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Downtown Toronto Office Market Report

3rd Quarter 2008



Intelligent
Real Estate Solutions

Downtown Financial Core Downtown East Downtown North Downtown South Downtown West King and Dufferin

Subleases in Downtown Toronto Market Rise

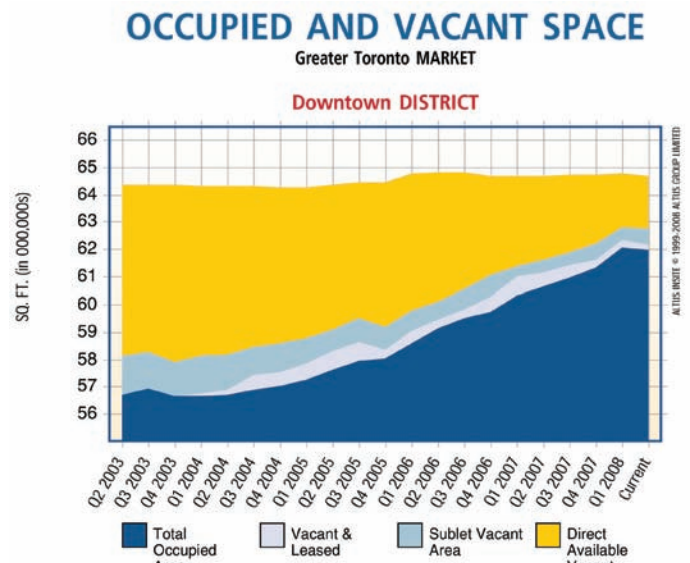
Once again, the vacancy rate for Class A buildings in the downtown market of Toronto was low, declining from 4.6% to 4.1% during the third quarter. Absorption in Class A space returned to positive levels, but this was not enough to offset the continuing negative absorption of Classes B and C in the downtown. Thus overall absorption of office space in the downtown market across all classes was -142,290 sq.ft.

Total rental rates for all classes of office space remained relatively stable during the previous quarter at an average \$45.14. We expect landlords will hold steady with their current rental expectations through at least the end of the year while they gauge the future marketplace in anticipation of new product coming on stream in 2009. Meanwhile, smaller tenants in the 4,000-8,000 sq.ft. range size found their Class A options increase from 34 to 42 during the third quarter of 2008, the majority of which are headleases.

The downtown market is driven by banks, insurance, and investment firms – companies which are most connected to the credit crunch. With ongoing global economic challenges, the sublet vacant area has steadily increased since the beginning of the year. By the end of the third quarter, the sublet vacant area in downtown Toronto reached 577,196 sq.ft, up by nearly 100,000 sq.ft. from a quarter earlier. As

DOWNTOWN CLASS A SUMMARY						
Historical Vacancy		Current		Forecast		Inventory
12 Months Ago	3 Months Ago	Vacant Rate	Change in Occupied Area from last Quarter	Vacant Rate	Asking Rent	Change from last Quarter
5.7	4.6	4.1	200,612s.f.	↓	↑	0 s.f.

businesses in the downtown make adjustments in response to the current economic situation, subleases will likely remain higher than during previous quarters this year.



COMPARISON OF LEASING OPTIONS FOR TENANTS

Office Space at Selected Nodes	Number of Buildings	Available Space			Availability Rate		
		Buildings with more than 50,000 sq. ft.	Buildings with more than 10,000 sq. ft.	Number of spaces between 4,000 sq. ft. to 8,000 sq. ft.	Direct %	Sublet %	Total %
Financial Core A	49	15	25	42	7.1	1.0	8.1
Financial Core B	47	1	13	19	4.8	1.1	6.5
Downtown West A	26	0	9	11	2.2	1.1	3.2
Downtown East A	8	0	0	0	0.6	1.2	1.9

Comprehensive Real Estate Services and Solutions

Real estate is a business resource. It applies to all organizations regardless of sector, industry or size. As such, the range of real estate needs is unusually broad and varied. Wide-ranging needs facing a complex commercial real estate market can create expensive problems. That's why an intelligent, experienced real estate advisor can be so valuable – and why Avison Young is so highly regarded.

Through an integrated group of client-focused services, Avison Young combines intelligence, skill, technology, experience and creativity to solve your real estate problems. We bring value to the table by partnering with you and providing sound advice, rather than simply moving you toward the next transaction.

At Avison Young, we've organized our professionals into client service teams, with emphasis on a single point of contact. Our specialists in brokerage, asset services, financing, advisory and corporate services meet regularly to discuss your situation. We enhance our advice through strategic partnerships in design, architecture, technology, planning, tax, capital markets, engineering and legal services.

Traditional real estate brokers think of commercial real estate as a series of transactions – a lease, an offer, a financing. Not so at Avison Young. We know all about real estate transactions, but we also know and appreciate that our client partnership grows,



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not ends, with a transaction. It's the quality of advice between transactions that really makes the difference. That is how we have built our enviable reputation of partnership and performance with Corporate Canada.

Local intelligence is the foundation of our professional practice. However, Avison Young's fully integrated team approach to service delivery supports our client relationships locally, nationally and internationally.

TORONTO DOWNTOWN SIGNIFICANT TRANSACTIONS FOR THE THIRD QUARTER

Address	Tenant	Size
18 York Street	Pricewater Coopers	280,000 sq.ft.
100 King Street West	Bennett Jones	145,000 sq.ft.
155 Wellington Street West	Fairmont Raffles Hotels	77,000 sq.ft.
181 Bay Street	Macquarie	60,000 sq.ft.
219 Dufferin Street	Fuel Communications Inc.	49,000 sq.ft.
901 King Street West	Ontario Realty Corporation	37,141 sq.ft.
100 King Street West	Credit Suisse	31,000 sq.ft.
66 Wellington Street West	TD Bank	24,930 sq.ft.
20 Bay Street	Canada Newswire	21,757 sq.ft.
200 King Street West	The Dominion of Canada General Insurance Company	20,848 sq.ft.
79 Wellington Street West	Thomas Weisel Investments	20,040 sq.ft.
1 Adelaide East	Dundee Wealth Management	12,030 sq. ft.
1 Queen Street East	Spherion	10,683 sq. ft.

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Avison Young Commercial Real Estate (Ontario) Inc., Brokerage
150 York Street, Suite 900, Toronto, ON M5H 3S5

T 416.955.0000
F 416.955.0724
E ayresearch@ay-on.com
W avisonyoung.com



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