

SmithFacts

Toronto Commercial Real Estate Information

January 2008

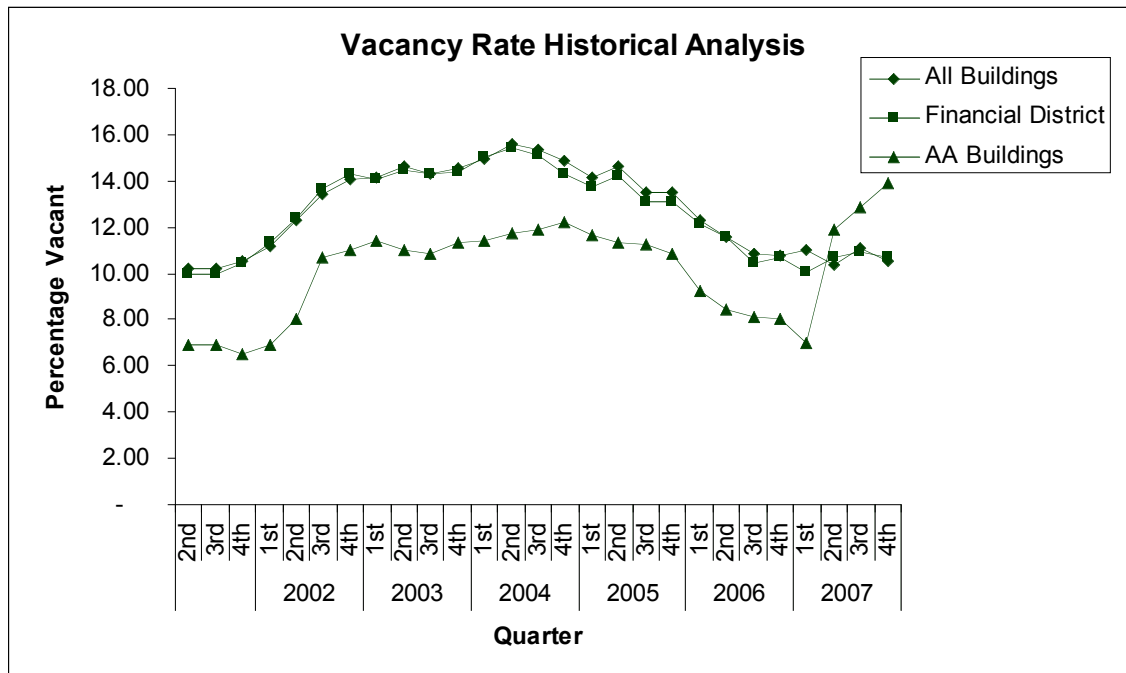
Smith Company Commercial Real Estate Services Inc. is Toronto-focused commercial real estate broker. We specialize in office leasing and sales in Toronto. Our firm is ISO 9001 Registered.

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

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Large Negative Absorption for Financial Core in 2007, offset by positive absorption in other areas

- In 2007 the absorption for all buildings reporting was positive at 48,000 square feet
- Absorption in the financial core over the past 12 months was negative at 644,000 square feet with negative absorption of 212,000 square feet this past quarter
- The vacancy rate this past year for AA buildings rose from 8.1% in January 2006 to 13.9% in January 2007. This rise was primarily a result of the addition of the Bay Adelaide Centre to the database.
- Class AA vacancy rate for this past quarter rose to 13.9% from 12.9% with negative absorption of 183,000 square feet.
- Class A buildings saw positive absorption of 538,000 square feet this past quarter and a drop in the vacancy rate from 12.0% in January 2007 to 9.1% in January 2008.
- Class B buildings saw a annual drop in the vacancy rate from 10.8% to 8.9% with positive absorption of 314,000 square feet over the past 12 months.
- Class C buildings also saw the vacancy rate drop over the past 12 months from 14.5% to 9.4% with positive absorption of 288,000 square feet.
- Major developments this past quarter include negative absorption of 194,000 square feet at Commerce Court West, 114,000 square feet at Commercial Union Tower and positive absorption of 155,000 square feet at the Cadillac Fairview Tower and 145,000 square feet at the Yonge Corporate Centre.



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Economic and real estate comments

The economy has been affected in 2007 by the disruption in the credit markets but the strong fundamentals in real estate create a solid outlook for 2008. LaSalle Investment management reports that institutional investors are generally holding or increasing their allocations to real estate. Toronto ranks as a major global pathway destination, 24-hour city, and manufacturing hub. Compared with other national financial centres, the city remains relatively inexpensive.

Year over year we have seen a growth in the demand for office space in all areas. Setting aside AA space, there was over 500,000 square feet of space absorbed. The Ontario economy continues to grow but on the whole, the Ontario economy is suggested to post weaker economic showings and considerably slower job growth in 2008, before embarking on a moderate strengthening in 2009.

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

- The overall vacancy rate rose from 10.8% to 11.5% this past quarter with negative absorption of 212,000 square feet.
- The negative trend continues in AA space with the vacancy rate increasing from 12.9% in 3rd quarter 2007 to 13.9% in the 4th quarter of 2008
- There was an increase in both the amount of direct and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
AA	18,118,332	2,522,775	13.9%	8.1%	(183,765)
A	5,060,431	315,541	6.2%	7.5%	(15,873)
B	5,015,866	496,175	9.9%	11.6%	11,850
C	3,418,894	288,372	8.4%	18.2%	(25,166)
TOTAL	31,613,523	3,622,863	11.5%	9.7%	(212,954)

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

- Positive absorption of 155,000 square feet at 20 Queen Street West.
- The past year saw a significant drop in the vacancy rate in Class A and C buildings.
- Decrease in direct space, little movement on sublet space.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
A	3,974,383	249,715	6.3%	14.9%	237,453
B	4,259,730	316,800	7.4%	9.4%	39,505
C	1,295,542	140,068	10.8%	7.8%	(18,799)
TOTAL	9,529,655	706,583	7.4%	11.5%	258,159

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

- Positive absorption of 120,000 square feet over the past 12 months
- 40,000 square feet of space absorbed at 160 Bloor Street East.
- Decrease in both the amount of direct and sublet space available

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
A	4,725,193	577,227	12.2%	14.8%	60,978
B	2,272,012	256,652	11.3%	13.1%	37,426
C	226,591	2,632	1.2%	3.1%	(4,902)
TOTAL	7,223,796	836,511	11.6%	13.9%	93,502

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

- Positive absorption of 50,000 square feet this past year and a decrease in the year over year vacancy rate.
- A decrease in direct space available, little movement on sublet space.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
A	769,124	113,442	14.7%	12.7%	1,208
B	1,600,677	96,597	6.0%	10.1%	5,303
C	119,139	10,190	8.6%	9.5%	3,500
TOTAL	2,488,940	220,229	8.8%	10.9%	10,011

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

- Very little change on an annual basis.
- Negative absorption of 20,000 square feet at 20 Eglinton West and 47,000 square feet over negative absorption at 2200 Yonge Street
- Increase in both direct space and sublet space available and in increase in the vacancy rate to 10.4% from 8.6% in the last quarter.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
A	315,647	34,660	11.0%	16.7%	10,802
B	2,276,482	205,646	9.0%	9.3%	(57,788)
C	302,007	61,969	20.5%	12.7%	(4,291)
TOTAL	2,894,136	302,275	10.4%	10.5%	(51,277)

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

- 145,000 square feet positive absorption at 4100 Yonge Street a significant contributing factor.
- Vacancy decrease from 13.8% to 10.1% this past quarter.
- Positive absorption of 62,000 square feet over the past 12 months..
- Decrease in both direct space available and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy Jan 2008	Vacancy Jan 2007	Absorption Past Qtr
A	6,409,473	644,550	10.1%	11.3%	243,438
C	79,736	7,688	9.6%	6.3%	-
TOTAL	6,489,209	652,238	10.1%	11.2%	243,438

Recap of Overall Toronto Market

The results for Quarter 4, 2007, Quarter 3, 2007 and selected data from 2006 are shown below.

Factor	Q4 2007 All Areas (000s s.f.)	Q3 2007 All Areas (000s s.f.)	Q4 2007 Financial Core, Financial North and Bloor (000s s.f.)	Q3 2007 Financial Core, Financial North and Bloor (000s s.f.)
Total space surveyed	60,239	60,400	48,366	48,512
Total direct space available	5,131	5,530	4,273	4,532
Total sublet space available	1,209	1,158	892	778
% Vacant for Quarter shown	10.5%	11.1%	10.7%	11.0%
Absorption for Quarter shown	340	(430)	138	(121)
Total Absorption 2007	48		(69)	
% Vacant Year End 2006	10.8%		10.7%	

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