Toronto, Ontario

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

In Q4 2011, the GTA office market experienced a slight increase in availability, from 9.7% to 9.8%. Downtown availability decreased from 8.1% to 7.9% over the last quarter, while the Suburban market availability increased from 11.3% to 11.8%. Most of the space continues to be absorbed in the Financial Core, where availability decreased from 9.4% to 9.0%. The increase in available space in the Suburban market is largely attributed to the West Node with availability increasing from 12.9% to 14.1%. The North Node continuously performs very strongly, with availability decreasing from 5.5% to 4.8%. The availability in the East Node increased slightly from 11.8% to 11.9%. However, the impact of the changes in the West Node is greater due to its relative size to the North and East Nodes.

After four quarters of increases, the average gross rent in the GTA has decreased from $30.32/SF to $29.37/SF, the lowest gross rent recorded since Q1 2006. This trend was present in both Downtown and Suburban markets, with average gross rents decreasing from $36.53/SF to $35.95/SF and $27.55/SF to $26.84/SF, respectively. Despite the continued decrease in availability, even the Financial Core average gross rent decreased from $43.69/SF to $43.08/SF. Average gross rents in the class A Financial core also decreased over the last quarter to $51.93/SF.

Market Trends

- Absorption continues to be positive, with 754,720 SF of newly occupied office space.
- Absorption was particularly high in the Downtown market, with 653,432 SF of newly occupied office space.

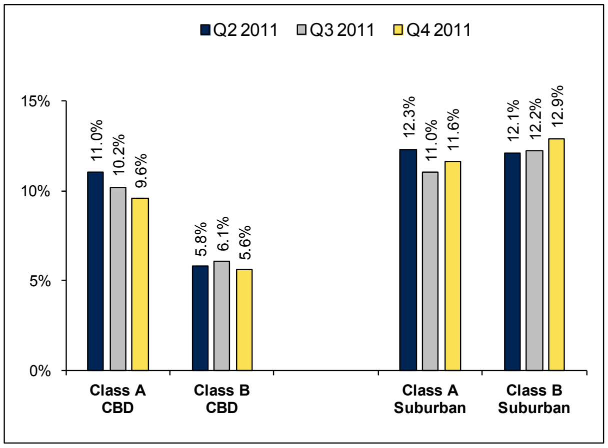
Tenant's Perspective

The overriding theme for 2011 and particularly the last quarter was a global debt crisis. As a result, stock markets continue to be highly sensitive and volatile to the news around the world. There is an ongoing concern that the amount of global leverage will fire back and that another downturn will occur. In the midst of this global financial turmoil, the GTA market could be on the verge of change. Average GTA gross rent decreased by approximately $1.00 and availability has slightly increased. However, while the GTA market statistics are indicating a change in direction, the Downtown market continues its strong performance with landlords announcing new projects, decreasing availability and increasing net rents.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Intact Insurance	125,000	Office	Lease
DFCB	64,665	Office	Lease
MCW Consultants Ltd.	35,000	Office	Sublease
SNC Lavalin	34,694	Office	Lease
Knightsbridge Human Capital	23,450	Office	Lease
Crossmark	16,750	Office	Lease
Gov. Services of Canada	14,329	Office	Lease
Gilberts LLP	14,000	Office	Sublease
Greenshield	13,000	Office	Lease
Securekey	11,698	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	$52.09	$52.12	$51.93
Class B Office	$40.92	$40.55	$40.60

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	$29.21	$29.09	$29.13
Class B Office	$25.56	$26.00	$25.31

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