Investment Review Greater Toronto Area

Summer 2010

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GTA Investment Summary

Stable to improving market fundamentals, borrowing costs lower than at the peak of the credit crisis (2007), and high availability of debt are finally leading to increased commercial real estate investment sales activity across the Greater Toronto Area (GTA). In the first half of 2010, investment volume for office, industrial, retail, multi-residential and land in the GTA reached $3.5 billion – up 29% from $2.8 billion in the second half of 2009 and an astounding 151% from $1.4 billion in the first half of 2009. (Avison Young compiles statistics on investment sales transactions greater than $1 million, excluding non-arms length deals.)

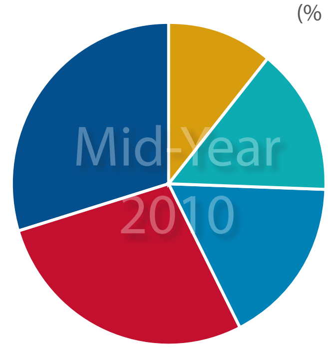
Retail and office properties were the most actively traded real estate assets in the first half of the year, with sales exceeding last year's overall total. Sales of retail properties jumped 170% from the second half of 2009 and 427% from the first half of 2009, to close at $1.1 billion. Retail not only increased its share of the overall investment volume (to 30% from 14%) over the previous six-months, but was the only sector to break the $1 billion mark, matching its best performance since the second half of 2005. The office sector witnessed $992 million in sales between January and June 2010, up 41% from the second half of 2009 and 246% over the first half of 2009. As a result, the office sector captured 28% of total investment volume in the first half of 2010, up from 26% and 20% in the previous six and 12-month periods, respectively. Land, the most sought-after real estate asset amongst investors one year ago, with $494 million in sales and a 35% market share, closed the first half of this year with $591 million in sales (+23%), although its share slipped to 17%.

After a strong finish in 2009, with second-half sales of $840 million, investment in industrial buildings fell 38% over the first half of 2010 to $520 million. Industrial was the only asset class to post a decline in sales over the previous six-month period. Consequently, its share of total sales was cut in half, falling to to 15% from 31%. Despite this setback, sales of industrial buildings are up 85% over the first half of last year ($281 million).

The least pursued asset class in the first half of this year was multi-residential. Sales in this sector totalled $377 million, up from $332 million (+14%) in the second half of 2009. However, year-over-year, investment volume has nearly tripled (+153%). For perspective, $481 million worth of multi-residential properties changed hands in all of last year, the lowest sales volume in six years ($1.3 billion in 2004).

GTA Investment Activity

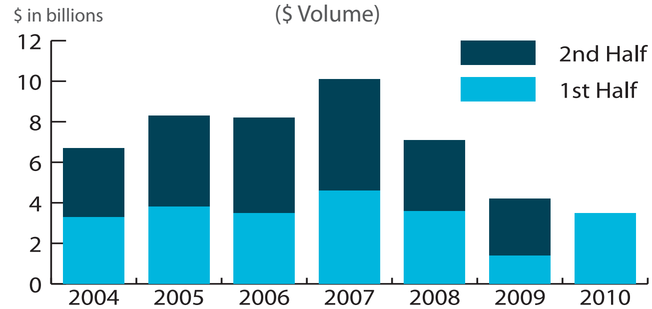
(% Sector)



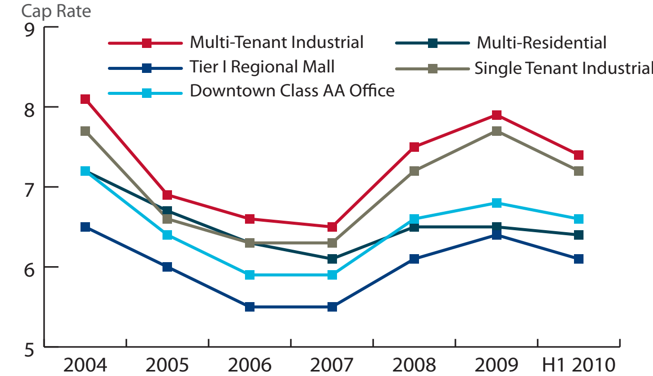
	1st Half 2010	2nd Half 2009	1st Half 2009
Retail	30%	14%	14%
Office	28%	26%	20%
Land	17%	17%	35%
Industrial	15%	31%	20%
Multi-Residential	11%	12%	11%

GTA Investment Activity

($ Volume)



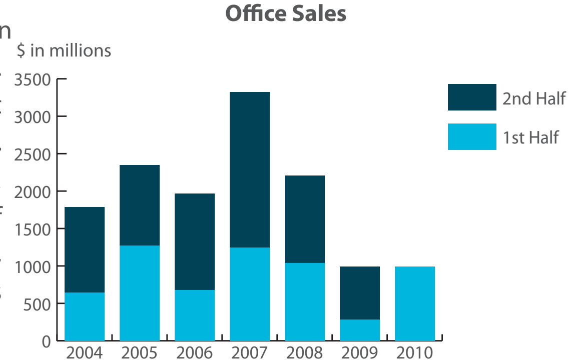
GTA Select Capitalization Rates



Given the improvement in investment flow and increased competition for assets over last year, investor opinion on capitalization rates for primary assets in all categories has trended lower. In general, investors place cap rates between 20 and 60 basis points (bps) lower than one year ago and remain between 70 and 130 bps above the market peak in 2007.

Based on the mid-year tally, and more than $500 million worth of commercial real estate assets being marketed for sale at the conclusion of June 2010, GTA investment property sales are on track to surpass 2009 overall investment volume of $4.2 billion but remain well off the pace set during the peak of 2007, when year-end sales totalled just over $10 billion.

Office Market



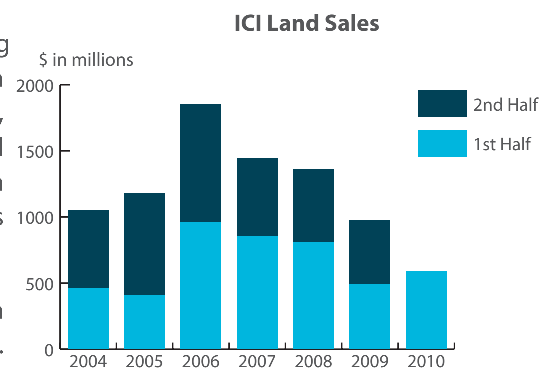
Office investment activity increased sharply in the first half of 2010. Between January and June of this year, GTA office transactions topped their 2009 total. Altogether, $992 million worth of office properties changed hands in the first half of 2010, accounting for 28% of the overall investment volume in the GTA. This volume represents a 41% increase over the second half of 2009 and a staggering 246% increase over the first half of 2009. Extrapolating the first-half results, investment volume could reach the $2 billion mark by the end of 2010, which would be just shy of the $2.2 billion traded in 2008. However, this level is still short of the $3.3 billion sold at the market peak in 2007.

Dundee REIT and Whiterock REIT were the most active buyers of office product in the first half of 2010. Combined, they acquired almost $600 million in assets, representing 60% of the year-to-date office investment volume. Dundee REIT alone closed on $355 million worth of office property. Included in this figure is the largest single office transaction in Toronto's financial core since 2008: Adelaide Place, a two-building complex comprising 655,000 square feet (sf). The complex was acquired from Oxford Properties for $211.5 million at a reported cap rate of 7.1%. Whiterock REIT made its presence felt by purchasing a large suburban office portfolio from Transglobe Property Management Services. The 1.2-million-square- foot (msf) portfolio, which includes West Metro Corporate Centre, 2810 Matheson Boulevard, and Valhalla Executive Centre, sold for $214 million, at a cap rate of 8%.

SIGNIFICANT OFFICE TRANSACTIONS BY SALE PRICE FIRST HALF 2010

Property	Total Price	Price psf	Purchaser	Vendor
TransGlobe Suburban Office Portfolio	$214,000,000	$200	Whiterock REIT	TransGlobe Property Management Services
Adelaide Place	$211,500,000	$323	Dundee REIT	Oxford Properties Group
625 Cochrane Drive & 60 Columbia Way	$60,800,000	$178	Dundee REIT	GWL Realty Advisors
2200-2206 Eglinton Avenue East and 1020-1030 Birchmount Road	$45,700,000	$105	Dundee REIT	GE Capital Canada Real Estate
30 Eglinton Avenue West	$37,400,000	$227	Dundee REIT	Lustig & Doo Group

ICI Land Market



Almost 2,300 acres of land changed ownership in the first half of 2010, accounting for $591 million (17%) of total volume. While land sales volume increased from $482 and $494 million seen in the second and first half of 2009, respectively, total acreage fell short of the 3,500 acres sold in the second half of 2009. Land transaction dollar volume has been trending downwards since its recent peak in 2006; however, if the current pace of sales continues in the second half of 2010, this trend may be reversed.

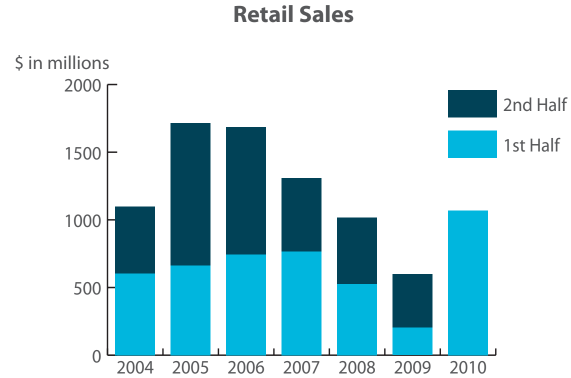
The year-to-date rise in land sales is attributed to the continued acquisition of strategic sites by Metrolinx, an Ontario Government Crown Corporation. Metrolinx purchased an additional 144 acres from the Canadian National Railway, encompassing the Oakville West Subdivision Railway Lands for $168 million. This deal accounted for roughly 28% of land investment dollar volume in the past six months. The largest parcel of this land assembly comprised 83 acres, selling for $126.5 million. This acquisition gives Metrolinx ownership of a crucial section of its busiest GO Transit corridor; one that links Union Station and GO Transit's rail equipment facility in southwest Toronto.

SIGNIFICANT LAND TRANSACTIONS BY SALE PRICE FIRST HALF 2010

Property	Total Price	Price per Acre	Purchaser	Vendor
Oakville West Subdivision Railway Lands	$167,661,000	$1,160,059	Metrolinx	Canadian National Railway Company
8300 Huttington Road	$16,875,560	$680,000	Anatolia Tile Inc.	Roybridge Investments
350 Bloor Street West	$15,850,000	$25,319,500	Starbank Development	Windsor Property Management
11093 Warden Avenue	$15,000,000	$147,775	Private Individual	The Corporation of the Town of Markham
Major Mackenzie Drive	$11,584,000	$623,802	The City of Vaughan	The Remington Group

Retail Market

Retail was the most actively traded asset class in the GTA in the first six months of the year, and the only asset class to crack the $1 billion plateau. In all, $1.1 billion worth of retail properties exchanged hands, capturing 30% of the GTA's first half investment volume activity and doubling its 2009 overall output. Compared to the same period one year ago, retail investment sales have increased five-fold.



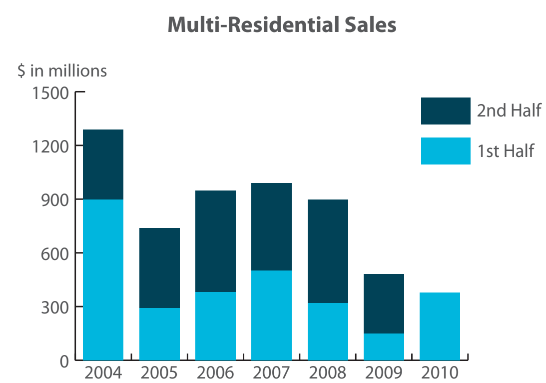
The top five deals accounted for 53% of the total value of retail deals in the first two quarters of 2010 with Oxford Properties and Ivanhoe Cambridge capturing the headlines. The two GTA deals were part of a national swap of six shopping centres that were jointly owned by the two parties. In the end, Ivanhoe consolidated its interest in Oshawa Centre by acquiring 50% for $196 million, while Oxford assumed 100% ownership of Upper Canada Mall in Newmarket by acquiring 50% for $190 million. The reported capitalization rate for the respective deals was 6.5%. Another notable deal included the sale of 10 Dundas Street East, commonly known as Toronto Life Square, a 330,000 sf retail, entertainment, and office complex in downtown Toronto. This was a distress sale acquired by Entertainment Properties Trust, a U.S. REIT out of Kansas City, for just under $118 million (5.6% cap rate). Some of the building's retail tenants include: AMC, Future Shop, Adidas, Extreme Fitness, Milestones, and Jack Astor's.

SIGNIFICANT RETAIL TRANSACTIONS BY SALE PRICE FIRST HALF 2010

Property	Total Price	Price psf	Purchaser	Vendor
Oshawa Centre	$196,094,804	$352	Ivanhoe Cambridge	Oxford Properties
Upper Canada Mall	$189,651,032	$392	Oxford Properties	Ivanhoe Cambridge
10 Dundas Street East	$117,615,724	$746	Entertainment Properties Trust	Ontario Superior Court of Justice
5500 Dixie Road	$35,250,000	$154	ING Real Estate	Dilawri Group of Companies
78, 82, 92 & 98 Yorkville Avenue	$27,792,500	$976	Giraffe Capital	Invar Building Corporation

Multi-Residential Market

Sales of Multi-residential properties in the GTA grew modestly compared to the second half of 2009. In total, multi-residential sales volume climbed to $377 million in the first half of 2010 from $332 million in the second half of 2009 – an increase of 14%. However, when compared to the first half of 2009, investment activity has jumped 153%, with 10 of the 72 multi-residential properties sold in the first half of 2010 trading for more than $10 million. The large transactions amounted to $212 million, or 56%, of multi-residential investment volume in the first half of this year. By comparison, over the first half of last year, there were only 34 multi-residential transactions – and only three in excess of $10 million.

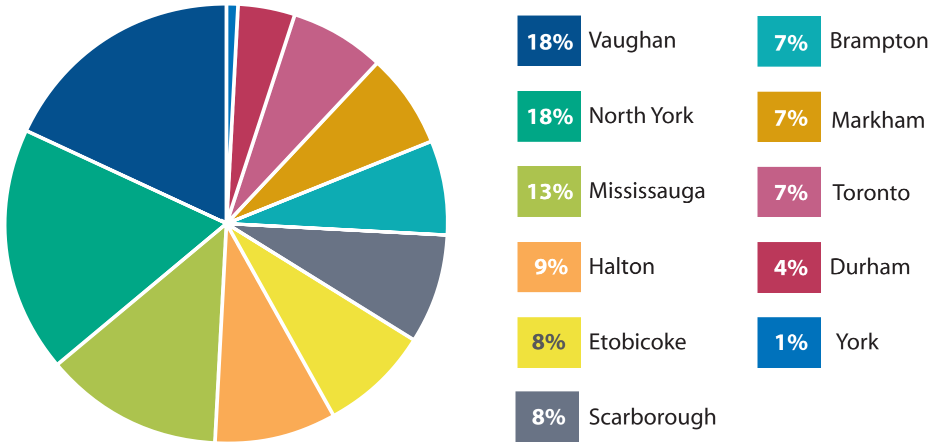


The largest multi-residential deal in the first half of 2010 was the sale of 740-750 York Mills Road and 17 Farmstead, comprising three, 18-storey buildings with a total of 412 units located in North York. Paragon Development Corporation sold the complex to Minto Developments for almost $50 million at a reported cap rate of 5.4%. Another notable sale included 125 Bamburgh Circle in Scarborough. The 20-storey, 332-unit apartment building was sold by El-Ad Canada Group to Homestead Land Holdings in May 2010 for $40 million and at a reported cap rate of 6.3%. El-Ad had acquired the property in March 2004 for a total consideration of $37 million.

SIGNIFICANT MULTI-RESIDENTIAL TRANSACTIONS BY SALE PRICE FIRST HALF 2010

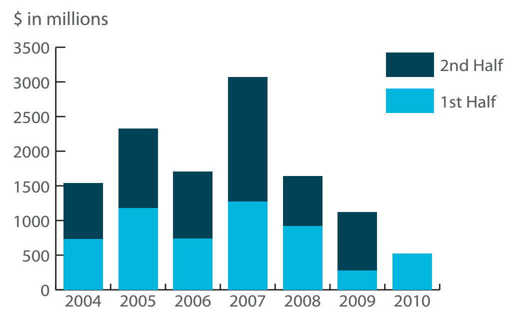
Property	Total Price	Price per Unit	Purchaser	Vendor
740-750 York Mills Road and 17 Farmstead Road	$49,890,000	$115,754	Minto Developments	Paragon Development Corporation
125 Bamburgh Circle	$40,000,000	$120,482	Homestead Land Holdings Limited	El-Ad Canada Group Inc.
Somerset Place	$31,000,000	$155,779	CAP REIT	Stonecap Realty Partners Inc.
1257 Lakeshore Road East	$16,250,000	$98,684	Homestead Land Holdings Limited	Lakeshore (1257) Inc.
740 & 746 Midland Avenue	$15,000,000	$86,207	Signet Realty Inc.	Midland Court Limited

Industrial Sales – 1st Half 2010
(Number of Transactions by Region)



Industrial Market

Industrial Sales



With $1.1 billion in sales, industrial was the most actively traded asset class in all of 2009, with the majority of transactions completed in the second half of the year. However, investment volume for industrial buildings has waned in the first half of 2010. Industrial transaction dollar volume slipped 38% to $520 million in the first half of 2010 from $840 million in the second half of 2009. As a result, industrial was the only sector to register a decline in transaction dollar volume in the first half of 2010. Despite the decline, industrial dollar volume has increased by 85% over the same period one year ago. While it appears that industrial output is slowly picking up in Canada, analysts stress that this rebound may be quieted by a tepid recovery south of the border. If the current pace subsides, GTA industrial investment volume could fall below the $1 billion mark for the first time in 10 years. Regionally, Mississauga ($110 million or 21%) and Vaughan ($100 million or 19%) were the most active in terms of investment dollar volume. Vaughan (28 or 18%) and North York (28 or 18%) tied for the greatest number of deals, a position traditionally held by Mississauga (21 or 13%). In all, the three regions captured just over 50% of the industrial investment dollar volume in the first half of 2010.

Three of the five largest deals occurred in Scarborough, the largest trade being 330 Progress Avenue. Completely vacant at the time of sale, the building was purchased by the Toronto Police Service for $21.5 million ($63 per square foot). The vendor had acquired the property as a land deal 10 years ago for $7.7 million, or $320,000 per acre.

SIGNIFICANT INDUSTRIAL TRANSACTIONS BY SALE PRICE FIRST HALF 2010

Property	Total Price	Price psf	Purchaser	Vendor
330 Progress Avenue	$21,500,000	$63	Toronto Police Services	Devtek Electronic Packaging Systems
1399 Kennedy Road	$13,800,000	$41	Davpart Inc.	LaSalle Investment Management
1995 Markham Road	$12,475,000	$54	Greiner Pacaud Management	Second York Realty Equities Limited
800 Islington Avenue	$10,941,000	$32	Comweb Group Inc.	Patriot 800 Islington ULC
920 Champlain Court	$10,000,000	$70	Industrial Equities Whitby Corp.	BMW Canada Inc.

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