

Toronto, Ontario

Tenant's Guide ■ North American Markets ■ Fourth Quarter 2009

Overview

The final quarter of 2009 saw a continuing increase in availability rates and decrease in average occupancy costs per SF across the Greater Toronto Area (GTA). Overall availability rates for the city rose to 11.4% from 11.2% in the previous quarter. All areas of the city followed the same trend with regards to availability with the North District seeing the largest percentage increase from 8.5% in Q3 to 9.0% in Q4. Conversely, the West District remained almost flat with less than a 0.1% increase in availability.

Availability in the CBD rose from 12.4% to 12.7% over the last quarter, though class A availability actually dropped from 13.6% to 13.1%. This decrease was offset primarily by class C space, where the availability rate leapt from 7.0% in Q3 to 24.6% in Q4 due to the remarketing of an entire 190,000 SF building. While the class C market in the CBD is relatively small in absolute terms, the increase in available square footage in this class still more than offsets the decrease in class A properties.

As illustrated in the Q3 market report, average gross rental rates are becoming increasingly misleading since landlords are offering increased inducements in order to keep rates high. While this practice continues, it can't fully mask the fact that average rates are dropping. Average rates across the GTA fell by \$0.26/SF in the last quarter to \$34.40/SF. The drop was even larger in the CBD, with rates declining from \$53.69/SF in Q3 to \$52.96/SF by the end of the year.

Market Trends

- While the overall availability rate has increased, the availability rate for class A properties declined in Q4 2009, indicating a flight to quality.
- After rapidly rising throughout late 2008 and most of 2009, the amount of sublease space available decreased by nearly 100,000 SF.

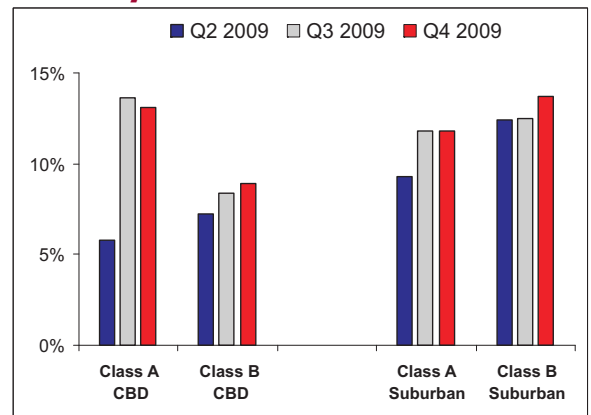
Tenant's Perspective

The commercial real estate outlook for 2010 remains murky as the new year begins. Most analysts are predicting that availability rates will continue to rise for at least the next two quarters, while rental rates should continue to fall. However, given that certain building classes in certain areas are outperforming others, it is important that tenants be armed with as much information as possible before considering their next move.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Ubisoft Toronto Inc.	134,845	Office	Lease
Stream International Canada	89,237	Office	Lease
Mosaic Sales Solutions Canada	40,859	Office	Lease
Service Employees Int'l Union	39,455	Office	Sale
FinanciaLinx Corporation	37,454	Office	Lease
Toronto Central Community Care Access Centre	32,796	Office	Lease
Securitas Canada Limited	15,736	Office	Lease
Build Toronto	14,125	Office	Lease
Meyers Norris Penny LLP	13,827	Office	Lease
Breckles Insurance Brokers Ltd.	12,538	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$56.60	\$57.01	\$56.52
Class B Office	\$44.91	\$45.18	\$45.35

Suburban	Q2 2009	Q3 2009	Q4 2009
Class A Office	\$30.01	\$29.95	\$30.11
Class B Office	\$25.53	\$25.46	\$25.62

Prepared By CresaPartners
170 University Avenue, Suite 1100
Toronto, Ontario M5H 3B3
416.862.2666 ■ www.cresapartners.com