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**Strong office demand points to solid economic prospects:
Cushman & Wakefield**
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TARA PERKINS

TORONTO (CP) - Strong demand for office space in Toronto, Calgary and Vancouver illustrates that corporations are confident about the economy and their prospects, say commercial real estate specialists at Cushman & Wakefield LePage.

Despite static demand in Montreal and Ottawa, the national vacancy rate for offices fell to 7.4 per cent in the first three months of this year, from 8.2 per cent in the fourth quarter, the firm said Wednesday.

"Whenever we see companies hiring new workers and expanding their office space, we know they're feeling pretty good about what lies ahead," said Colum Bastable, chief executive of Cushman.

Vancouver edged out Calgary as the most actively traded market for office space in the first quarter, as its vacancy rate fell to 6.9 per cent, compared

with 8.4 per cent in the final quarter of 2005.

"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," Cushman stated.

Calgary, meanwhile, is experiencing "a dire shortage of space" - among prime office space in Calgary's central market, only 0.3 per cent is for lease, the survey found.

The city cannot build office towers fast enough to accommodate demand, and "short-term relief has to come from the suburban markets," said Chris Anderson, general manager at Cushman's Calgary office.

"There's no end in sight to the boom that Calgary is experiencing," Anderson added.

"There's a shortage of skilled tradespeople, and the little space that's left in the Calgary market is attracting multiple offers as companies struggle to secure future space needs."

Meanwhile, Toronto, Canada's largest office market, saw its highest level of leasing activity in more than five years.

Its vacancy rate fell to 7.6 per cent, from 8.5 per cent in the previous quarter.

"Demand in the Greater Toronto Area 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," the Cushman report said.

About 40 per cent of Canada's leasable office space is in the GTA.

New York-based Cushman & Wakefield is the world's largest private real estate services firm.

Last fall, Toronto-based Brookfield Asset Management Inc., formerly Brascan Corp., sold its Royal LePage commercial brokerage to Cushman, transferring 520 employees.

Bruce Flatt, CEO of Brookfield Asset Management (TSX:BAM.LV.A), said last month that office markets have seen a turnaround in the last half-year.

"Vacancies are coming down, rents have started to increase, little construction is ongoing - or in some places even contemplated - and if the economic situation continues to be stable, we should see much higher rents

12 months from now than you see today," Flatt said.

Brookfield recently bought a 25 per cent stake in O&Y Properties, joining two pension plans in taking over the Reichmann-founded company which has 24 office properties across Canada.

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