



Investment Review Greater Toronto Area

Fall 2008



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Global Markets in Free Fall - but Toronto remains intact...for the time being!

Economic Summary

Despite the challenges facing the US economy, most economists expect positive growth in the Canadian economy to continue for the remainder of 2008. However, the Bank of Canada has lowered Canada's expected GDP growth from 1.7% to 1.0% for 2008. Sliding exports, slower job growth and a decline in consumer confidence are the primary factors cited for this change in expected GDP growth. While the overall national unemployment rate remained low at 6.2% in June, it did rise 0.4 percentage points between January and June of 2008. In June 2008 Statistics Canada reported a net loss of only 5,000 jobs across Canada. The loss of 39,200 full-time jobs was offset by part-time job gains of 34,200.

Canadian inflation rates increased more than expected during the first half of 2008. According to the Bank of Canada, the core inflation rate was 2.5% in June, up from 2.2% reported in May. Rising fuel and food costs were responsible for much of this increase in overall prices across Canada. A continued rise in consumer costs could push the inflation rate to 3% by the end of the year. Despite this higher than expected rate of inflation, the Bank of Canada appears to be holding interest rates steady, and there are no current signs that rates will increase significantly in the next quarter. However, if inflation continues to rise, it is likely that interest rates will increase.

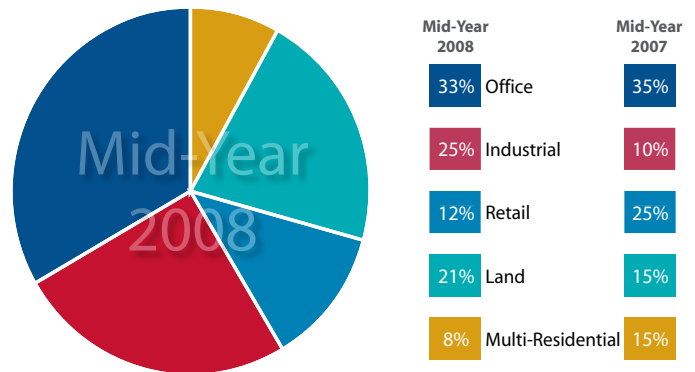
GTA Investment Summary

Despite the impact of the credit crunch on global stock markets, the Greater Toronto Area has held up surprisingly well, with most asset classes showing high occupancy rates and investment yields for prime properties remaining solid. However, the activity level in 2008 has been well below the corresponding period in 2007. We do anticipate more property being offered for sale in the next quarter.

Total transactions across all asset classes in the Greater Toronto Area totalled \$3.02 billion for the first half of 2008. This figure is down 19% compared to the first six months of 2007 when investment transactions for all assets totalled \$3.75 billion.

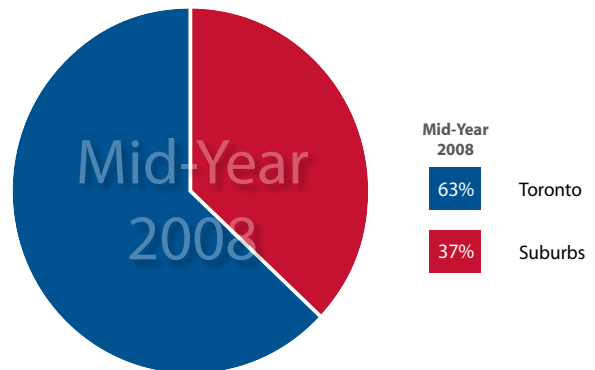
Cash buyers are now in the driver's seat, and are able to take advantage of some buying opportunities. Good quality properties still command a premium price, but there are a number of secondary properties where values have decreased recently and we foresee a continuation of this "bifurcation" of the market through until 2009. Many lenders have retreated from the market, and those that remain have increased their rates and tightened up their lending terms generally.

Investment Properties by Sector



Office Sales

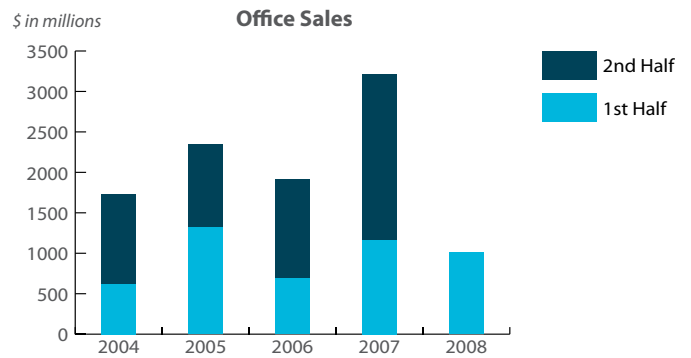
City of Toronto vs. Suburbs
By Number of Transactions



Office Market

Sales of office properties in the GTA accounted for one-third of all asset transactions, for a total of approximately \$1 billion in the first six months of 2008. The largest transactions included the Madison Centre in North York to the Redbourne Group for \$97.3 million and 438 University Avenue purchased by Dundee REIT for \$90 million. Approximately 66% of all office transactions (for a total of \$667 million) occurred in Toronto versus the surrounding suburban areas during the first six months of 2008. By comparison, in the first half of 2007 the Toronto office market volume was \$1.22 billion (92%) and suburban sales amounted to \$88.4 million (8%).

The number of office transactions in the suburban market during the first six months of 2008 rose to 16 from 12 during the same period of 2007. Mississauga accounted for just over half of the suburban office transactions for the first half of 2008. Many of the office sales in Mississauga occurred in the Airport Corporate Centre and Heartland nodes of the city. These western areas of Mississauga are home to large corporate business parks that many companies favour due to their close proximity to major transportation nodes including Pearson International Airport and Highways 401 and 407. The Airport Corporate Centre has seen its average rent growing moderately and steadily during the past year. Growth in this node is expected to continue with the development of three buildings totalling nearly 650,000 square feet of new office space expected by the end of 2008.



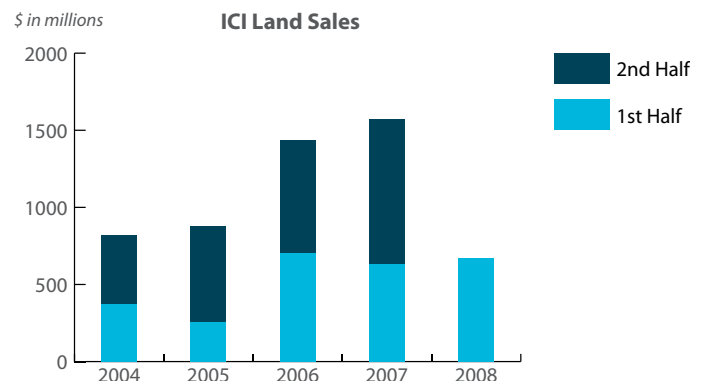
SIGNIFICANT OFFICE TRANSACTIONS BY SALE PRICE FIRST HALF 2008

Property	Total Price	Sale Date	Purchaser	Vendor
4950 Yonge Street	\$97,250,000	11-Feb-2008	Redbourne Group	BCIMC
438 University Avenue	\$90,000,000	31-Jan-2008	Dundee REIT	592423 Ontario Inc.
4 King Street West	\$90,000,000	14-Mar-2008	GWL Realty Advisors	Northam Realty Advisors
31 & 33 Bloor Street East	\$74,000,000	18-Jan-2008	Epic Realty Partners Inc.	Oxford Properties Group
100 Commerce Valley Drive West	\$54,057,613	18-Jan-2008	Quality Meats	Kolter Properties

ICI Land Market

The overall number of land transactions that occurred across the GTA during the first half of 2008 fell to 79, down from the 92 land sales recorded during the same period of 2007. While the number of land transactions decreased, the total volume of sales of \$629 million remained close to the \$635 million recorded during the first half of 2007. The primary reason for the sales volume remaining high, despite a decline in the number of transactions, was as a result of the sale of some highly priced land parcels which increased the average price per acre of land by 17% to over \$600,000 per acre during the first half of 2008.

The high cost of land is one of the main challenges facing developers as it is becoming more difficult to finance land purchases. The increasing construction costs during the past six months are another challenge confronting developers. Between April and June 2008 the composite price index for non-residential building construction rose 6%. The price of steel, in particular, has skyrocketed in the past year due in part to China's increased consumption to fuel its rapidly growing economy and a shortage of raw materials. Finally, with the economic slowdown in Canada and the US, and the increase in land prices, we believe developers will become more cautious with land purchases during the remainder of 2008.



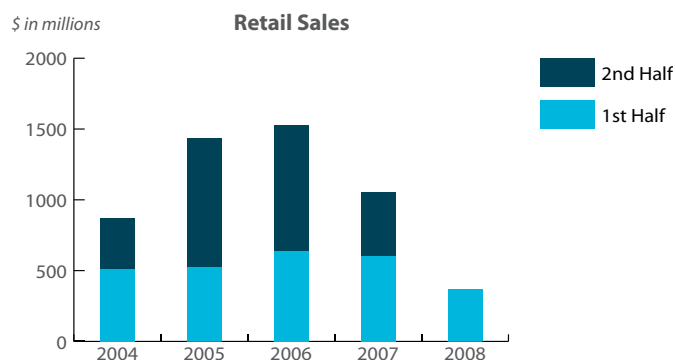
SIGNIFICANT LAND TRANSACTIONS BY SALE PRICE FIRST HALF 2008

Property	Land Use	Total Price	Price per Acre	Purchaser	Vendor
Burloak Drive	Industrial	\$39,406,746	\$265,024	Pauls Properties	Metrus Properties Ltd.
341, 347 & 349 Yonge Street	Institutional	\$23,000,000	N/A	Ryerson University	Main Entrance Entertainments Inc.
Airport Road	Commercial	\$19,456,714	N/A	Redcliff Realty Advisors Inc.	Airport Highway 7 Developments Ltd.
The Gore Road	Commercial	\$19,000,000	\$763,267	Developers Diversified Realty Corp.	Castlepoint Developments
Hurontario Street	Commercial	\$16,060,000	\$849,106	HOOPP Realty Inc.	Pauls Properties

Retail Market

During the first half of 2008 there was a total of \$367 million in retail transactions across the Greater Toronto Area, almost half the amount recorded during the previous year's first half total of \$602 million. Significant retail sales included the Milton Mall, bought by Bentall Capital for \$55.5 million and 1900 Eglinton Avenue East, a retail power centre, in Scarborough which was purchased by Calloway REIT for \$46.3 million.

NRDC Equity Partners, a US based company and owner of the upscale Lord and Taylor department stores, recently purchased Canada's oldest retailer, The Hudson's Bay Company (HBC), for an undisclosed amount. With approximately 70,000 employees at 600 stores (including The Bay, Zellers, Home Outfitters, and Fields) HBC had sales approaching C\$7 billion in 2005. NRDC plans to use existing HBC real estate to secure sites for future Lord and Taylor locations across Canada. In addition, NRDC would also like to make improvements to its Bay and Zellers locations by broadening the product selection, bringing in more outside brands and improving customer service. With both higher-end offerings at The Bay and new up-market Lord and Taylor department stores, the success of such initiatives could increase the value of NRDC's newly acquired HBC retail properties in the GTA in the future.



SIGNIFICANT RETAIL TRANSACTIONS BY SALE PRICE FIRST HALF 2008

Property	Total Price	Sale Date	Purchaser	Vendor
Milton Mall	\$55,500,000	28-Mar-2008	Bentall Capital	Penreal Advisors Ltd.
1900 Eglinton Avenue East	\$46,344,302	20-Jun-2008	Calloway REIT	SmartCentres Inc.
Trinity Common	\$38,436,821	14-Mar-2008	GWL Realty Advisors	Riotrin Properties (Milton) Inc.
1010 Kennedy Circle	\$35,750,000	09-Jan-2008	Optrust Retail Inc.	Penretail II Ltd.
499 Main Street South	\$9,500,000	30-Apr-2008	Hudson's Bay Company	RioCan REIT

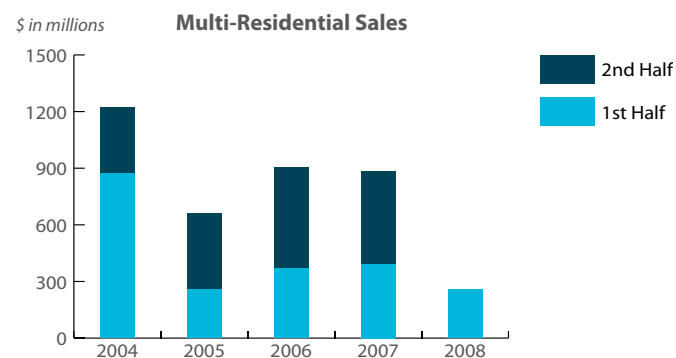
Multi-Residential Market

The multi-residential sector experienced just over \$250 million in transactions in the first half of 2008, a decrease of approximately 47% from the \$479 million recorded during the same six-month period of 2007.

Approximately half of all multi-residential transactions occurred in the City of Toronto, including the two largest purchases. Homestead Land Holdings Ltd purchased 50 Rosehill Avenue for \$37.5 million, while MetCap Living Properties bought 135 Tyndall Avenue for \$28.8 million.

There still appears to be a bifurcated marketplace, with premium properties commanding premium prices, while lesser quality product is either selling at higher cap rates or not being sold.

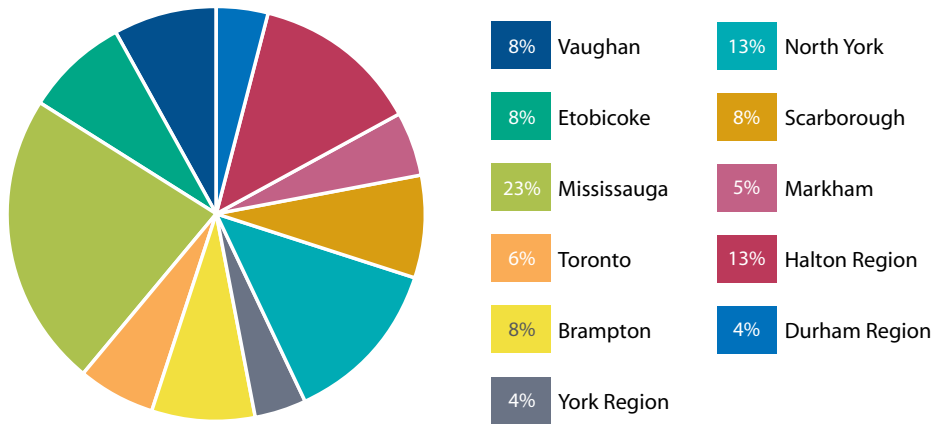
Vendors do not appear to be overly motivated to sell in the current environment, but if the debt market continues to tighten, this could lead to an increase in sales activity.



SIGNIFICANT MULTI-RESIDENTIAL TRANSACTIONS BY SALE PRICE FIRST HALF 2008

Property	Total Price	Sale Date	Purchaser	Vendor
50 Rosehill Avenue	\$37,550,000	26-June-2008	Homestead Land Holdings Ltd.	First Ontario Realty Corp.
135 Tyndall Avenue	\$24,814,600	29-Feb-2008	MetCap Living Properties	713492 Ontario Ltd.
100 Rideau	\$19,000,000	01-May-2008	Transglobe Property Management	Ralna Ltd.
Sheppard Manor	\$14,000,000	10-Jan-2008	CAPREIT Apartments Inc.	Burton-Lesbury Holdings Ltd.
2250 Hurontario Street	\$13,672,513	31-Jan-2008	Leisureworld	Counsel Corporation

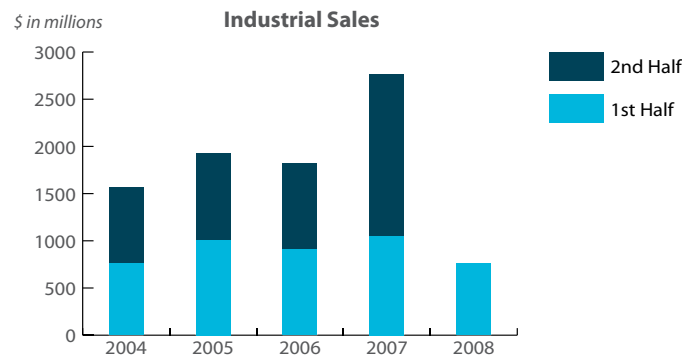
Industrial Sales – First Half 2008 By Location of Transaction



Industrial Market

Sales of industrial properties across the Greater Toronto Area totalled \$762 million for the first six months of 2008, falling by nearly 25% from the \$1.05 billion recorded during the first half of 2007. Despite this decline, industrial sales came second to office sales, representing one-quarter of all transactions (by volume) for the first half of 2008. Across all regions of the GTA, Mississauga had the greatest number of industrial transactions (see Industrial Sales graph). The largest transaction during the first six months of 2008 was AMB Property Corporation's purchase of 8020-8030 Esquesing Line.

The industrial sales market remained stable during the first half of the year. With the rise in value of the Canadian dollar relative to the US dollar, the Ontario manufacturing sector has faced significant economic challenges resulting in a rising unemployment rate for this sector. As manufacturers deal with the ramifications of a high Canadian dollar on exports and the economic slowdown of the US economy, the number of industrial properties could increase as these manufacturers consolidate their industrial premises and/or permanently shut down. An increase in the supply would see an overall decline in the rental rates of industrial properties across the GTA, and potentially a reduction in values.



SIGNIFICANT INDUSTRIAL TRANSACTIONS BY SALE PRICE FIRST HALF 2008

Property	Total Price	Sale Date	Purchaser	Vendor
8020-8030 Esquesing Line	\$59,625,000	07-Apr-2008	AMB Property Corporation	Verus Partners LLC
325 Humber College Boulevard	\$56,848,950	02-Apr-2008	Purolator Courier Ltd.	Castlefinch Realty Inc.
6580-6590 Millcreek Drive	\$40,400,000	05-Mar-2008	AMB Property Corporation	H & R REIT
25 Cottrelle Boulevard	\$33,500,000	30-May-2008	CREIT	Hopewell Development Corporation
107 Walker Drive	\$30,439,742	06-Feb-2008	KingSett Capital	Versacold Canada Corporation

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