

SmithFacts

Toronto Commercial Real Estate Information

July 2007

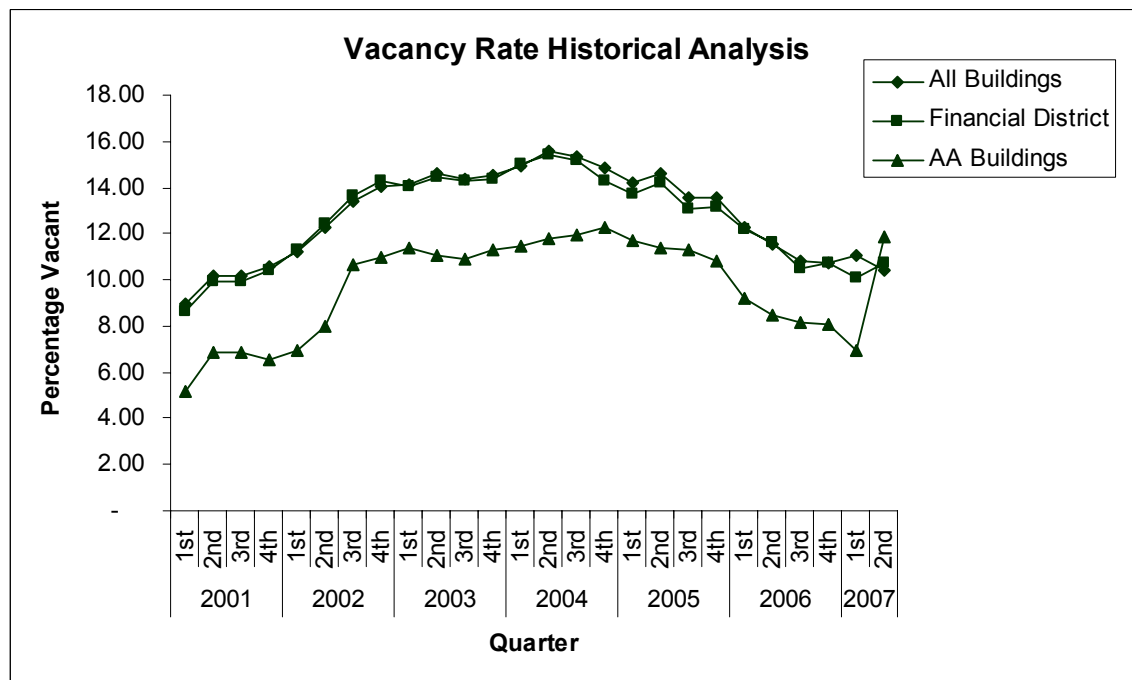
Smith Company Commercial Real Estate Services Inc. is Toronto-focused commercial real estate broker. We specialize in office leasing and sales in Toronto. Our firm is ISO 9001 Registered.

Second Quarter 2007 Office Space Market Survey for Financial Core, Financial North, Bloor Street, Eglinton and North York Areas

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Significant Impact of introduction of Bay Adelaide Centre on AA Vacancy

- Overall market had positive absorption of 1.2 million square feet (165,000 sq. ft. negative absorption in Q1, 2007).
- Overall Q2 vacancy rate fell from 11.0% to 10.4%.
- Class AA vacancy rate rose from 6.9% to 11.9% with negative absorption of 88,000 sq. ft. plus the effect of 333 Bay Street being reported.
- Class A vacancy rate fell from 11.7% to 10.5% with positive absorption of 260,000 sq. ft.
- Class B and C properties had negative absorption of 560,000 and 415,000 sq. ft. respectively.
- Major developments included the reporting of 33 Bay St. at 1.2 million square feet, 179,000 sq. ft. positive absorption at 175 Bloor St East, and positive absorption of 132,000 sq. ft at 1 Dundas West.
- Total of 251 buildings surveyed, including 24 AA properties, 70 A properties, 97 B properties and 60 Type C properties.



Economic and real estate comments

We continue to see strength in the demand for quality office space in the Toronto Office Market as illustrated above including new building in Class AA. Ontario employment improved by 11,900 net new jobs in May, while the unemployment rate declined by three-tenths of a per cent to 6.3%. Over the first five months of 2007, Ontario employment is up 1.4% from the same period last year, for a gain of 88,800 jobs. Even with the strong Canadian dollar, Statistics Canada reported in April that Ontario manufacturers

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are more optimistic about production prospects for the second quarter of 2007 with 65% of firms planning to maintain production volumes in the coming quarter, up from 60% in January.

Financial Core (Front Street/Simcoe Street/Queen Street/Church Street)

- Demand softens for AA space coupled with new space on market at 33 Bay St..
- Class C Building Absorption of 241,000 sq. ft. at 151 Front Street.
- Increase in direct space and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
AA	18,164,918	2,160,591	11.89%	(88,285)
A	5,099,992	343,417	6.73%	(34,798)
B	5,011,050	526,893	10.51%	115,138
C	3,385,035	280,183	8.28%	303,825
TOTAL	31,660,995	3,311,084	10.46%	295,880

Financial North (Queen Street/University Avenue/Wellesley Street/Church Street)

- Large positive absorption in all areas reporting.
- Significant activity in B Class buildings.
- Decrease in direct and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	3,974,383	547,189	13.77%	150,890
B	4,257,471	336,849	7.91%	183,698
C	1,296,033	115,602	8.92%	95,846
TOTAL	9,527,887	999,640	10.49%	430,434

Bloor Street (Wellesley Street/Bathurst Street/Davenport Avenue/Church Street)

- Increase in vacancy rates in all buildings from 11.8% to 12.2%.
- Shift from positive to negative absorption in all buildings reporting.
- Decrease in direct space available and increase in sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	4,665,383	564,287	12.10%	(47,519)
B	2,384,783	315,792	13.24%	42,059
C	226,591	4,987	2.20%	(4,902)
TOTAL	7,276,757	885,066	12.16%	(10,362)

St. Clair Area (Davenport Avenue/ /Bathurst Street/Moore Avenue/Bayview Avenue)

- Positive absorption in all areas reporting, overall vacancy rate falls from 15.8% to 9.1%.
- Positive absorption at 22 St. Clair Avenue East influencing factor.
- Decrease in both direct space and sublet space available.

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Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	769,124	119,873	15.59%	38,102
B	1,600,516	97,441	6.09%	107,552
C	119,139	10,029	8.42%	19,129
TOTAL	2,488,779	227,343	9.13%	164,783

Eglinton Area (Moore Avenue/Bathurst Street/Lawrence Avenue/Bayview Avenue)

- Overall decrease in the vacancy rate from 10.5% to 7.7%.
- Positive absorption at 2300 Yonge St. of 54,000 sq. ft. a key factor.
- Decrease in both direct space and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	334,807	46,355	13.85%	38,544
B	2,273,859	138,050	6.07%	108,729
C	300,273	40,576	13.51%	(7,710)
TOTAL	2,908,939	224,981	7.73%	139,563

North York (Lawrence Avenue/Bathurst Street/Steeles Avenue/Bayview Avenue)

- Continued positive absorption quarter over quarter.
- High level of activity in all buildings reporting.
- Decrease in direct space available and increase in sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	6,407,383	609,870	9.52%	112,779
C	79,736	5,008	6.28%	9,343
TOTAL	6,487,119	614,878	9.48%	122,122

Recap of Overall Toronto Market

The results for Quarter 1, 2007 and Quarter 4, 2006 are shown below.

Factor	Q2 2007 All Areas (000s s.f.)	Q1 2007 All Areas (000s s.f.)	Q2 2007 Financial Core, Financial North and Bloor (000s s.f.)	Q1 2007 Financial Core, Financial North and Bloor (000s s.f.)
Total space surveyed	60,350	59,404	48,465	47,644
Total direct space available	5,088	5,336	4,360	4,117
Total sublet space available	1,173	1,206	833	933
% Vacant for Quarter shown	10.4%	11.0%	10.7%	10.6%
Absorption for Quarter shown	1,142	(165)	715	37

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