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Monday, August 9, 2010

# Report: Canada Office Market Recovering Faster than US

Last Updated: August 6, 2010 02:51am ET

By Robert Carr

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Rose

TORONTO-Quick job recovery is the answer for why Canada is seeing its office market recover faster than its neighbor to the south, according to locally-based Avison Young. In a mid-year market report, the company reported that Canada has an office vacancy rate of 9.9%, while in the firm's four US satellites--including Washington, DC;

Chicago; Atlanta and Houston--vacancy is at 15%.

A big reason for the disparity is job growth (or lack of), according to Avison officials. About 403,000 new positions have been created in the past year in Canada, restoring most of the jobs that were lost in the recession, said VP and director of research Bill Argeropoulos. In contrast, only a small margin of the more than eight million jobs lost in the United States in the past three years have been recovered, he said in a statement.

He says a lack of development has helped both US and Canadian markets recover, but the latter may be ready to see more new space soon. "Recently completed developments in Downtown Toronto are now approaching 80% leased. With only one building under construction (18 York St., soon to be fully preleased) and the remaining large-block options not satisfying all of the larger mandates currently in or about to enter the market, some developers are taking advantage of these

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shortcomings. For example, GWL Realty Advisors is getting a head start on the next development cycle by recently announcing a 30-story, 700,000-square-foot tower adjacent to its 18 York Street project," he said in a statement.

Mark Rose, chairman and CEO, tells GlobeSt.com that office deals are happening in Canada. "The difference in the bid and ask for leasing is a nice range where companies can make decisions and make activity happen. We should 'get silly again' by 2015-16," Rose says. "However, the second quarter of 2010 witnessed continuing and new global disruptions as well as extreme economic uncertainty in the US. Hence, we will not hit our three current key metrics of employment growth, of robust GDP growth or clear corporate decision-making. This does not mean that activity will grind to a halt. It just means that a true recovery cannot begin until the political and economic clouds in the US begin to dissipate."

Rose acknowledged that investment is flowing south to the US faster than it is returning. He says the reasons for interest in US property includes more available properties, as well as the current rise of the Canadian dollar to just about match the US dollar. "The Canadian purchasing power for US property is better for us now, our currency can buy more US property than it could 13 months ago."

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