Greater Toronto Area West Office Market Report

4th Quarter 2010

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GTA West Market Overview

The Greater Toronto Area (GTA) West office market improved marginally over the fourth quarter of 2010, as the overall availability/vacancy rate reversed its upward trend, and the pace at which occupancy levels have been declining now appears to be abating.

The availability rate (space marketed for lease) declined an impressive 100 basis points (bps) to close the fourth quarter of 2010 at 14.3%; however, this availability rate is still 210 bps higher than one year ago. Meanwhile, the vacancy rate (physically unoccupied space) decreased only 10 bps to finish the year at 12.9%. Despite vacancy declining for two consecutive quarters, it is 240 bps above last year's mark.

Though there has been an uptick in leasing activity leading up to the end of the year, it has not yet translated into any meaningful absorption. Once again, the market finished in the red, as occupied area across the region declined by just over 10,000 square feet (sf). This is a notable improvement over the start of the year, which saw a decline of over 300,000 sf. In all, the GTA West office market recorded a drop in occupied area of 294,000 sf in 2010.

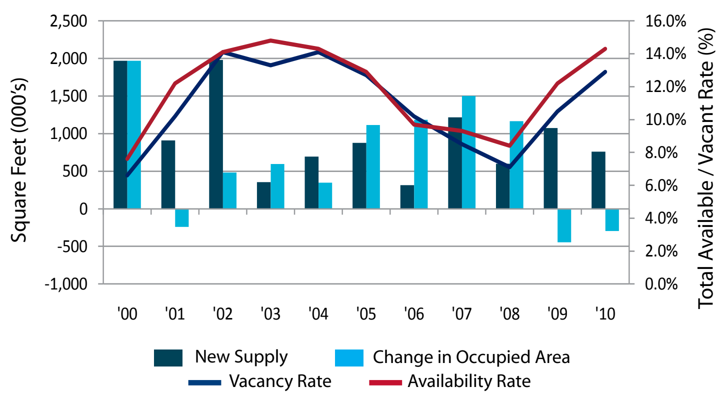
Double digit availability/vacancy rates and waning demand have kept the rental market in check. The average asking net rental rate for all building classes appears to have stabilized, ending 2010 at $14.24 per square foot (psf). This compares with $14.12 psf at the beginning of the year. Seven of the 17 office nodes displayed rental rates higher than the GTA West overall average. Class A office rents increased slightly to $16.60 psf, while an examination of class B and C office rents indicates a spread of between $4.00 to $5.50 psf, respectively. Net effective rents should start to increase in most sub-markets, as landlords reduce free rent periods and tenant inducements.

Noteworthy transactions and development announcements in the fourth quarter included the Ontario College of Family Physicians extending their lease of 44,000 sf for a further five years at 2630 Skymark Avenue. On the development front, Carttera, a Canadian real estate investment fund manager, is bullish on the Oakville market as it announced Joshua Creek Corporate Centre at 1405, 1425, 1465 North Service Road East. The speculative flex/office project will comprise three single-storey buildings totalling 123,000 sf, scheduled for completion in the Fall of 2011.

Data Points

14.3% Availability Rate in the GTA West	**1** Million square feet of available sublet space in GTA West
$17.98 Average asking net rate in Oakville - the highest in the GTA West	**7.3%** Meadowvale class A availability - the lowest in GTA West

Greater Toronto Area West
Historic Office Market Trends - All Classes



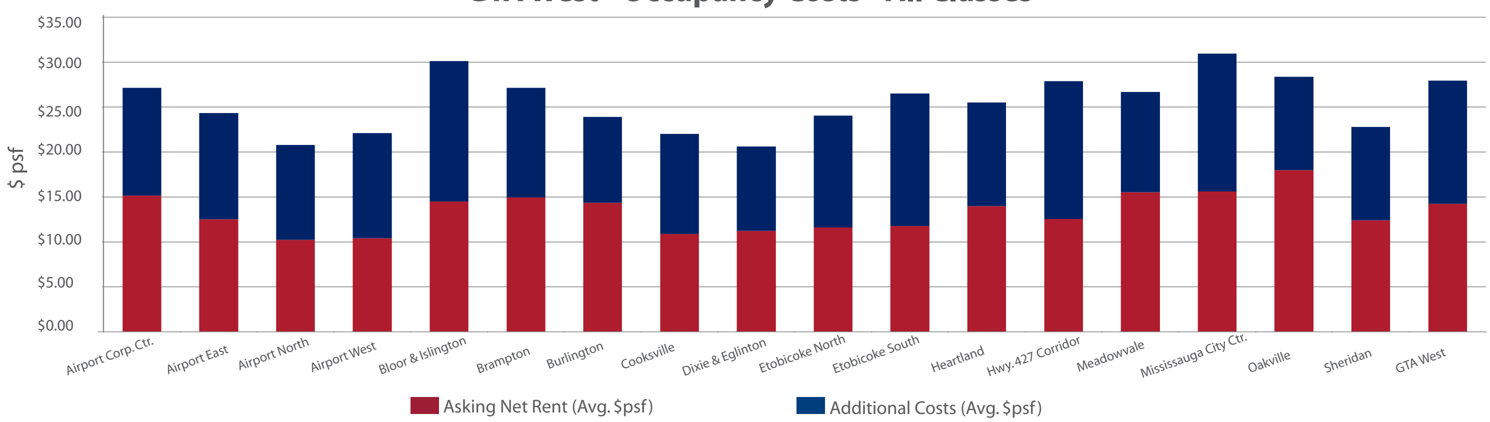
GREATER TORONTO AREA WEST MARKET SUMMARY

Availability Trend			Vacancy Trend			Change in Occupied Area (000's of sf)		New Supply (000's of sf)		
12 Months ago	3 Months ago	Current Quarter	12 Months ago	3 Months ago	Current Quarter	Current Quarter	Year-to- Date	Year-to- Date Completions	Under Construction	% Pre-Leased
12.2%	15.3%	14.3%	10.5%	13.0%	12.9%	-10	-294	758	690	42%

COMPARISON OF LEASING OPTIONS FOR TENANTS - GTA WEST

Office Space at Selected Districts		Available Space			Availability Rate		
	No. of Bldgs.	Buildings with more than 50,000 sf	Buildings with more than 10,000 sf	Buildings with space between 4,000 sf to 8,000 sf	Direct %	Sublet %	Total %
Airport Corp. Ctr. Class A	30	16	24	17	16.2%	6.5%	22.7%
Airport Corp. Ctr. All Classes	41	16	32	68	18.2%	5.5%	23.7%
Burlington Class A	20	6	13	40	10.7%	4.0%	14.7%
Burlington All Classes	43	6	21	71	11.3%	2.9%	14.2%
Heartland Class A	17	5	14	18	7.7%	4.1%	11.8%
Heartland All Classes	25	5	16	24	7.7%	3.1%	10.8%
Meadowvale Class A	16	2	14	15	5.1%	2.2%	7.3%
Meadowvale All Classes	33	4	26	52	8.8%	2.3%	11.1%
Miss. City Centre Class A	13	4	8	40	13.5%	1.5%	15%
Miss. City Centre All Classes	20	4	11	57	12.3%	1.2%	13.5%
Oakville Class A	25	3	17	22	12.4%	1.5%	13.9%
Oakville All Classes	35	3	21	33	11.8%	1.5%	13.3%
GTA West Class A	151	47	116	218	10.1%	3.8%	13.9%
GTA West All Classes	305	54	192	494	11.7%	2.6%	14.3%

GTA West - Occupancy Costs - All Classes



GREATER TORONTO AREA WEST SIGNIFICANT TRANSACTIONS

Address	Node	Tenant	Size
345 Carlingview Dr.	Airport East	SNC-Lavalin	52,000 sf
2630 Skymark Ave.	Airport Corporate Centre	Ontario College of Family Physicians	44,000 sf
5520 Explorer Dr.	Airport Corporate Centre	Pepsi	15,000 sf
6701 Financial Dr.	Meadowvale	Roll Form	12,000 sf
1115 North Service Rd.	Oakville	UPS	10,500 sf

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