

SmithFacts

Toronto Commercial Real Estate Information

April 2007

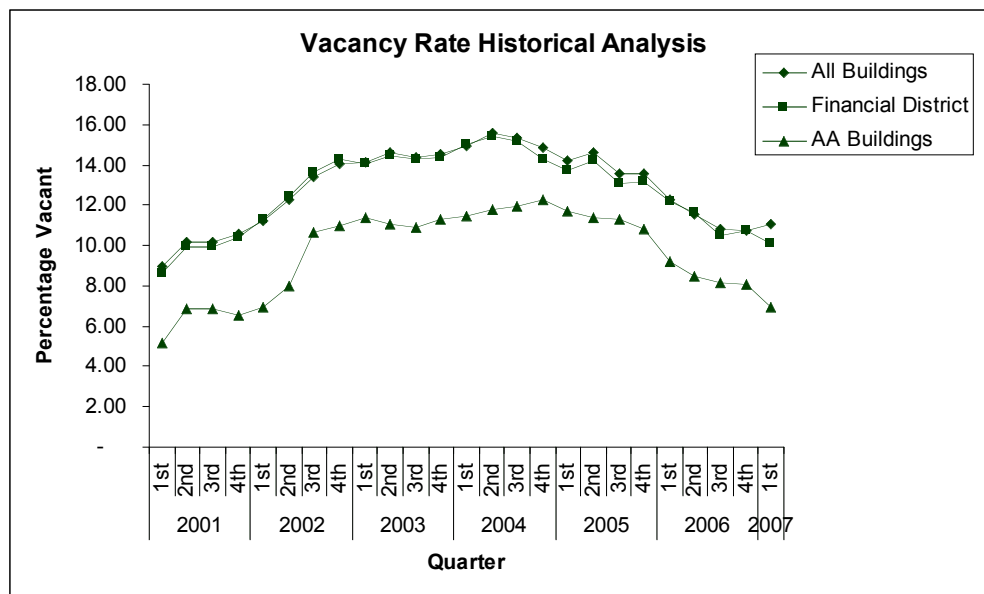
Smith Company Commercial Real Estate Services Inc. is Toronto-focused commercial real estate broker. We specialize in office leasing and sales in Toronto. Our firm is ISO 9001 Registered.

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

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Strong Growth in AA buildings, large negative absorption in B buildings

- Overall market had negative absorption of 168,000 square feet (113,000 sq. ft. negative absorption in Q4, 2006).
- Overall Q4 vacancy rate rose slightly to 11.0% from 10.7%.
- Class AA vacancy rate fell from 8.1% to 7.0% with positive absorption of 190,000 sq. ft..
- Class A vacancy rate declined from 12.0% to 11.7% with positive absorption of 40,000 sq. ft.
- Class B and C properties had negative absorption of 300,000 and 100,000 sq. ft. respectively.
- Total of 253 buildings surveyed, including 23 AA properties, 70 A properties, 98 B properties and 62 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. We have observed movement from Class B and C buildings showing negative absorption to Class AA and A buildings showing strong positive absorption. We have now seen the fourteenth consecutive year of employment gain in Ontario with 95,000 new jobs in 2006. Based on expected GDP growth in 2006, it may appear the Canadian economy is losing momentum. After starting the year at a healthy 3.8%, growth eased to just 2.0% in the two middle quarters, then fell still further to only 1.4% in the final quarter of 2006. Closer inspection of the fourth-quarter data, however, reveals that the economy has probably bottomed out, and momentum is now on the upswing.

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

- Strong demand continues for space in AA and Class A properties.
- Class B buildings give back gains from last quarter.
- Less direct space and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
AA	17,028,120	1,185,154	6.9%	189,385
A	5,100,507	308,619	6.1%	72,526
B	5,058,514	642,031	12.7%	(57,080)
C	3,514,267	598,468	17.0%	39,513
TOTAL	30,701,408	2,734,272	8.9%	244,344

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

- Continued negative absorption in Class A and B buildings.
- Over two thirds of total buildings showing negative absorption.
- Increase in direct and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	3,974,360	698,079	17.6%	(104,796)
B	4,228,419	520,547	12.3%	(122,210)
C	1,281,532	211,448	16.5%	(111,123)
TOTAL	9,484,311	1,430,074	15.1%	(338,129)

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

- Decrease in vacancy rates in Class A buildings from 14.8% to 11.0%.
- Shift from positive to negative absorption in Class B buildings.
- Decrease in direct space available and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	4,716,915	516,768	11.0%	173,522
B	2,514,783	367,473	14.6%	(37,825)
C	226,591	1,700	0.8%	(4,902)
TOTAL	7,458,289	885,941	11.9%	130,795

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

- Negative absorption in all areas reporting, overall vacancy rate rises to 15.8% from 10.9%.
- Negative absorption at 22 St. Clair Avenue East influencing factor.
- Increase in direct space and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	769,124	157,975	20.5%	(60,379)
B	1,600,516	204,993	12.8%	(43,008)

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C	119,139	29,158	24.5%	(17,876)
TOTAL	2,488,779	392,126	15.7%	(121,263)

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

- Overall increase in the vacancy rate from 10.5% to 12.5%.
- Negative absorption at 2300 Yonge St. and 20 Eglinton West a key factor.
- Increase in both direct space and sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	337,269	84,899	25.2%	(28,819)
B	2,268,639	246,779	10.9%	(35,429)
C	300,273	32,866	10.9%	5,350
TOTAL	2,906,181	364,544	12.5%	(58,898)

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

- Turn around to negative from positive absorption in previous quarter, most buildings reporting negative absorption.
- Positive absorption in 4110 Yonge St and 10 York Mills a mitigating factor.
- Increase in direct space available and decrease in sublet space available.

Building Type	Total Space (s.f.)	Total Vacant (s.f.)	Vacancy (%)	Absorption (s.f.)
A	6,286,102	722,649	11.5%	(12,661)
C	79,736	14,351	18.0%	(9,343)
TOTAL	6,365,838	737,000	11.6%	(22,004)

Recap of Overall Toronto Market

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

Factor	Q1 2007 All Areas (000s s.f.)	Q4 2006 All Areas (000s s.f.)	Q1 2007 Financial Core, Financial North and Bloor (000s s.f.)	Q4 2006 Financial Core, Financial North and Bloor (000s s.f.)
Total space surveyed	59,404	59,346	47,644	47,584
Total direct space available	5,336	5,241	4,117	4,235
Total sublet space available	1,206	1,147	933	861
% Vacant for Quarter shown	11.0%	10.8%	10.6%	10.7%
Absorption for Quarter shown	(165)	30	37	(113)

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