

Overview

There was very little change in the average Greater Toronto Area (GTA) office availability over the last three quarters. At the end of Q3 and Q4 2011, availabilities were 9.8% and 9.6%, respectively, and currently the availability is 9.7%. Similarly to what was reported in the last quarter, the availability rates in the Downtown and Suburban markets continue to move in opposite directions. The availability in the Downtown market decreased from 8.0% to 7.6% over the last quarter, while the Suburban market availability increased from 11.7% to 11.9%. Class B Suburban properties have consistently increased in availability over the past six quarters, with current availability equaling 13.9%. The Financial Core continues to perform well, with another drop in availability from 9.0% to 8.6% recorded at the end of Q1 2012. A noticeable trend in this market is that class A property availability has been on a decline for six straight quarters, by an average decrease of 0.5% per quarter and is currently 9%. Inspecting the Suburban market in more detail, the East and North nodes experienced increases while the West node saw a decrease in availability. At the end of Q1 2012, the availabilities in the East, North and West markets equaled 11.9%, 6.1% and 13.9%, respectively.

Over the last quarter, the average gross rent in the Financial Core rebounded from last quarter's drop of \$38.29/SF and is currently \$39.22/SF. During the same period, the average rate in the Suburban nodes increased from \$26.78/SF to \$27.05/SF.

Market Trends

- Q1 2012 absorption was negative, with a reduction of 183,760 SF in occupied area.
- Absorption was positive in the West node, with 394,057 SF being absorbed

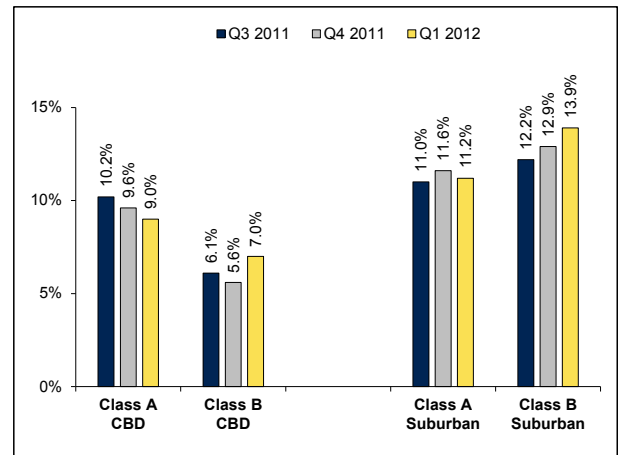
Tenant's Perspective

A noticeable post-recession trend is that Financial Core class A buildings continue to perform strongly with decreases in availability, while the opposite is true in the class B Suburban market. This trend is in line with continued demand for residential real estate in the centre of the city. The young professional entering the workforce today is looking for a live, work and play mix, and both the commercial and residential real estate markets seem to be catering to this need.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
PWC	100,000	Office	Lease
Fogler Rubinoff	91,984	Office	Lease
Ubisoft	57,000	Office	Lease
TD Canada	51,054	Office	Lease
BBM Canada	39,722	Office	Lease
Maxxam Analytics	25,564	Office	Lease
Pallett Valo LLP	23,597	Office	Lease
RGA Insurance	22,192	Office	Sublease
AMR Law	16,000	Office	Sublease
Quadrangle Architects	16,000	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$52.12	\$51.93	\$53.39
Class B Office	\$40.55	\$40.60	\$41.84
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$29.09	\$29.13	\$30.71
Class B Office	\$26.00	\$25.31	\$25.35