

Q4 2011

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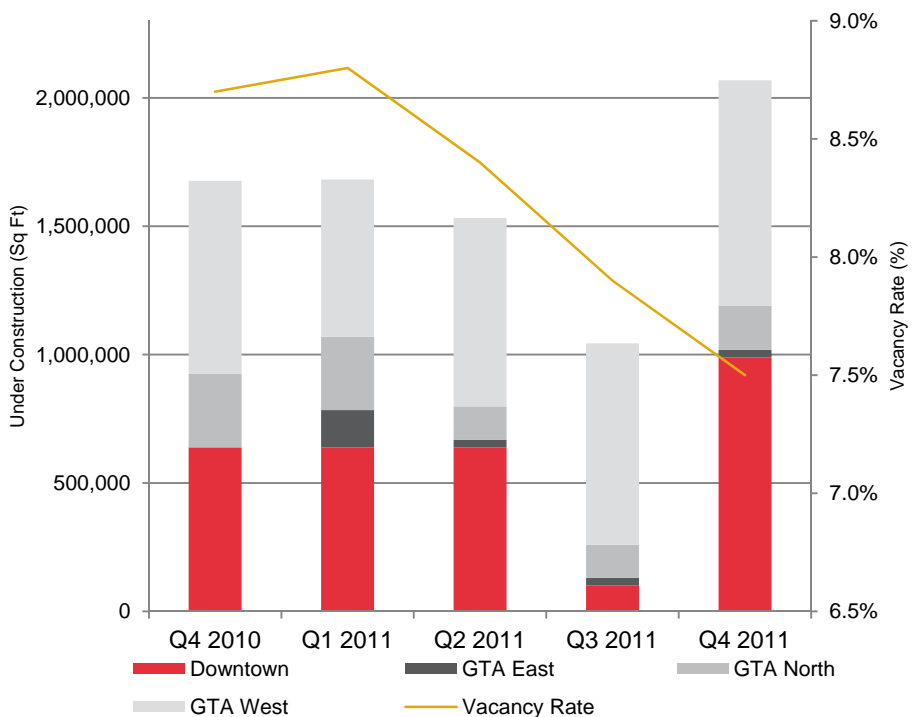
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Executive Summary

- Continued steady demand reduced the Greater Toronto Area (GTA) vacancy rate to 7.5%, down 0.4% from Q3 2011.
- 16 office buildings, representing 2.07 million square feet of new inventory, are under construction. Markets with significant construction include 880,000 square feet of space in Downtown South, 375,000 square feet in Meadowvale, and 352,460 square feet in Oakville. (Figure 1). Two buildings reached completion in Brampton totalling over 114,000 square feet, 1 Gateway Boulevard (50,631 Sq Ft) and 60 Gillingham Drive (63,400 Sq Ft). Also, 7125 Mississauga Road in Meadowvale reached completion adding 126,000 square feet to the inventory. The building was 70% pre-leased to Baxter Corporation.
- 81.0% of vacant office space in the GTA was for lease, whereas 19.0% was available for sublease. GTA West possessed the greatest amount of vacant space for lease (3,996,465 Sq Ft) while the GTA North had the least amount of vacant options (414,745 Sq Ft) in the city.
- In Q4 2011, GTA average gross asking rents decreased by \$1.26 to \$27.98 per square foot from \$29.24 in Q3 2011.

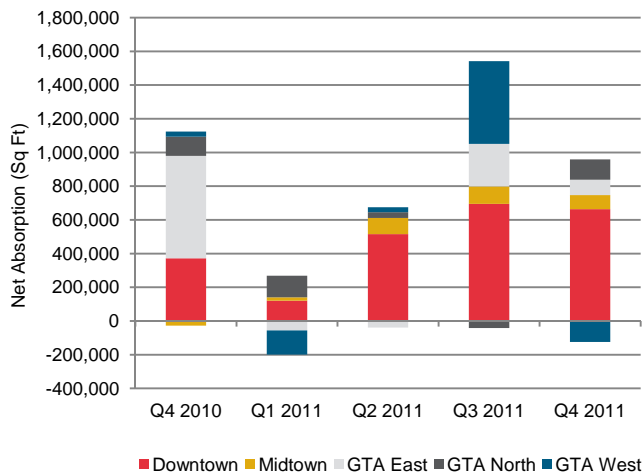
Figure 1: GTA Under Construction Comparison



Vacancy rate decreases 0.4% in Q4 2011 as absorption remains strong

- Demand for office space continues to be strong in the Greater Toronto Area (GTA) as the vacancy rate decreased to 7.5% in Q4 2011 from 7.9% in Q3 2011. Net absorption remained positive, absorbing 833,964 square feet of space this quarter. (Figure 2)
- Four out of five nodes experienced positive net absorption in Q4 2011. The exception, GTA West, experienced negative net absorption this quarter.

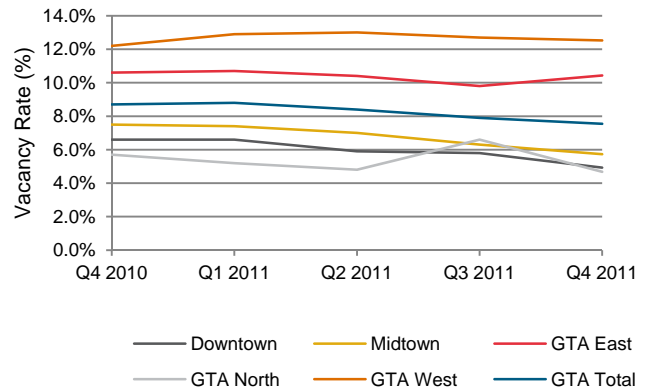
Figure 2: Quarterly GTA Absorption by Market



- Downtown Toronto continues to perform the best within the GTA absorbing 663,433 square feet. This drove the vacancy rate down in the downtown node to 4.9%. GTA West saw a net absorption of -124,734 square feet this quarter.
- Downtown had the lowest vacancy rate in the GTA at 4.9% whereas the GTA West market had the highest vacancy rate at 12.5%. (Figure 3).

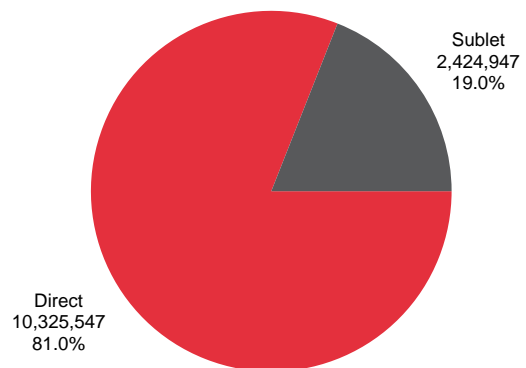
GTA West and Downtown have the greatest amount of vacant space options in the GTA

Figure 3: GTA Market Vacancy Rate Comparison



- 2.07 million square feet of office space, spread across 16 buildings, were under construction in Q4 2011, more than double up from one million square feet of space last quarter. The bulk of the construction is in the Downtown (988,864 Sq Ft) and GTA West (877,460 Sq Ft) markets. Two buildings reached completion in Brampton totalling over 114,000 square feet, 1 Gateway Boulevard (50,631 Sq Ft) and 60 Gillingham Drive (63,400 Sq Ft). 7125 Mississauga Road reached completion in Meadowvale. This 126,000 square foot building is 70% pre-leased to Baxter Corporation.
- 81.0% of vacant space was available direct with the landlord while sublet space makes up 19.0%. (Figure 4)

Figure 4: GTA Direct and Sublet Vacancy

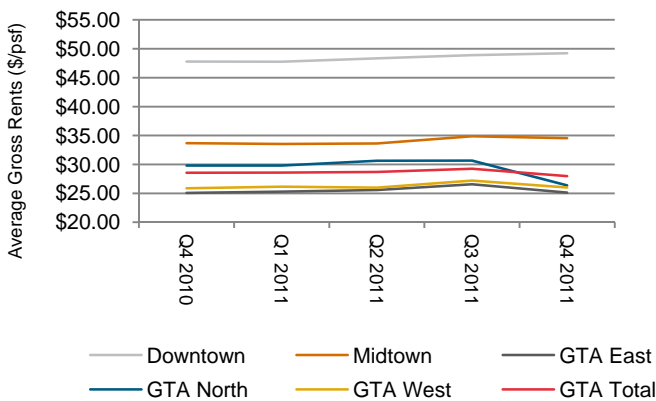


GTA average asking gross rents decreased for the first time in five quarters

• Quarter over quarter, average asking gross rents decreased by \$1.26 to \$27.98 per square foot from \$29.24 per square foot in Q3 2011. Average asking gross rents in the GTA have consistently hovered around the \$27-\$29 range since turning a corner following the 2008-2009 financial crisis. (Figure 5).

• Rents declined for the first time in over five quarters. This may be influenced by the influx of new construction completions and the significant blocks of high quality space that came to market mainly in the GTA West in Q4.

Figure 5: GTA Rent Trends All Classes

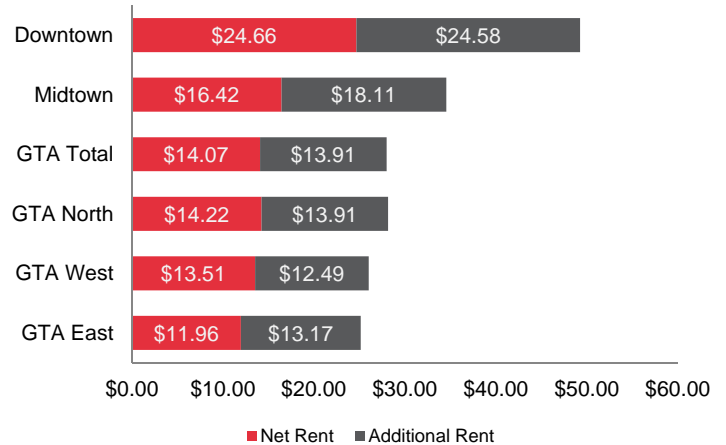


• For all classes of office in the GTA, the Downtown node commanded the highest average asking net rent at \$24.66 per square foot in Q4 2011 whereas the GTA East averaged \$11.96 per square foot. (Figure 6).

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Downtown Total	4.9%	663,433
Midtown Total	5.7%	90,764
GTA East Total	10.4%	84,037
GTA North Total	4.7%	117,385
GTA West Total	12.5%	-124,734
GTA Total	7.5%	833,964

Downtown and Midtown continue to command the highest rents in the GTA

Figure 6: GTA Average Gross Rate Comparison



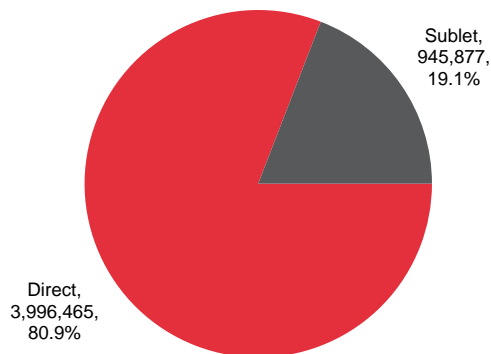
Significant Lease Transactions in Q4 2011

Tenant	Size (Sq Ft)	Address	Market Node
Intact Insurance Company	125,000	6925 Century Avenue	GTA West - Meadowvale
General Mills Canada	101,000	5825 Explorer Drive	GTA West - Airport Corp. Centre
Fuel Advertising (DRAFTFCB)	64,665	219 Dufferin Street	Downtown - Liberty Village
MCW Consultants Ltd.	35,000	207 Queens Quay West	Downtown - Downtown South
SNC-Lavalin	34,694	123 Front Street West	Downtown - Financial Core
Knightsbridge Human Capital	23,450	250 Yonge Street	Downtown - Downtown North
CROSSMARK Canada	16,750	2233 Argentinia Road	GTA West - Meadowvale
Huawei Technologies	16,122	15 Allstate Parkway	GTA East - Markham
Government Services of Canada	14,329	555 College Street	Downtown - Downtown North
Gilberts LLP	14,000	77 King Street West	Downtown - Financial Core
Green Shield Canada	13,000	5160 Yonge Street	GTA North - North Yonge
SecureKey Technologies Inc.	11,698	4101 Yonge Street	GTA North - North Yonge
Kaplan Education	10,681	180 Bloor Street West	Midtown - Bloor

GTA WEST: Vacancy rate increases as a result of negative net absorption

- Net absorption was negative in the GTA West region this quarter. 124,734 square feet more came to market than was absorbed over the quarter. Meadowvale was the best performing market in Q4 2011 with 83,000 square feet of positive absorption, while Airport North had the highest negative absorption of 104,000 square feet.
- Negative absorption in the GTA West resulted in a 0.9% increase in the vacancy rate this quarter to 12.5% from 11.6% in Q3 2011.

Figure 8: GTA West Direct and Sublet Vacancy



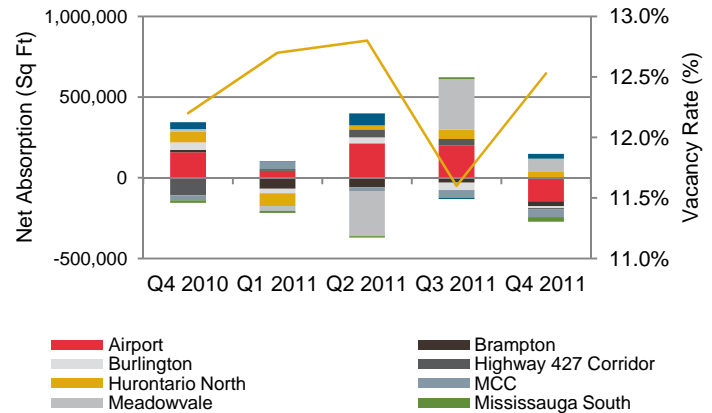
- 80.9% of vacant space was available direct with the landlord while sublet space makes up 19.1%. (Figure 8). Vacant sublet square footage has decreased 1.6% from Q4 2010.

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Airport	14.9%	-145,216
Brampton	14.8%	-30,374
Burlington	13.4%	-12,496
Highway 427 Corridor	7.3%	-8,967
Hurontario North	8.0%	35,803
Meadowvale	9.5%	82,643
Mississauga City Centre	12.3%	-47,013
Mississauga South	9.8%	-28,304
Oakville	12.1%	29,190
GTA West Total	12.5%	-124,734

Data Source: Altus Insite and DTZ Barnicke Research

GTA WEST: Meadowvale and Hurontario North nodes see the most positive activity

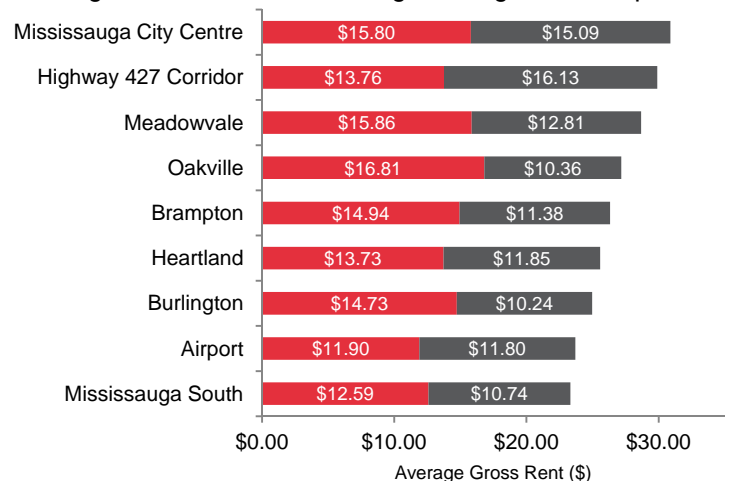
Figure 9: GTA West Absorption by Node



- With -124,734 square feet absorbed in Q4 2011, the GTA West region has experienced its highest level of negative absorption in the past 5 quarters. (Figure 9). Despite experiencing negative absorption, leasing activity continued to be strong in the GTA West. Significant transactions this quarter included the General Mills Canada renewal of 101,000 square feet at 5825 Explorer Drive and CROSSMARK Canada taking occupancy of 16,750 square feet at 2233 Argentia Road.

- GTA West gross asking rents decreased by \$1.21 in Q4 2011 to end the quarter at \$26.01 per square foot. The most expensive node in the GTA West continued to be Mississauga City Centre with an average gross rent of \$30.90 per square foot. Mississauga South was the most affordable area in the west market with an average rent of \$23.32 per square foot. (Figure 10).

Figure 10: GTA West Average Asking Rent Comparison

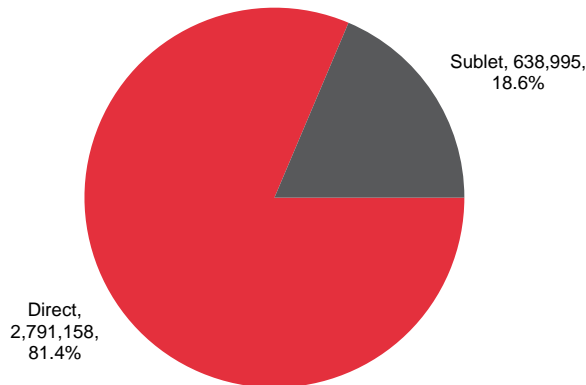


DOWNTOWN: Positive net absorption continues for the seventh consecutive quarter

Activity in the downtown market improved quarter over quarter in 2011 with Q4 posting the highest positive net absorption of 663,433 square feet. This market is also the best performing market within the GTA returning strong growth in the past five quarters. This sent the vacancy rate down to 5.7% in Q4 2011 from 5.8% in Q3 2011.

This area benefited from continued demand in the Financial Core and Downtown South where 191,150 square feet and 135,522 square feet respectively, were absorbed.

Figure 11: Downtown Direct and Sublet Vacancy



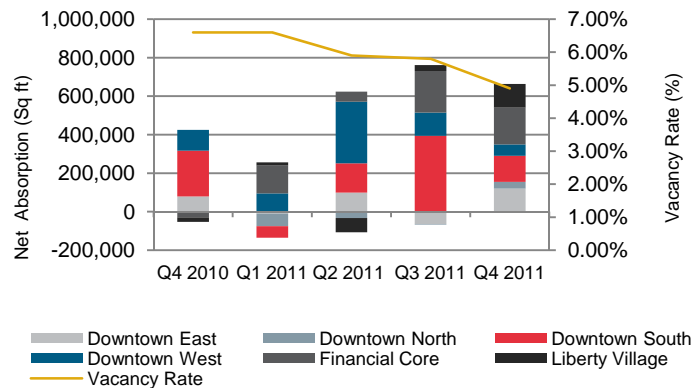
81.4% of vacant space was available direct with the landlord while sublet space makes up 18.6%. (Figure 11). Vacant sublet square footage has decreased 20.0% from Q4 2010.

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Downtown East	8.7%	120,201
Downtown North	2.4%	34,406
Downtown South	9.0%	135,522
Downtown West	5.4%	58,766
Financial Core	4.5%	191,150
Liberty Village	7.8%	123,388
Downtown Total	4.9%	663,433

Data Source: Altus Insite and DTZ Barnicke Research

DOWNTOWN: Best opportunity for space: Financial Core and Downtown West

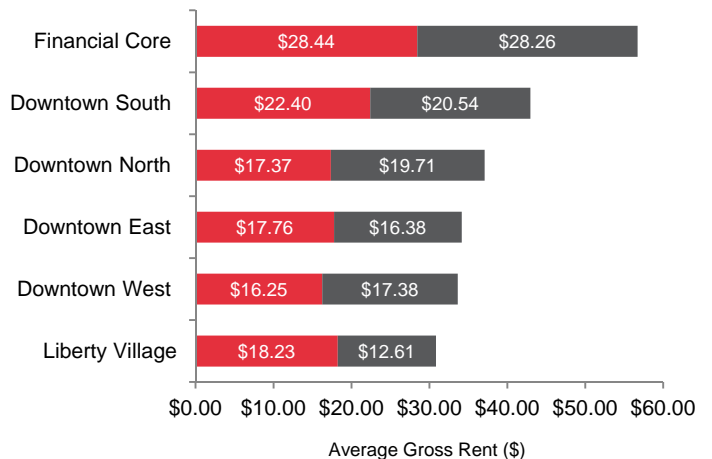
Figure 12: Downtown Absorption by Node



Positive net absorption continued for the seventh consecutive quarter (663,433 Sq Ft) as it reached its highest level since the peak in Q3 2010 (961,162 square feet). (Figure 12). Significant transactions this quarter included Fuel Advertising (DRAFTFCB) taking occupancy of 64,665 square feet at 219 Dufferin Street and Knightsbridge Human Capital taking 23,450 square feet at 250 Yonge Street.

Financial Core gross asking rents continue to be the highest in the GTA at \$56.70 per square foot. The average gross rent for the Downtown node was \$49.24 per square foot. (Figure 13).

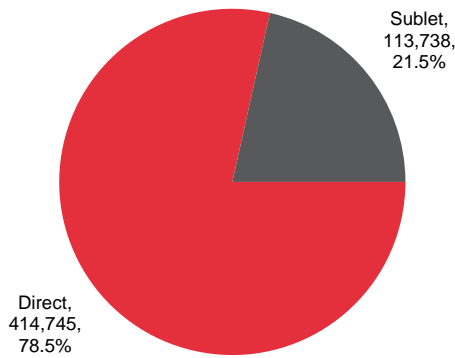
Figure 13: Downtown Average Asking Rent Comparison



GTA NORTH: 1.9% drop in vacancy experienced in Q4 2011 due to strong positive net absorption

- The GTA North market's vacancy rate decreased to 4.7% in Q4 2011. A decline of 1.9% from Q3 2011 (6.6%). The drop in vacancy resulted from the positive net absorption of over 170,000 square feet in Q4 2011.

Figure 14: GTA North Direct and Sublet Vacancy

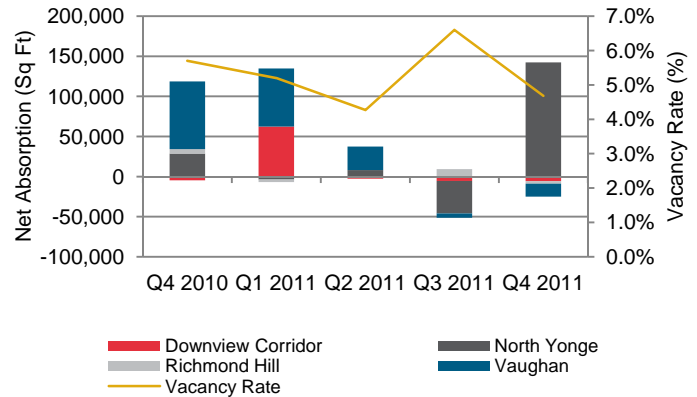


- 78.5% of vacant space in the GTA North market was for lease whereas 21.5% of space was for sublease. (Figure 14).

- The North Yonge market had the greatest amount of vacant space in the GTA North node with 300,111 square feet. Downsview, on the other hand, had the least amount of vacant space with 22,124 square feet.

GTA NORTH: Surplus of space on market declined in Q4 2011

Figure 15: GTA North Absorption by Node

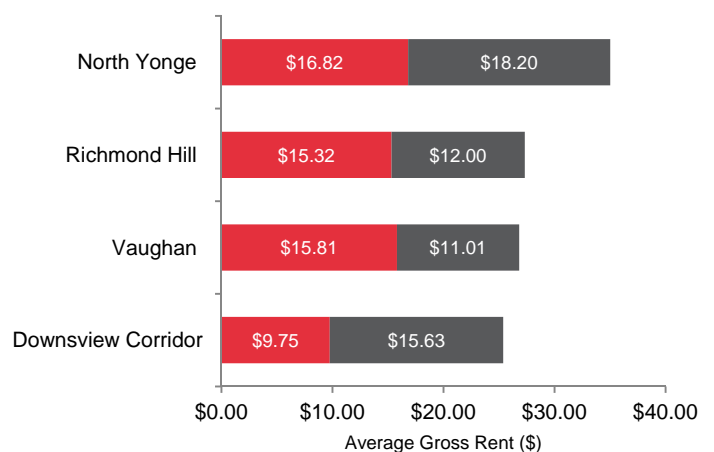


- Given the ongoing demand in the GTA North, mainly in the North Yonge node we expect the surplus of space on the market to be absorbed over the next few quarters. (Figure 15). Green Shield Canada recently took occupancy of 13,000 square feet at 5160 Yonge Street and SecureKey Technologies Inc. took 11,698 square feet at 4101 Yonge Street.

- The GTA North gross asking rents decreased by \$0.81 to end the year at \$26.38 per square foot. North Yonge continues to command the highest gross rent in the GTA North at \$34.99 per square foot. The Downsview Corridor continues to be the most economical node in the GTA North with gross rents at \$24.79 per square foot (Figure 16).

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Downsview	4.4%	-1,000
Dufferin and Finch	5.2%	2,430
North Yonge	3.5%	142,370
Richmond Hill	8.4%	-3,079
Vaughan	6.5%	-16,211
Yorkdale	2.9%	-7,125
GTA North Total	4.7%	117,385

Figure 16: GTA North Average Asking Rent Comparison

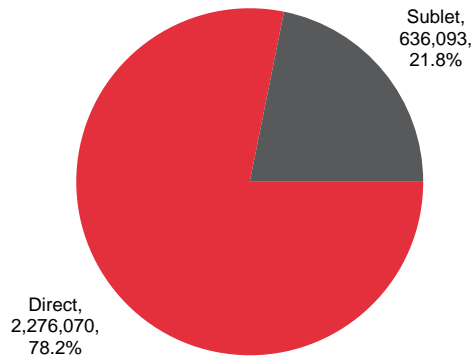


Data Source: Altus Insite and DTZ Barnicke Research

GTA EAST: Market activity continues to be strong

- The GTA East performed well in Q4 2011 with 84,037 square feet of positive net absorption. Pickering posted the highest positive net absorption (103,883 Sq Ft) within the GTA East. The vacancy rate was 10.4% in Q4 2011.
- The negative net absorption over the first half of the year was offset by the positive growth in Q3 and Q4 2011. Markham was the best performing node in 2011 with 167,947 square feet of positive net absorption since Q4 2010. Scarborough, and Highway 404 and Steeles also returned positive figures, 115,126 square feet, 42,441 square feet since Q4 2010 respectively.

Figure 17: GTA East Direct and Sublet Vacancy

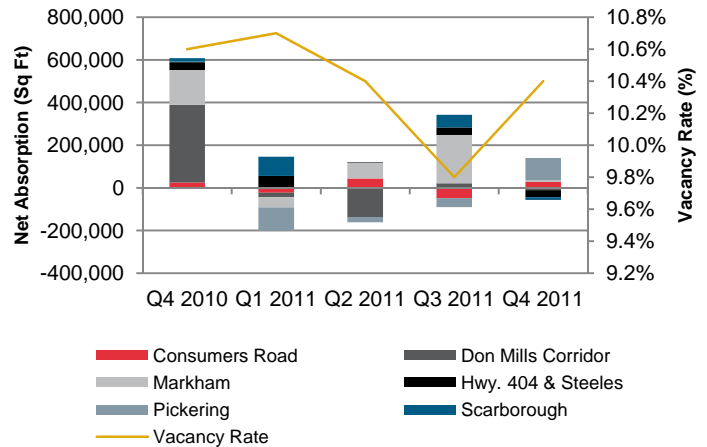


- 78.2% of vacant space was available direct with the landlord while sublet space makes up 21.8%. (Figure 17).

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Consumers Road	11.1%	27,794
Don Mills and Eglinton	6.3%	-18,164
Duncan Mill	8.0%	7,385
Markham	9.6%	8,564
Hwy 404 & Steeles	9.2%	-33,176
Pickering	10.8%	103,833
Scarborough	12.5%	-12,199
GTA East Total	10.4%	84,037

GTA EAST: Rents dropped by 5.7% in Q4 2011

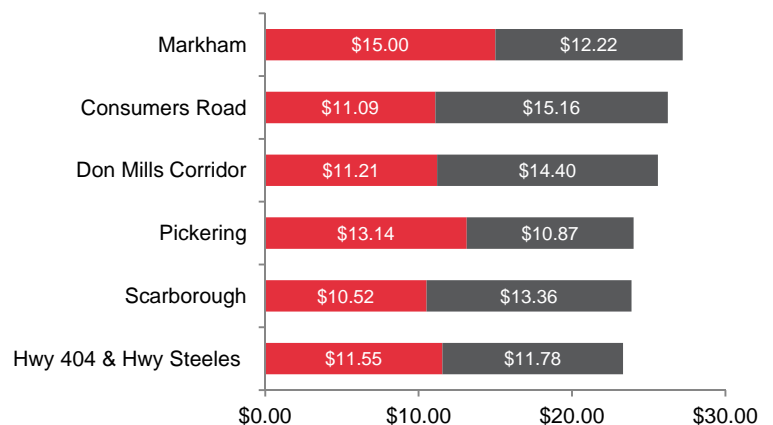
Figure 18: GTA East: Absorption by Node



- Absorption is expected to be positive in the coming year due to ongoing demand mainly within the Markham, Scarborough and Highway 404 & Steeles nodes. Of significance, Huawei Technologies took occupancy of 16,122 square feet at 15 Allstate Parkway in Q4 2011. (Figure 18).

- GTA East gross asking rents dropped by \$1.44 this quarter to \$25.13 per square foot from \$26.57 per square foot the previous quarter. Markham continues to post the highest rents with average asking gross rent at \$27.22 per square foot. Highway 404 and Steeles posted the lowest average gross rent this quarter at \$23.32 per square foot. (Figure 19).

Figure 19: GTA East Average Asking Rate Comparison

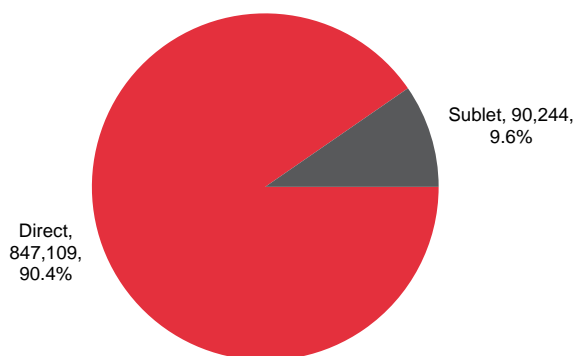


GTA MIDTOWN: Positive net absorption drives vacancy rate down

- This quarter, Midtown Toronto experienced positive absorption of 90,764 square feet. The Bloor node accounted for the largest segment of this, absorbing 98,169 square feet. The Eglinton and St. Clair nodes both experienced negative net absorption in Q4 2011.

- Midtown's vacancy rate decreased for the sixth quarter in a row, settling at 5.7%, down from 6.3% in Q3 2011. In recent years, this market's vacancy rate has consistently stayed between 6.0% and 8.0%

Figure 20: Midtown Direct and Sublet Availability



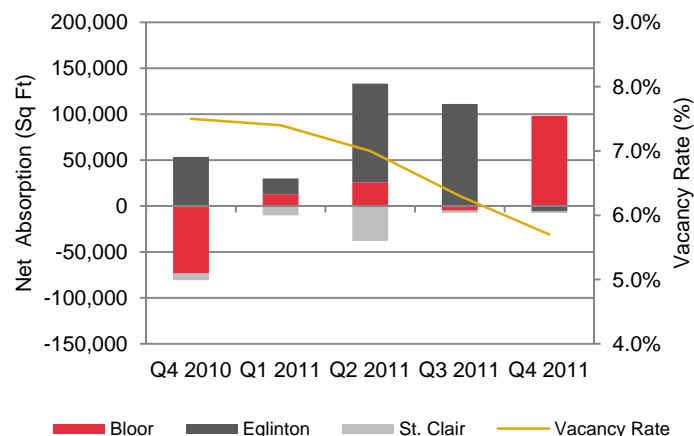
- Midtown's available space was comprised of 90.4% space directly available for lease and 9.6% of space that was available for sublet. (Figure 20).

- Bloor and Eglinton represented 79.7% or 747,040 square feet of available space in the Midtown market while St. Clair had the least amount of space at 190,313 square feet.

GTA Node	Q4 2011 Vacancy Rate (%)	Net Absorption (Sq Ft)
Bloor	4.7%	98,169
Eglinton	6.4%	-5,826
St. Clair	8.3%	-1,579
Midtown Total	5.7%	90,764

GTA MIDTOWN: rents decreased by \$0.33 gross per square foot on average

Figure 21: Midtown Absorption by Node



- Positive net absorption continued for the fourth consecutive quarter in Midtown. (Figure 21). Significant deals over the quarter included Kaplan Education taking occupancy of 10,681 square feet at 180 Bloor Street West.

- Gross asking rents decreased by \$0.33 in the Midtown node to finish the quarter at \$34.53 per square foot from the \$34.86 experienced in Q3 2011. (Figure 22).

Figure 22: Midtown Average Asking Rent Comparison



Data Source: Altus Insite and DTZ Barnicke Research

Q4 2011	Total Inventory (Sq Ft)	Under Construction (Sq Ft)	Net Absorption (Sq Ft)	Vacancy Rate (%)	Average Net Rent (\$/psf)	Average Additional Rent (\$/psf)	Average Gross Rent (\$/psf)
Downtown Toronto							
DT East	3,825,900	100,000	120,201	8.7%	\$17.76	\$16.38	\$34.14
DT North	12,367,479	0	34,406	2.4%	\$17.37	\$19.71	\$37.08
DT South	4,298,628	888,864	135,522	9.0%	\$22.40	\$20.54	\$42.94
DT West	13,485,976	0	58,766	5.4%	\$16.25	\$17.38	\$33.63
Financial Core	33,119,432	0	191,150	4.5%	\$28.44	\$28.26	\$56.70
Liberty Village	2,552,601	0	123,388	7.8%	\$18.23	\$12.61	\$30.84
Downtown Total	69,650,016	988,864	663,433	4.9%	\$24.66	\$24.58	\$49.24
GTA East							
Consumers Road	3,999,735	0	27,794	11.1%	\$11.09	\$15.16	\$26.25
Don Mills and Eglinton	3,747,670	0	-18,164	6.3%	\$11.56	\$14.11	\$25.67
Duncan Mill	2,243,611	0	7,385	8.0%	\$10.86	\$14.68	\$25.54
Markham	7,199,154	30,000	8,564	9.6%	\$15.00	\$12.22	\$27.22
Highway 404 and Steeles	5,845,227	0	-33,176	9.2%	\$11.55	\$11.78	\$23.32
Pickering	944,064	0	103,833	10.8%	\$13.14	\$10.87	\$24.00
Scarborough	4,129,754	0	-12,199	12.5%	\$10.52	\$13.36	\$23.88
GTA East Total	30,287,350	30,000	84,037	10.4%	\$11.96	\$13.17	\$25.13
Midtown							
Bloor	9,223,538	0	98,169	4.7%	\$17.26	\$18.83	\$36.09
Eglinton	4,828,164	0	-5,826	6.4%	\$14.57	\$17.36	\$31.93
St. Clair	2,303,507	0	-1,579	8.3%	\$17.44	\$18.13	\$35.57
Midtown Total	16,355,209	0	90,764	5.7%	\$16.42	\$18.11	\$34.53
GTA North							
Downsview	502,249	0	-1,000	4.4%	\$9.00	\$17.25	\$26.25
Dufferin and Finch	733,004	0	2,430	5.2%	\$9.25	\$15.18	\$24.43
North Yonge	8,494,845	0	142,370	3.5%	\$16.80	\$18.19	\$34.99
Richmond Hill	2,178,135	0	-3,079	8.4%	\$14.21	\$11.12	\$25.33
Vaughan	2,026,006	171,826	-16,211	6.5%	\$16.46	\$10.96	\$27.42
Yorkdale	1,246,820	0	-7,125	2.9%	\$10.00	\$13.68	\$23.68
GTA North Total	15,181,059	171,826	117,385	4.7%	\$14.22	\$13.91	\$26.38

Data Source: Altus Insite and DTZ Barnicke Research

Q4 2011	Total Inventory (Sq Ft)	Under Construction (Sq Ft)	Net Absorption (Sq Ft)	Vacancy Rate (%)	Average Net Rent (\$/psf)	Average Additional Rent (\$/psf)	Average Gross Rent (\$/psf)
Quarterly Office Data, continued							
GTA West							
Airport Corporate Centre	4,878,783	150,000	-14,923	17.6%	\$13.90	\$12.86	\$26.76
Airport East	2,178,476	0	-18,144	14.4%	\$13.73	\$12.62	\$26.35
Airport North	963,457	0	-103,593	24.1%	\$10.36	\$11.32	\$21.68
Airport West	563,847	0	-507	22.1%	\$11.40	\$10.01	\$21.41
Bloor and Islington	1,041,370	0	-1,933	18.0%	\$14.50	\$17.00	\$31.50
Brampton	2,415,538	0	-30,374	14.8%	\$14.94	\$11.38	\$26.32
Burlington	3,378,261	0	-12,496	13.4%	\$14.73	\$10.24	\$24.98
Cooksville	679,811	0	16,310	12.7%	\$12.92	\$11.23	\$24.15
Dixie and Eglinton	2,704,531	0	5,002	2.7%	\$10.69	\$9.28	\$19.97
Etobicoke North	974,260	0	-13,051	22.5%	\$11.31	\$14.68	\$25.99
Etobicoke South	555,541	0	-11,632	28.1%	\$11.85	\$15.10	\$26.95
Heartland	3,701,491	0	35,803	8.0%	\$13.73	\$11.85	\$25.58
Highway 427 Corridor	2,115,350	0	4,598	7.8%	\$14.94	\$16.30	\$31.24
Meadowvale	5,920,274	375,000	82,643	9.5%	\$15.86	\$12.81	\$28.67
Mississauga City Centre	3,583,513	0	-47,013	12.3%	\$15.80	\$15.09	\$30.90
Oakville	2,723,646	352,460	29,190	12.1%	\$16.81	\$10.36	\$27.17
Sheridan	1,068,670	0	-44,614	7.9%	\$12.25	\$10.24	\$22.49
GTA West Total	39,446,819	0	-124,734	12.5%	\$13.51	\$12.49	\$26.01
GTA Total	168,892,205	2,068,150	833,964	7.5%	\$14.07	\$13.91	\$27.98

Data Source: Altus Insite and DTZ Barnicke Research

Report Definitions

Absorption:	Rate usually expressed in square feet referring to the total amount of space leased or sold within a certain period of time (typically quarterly or annually). Also referenced as growth or net change in occupied space. Positive absorption reflects an increase in occupied space in a market, while negative absorption reflects a decrease.
Active demand:	Named entities with appointed agents and a declared requirement for industrial accommodation which it wishes to satisfy within the foreseeable future
Building class:	<p>Class A: higher quality combination of design, materials, tenant mix, age, size and location.</p> <p>Class B: lower quality combination of design, materials, tenant mix, age, size and location.</p> <p>Class C: remaining poorer quality properties</p>
Development completion:	A development in which the main contract has been completed, whether this be to shell and core or developer's finish. Also the tenant has taken occupancy of the space.
Direct vacant:	The sum of Vacant Portion of Direct Available and Vacant and Committed
Inventory:	Total floor space per building measured in square feet.
Net rent:	The rent reported being paid, which may not take account of additional rent or concessions such as rent-free periods, or leasehold improvements.
Speculative development:	A newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant.
Sublet vacant:	Physically unoccupied or empty portion of Sublet Available
Total vacant:	Sum of Direct Vacant and Sublet Vacant
Under construction:	A development in which work has started on the main contract. This usually excludes demolition and site clearance contracts.
Vacancy rate:	Participating Direct and Sublet Vacant divided by participating Total Office Area represented as a percentage

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