



the QTM market commentary

your source from the street

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"A breath of fresh air - concise, readable and very insightful"
Frank A. Clayton, Ph.D.

LENNARD PERFORMANCE

Lennard Welcomes

Brian J. Murphy and Arthur Stern to our downtown office and Alex Varvakis to our west office.



Activity has picked up significantly and a more positive outlook is emerging on the street as the fear of the 2008 shock fades. Strong activity in selected market nodes is creating some urgency and mild pricing pressure.

There are concerns that the current activity level is derived partly from government stimulus spending and may be short lived. As always, the GTA submarkets are moving in different directions with vast differences in pricing even for the same class of space within some submarkets.

Net rental rates moved up in 39% of markets, down in 29% of markets and remained flat in 32% of submarkets last quarter. 61% of all markets have single digit vacancy, up from 54% last quarter.

It appears rental rates have found their bottom in most segments.

A few segments are beginning to see diminished inducements and price increases for the first time in many quarters.

Head lease selection is somewhat limited in the tightest submarkets making for frustrating shopping conditions.

54% of all sublease markets showed a decrease in supply compared to 25% last quarter, and 25% showed an increase in supply compared to 36% last quarter.

Quality sublease supply, or subleases that are 3 years or more, were flat in 13 of 28 markets, decreasing in 12 markets and increasing in only 3 markets.

Sublease inventory appears to be leveling off and is beginning to diminish in many submarkets. Short subleases remain difficult to unload and are becoming more isolated as landlords want to see higher net rental rates for head lease extensions.

Meaningful new absorption has shown up in 4 submarkets which reported vacancy falling by 1% or more, the same number as last quarter. These markets were Downtown East, 404/7, Don Mills & Eglinton and Dixie Eglinton.

43% of markets showed an increase in the number of Problem Buildings (buildings with more than 15% direct vacancy) versus 54% of markets last quarter. Across the GTA, 346 of 1042 buildings (33%) are Problem Buildings.

Most landlords with high vacancy rates are wanting to capitalize on the recent surge in activity. They have elected to take a conservative stance, reducing vacancy first, before starting to push rental rates.

Market	Total Buildings	Problem Buildings	Problem Percentage
Airport Corporate Centre	54	38	70.37%
Oakville	39	27	69.23%
Heartland	39	22	56.41%
Meadowdale	55	31	56.36%
404 / 7	108	49	45.37%
Mississauga City Centre	25	11	44.00%
427 Corridor	19	8	42.11%
Downtown East	51	20	39.22%
Burlington	57	22	38.60%
St. Clair	20	7	35.00%
Consumers Road "B"	20	6	30.00%
Don Mills / Eglinton	34	10	29.41%
404 / Steeles	58	16	27.59%
Eglinton "A"	11	3	27.27%
Pickering	12	3	25.00%
Scarborough	43	10	23.26%
Financial Core "A"	49	11	22.45%
North York "A"	23	5	21.74%
Eglinton "B"	29	6	20.69%
Downtown West	113	23	20.35%
Consumers Road "A"	6	1	16.67%
Financial Core "C"	14	2	14.29%
Bloor "B"	36	5	13.89%
Duncan Mill	23	3	13.04%
Bloor "A"	18	2	11.11%
Dixie Eglinton	27	2	7.41%
Financial Core "B"	45	3	6.67%
North York "B"	14	0	0.00%

Problem Building Statistics

It is puzzling that some landlords remain "deer in the headlights" with poor product presentation and disorganized marketing and communications efforts.

Tenants are more confident as Canadian economic performance appears steady.

The duration of the impact of the government stimulus spending, the strong Canadian dollar, higher consumer debt loads, falling house prices, rising interest rates, and very weak US and selected European economies remain serious concerns.

Very low interest rates, good credit conditions, a healthy Canadian banking sector, demand for Canadian commodities, a decent Toronto Stock Market, and the ride from government stimulus spending are the bright spots.

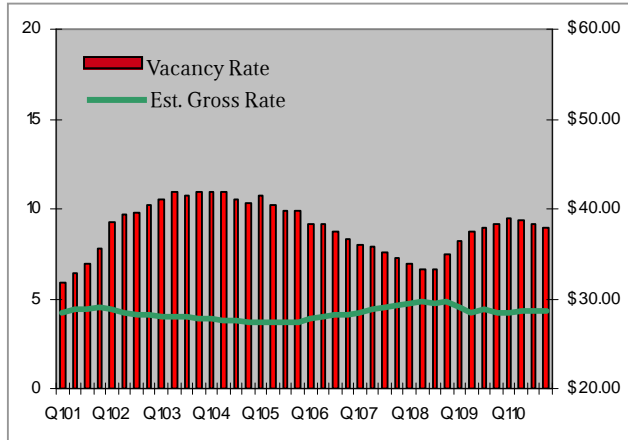
Decision makers are relieved that their RRSP's and house prices have done well recently, but remain worried about the impact of the fiscal experiment in the U.S.

Designers and contractors report increased activity with construction prices steady.



Tenants are expecting landlords to be generally more sympathetic, a current challenge

In the downtown core, 638,826 square feet of new office space is under construction at 18 York Street. 80% of this space has been pre-leased. The building is slated for completion this year.



GTA Vacancy and Gross Rental Rates

In the downtown market, expensive capital programs are being undertaken to renovate the older Class "A" stock in order to update environmental standards and improve operating efficiency. It is proving difficult to reduce operating costs and taxes in the older buildings to make them more competitive with newer stock.

The overhang of older Class "A" vacancy downtown continues to diminish given the strong absorption in the Downtown Class "A" market by Schedule I Canadian Banks. Gross free rent periods are now shorter than they were last year.

Even though market activity has picked up considerably, competition among landlords remains strong in most segments across the GTA.

Landlords continue to be creative, with lease takeovers, long gross free rent periods and other inducements on the table.

Most tenants remain receptive to hedging their rental rate risks, choosing early lease renewals if they can cut office overhead immediately.

Blend and extend style leases are of interest across the market. In some cases they have been necessitated by tenant distress situations.

Tenants are expecting landlords to be generally pliable in all markets, a current challenge to landlord tenant relationships. Tenant perceptions are lagging the recent improvements in market conditions which is lengthening the shopping and negotiating cycle in some segments.

Sublease prices are expected to continue to be soft with furniture and technology thrown in for inducements. The Quality sublease supply has diminished, putting some pressure on the head lease market.

Good quality "built" inventory is now more difficult to find

on the head lease market.

Landlords continue to "buy" posted face rates while going after good quality tenants with other inducements, such as out of term gross free rent in the softer markets.

If the economy continues to improve, effective rental rates should continue to move off their bottom over the next few quarters in most submarkets.

For the time being, pricing for landlords is expected to move sideways in most segments, and move up in the firmest nodes. Landlords are weighing good office market fundamentals in most markets against the improving yet choppy economic outlook, the diminished sublease supply, and the improved demand. Landlords want to make hay while the sun is shining, before the stimulus spending runs out, or the wheels come off the U.S. economy.

The majority of landlords have moved to increase standard commission rates on the office leasing side. This trend is expected to continue.

Office Market Statistics Overview

The most improved of out 28 market nodes was the Don Mills & Eglinton market, which moved down from 17.9% to 9.5% vacant.

The market with the highest vacancy rate was the Airport Corporate Centre market with 22% vacancy. Note that this vacancy number is for direct space, and does not include an additional 277,000 sq.ft. of sublease space also currently available in that market. That being said, this market was the second most improved market, reducing its direct availability last quarter by 2.6%

The market with the lowest vacancy rate was the Dixie Eglinton market, which posted a 2% vacancy.

17 of 28 markets have single digit vacancy, or 61%. Now that more meaningful demand has returned, pricing pressure will increase.

According to our Problem Percentage™ Overview, the GTA's healthiest market segment is the North York Class "B" node with no buildings posting over 15% availability. The worst market overall was the Airport Corporate Centre market node with a staggering 38 problem buildings of 54 surveyed, or a 70.4% Problem Percentage.

Office Market Conclusions

Good negotiating conditions will continue for tenants in most segments although improved activity in the market is generating some urgency and upward pricing pressure in the tightest segments. There is still a good selection of alternatives to choose from in many markets, but the best options are being snapped up in the firmest segments. Tenants are finding very good deal making conditions, despite firming market conditions. Landlords remain very receptive, offering good concessions with reasonable net rents in most segments. Landlords want to capitalize on the



recently improved demand, providing a good window of opportunity for savvy tenants to reduce costs before meaningful rent increases kick in. The foundation for the GTA market still remains firm and reasonably healthy. Improved demand has established a market bottom.

Our coverage now includes a total of 1042 buildings up from in 28 market nodes and provides a comprehensive market view of the GTA.

Market Area Downtown	# Bldgs with available space	# Bldgs with 50,000 sf available or more	# Bldgs with 10,000 sf available or more
Greater Toronto	824	97	464
Downtown Toronto	225	38	125
Toronto East	180	18	100
Midtown Toronto	79	5	44
Toronto North	61	5	29
Toronto West	279	31	166

Tenant Options: Available for Lease Statistics across the GTA

GTA	# Bldgs with 100,000 sf + contiguous space	# Bldgs with 50,000 sf + contiguous space
Q4 2010	15	58
Q3 2010	14	52
Q2 2010	15	51
Q1 2010	19	59
Q4 2009	19	54

Historical Contiguous Available Space Statistics across the GTA

Investment Market Overview

Overview

“How low can cap rates go?” could easily describe our current real estate investment climate. How low? How about a 5.8% cap rate for Erin Mills Town Centre or 6% for 100 University Avenue? So if you fell asleep in 2007 and awoke in the second half of 2010, you would have thought that you missed nothing. It’s almost laughable to think back to 2009 when buyers puffed out their chests demanding 10% cap rates to help out the poor owners who surely were heading to bankruptcy court. Well those owners didn’t suffer, held their ground and are reaping the rewards today. How we dodged the recession bullet is likely a first for this country and I’m sure your local politician is happy to receive your thanks for his cunning and insight into world matters while he vigilantly kept the wolves at bay.

So where does this leave us? The big players are leaving the sandbox and heading to the United States, England and Australia to spend their billions on infrastructure, new development deals, loan portfolios and etching their names on title as they assist the down and out. Yet, even if these players take themselves out of our market, there is still so much cash chasing so few deals that their lack of participation will likely go unnoticed.

Our hat is off to those investors whose expertise is in add-value opportunities. There isn’t much noticeable lift in some of the current deals floating around the market, especially when everything is premium priced.

The major players have been waiting for the right time to unload non core assets. We should see activity in the coming quarter with the sale of their B and C product. This product will find new owners after the dust settles from three rounds of bids. These are risky times to be a buyer with assets priced to perfection. Having lived through the 90’s, it wasn’t a pleasant time, but we sense we have much better checks and balances in the system to prevent such an event from happening again.

There have been some interesting trades this quarter. There doesn’t appear to be weakness in any of the sectors that we cover. Despite very low cap rates, some very shrewd deals were made recently.

Office Sales

29 office building sales in excess of \$1,000,000 were made over the past quarter in the GTA. Twelve of those sales were in excess of \$10 million, the most in one quarter over the past year. Dundee REIT, as usual, was the most active investor with three of the twelve large purchases. Their acquisition of 100 Gough Road in Markham could be considered a rather high risk deal. This 112,000 square foot building is leased to IBM who performs data services for one of the major banks. Their lease is tied into the expiry of the contract with the bank. If the contract isn’t renewed, one would suspect that the lease wouldn’t be renewed either. At a price of \$30,000,000 or \$268 per square foot of rentable area, one would hope that the contract looks solid for many years to come.

Other acquisitions by Dundee include 250 Dundas Street West and 2185 Derry Road West, Mississauga. The 250 Dundas West



100 University Avenue recently sold at a 6% cap rate. Similarly, Erin Mills Town Centre was sold at a cap rate of 5.8%

acquisition for \$28,110,000 or \$236 per square foot is a good demonstration of how things have improved. When this property last sold in 2006 for \$190 per square foot, it represented almost a high water mark for off core Class B office space, with what seemed little room for upside for the investor. A \$6 million lift over the holding period now seems like a very good deal.

2185 Derry Road was sold vacant to Dundee for \$129 per square foot. This three storey, 81,000 square foot building previously owned and occupied by Siemens. A land area of 9.45 acres would suggest additional land for future development. Although there is risk involved with the acquisition, given its vacant status, this office node within Mississauga has generally maintained high occupancy levels in the past.

SunLife acquired the remaining 50% ownership of 2465 Argentia Road in Mississauga for just over \$35 million. They had joint ventured with First Gulf Group to develop a new office building for Bank of Montreal, measuring 258,297 square feet. The going-in return, based upon an initial net rental rate of \$18.75 per square foot equates to 6.9%.

An interesting transaction saw Royal Bank purchase 180 Wellington Street West, a 209,000 square foot office building which they have likely occupied since its construction in 1971, as they owned the land on which the building rests. A selling price of only \$143 per square foot or \$30 million would seem like the bargain of the year but one has to consider that the rent being paid by Royal Bank was last reported in the \$6 per square foot net range and the bank had to assume an over market mortgage at 6.78% on half of the selling price for almost 2 years.

As we mentioned last quarter, Atrium on Bay was being actively marketed. Once the dust settled, H&R REIT came out victorious with a bid of \$344 million, close to a \$100 million lift for Hines REIT, after what will be a four year old when the deal closes. The sale of Atrium on Bay for \$250 million in 2007 would have suggested a high water mark for that location with a 6% cap rate at the time. To achieve such a lift for such a short term hold is quite impressive. The complex was 85% leased in 2007 versus 98% today.

400 University Avenue is expected to trade in the near term. This 350,000 square foot office building is currently leased to the Ontario Government and Zurich Insurance. The property has been managed by Crown Realty Advisors for an Israeli fund since acquisition in 2004. The building is being sold to a pooled fund controlled by Crown at a reported 7.5% going-in return. Given where market cap rates have been heading, a 7.5% return swims up stream against current conditions. The initial cap rate was actually higher but wind of the deal produced an unsolicited offer from a third party that resulted in an upward adjustment to the final selling price. The high

cap rate can be justified by the fact that a number of the prime leases are coming up for renewal in the near term, resulting in some potential risk to investors.

Northwest Healthcare Properties is closing on 180 Dundas Street West and 123 Edward Street for \$103 million. The price for this twin tower, 410,000 square foot complex equates to \$251.22 per square foot. It is a predominantly medical tenant occupied development, one of the largest in Canada. The centre is currently 97% leased and last traded 2006 for just under \$101 million.

Blackwood Partners have taken three suburban office properties to market located at 1243 Islington Avenue, 200 Ronson Drive and 155 Gordon Baker Road. Initially marketed as a portfolio sale, offers tendered did not meet expectations, so a sale of the properties individually has been undertaken with more favourable results.

Retail Sales

We report on 91 sales in this past quarter in excess of \$1 million, nine of which exceed \$10 million in value. Realnet's online year end review recently highlighted the following: Last quarter saw the third highest sales volume recorded by Realnet in this class since their inception. Over \$3.2 billion worth of properties traded in the last quarter of 2010 with yearly volume in 2010 up by 189% over 2009. Helping these statistics was Cadillac Fairview's sale of Erin Mills Town Centre for \$370 million to the Ontario Pension Board. This centre measures 804,000 square feet, resulting in a price of \$460 per square foot with a 5.8% cap rate on existing income. This enclosed centre was developed by Cadillac Fairview in 1989 and is anchored by Zellers, The Bay, Sport Chek and H&M.

Counsel Corporation closed on the sale of its retail portfolio during this quarter. Earlier in the year they announced that they would be selling a portfolio of six retail properties. The portfolio contained 812,000 square feet of space and sold for \$147 million or an average price of \$177 per square foot. The purchaser was Retrocomm Mid Market REIT. Two of the assets were located within the GTA and include Kingspoint Plaza in Brampton and York Gate Mall in North York. Kingspoint Plaza measures 202,000 square feet and is anchored by Shoppers Drug Mart, Goodlife Fitness, the Beer Store and McDonalds. The selling price was \$42,300,000 or \$209 per square foot. It was 99% leased at the time of sale indicating a going in cap rate of 7.3%. Yorkgate Mall is an enclosed 217,000 square foot mall located in the Jane and Finch neighbourhood. Anchors include Zellers, No Frills, Dollarama and the LCBO. A selling price of \$38,400,000 was achieved representing a price of \$177 per square foot and a stabilized return of 7.8% on a mall that was 99% leased at the time of closing.



Counsel Corporation's sale of its retail portfolio included Kingspoint Plaza in Brampton and Yorkgate Mall in North York.



Rio Can acquired a 50% interest in 1025 The Queensway at Islington Avenue. This property is improved with a 90,000 square foot entertainment facility, anchored by an 18 screen Cineplex Odeon theatre, the only major theatre complex in the generally well heeled Etobicoke market. Other tenants include Milestones, Kelseys, Montana's and Scotiabank. The selling price equated to \$349 per square foot.

We are always interested in looking at street retail activity. One sale that stands out is 119 Yorkville Avenue. The property has a rentable area of 2,850 square feet over two and half floors. The building is typical of many Yorkville properties having the appearance of a converted Victorian. The selling price of \$3,700,000 equates to a price of \$1,298 per square foot. This astounding price suggests that a low 5% cap rate would likely be realized to the new owner in light of market rental rates in this node.

Not to be out done, if you are questioning the value of a Tim Horton's stand alone facility, you might want to examine the trade of 733 Kipling Avenue, north of the Queensway. This small, 0.27 acre site with likely no additional site density and improved with a 1,350 square foot store, sold for \$1,875,000 or \$1,350 per square foot of building area.

We're not finished yet, how about \$1,755 per square foot for Queen Street West? That's what 365 Queen Street West sold for in early January this year. The property was improved with a 2,450 square foot building and fully occupied by C Squared, a shoe retailer known for representing the trendy Camper shoes brand from Spain.

Although we are not privy to the rental income in the above three transactions, we doubt that Tim Hortons would be paying much more than \$35 per square foot for their location on Kipling while Queen Street rents are well in excess of \$100 per square foot, suggesting this sale likely provided the best return for the investor of the three noted sales.

Industrial Sales

Last quarter was busy with 125 sales in excess of \$1 million. We noted 18 trades in excess of \$10 million. The numbers were enhanced by the sale of ING to joint partners Kingsett and AIMco in a \$2 billion transaction which included 400 light industrial properties across Canada containing 32 million square feet.

Kingsett was also a vendor in this quarter selling 16, 20 and 40 Norelco Drive and 99 Signet Drive, a 1,170,000 square foot multi building industrial complex. Kingsett had purchased this property in 2005 when the site only contained 650,000 square feet of space. In the ensuing years, Kingsett refurbished the existing buildings and developed an additional 500,000 square feet. The complex was fully leased to Bell Canada, LG Electronics, Progistix and Telmar. The reported net income was just under \$8 million. The selling price of \$126 million or \$108 per square foot represents a going in return of 6.3%. An interesting aspect of this transaction deals with the amount of interest in this offering and how the transaction concluded. Redcliff won the day due to their offering price but were up against an unconditional offer for slightly less money. Kingsett offered Redcliff three days to conduct their due diligence, which they both accepted and completed to their satisfaction in order to close the deal.



SITQ sold their holding at 9372 and 9283 Airport Road to Concert Properties.

Another very large transaction saw SITQ sell to Concert Properties their 1,118,000 square foot holding at 9273 and 9283 Airport Road for \$93,450,000 or \$84 per square foot. The cap rate was 6% and the two buildings were leased to Canadian Tire who commenced a fifteen year lease for the property in 2006. An interesting note on this transaction shows an original acquisition cost of \$97 million, indicating a loss just under \$4 million to the vendor. On the user side, we see Robert Transport acquiring from their landlord, Orlando Corporation, their facility at 300 Statesman Drive, Mississauga. The building measures 647,000 square feet and sold for \$43 million or \$66 per square foot.

High Density Residential Land Sales

We noted 20 sales last quarter with five sales in excess of \$10 million. In the Realnet year end review that we referenced earlier, it was stated that prime locations are now trading at full retail value despite not having final zoning and site density in place. This is just a function of a market that is hungry for product with typical properties attracting 10 to 15 offers.

Notable transactions this quarter include 154 Front Street East, 30 Roehampton Avenue, 42 Charles Street East and 177-197 Front Street East. It is interesting to compare the two Front Street East transactions given the fact that they are located less than a block from each other. We note a selling price of \$19,150,000 for 177-197 Front for 1.563 acres of land versus \$19 million for 0.80 acres of land for 54 Front Street East. Both properties had similar zoning and neither had prior applications in circulation for change of use. One might argue that 154 Front had a slightly better location, but not enough of a difference to suggest double the land cost on a per acre basis.

The Toronto Parking Authority ("TPA") closed their sale for 30 Roehampton Avenue at a price of \$24,400,000 for this 0.821 acre parcel. Minto was the purchaser. As per other sales transacted by the TPA, they will purchase underground parking within the future development. Based upon "other consideration" indicated in the sale, it is inferred that the TPA will pay \$6 million for their parking.

42 Charles Street East was owned by the YMCA. They sold their property to Cresford Developments for \$14 million. The site measures 0.474 acres. The YMCA is currently using the nine storey office building on site for offices and their school. Cresford have extensive experience on this street having developed high rise towers at 33 and 38-40 Charles Street East in the recent past.

An interesting sale occurred when the Rose and Thistle Group purchased the shares of 1185 Eglinton Avenue East, near Don Mills Road from Skyline Investments. During their due diligence, they noticed an application to permit high rise residential on the site had been left dormant. After making inquiries with the city, it was noted



that the city was generally in support of the proposed development. As such, the Rose and Thistle Group re-activated the file and are moving forward with the rezoning which could potentially see in excess of 500,000 square feet of residential density on the site which will include both high rise and stacked townhouse development.

As we head north to Richmond Hill, we note the sale of 47.59 Brookside Road and 11014, 11034 and 11076 Yonge Street with a combined site area of 9.482 acres. The site is not yet approved for the approximate 500 units planned for the site. The selling price of \$10,577,000 equates to a land price of \$1,115,482 per acre. This is quite a contrast to downtown, reflecting the single family nature of suburban properties, and site densities that are significantly lower than comparable city core properties.

Developers who might want to take on the city to convert employment land property to residential purposes must be cautious. In 2005, the Ontario government passed the Places to Grow Act. The intent of this act is to protect the erosion of employment lands by conversion to residential uses. This Act has pretty strong teeth as it allows a city the right to turn down conversion to residential uses and prevents the owner from appealing to the OMB. Somerset Homes purchased a 3.1 acre site in 2010 on Wallace Avenue that is zoned Employment Lands and are in the middle of testing the waters. The outcome of this possible rezoning is being closely watched.

Investment Market Conclusions

How low can cap rates go? The Realnet online seminar asked a few interactive questions at the end of the session. One of which questioned where cap rates are headed for 2011. Participants believed that rates would stay the same as those that exist today, while the second place answer indicated less than a 10% reduction. Few felt cap rates would increase.

We do anticipate a good supply of listed product from which to choose in the coming quarters. These will not likely be Class A assets, but rather owners culling their portfolios of non core assets. These properties will see significant interest despite moans from buyers that they are not the properties they want to put in the trophy case at home. The problem is that money is too abundant and lender's rates have never been better, so a tremendous amount of faith is required to make a bid and hope that market conditions keep moving in the same direction.

The Lennard Segment Index™ (LSI)

The Lennard Segment Index™ (LSI) is the average vacancy rate for a market node comprised of our survey selections. The LSI establishes a benchmark by which landlords can closely monitor leasing performance, reducing vacancy carry, and increasing building value.

Buildings with "problem" vacancy outlined in this report are defined as having a vacancy rate of 15% or greater.

The number of buildings in a node with "problem" vacancy divided by the total number of buildings in a segment is The Problem Percentage™.

The overall health of a submarket or node can be clearly defined by The Problem Percentage™. The higher The Problem Percentage™ the softer the market (See overview on front page).

"Problem" vacancy buildings make great targets for tenants because buildings that are lagging behind the segment index must take action to reduce their vacancies as soon as possible. They may also represent buying opportunities for investors with cheap financing and creative asset management strategy.

The Q™ Charts and Tables

The following pages cover the major market nodes across the GTA. Each node description contains the following statistical information:

- Vacancy rates
- Gross rates—now more accurate, this number only includes buildings with available space.
- Sublease and Quality Sublease supply
- Total number of problem buildings
- Top 2 problem buildings

Also included are charts which graphically depict the following information from the third quarter 2000 to the present quarter:

-  Vacancy Rate
-  Gross Rate



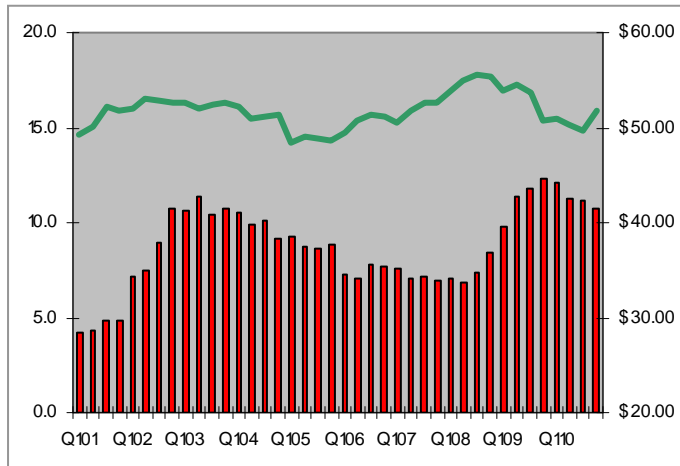
Downtown Financial Core

Downtown Class “A”

Maple Leaf Square at 15 York has been completed and is now fully leased. CI Investments has leased the majority of space in this building.

Downtown Class “A” statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	10.7	11.2	11.3
Gross Rate (\$):	51.83	49.63	50.36
Sublease Supply (sq.ft.):	326,664	347,846	347,844
Quality Sublease: (sq.ft.)	187,409	197,496	No info
Tenant Options: 0- 10,000 sf	35	34	39
Tenant Options: 50,000 + sf	21	21	17

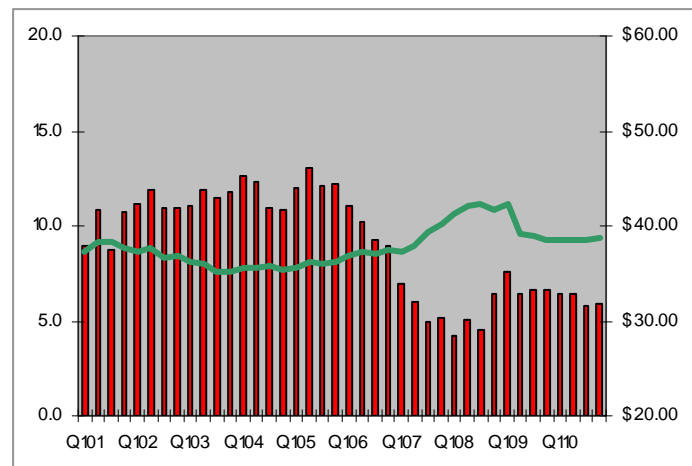


Class “A” Headlease Vacancy and Gross Rates

Downtown Class “B”



Downtown Class “B” statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	5.9	5.8	6.4
Gross Rate (\$):	38.70	38.55	38.49
Sublease Supply (sq.ft.):	90,266	86,551	97,618
Quality Sublease: (sq.ft.)	21,766	60,148	No info
Tenant Options: 0- 10,000 sf	17	17	16
Tenant Options: 50,000 + sf	1	1	1





Class “B” Headlease Vacancy and Gross Rates

Problem building statistics were as follows:

Problem Percentage:	12 of 49 = 24.5%
	#1 Vacancy 111 Richmond St W Vacancy: 100.0%
	#2 Vacancy 151 Yonge St Vacancy: 44.8%

Problem building statistics were as follows:

Problem Percentage:	6 of 45 = 13.3%
	#1 Vacancy 401 Bay St Vacancy: 21.6%
	#2 Vacancy 359 Bay St Vacancy: 20.1%





Downtown Class "C"

Downtown Class "C" statistics were as follows.

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	7.8	8.5	9.8
Gross Rate (\$):	36.12	35.67	36.33
Sublease Supply (sq.ft.):	4,778	25,392	17,200
Quality Sublease: (sq.ft.)	3,728	3,728	No info
Tenant Options: 0-10,000 sf	2	4	5
Tenant Options: 50,000 + sf	0	0	0

Problem building statistics were as follows:

Problem Percentage:	3 of 14—21.4%
	#1 Vacancy 100 Adelaide St W Vacancy: 32.0%
	#2 Vacancy 350 Bay St Vacancy: 18.3%

Downtown West

Downtown West statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	8.5	7.9	8.6
Gross Rate (\$):	31.29	31.48	32.08
Sublease Supply (sq.ft.):	206,563	164,727	161,652
Quality Sublease: (sq.ft.)	13,786	37,324	No info
Tenant Options: 0-10,000 sf	32	38	30
Tenant Options: 50,000 + sf	6	5	2

Problem building statistics were as follows:

Problem Percentage:	33 of 113—29.2%
	#1 Vacancy 60 Spadina Ave Vacancy: 100.0%
	#2 Vacancy 51 Wolseley St Vacancy: 99.4%



Downtown East & West Markets

Downtown East

Downtown East statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	9.8	11.7	12.3
Gross Rate (\$):	32.09	32.48	32.32
Sublease Supply (sq.ft.):	44,212	63,928	63,148
Quality Sublease: (sq.ft.)	20,961	20,961	No info
Tenant Options: 0-10,000 sf	14	18	15
Tenant Options: 50,000 + sf	4	5	3

Problem building statistics were as follows:

Problem Percentage:	14 of 51—27.5%
	#1 Vacancy 100 Broadview Ave Vacancy: 100.0%
	#2 Vacancy 275 King St E Vacancy: 100.0%



Midtown Markets

St. Clair

St. Clair statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	7.9	7.6	7.5
Gross Rate (\$):	35.42	34.84	35.20
Sublease Supply (sq.ft.):	23,076	34,506	40,898
Quality Sublease: (sq.ft.)	15,404	26,095	No info
Tenant Options: 0-10,000 sf	8	8	6
Tenant Options: 50,000 + sf	0	0	0

Problem building statistics were as follows:

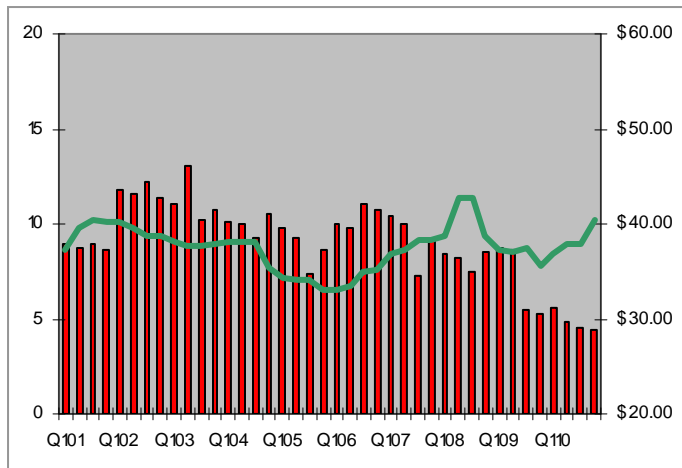
Problem Percentage:	5 of 20—25.0%
	#1 Vacancy 10 Alcorn Ave Vacancy: 43.8%
	#2 Vacancy 1251 Yonge St Vacancy: 34.4%



Bloor Class "A"

Bloor Class "A" statistics were as follows:


	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	4.4	4.5	4.8
Gross Rate (\$):	40.45	37.95	37.98
Sublease Supply (sq.ft.):	46,854	63,285	96,959
Quality Sublease: (sq.ft.)	9,778	13,841	No info
Tenant Options: 0- 10,000 sf	8	7	8
Tenant Options: 50,000 + sf	1	1	2




Bloor Class "A" Headlease Vacancy and Gross Rates

Problem building statistics were as follows:

Problem Percentage: 3 of 18 — 16.7%

 #1 Vacancy
146 Bloor St W
Vacancy: 69.4%

 #2 Vacancy
150 Bloor St W
Vacancy: 25.2%


Bloor Class "B"


Bloor Class "B" statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	5.6	6.4	6.5
Gross Rate (\$):	35.33	36.39	36.26
Sublease Supply (sq.ft.):	42,642	42,519	39,109
Quality Sublease: (sq.ft.)	17,905	17,905	No info
Tenant Options: 0- 10,000 sf	7	9	11
Tenant Options: 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage: 7 of 36 — 19.4%

 #1 Vacancy
101 Yorkville Ave
Vacancy: 82.1%

 #2 Vacancy
170 Bloor St W
Vacancy: 44.2%


Eglinton Class "A"


Eglinton Class "A" statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	13.9	14.2	13.5
Gross Rate (\$):	35.41	34.92	34.78
Sublease Supply (sq.ft.):	36,966	61,164	31,732
Quality Sublease: (sq.ft.)	27,427	29,284	No info
Tenant Options: 0- 10,000 sf	7	7	5
Tenant Options: 50,000 + sf	2	2	2

Problem building statistics were as follows:

Problem Percentage: 6 of 11 - 54.6%

 #1 Vacancy
1881 Yonge St
Vacancy: 49.7%

 #2 Vacancy
1835 Yonge St
Vacancy: 33.3%





Eglinton Class “B”

Eglinton Class “B” statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	8.2	8.1	7.7
Gross Rate (\$):	30.77	30.72	30.73
Sublease Supply (sq. ft.):	73,759	40,543	42,523
Quality Sublease: (sq. ft.):	58,159	11,224	No info
Tenant Options: 0- 10,000 sf	8	8	7
Tenant Options: 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage:	7 of 29— 24.1%
	#1 Vacancy 160 Eglinton Ave E Vacancy: 34.1%
	#2 Vacancy 1670 Bayview Ave Vacancy: 27.3%



GTA North Markets

North York Class “A”

North York Class “A” statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	6.3	7.2	6.2
Gross Rate (\$):	36.97	37.55	37.53
Sublease Supply (sq.ft.):	238,252	241,528	238,029
Quality Sublease: (sq.ft.)	165,566	166,822	No info
Tenant Options: 0- 10,000 sf	16	16	14
Tenant Options: 50,000 + sf	3	4	5

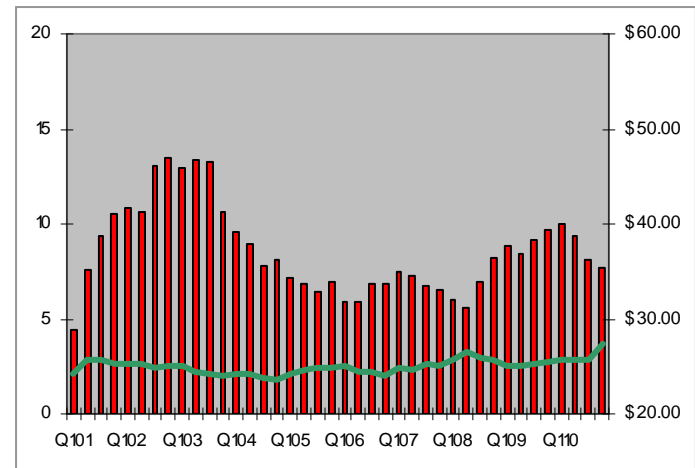
Problem building statistics were as follows:

Problem Percentage:	6 of 23— 26.1%
	#1 Vacancy 10 York Mills Rd Vacancy: 63.0%
	#2 Vacancy 36 York Mills Rd Vacancy: 47.4%

Highway 404 / Highway 7



Highway 404/Highway 7 statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	7.7	9.5	9.0
Gross Rate (\$):	27.37	25.60	25.74
Sublease Supply (sq.ft.):	416,054	470,614	500,243
Quality Sublease: (sq.ft.)	163,313	271,713	No info
Tenant Options: 0- 10,000 sf	46	52	40
Tenant Options: 50,000 + sf	13	13	6



Highway 404/7 Headlease Vacancy and Gross Rates

Problem building statistics were as follows:

# of Problem Buildings:	33 of 108— 30.6%
	#1 Vacancy 75 Tiverton Crt Vacancy: 100.0%
	#2 Vacancy 55 Renfrew Dr Vacancy: 94.8%



North York Class "B" statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	2.8	2.6	1.9
Gross Rate (\$):	34.33	34.68	34.69
Sublease Supply (sq.ft.):	17,687	24,617	17,878
Quality Sublease: (sq.ft.)	0	0	No info
Tenant Options: 0- 10,000 sf	3	3	1
Tenant Options: 50,000 + sf	0	0	0

Problem building statistics were as follows:


Problem Percentage:	0 of 14 — 0.0%
NO PROBLEM BUILDINGS IN THIS SUBMARKET	

Consumers Road Class "B"

Consumers Road Class "B" statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	12.4	11.7	14.2
Gross Rate (\$):	25.79	25.45	25.46
Sublease Supply (sq.ft.):	4,092	14,344	16,768
Quality Sublease: (sq.ft.)	0	0	No info
Tenant Options: 0- 10,000 sf	11	10	10
Tenant Options: 50,000 + sf	1	2	3

Problem building statistics were as follows:

# of Problem Buildings:	6 of 20 — 30.0%
	#1 Vacancy 515 Consumers Rd Vacancy: 42.9%
	#2 Vacancy 265 Yorkland Blvd Vacancy: 33.4%


GTA East Markets

Consumers Road Class "A"

Consumers Road Class "A" statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	11.2	10.9	12.1
Gross Rate (\$):	29.49	28.81	29.01
Sublease Supply (sq.ft.):	28,020	28,020	37,380
Quality Sublease: (sq.ft.)	11,529	11,529	No info
Tenant Options: 0- 10,000 sf	5	5	5
Tenant Options: 50,000 + sf	1	1	2

Problem building statistics were as follows:



Problem Percentage:	2 of 6 — 33.3%
	#1 Vacancy 2225 Sheppard Ave E Vacancy: 15.7%

Highway 404 / Steeles

Highway 404 / Steeles statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	9.2	8.1	9.4
Gross Rate (\$):	22.73	24.02	23.53
Sublease Supply (sq.ft.):	142,185	127,096	133,757
Quality Sublease: (sq.ft.)	31,326	28,351	No info
Tenant Options: 0- 10,000 sf	21	23	21
Tenant Options: 50,000 + sf	6	5	4

Problem building statistics were as follows:

# of Problem Buildings:	15 of 58 — 25.9%
	#1 Vacancy 4000 Victoria Park Ave Vacancy: 100.0%
	#2 Vacancy 70 Gough Rd Vacancy: 100.0%





Don Mills and Eglinton

Don Mills and Eglinton statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	9.5	17.9	17.1
Gross Rate (\$):	24.19	23.82	24.33
Sublease Supply (sq.ft.):	8,925	23,629	63,714
Quality Sublease: (sq.ft.)	0	6,546	No info
Tenant Options: 0-10,000 sf	12	6	6
Tenant Options: 50,000 + sf	1	2	2

Problem building statistics were as follows:

Problem Percentage: 8 of 33—24.2%

#1 Vacancy
1501 Danforth Ave
Vacancy: 95.9%

#2 Vacancy
1185 Eglinton Ave E
Vacancy: 88.5%



Duncan Mill

Duncan Mill statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	6.0	6.2	6.3
Gross Rate (\$):	25.43	25.23	25.86
Sublease Supply (sq.ft.):	62,045	62,045	61,074
Quality Sublease: (sq.ft.)	0	0	No info
Tenant Options: 0-10,000 sf	5	6	6
Tenant Options: 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage: 4 of 23—17.4%

#1 Vacancy
240 Duncan Mill Rd
Vacancy: 44.3%

#2 Vacancy
85 Scarsdale Rd
Vacancy: 20.0%



Pickering

Pickering statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	12.3	11.2	10.7
Gross Rate (\$):	23.96	24.92	22.20
Sublease Supply (sq.ft.):	8,054	8,054	8,054
Quality Sublease: (sq.ft.)	0	0	No info
Tenant Options: 0-10,000 sf	4	3	3
Tenant Options: 50,000 + sf	1	1	1

Problem building statistics were as follows:

Problem Percentage: 4 of 11—36.4%

#1 Vacancy
1305 Pickering Pkwy
Vacancy: 70.1%

#2 Vacancy
1550 Kingston Rd
Vacancy: 20.8%



Scarborough

Scarborough statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	13.0	13.8	14.8
Gross Rate (\$):	23.90	23.73	25.07
Sublease Supply (sq.ft.):	48,353	26,958	26,958
Quality Sublease: (sq.ft.)	8,000	16,037	No info
Tenant Options: 0-10,000 sf	13	15	14
Tenant Options: 50,000 + sf	5	4	4

Problem building statistics were as follows:

Problem Percentage: 13 of 43—30.2%

#1 Vacancy
100 Consilium Place
Vacancy: 56.3%

#2 Vacancy
110 Copper Creek Dr
Vacancy: 26.4%

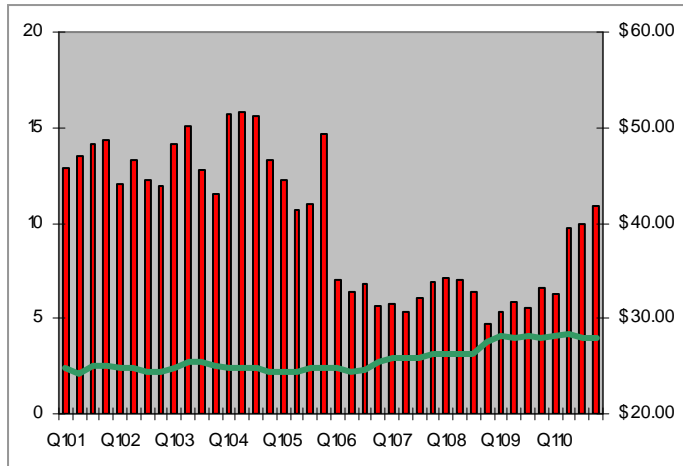


GTA West Markets

Highway 427 Corridor

Highway 427 Corridor statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	10.9	10.0	9.7
Gross Rate (\$):	27.87	27.94	27.94
Sublease Supply (sq.ft.):	51,095	73,006	56,857
Quality Sublease: (sq.ft.)	26,343	41,504	No info
Tenant Options: 0- 10,000 sf	10	10	9
Tenant Options: 50,000 + sf	1	1	0

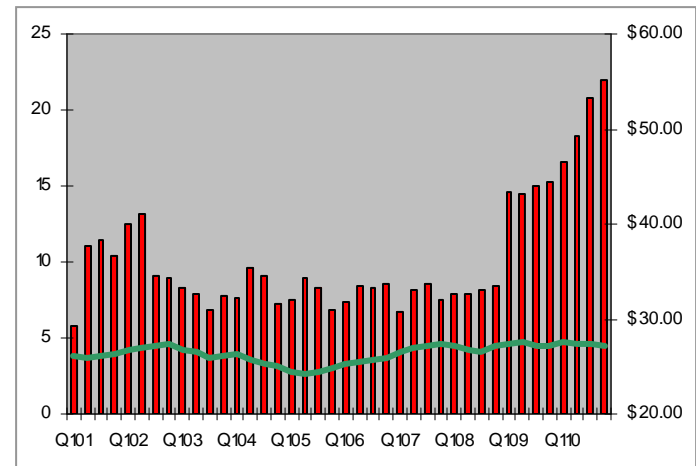


Highway 427 Corridor Headlease Vacancy and Gross Rates

Airport Corporate Centre



Airport Corporate Centre statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	22.0	20.8	18.3
Gross Rate (\$):	27.15	27.44	27.30
Sublease Supply (sq.ft.):	276,807	356,637	303,530
Quality Sublease (sq.ft.):	144,004	154,834	No info
Tenant Options: 0- 10,000 sf	32	43	31
Tenant Options: 50,000 + sf	16	20	10





Airport Corporate Centre Headlease Vacancy and Gross Rates

Problem building statistics were as follows:

# of Problem Buildings:	5 of 19 — 26.3%
	#1 Vacancy 1 Eva Rd Vacancy: 20.6%
	#2 Vacancy 302 The East Mall Vacancy: 16.9%

Problem building statistics were as follows:

Problem Percentage:	30 of 54 — 55.6%
	#1 Vacancy 5550 Explorer Drive Vacancy: 79.2%
	#2 Vacancy 5055 Satellite Dr Vacancy: 100.0%





Dixie Eglinton

Dixie Eglinton statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	2.0	2.9	1.9
Gross Rate (\$):	20.63	20.68	19.52
Sublease Supply (sq.ft.):	37,594	9,264	9,264
Quality Sublease: (sq.ft.)	37,594	37,594	No info
Tenant Options: 0- 10,000 sf	4	5	3
Tenant Options: 50,000 + sf	0	0	0

Problem building statistics were as follows:



Problem Percentage:	4 of 27 — 14.8%
	#1 Vacancy 1790 Matheson Blvd Vacancy: 462.2%
	#2 Vacancy 5170 Dixie Rd Vacancy: 39.3%

Meadowvale

Meadowvale statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	8.8	9.7	9.9
Gross Rate (\$):	26.68	26.82	26.80
Sublease Supply (sq.ft.):	137,793	208,656	201,554
Quality Sublease: (sq.ft.)	31,475	131,203	No info
Tenant Options: 0- 10,000 sf	26	27	26
Tenant Options: 50,000 + sf	4	5	4

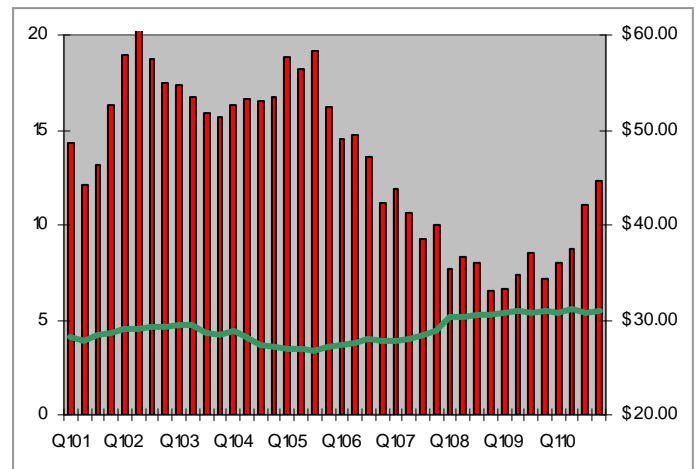
Problem building statistics were as follows:

Problem Percentage:	22 of 55 — 40.0%
	#1 Vacancy 1901 Minnesota Crt Vacancy: 100.0%
	#2 Vacancy 2185 Derry Rd W Vacancy: 98.8%

Mississauga City Centre



Mississauga City Centre statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	12.3	11.1	8.7
Gross Rate (\$):	30.95	30.67	31.06
Sublease Supply (sq.ft.):	42,348	26,099	29,641
Quality Sublease: (sq.ft.)	32,746	14,799	No info
Tenant Options: 0- 10,000 sf	11	10	9
Tenant Options: 50,000 + sf	4	5	2



Mississauga City Centre Headlease Vacancy and Gross Rates

Problem building statistics were as follows:

Problem Percentage:	6 of 25 — 24.0%
	#1 Vacancy 4 Robert Speck Parkway Vacancy: 30.7%
	#2 Vacancy 77 City Centre Dr Vacancy: 15.0%




Heartland

Heartland statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	8.4	6.3	6.0
Gross Rate (\$):	25.52	24.97	25.13
Sublease Supply (sq.ft.):	113,833	408,167	342,251
Quality Sublease: (sq.ft.)	70,413	57,255	No info
Tenant Options: 0- 10,000 sf	18	16	12
Tenant Options: 50,000 + sf	5	6	3

Problem building statistics were as follows:



Problem Percentage:	10 of 41 — 24.4%
	#1 Vacancy 75 Courtneypark Drive W Vacancy: 34.3%
	#2 Vacancy 135 Matheson Boulevard W Vacancy: 45.3%

Oakville

Oakville statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	11.8	12.5	12.2
Gross Rate (\$):	28.38	27.84	28.22
Sublease Supply (sq.ft.):	38,453	81,257	74,306
Quality Sublease: (sq.ft.)	25,178	62,143	No info
Tenant Options: 0- 10,000 sf	21	20	15
Tenant Options: 50,000 + sf	3	2	1

Problem building statistics were as follows:



Problem Percentage:	20 of 55 — 36.4%
	#1 Vacancy 1235 North Service Road Vacancy: 54.3%
	#2 Vacancy 2421 Bristol Circle Vacancy: 49.7%

Burlington

Burlington statistics were as follows:

	Q4/10	Q3/10	Q2/10
Vacancy Rate (%):	11.3	11.6	12.4
Gross Rate (\$):	23.92	22.72	22.44
Sublease Supply (sq.ft.):	102,544	95,524	83,612
Quality Sublease: (sq.ft.)	18,040	48,917	No info
Tenant Options: 0- 10,000 sf	21	24	19
Tenant Options: 50,000 + sf	6	6	1

Problem building statistics were as follows:

Problem Percentage:	13 of 57 — 22.8%
	#1 Vacancy 4475 North Service Road Vacancy: 50.7%
	#2 Vacancy 3027 Harvester Road Vacancy: 49.4%

LENNARD PERFORMANCE

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