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Downtown Toronto Office Market Report

4th Quarter 2008

AVISON YOUNG

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

Class A Vacancy Begins to Rise in Toronto's Downtown

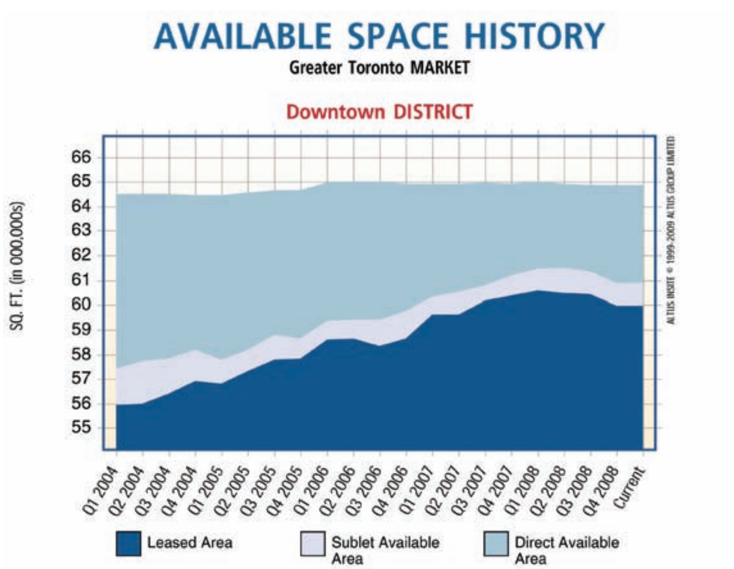
For the first time since 2003 the downtown vacancy rate for Class A space slowly crept upwards to end 2008 at 4.4%. Despite this rise in vacancy, Toronto's overall vacancy rate across all classes remained below 5% throughout 2008. With this upward tick in vacancy, expect the rental rates to begin to level off into 2009. Any significant changes to rental rates in the downtown core will likely not happen until late 2009 when three million square feet of new office space in the financial core becomes available.

In response to the ongoing global economic challenges many businesses have begun to sublease portions of their existing space in an effort to reduce their costs. The volume of sublets in the downtown core remained high during the previous quarter. As the number of subleases continues to grow, sub-landlords are beginning to compete more with each other as they try to secure sub-tenants as quickly as possible. Consequently, sub-landlords are becoming increasingly more motivated to fill their space and are starting to offer aggressive rates to attract prospective tenants.

Overall leasing options for tenants interested in locating in the downtown area saw a slight increase in available space, especially for those seeking small to mid-size space. While subleases typically tend to be small in size, there has been an increase in the number of larger subleases throughout the downtown core coming to market, with almost 30% of currently available sublease space being greater than 10,000 square feet.

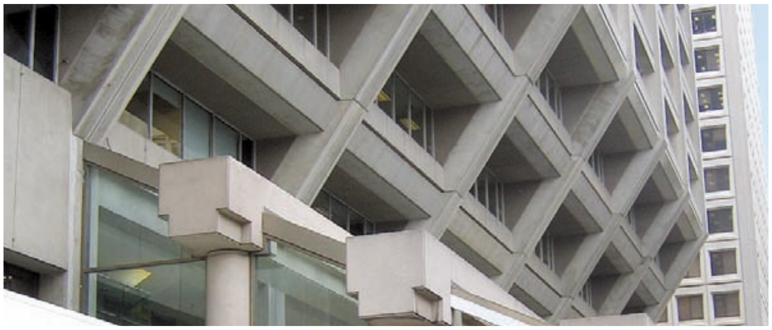
DOWNTOWN CLASS A SUMMARY

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
5.1	4.1	4.4	-116,007s.f.	↓	↔	0 s.f.



COMPARISON OF LEASING OPTIONS FOR TENANTS

		Available Space			Availability Rate		
Office Space at Selected Nodes	Number of Buildings	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	14	27	45	8.1	1.0	9.1
Financial Core B	47	2	16	18	6.7	1.9	8.6
Downtown West A	26	0	11	12	2.5	1.9	4.4
Downtown East A	8	0	1	1	2.8	2.4	5.2



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Toronto Midtown Office Market Report

4th Quarter 2008

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Bloor St. Clair Eglinton

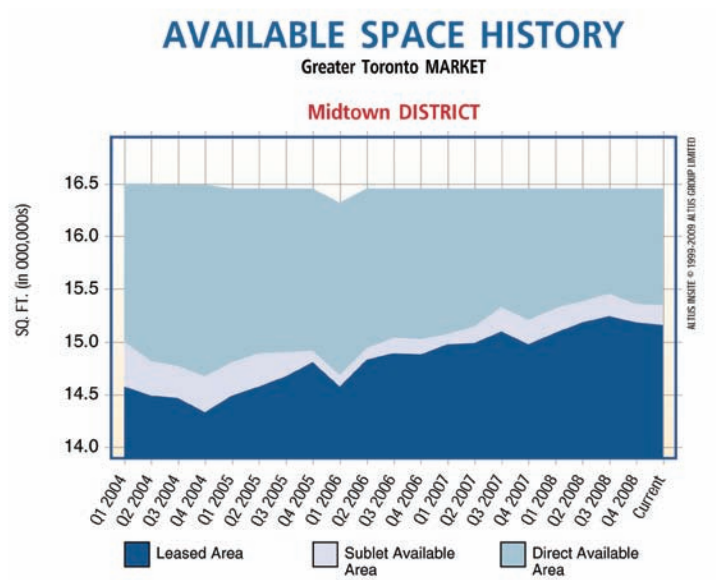
Sublease Availability Grows in Midtown

MIDTOWN 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
4.6	7.4	8.0	-41,019 s.f.	↑	↑	0 s.f.

Overall vacancy for all building classes of office space in Toronto's Midtown market continued to move upwards, to end the year at 6.8%. The vacancy rates varied considerably amongst the three nodes during the final quarter of the year. St Clair, Midtown's central node, had the lowest vacancy rate, which remained below 4% throughout 2008. On the other side of the coin was the northern node of Eglinton, which saw its vacancy rate jump three percentage points from 6.9% to 9.9% during the fourth quarter.

Across Midtown the overall area of office subleases increased by 25% during the fourth quarter. Eglinton saw the highest upward trend of subleases, growing by nearly 30,000 square feet. Subleases will undoubtedly continue to rise as many companies downsize their office space needs in response to the current global economic uncertainty. With this increase in sublease space landlords face greater competition as they will now have to compete with more sub-landlords for prospective tenants. Consequently, this competition will help to stabilize rental rates in Midtown into 2009.

While options for tenants looking for larger space in Midtown remained tight, there were four buildings (two each in both the Bloor Street and the Eglinton Avenue nodes) available for those businesses requiring space greater than 50,000 square feet. In addition, small and mid-size tenants seeking office space along the traditionally tight office market on Bloor Street saw their choices improve over the fourth quarter.



COMPARISON OF LEASING OPTIONS FOR TENANTS							
		Available Space			Availability Rate		
Office Space at Selected Nodes	Number of Buildings	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 %
Bloor A	18	2	7	8	8.5	0.8	9.4
Bloor B	32	0	6	11	3.8	0.4	4.3
St. Clair A	6	0	2	0	1.7	3.5	5.2
Eglinton A	10	2	4	4	9.3	4.0	13.3

Toronto North Office Market Report

4th Quarter 2008

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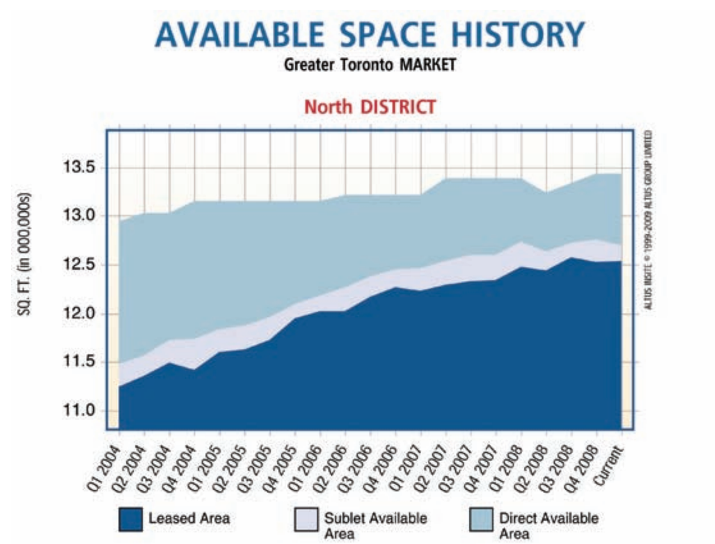
New Class "A" Inventory in Toronto's North Market

The final quarter of 2008 saw Toronto's North office market's vacancy rate slowly inch upwards to 5.5% across all classes. While the vacancy rate increased, absorption of office space for all building classes together remained positive. Much of this absorption was for Class "A" space, which was 60,407 square feet during the fourth quarter, a positive trend which was maintained throughout 2008 in Toronto's North market.

During the fourth quarter of 2008, inventory in the North market expanded by 98,000 square feet. The recently completed construction of a new Class "A" building at 400 Applewood in Vaughan, just north of Toronto, accounted for this growth in inventory. Despite this increase in inventory, absorption of all office space in Vaughan remained a positive 83,866 square feet. By the end of the year approximately half of this building had been leased with the remaining half still available.

With the small increase in overall vacancy, the availability of space at Class "A" buildings in the North Yonge node improved. Larger tenants seeking spaces greater than 50,000 square feet had their options grow from 1 to 3 buildings during the quarter. Similarly, small and mid-size tenants searching for space in the same node also had more selection as their options grew from 10 to 13 and 11 to 12 respectively. Contrary to other markets in Toronto the volume of overall sublease space in the North market declined for the fourth straight quarter.

NORTH 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
9.4	5.0	5.3	60,407 sq. ft.	↑	↑	98,000 s.f.



COMPARISON OF LEASING OPTIONS FOR TENANTS							
		Available Space			Availability Rate		
Office Space at Selected Nodes	Number of Buildings	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 %
North Yonge A	23	3	12	13	5.5	2.8	8.3
North Yonge B	15	0	4	3	3.1	0.0	3.1
Richmond Hill A	2	0	0	0	6.7	0.0	6.7
Vaughan A	20	0	3	6	5.8	0.2	6.0

GTA West
Office Market Report

4th Quarter 2008

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• Airport Corporate Centre • Airport Dispersed • Bloor & Islington • Brampton • Burlington • Cooksville • Etobicoke • Heartland • Hwy. 427 Corridor • Meadowvale • Mississauga City Centre • Mississauga Dispersed • Oakville • Sheridan

Office Market Overview

▪In the last quarter of the year, the vacancy rate for class A office space in the GTA West remained relatively stable, only decreasing by 0.2 percentage points to 6.5%. Continued construction combined with this low vacancy rate in the GTA West is evidence that the office leasing market remains strong.

▪The availability rate in the Meadowvale submarket declined to 4.7% this quarter as a result of a number of completed transactions in buildings that are in the pre-leasing stage. Most notably was the completion of the highly rumoured transaction for approximately 142,000 square feet of office space taken by Bank of Montreal at First Meadowvale; First Gulf and Sun Life Financial's new development at the corner of Argentina Road and Century Avenue.

▪Furthermore GWL's new office development, currently under construction at Derry Road and Mississauga Road, has been successful in leasing the majority of the remaining space by completing transactions with Volvo Canada and St. Jude Medical for a combined total of approximately 30,000 square feet. Construction on the second phase building at 2050 Derry Road will begin in 2009 with Shaw Canada as the 80,000 square foot lead tenant.

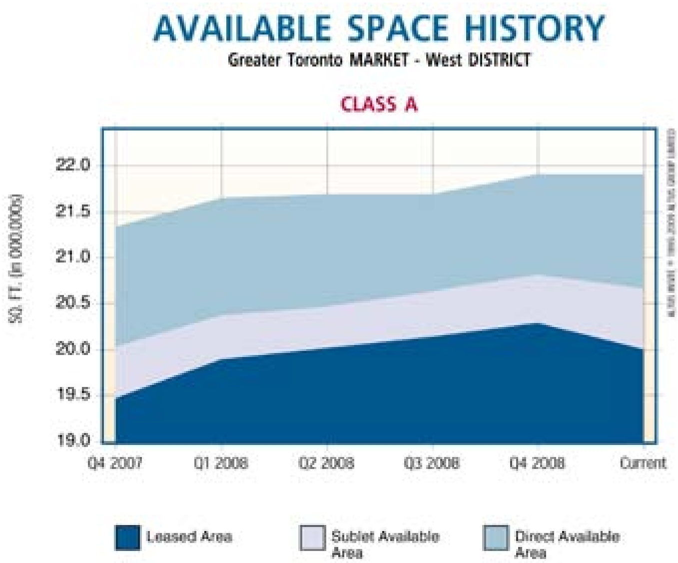
▪The availability rate in the Airport Corporate Centre submarket fell to 6.8% from 9.0% from the previous quarter. Notable transactions included Tata Consultancy Services leasing approximately 22,600 square feet at 5750 Explorer Drive, and MDS leasing approximately 55,000 square feet at 2810 Matheson Boulevard East.

▪The overall average asking rental rate for class A office space rose by $0.13 during the quarter to $16.59 per square foot from the previous quarter. This gain in the average asking rate, which was nearly equal to the gain from the previous quarter, indicates that there has been little hesitation from landlords to raise asking rates, despite global economic conditions.

▪As 2009 gets under way and the global economic crisis continues, look for the increases in asking rents, mentioned above, to slow and possibly even decrease.

WEST 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 Rate	Change from Last Quarter
9.4 %	6.3 %	6.5 %	201,380 sq. ft.	↔	↔	373,895 sq.ft.



Office Market Trends - Class "A"	Previous	Current
Average Asking Rental Rate	$16.47 p.s.f	$16.59 p.s.f
Average Additional Rent	$12.62 p.s.f	$12.62 p.s.f
Vacancy Rate	6.3%	6.5 %
Total Office Inventory	21,534,111 sq.ft.	21,908,006 sq.ft.

• *Source: Realinsite January 2009*

TORONTO DOWNTOWN SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER

Address	Tenant	Size
155 Wellington Street West	RBC/RBC Dexia	149.323 sq.ft.
125 Queen's Quay East	Corus	66,900 sq.ft.
60 Adelaide Street East	MCI	54,000 sq.ft
45-50 Spadina Avenue	Edentity	41,000 sq.ft.
260 King Street East	Quest Software	36,600 sq.ft.
555 Richmond Street West	Sentinelle Medical	25,500 sq.ft.
93-99 Spadina Avenue	Novator e-Business Services Inc.	24,090 sq.ft.
296 Richmond Street East	Zig Inc.	24,000 sq.ft.
250 Yonge Street	KPMG	23,241 sq.ft.
250 Yonge Street	Sherrad Kuzz LLP	19,234 sq.ft.
10 Dundas Street East	Google Canada	16,209 sq.ft.
4 King Street West	Bank of Nova Scotia	13,548 sq.ft.
401 Bay Street	401 Bay Centre	12,112 sq.ft.

TORONTO MIDTOWN SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER

Address	Tenant	Size
2 Bloor Street East	CITCO	99,000 sq.ft.
175 Bloor Street East, South Tower	Ontario Ministry of Education	13,695 sq.ft.
30 St. Clair Avenue West	Green and Chercover	11,408 sq.ft.
80 Bloor Street West	CEHPEA	8,615 sq.ft.
69 Bloor Street East	The College of Dental Hygienists of Ontario	5,900 sq.ft.

TORONTO NORTH SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER

Address	Tenant	Size
10 York Mills Road	Voxdata Call Centre Incorporated	27,140 sq. ft.
4101 Yonge Street	NexJ Systems Incorporated	17,063 sq. ft.
5255 Yonge Street	Economical Mutual Insurance	11,159 sq. ft.
25 Sheppard Avenue West	SAP	8,892 sq. ft.

GTA WEST SIGNIFICANT LEASE TRANSACTIONS

ADDRESS	TENANT	SIZE
2465 Argentia Road, Mississauga	Bank of Montreal	142,000 sq. ft.
2050 Derry Road, Mississauga	Shaw Canada	80,000 sq. ft.
2810 Matheson Boulevard East, Mississauga	MDS	55,000 sq.ft.
5750 Explorer Drive, Mississauga	Tata Consultancy Services	22,600 sq. ft.
2100 Derry Road, Mississauga	Volvo Canada	15,500 sq. ft.
2100 Derry Road, Mississauga	St. Jude Medical	14,500 sq. ft.
1267 Cornwall Road, Oakville	S.A. Capital	7,900 sq. ft.

COMPARISON OF LEASING OPTIONS FOR TENANTS CLASS "A"							
	AVAILABLE SPACE				AVAILABILITY RATE		
Nodes	Number of Buildings Available	Number of Buildings With More Than 50,000 sq. ft.	Number of Buildings With More Than 10,000 sq. ft.	Number of Buildings Between 4,000- 10,000 sq. ft.	Direct %	Sublet %	Total %
Airport Corporate Centre	60	2	14	11	3.8	3.0	6.8
Airport Dispersed	9	0	3	5	1.9	6.0	7.9
Bloor & Islington	4	1	1	4	2.6	5.9	8.5
Brampton	7	0	3	0	3.4	7.0	10.4
Burlington	20	2	6	10	13.9	0.4	14.4
Cooksville	1	0	0	0	0.0	0.0	0.0
Etobicoke Dispersed	2	0	2	0	5.0	16.2	21.2
Heartland	20	1	4	3	4.1	1.9	6.0
Highway 427 Corridor	4	0	1	1	4.0	0.2	4.2
Meadowvale	20	0	4	7	3.6	1.1	4.7
Mississauga City Centre	11	1	5	7	3.8	1.5	8.2
Mississauga Dispersed	3	0	0	1	3.9	0.0	3.9
Oakville	20	0	6	16	5.9	0.6	6.6
Sheridan	3	0	0	0	0.0	0.0	0.0

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.


Hong Kong, China

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, 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.

Avison Young is the real estate partner business trusts for intelligent, integrated solutions. We deliver results that are aligned with your strategic business objectives, supporting real estate initiatives that add value and build competitive advantage for your organization.

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