rates across the country continued to climb over the past three months, however so too did market activity. Businesses that delayed decisions during the worst of the recession have slowly begun acting on their need for office space. This increased activity is not yet reflected in fourth quarter vacancy statistics but has positively impacted market confidence heading into 2010.

Looking to 2010, Calgary and Toronto, which make up approximately half of Canada's commercial real estate market, will continue to work through their respective vacancy challenges, as both cities prepare for a swell of additional Class A commercial space to be absorbed into their markets through 2011.

During the fourth quarter of 2009, economic fundamentals continued to loom large over Canada's commercial real estate market and overall vacancy rates for downtown and suburban office space rose from 6.7 to 9.8 per cent, year-over-year.

"While the general commercial real estate outlook for 2010 is mixed, confidence in the Canadian economy and its impact on the sector's recovery cannot be underestimated," explained John O'Bryan, vice-chairman, CB Richard Ellis Limited. "As we head into 2010, anticipated economic stability will gradually allow the country's commercial real estate market to improve."

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Added O'Bryan: "Watching the story in Toronto and Calgary is akin to watching a glacier head steadily in your direction. We're just on the tail end of a construction boom, and at this point the added inventory has to work itself through the market."

The London, Waterloo Region and Ottawa markets continued to demonstrate their resiliency in the fourth quarter, as vacancy rates in those markets fluctuated less than one per cent, year-over-year.

In **Vancouver**, fourth quarter downtown and suburban office vacancy rates climbed from 6.1 to 9.1 per cent, year-over-year, while sublet space (as a percentage of total vacant space) fell from 19.7 to 14.8 per cent.

Commercial real estate conditions in **Calgary** remain among the country's most severe, as year-over-year fourth quarter vacancy rates rose from 6.3 to 15.6 per cent. Demand for office space in Calgary hit bottom in the fourth quarter of 2009, and is expected to pick up in 2010 as businesses take advantage of lower net rents. After hitting a seven-year low in the fall, a rebound in natural gas prices could also lead to increased demand for office space heading into the new year.

Tenants in both Calgary's downtown and suburban markets continue to take advantage of sublet alternatives, as sublets as a percentage of vacant space also rose in the fourth quarter, up from 24.4 to 39.7 per cent, year-over-year.

Like its Albertan counterpart, **Edmonton's** overall vacancy rate rose during the fourth quarter, albeit less dramatically, from 5.1 to 9.5 per cent, year-over-year. Edmonton's sublet market (as a percentage of vacant space) also experienced an increase in the fourth quarter, rising from 9.0 to 14.0 per cent, year-over-year.

Backed by a healthy, varied economy, **Winnipeg's** commercial real estate market remained one of the more stable in the country, with a vacancy rate that is among the lowest of Canada's major cities. Winnipeg's overall vacancy rate increased in the fourth quarter, rising from 5.6 to 8.1 per cent, year-over-year.

Toronto's overall vacancy rate continued to head slowly towards double-digits in the fourth quarter, rising from 6.8 to 9.4 per cent, year-over-year. Additional new supply brought year-over-year absorption back into positive territory, although with the completion and occupancy of several new Class A buildings in 2010, negative absorption is expected to return.

Square footage under construction in Toronto shrunk by more than half, year-over-year, from 6,059,028 to 2,494,045. Moving into 2010, supply will continue to outpace demand, as the commercial market turnaround in Toronto will be tied closely to job creation in the city's financial and professional services sectors.

The overall vacancy rate in the **Waterloo Region** dipped in the fourth quarter, from 6.1 to 6.0 per cent, year-over-year. Despite uncertain economic conditions across most of the province, commercial real estate activity in the area remained steady as several companies upgraded to less expensive, more premium office space. For the first nine months of the year, the area's industrial real estate market was hit hard by the eroding manufacturing sector; however in the fourth quarter, several substantial transactions helped create notable momentum heading into 2010.

Overall office vacancy rates in **London** remained relatively flat in the fourth quarter, rising marginally from 13.6 to 13.7 per cent, year-over-year. Of the major markets examined in the report, London's overall vacancy rate ranked the second highest in the country, after Calgary.

On the other end of the spectrum, **Ottawa** once again recorded the country's lowest overall vacancy rate in the fourth quarter, rising from 5.1 to 5.7 per cent, year-over-year.

Montreal continues to be characterized as having 'sat this one out,' in reference to the recession's generally limited impact on the city's commercial real estate sector. Brett Miller, executive vice president and regional managing director, Eastern Canada, CB Richard Ellis Limited, added: "Montreal's commercial real estate market has been more stable simply because when you look back at 2009, it really doesn't hurt much when you fall off the first floor."

During the fourth quarter, vacancy rates went from 8.2 to 10.2 per cent, year-over-year. Looking ahead at 2010, stable conditions are expected, as market activity continues to be driven by businesses taking advantage of attractive net rents.

Overall vacancy rates in **Halifax's** commercial real estate market inched upwards in the fourth quarter from 9.2 to 10.2 per cent, year-over-year. Despite the slight increase, the city's commercial market remains strong, stable and healthy, and is expected to perform well in 2010.

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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