

## Vancouver, Calgary and Toronto rule as Canada's hottest office markets

*Brisk leasing activity in 2006's first quarter puts more pressure on tightening office supply*

**TORONTO, March 21, 2006:** Robust demand for office space in three of five major Canadian cities in 2006's first quarter entrenches the view that corporations are feeling confident about the economy and their future business prospects.

Cushman & Wakefield LePage's first quarter report released today found that **Vancouver** edged out boom-town **Calgary** as the most active office market in the country this quarter. Surging demand for office space in the west coast city generated the largest single quarter drop in overall vacancy since the peak of the last expansionary cycle in late 2000.

With Calgary and the **Greater Toronto Area** also turning in strong results, the overall national vacancy rate tumbled to 7.4% from 8.2% in one quarter. **Montreal** and **Ottawa** were the only large markets that remained mostly static through the quarter.

"The first quarter results point to the growing optimism in corporate Canada," said **Colum Bastable**, President and CEO, Cushman & Wakefield LePage. "Whenever we see companies hiring new workers and expanding their office space, we know they're feeling pretty good about what lies ahead."

If Calgary appears to be leveling off it is only because of a dire shortage of space. Despite a warm winter in North America, oil prices have held above \$60.00 per barrel and continue to power unprecedented growth in Calgary, Edmonton and emerging cities like Fort McMurray. Demand for Class A space has reached a frenzied pitch in Calgary, which can't build office towers fast enough to accommodate demand. Class A vacancy in the city's central markets hit a new 25-year low, scraping the bottom of the vacancy barrel, with only 0.3% of space left for lease.

"Short-term relief has to come from the suburban markets," said **Chris Anderson**, Vice President and General Manager, Cushman & Wakefield LePage's Calgary office. "There's no end in sight to the boom that Calgary is experiencing. There's a shortage of skilled trades people and the little space that's left in the Calgary market is attracting multiple offers as companies struggle to secure future space needs.

## **KEY NATIONAL OFFICE MARKET OBSERVATIONS**

### **Vancouver, BC**

Vancouver's heated economy generated exceptionally strong demand this quarter resulting in the largest fall in vacancy of any Canadian market. In Q1, 2006 the overall vacancy rate fell from 8.4% to 6.9%. This is the largest drop that Vancouver has seen in over five years (since Q2/3 2000).

### **Calgary, AB**

Relentless strong demand in Calgary's overheated office market continued to push vacancy to new record lows. Calgary's triple A towers, with a total inventory just shy of 6 million sq. ft., are now fully leased. In addition, Class A vacancy in the financial core has fallen to 0.4%, just slightly lower than the overall downtown vacancy rate of 1.2%.

Calgary's suburban markets experienced somewhat softer demand, but it is only a matter of time before demand consumes available space here as well given the tight conditions downtown. The overall vacancy rate in the suburban markets fell to 7.8% (820,000 sq. ft.) by the end of Q1, 2006.

### **Edmonton, AB**

Alberta's sizzling economy continues to fuel Edmonton's office leasing market. Strong demand in both the central and suburban Edmonton markets pushed vacancy to a new record low of 5.9% in Q1 2006, down from 6.6% in Q4 2005 and from 8.7% one year ago.

### **Greater Toronto Area, ON**

The GTA is by far the largest office leasing market in the country, containing 162 million sq. ft., or about 40% of Canada's entire inventory. Q1, 2006 saw the highest level of leasing activity in over five years, driving the overall vacancy rate downward to 7.6% from 8.5% last quarter. Absorption of 1.4 million sq. ft. was also the greatest since Q4, 2000, the peak of the last office leasing boom.

Demand in the GTA has been red hot over the past two quarters, and although it is expected to cool slightly over the coming quarters, vacancy will continue its downward slide, if at a slightly more controlled pace.

### **Ottawa, ON**

Ottawa's office leasing market vacancy rate took a slight pause in Q1 2006 with vacancy remaining steady at 6.9%, the same low rate as Q4 2005.

Vacancy in Ottawa's suburban market edged up slightly over the quarter to 8.2% from 8% in Q4 2005 but still well below the 12.9% experienced one year ago and 16% in Q1 2004. Ottawa's central market continued to pick up steam as vacancy fell to 5.5% in Q1 from 5.7% in Q4 2005.

### Montreal, QC

Montreal's office leasing market continued its slow recovery in Q1 2006 with vacancy falling to 10.4% down from 10.9% in Q4 2005 and 12% in Q1 2005. Demand was centered in Montreal's suburban market for the second consecutive quarter with 161,000 sq. ft. absorbed pushing the vacancy rate to 10.5% from 10.9% in Q4 2005. Vacancy in Montreal's central market fell to 10.4% from 10.9% over the quarter mainly due to the removal of a 320,000 sq. ft. building from inventory.

### National Office Market Performance at a Glance

Markets	Inventory (000's sf)	Q1 2006 Vacancy	Q4 2005 Vacancy	Q1 2005 Vacancy
Vancouver	44,279	6.9%	8.4%	11.5%
Edmonton	18,205	5.9%	6.6%	8.7%
Calgary	46,524	3.0%	4.2%	8.0%
Winnipeg	15,339	6.8%	6.7%	8.1%
Toronto	161,804	7.6%	8.5%	9.9%
Ottawa	31,982	6.9%	6.9%	9.2%
Montreal	81,331	10.4%	10.9%	12.0%
Fredericton	2,014	2.9%	3.6%	N/A
Saint John	1,469	11.5%	10.6%	NA
Moncton	2,276	11.3%	12.3%	N/A
Halifax	8,548	8.2%	8.2%	11.9%
St. John's	2,414	8.5%	10.4%	11.7%
<b>National</b>	<b>416,185</b>	<b>7.4%</b>	<b>8.2%</b>	<b>10.3%</b>