

SIOR Spring Education Day

**Market Overview & Anticipated Trends:
A Tenant's Perspective**

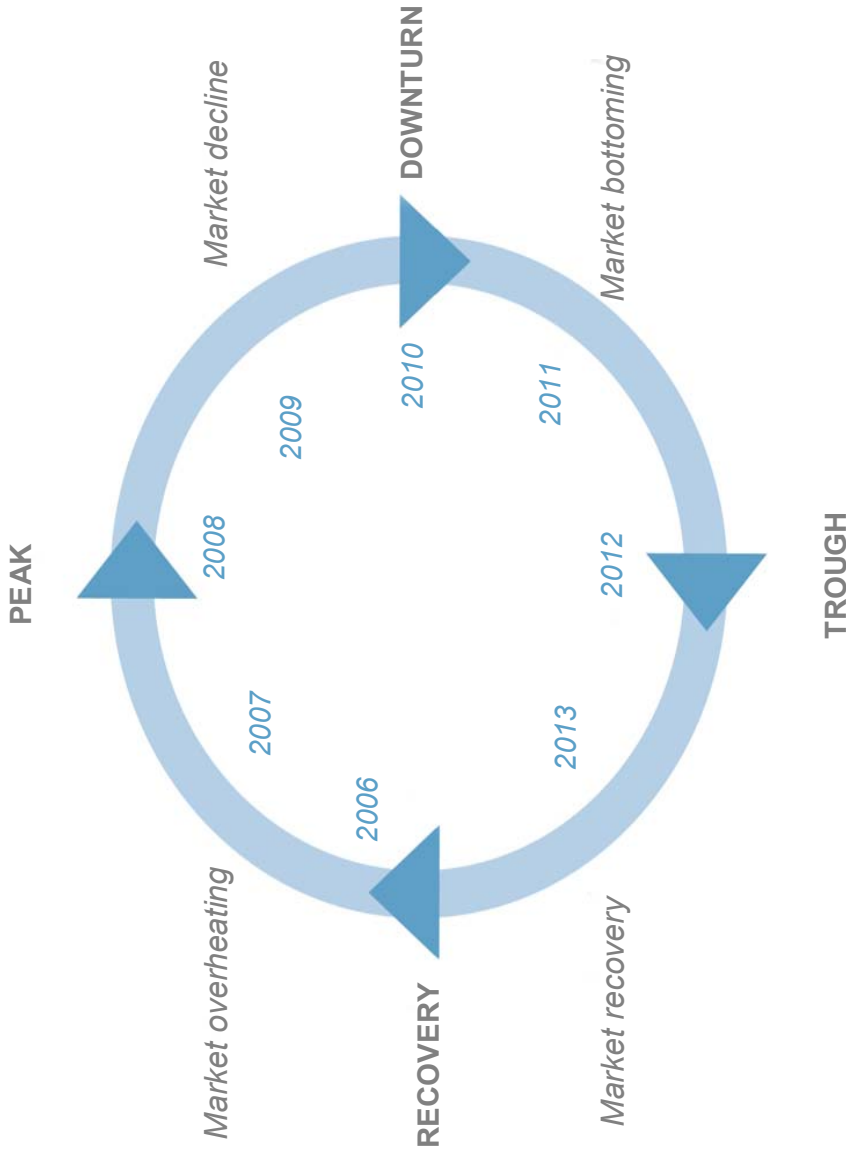
Global Real Estate Solutions driven by talent, resources, results.

**Randy Borron
Senior Vice President**

April 8, 2009



CURRENT MARKET CYCLE



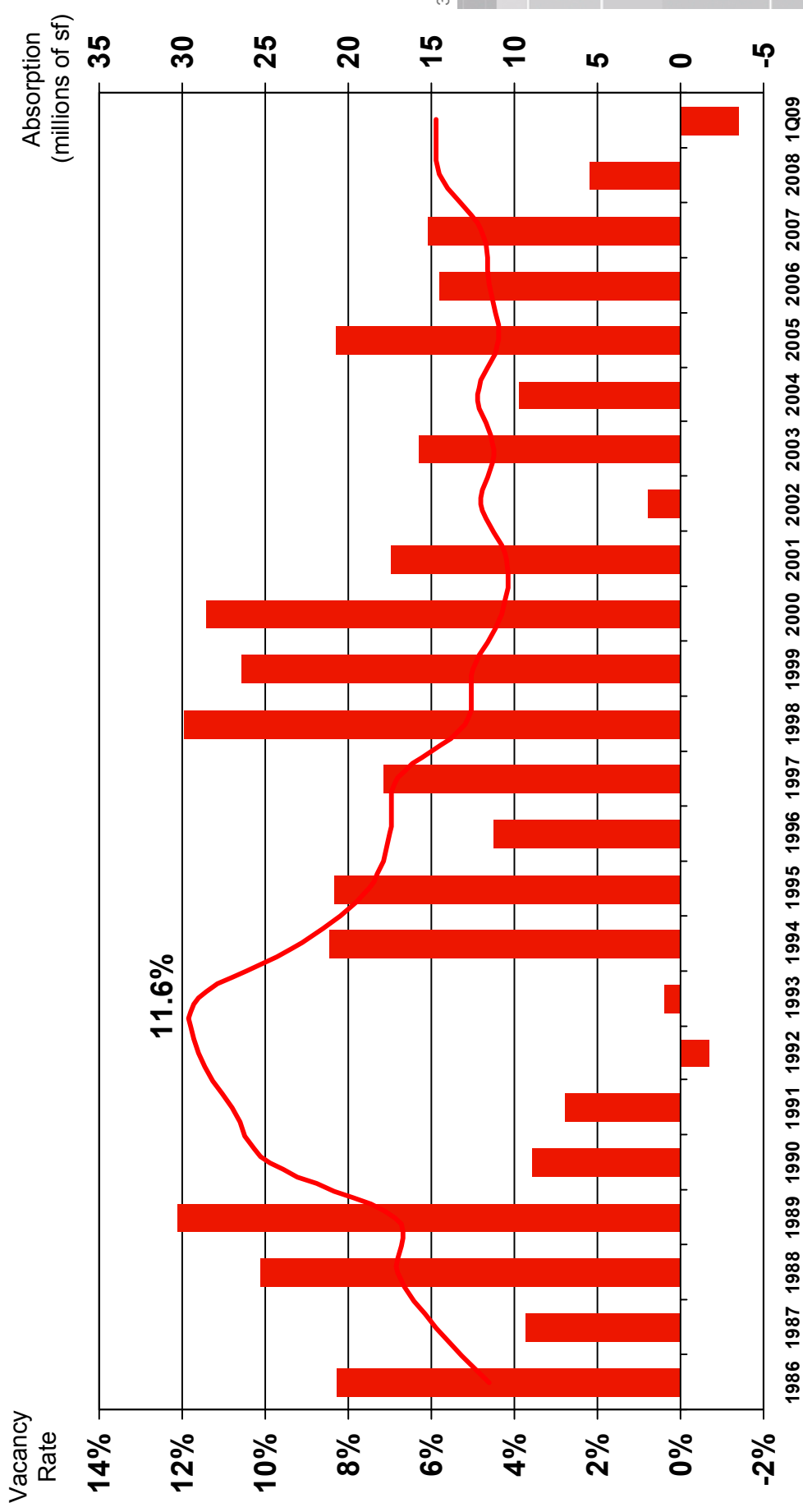
- Demand slowed significantly in first quarter of 2009 with total absorption of negative 686,645 square feet (SF)
- Bulk of the negative absorption experienced in GTA was concentrated in Downtown Toronto where absorption was negative 378,000 SF, representing 55% of the total space
- GTA north and the Financial Core saw the most significant increase in vacancy. The GTA north vacancy rate jumped from 4.5% to 5.3% and Financial Core rose to 4.7% from 4.0%

IMPACT ON TENANTS

- **Not at the bottom**
- **US influences**
- **More bad news expected**
- **Vacancy trending up sharply**
- **Restructuring of pricing**
- **Expectation for a good rental deal**
- **Gap between landlord and tenant expectations**
- **Capital drives many decisions**
- **Downtown rents falling faster than suburban markets**
- **Inconsistent pricing based on building vacancy**

CANADIAN INDUSTRIAL MARKET

Vacancy Rate vs. Absorption

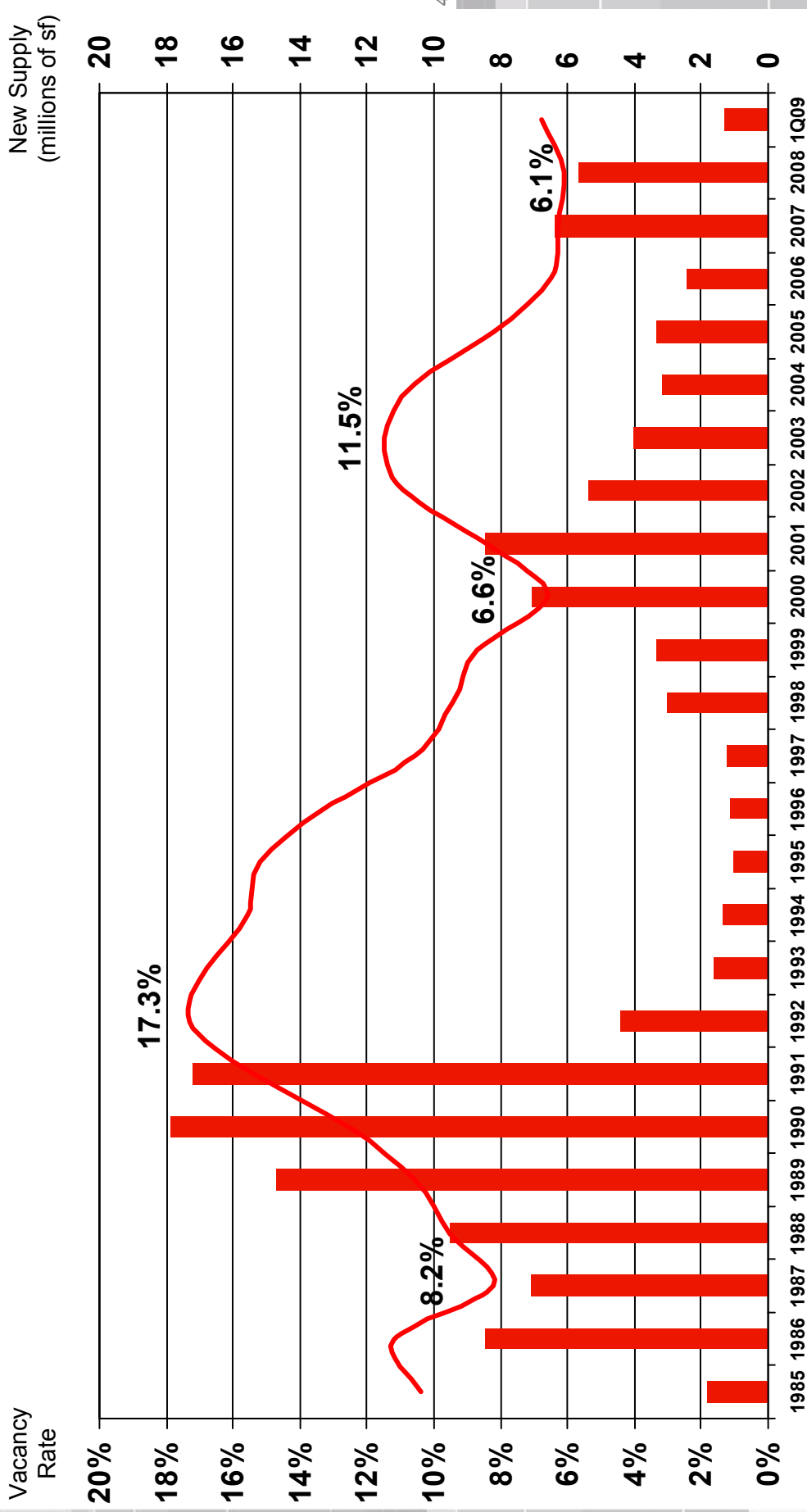


Updated Q1 2009



CANADIAN OFFICE MARKET

Vacancy Rate vs. New Supply (All Classes)

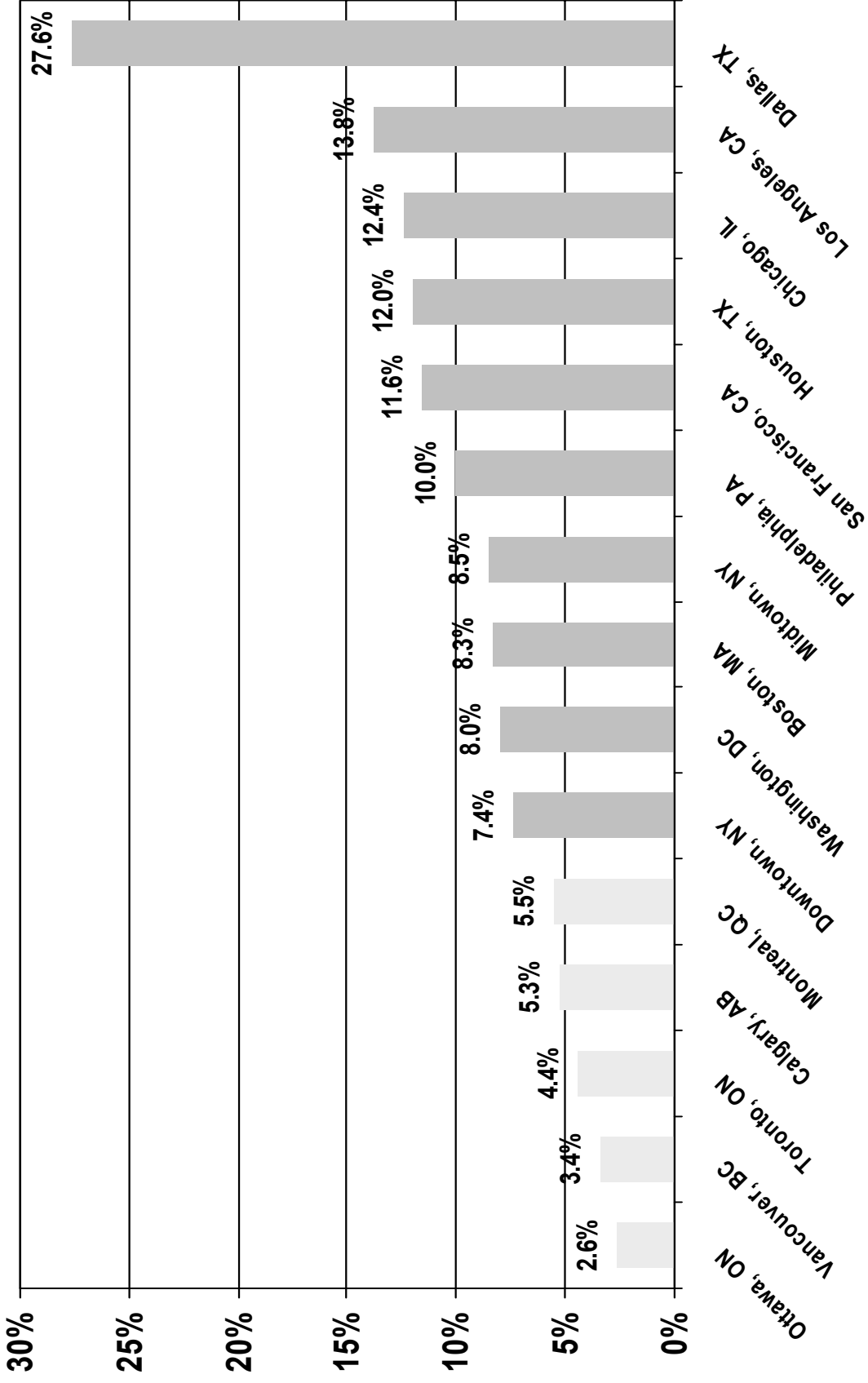


Updated Q1 2009



Q4 2008 OFFICE VACANCY RATES: CENTRAL AREA

10 Largest US Markets, and 5 Largest Canadian Markets

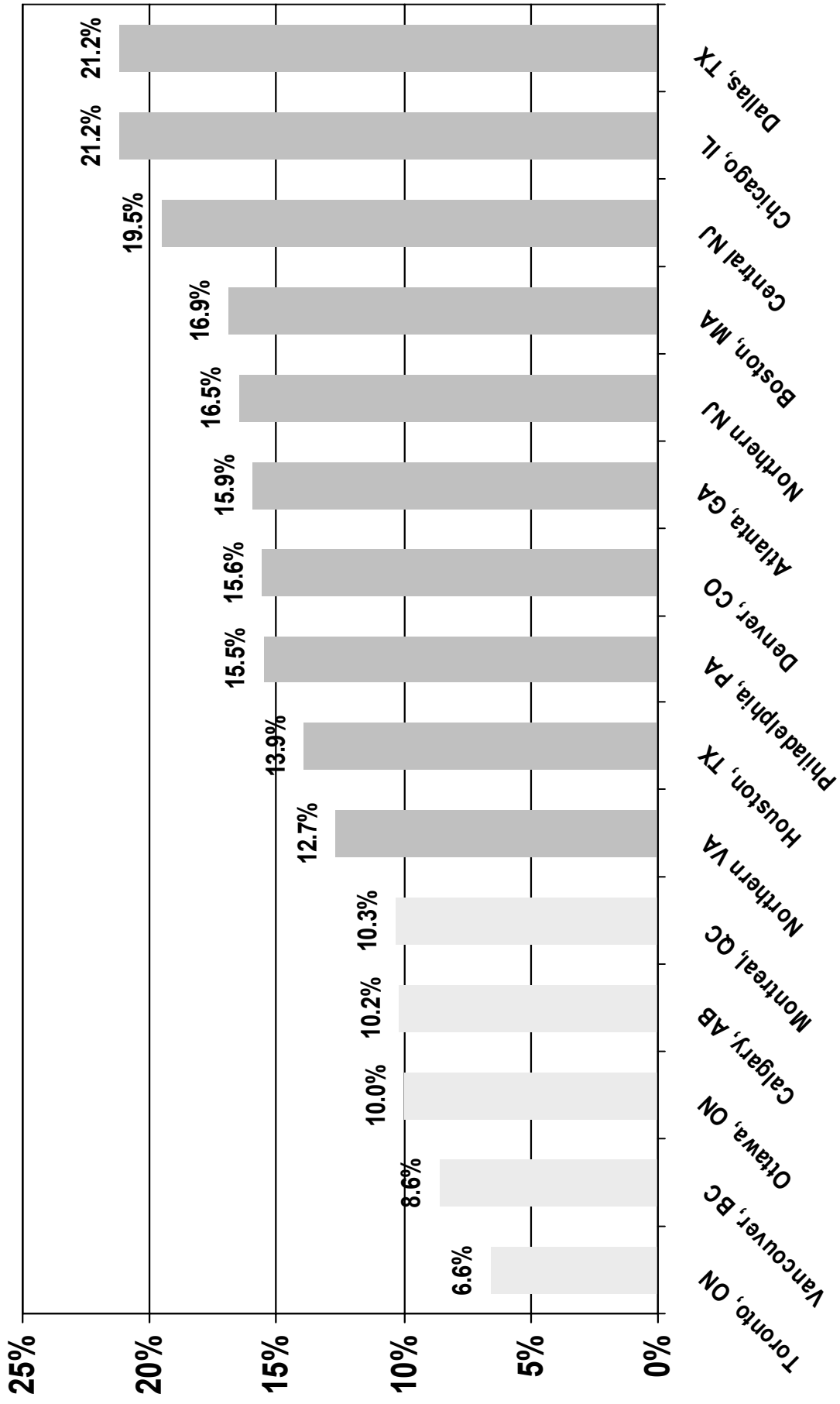


Updated Q4 2008



Q4 2008 OFFICE VACANCY RATES: SUBURBAN AREA

10 Largest US Markets, and 5 Largest Canadian Markets

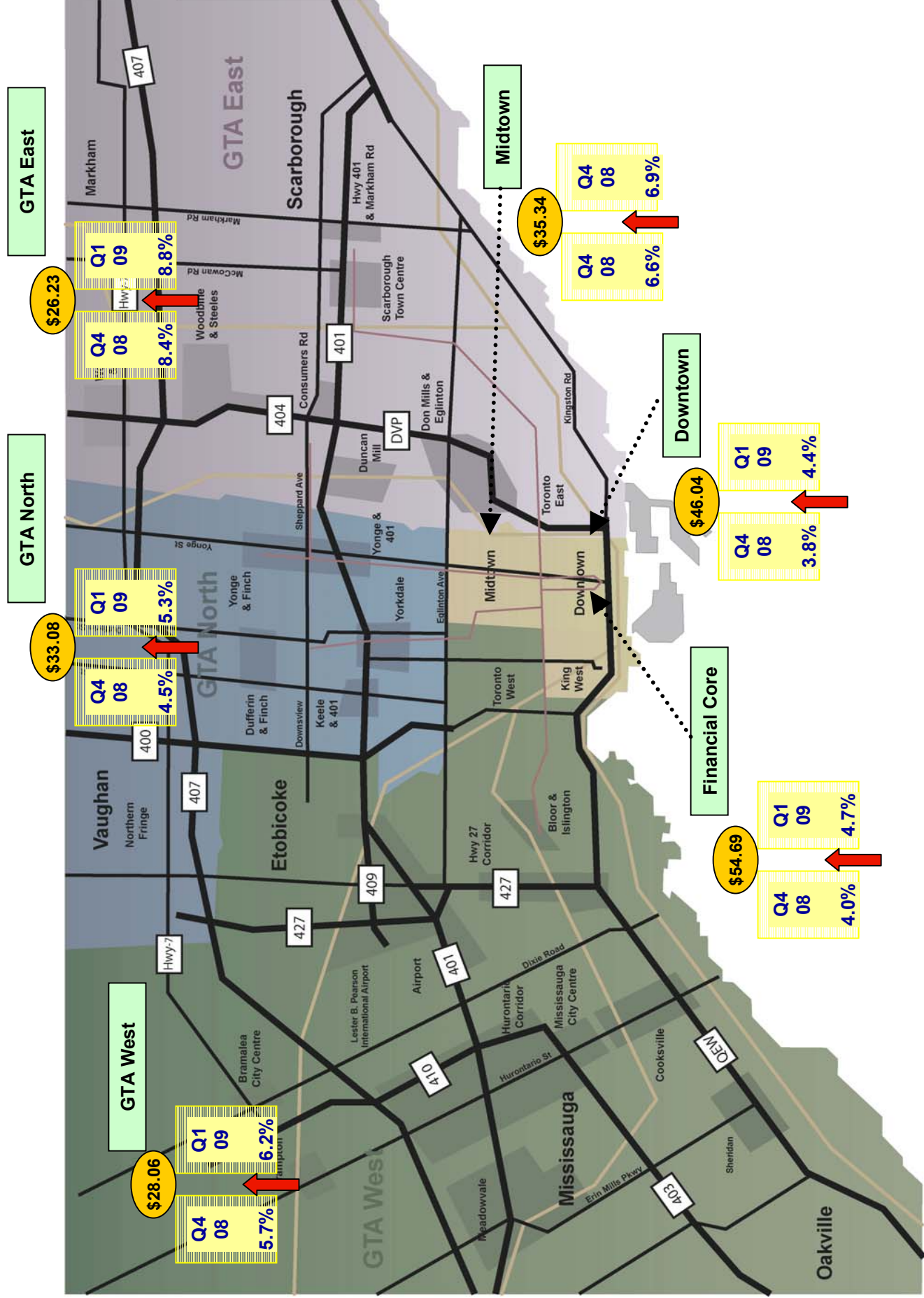


Updated Q4 2008



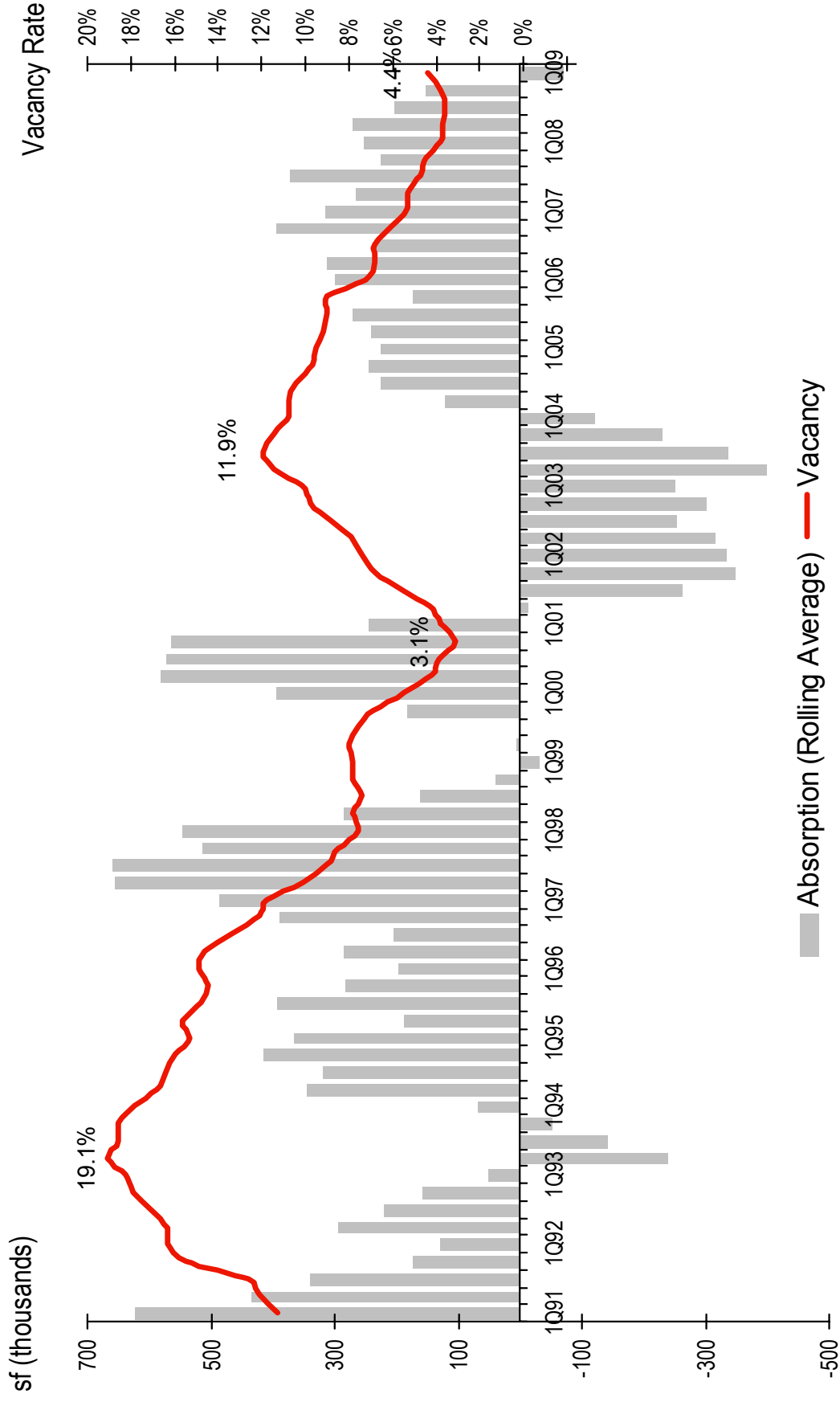
GTA OFFICE MARKET – ALL CLASSES

Q1 2009 Trends – Vacancy & Gross Rental Rates (PSF)



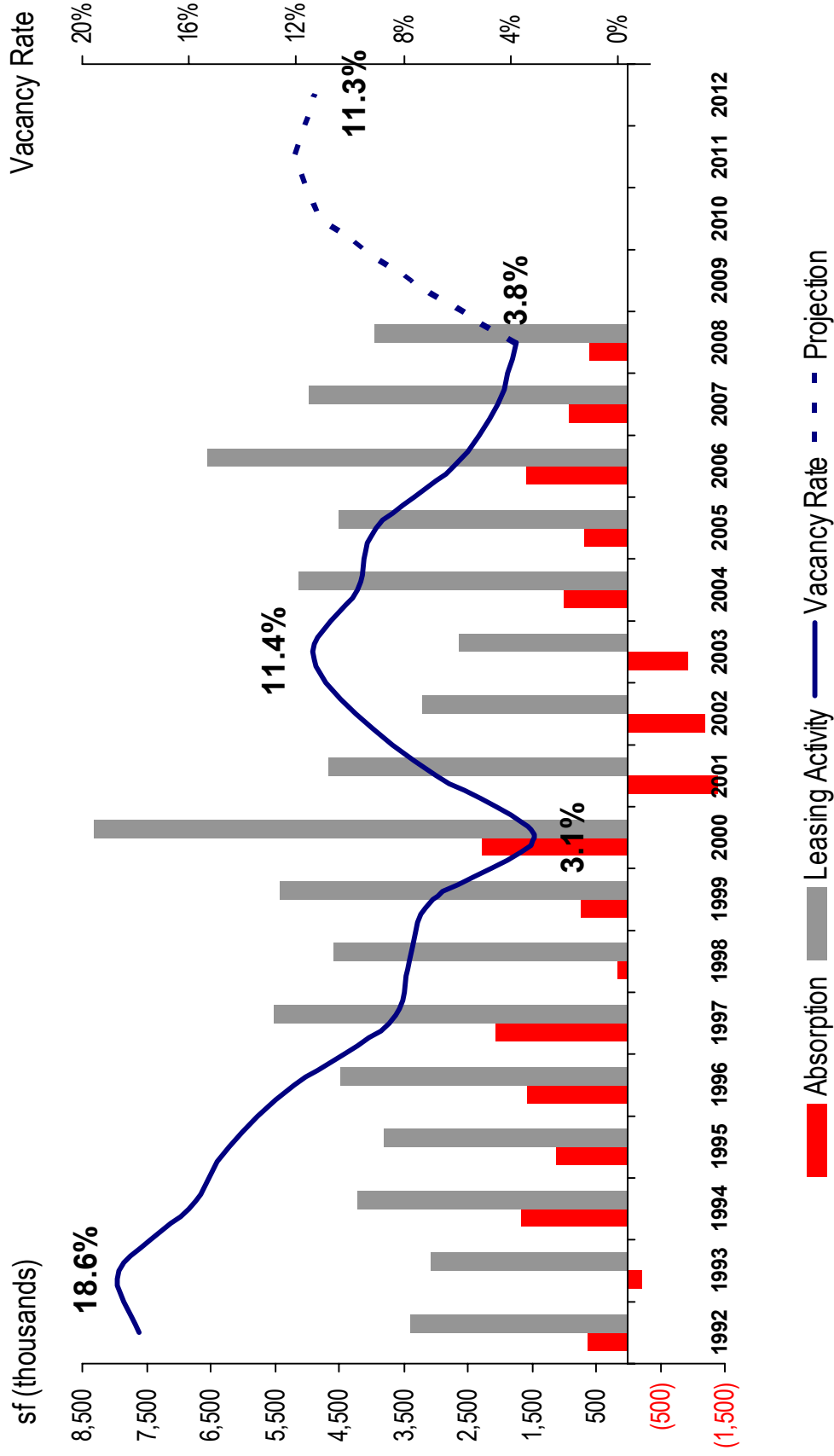
DOWNTOWN TORONTO – ALL CLASSES

Vacancy Vs. Average Absorption



DOWNTOWN MARKET – ALL CLASSES

Historical Key Trends and Vacancy Projection



TORONTO

Tenant's Perspective

- **The most significant declines in rental rates will be seen in high-vacancy buildings**
- **The flight to Class “A” space from Class “B” space is less likely to occur than in the early '90s**
- **New developments will continue to experience strong demand, and will ultimately have limited vacancy**
- **Past conservative tenant occupancy decisions will reduce space back to market early in the contraction period**

TORONTO

Tenant's Perspective

- **Some design build developments have fallen through or are on hold**
- **Marginally profitable companies under pressure**
- **The dominant force influencing future vacancy in suburban markets will be a lack of new supply relative to the last contraction**
- **Sublet space is coming to market very quickly in this downturn reflecting how quickly economic conditions are changing**
- **Disconnect between tenant and landlord is growing**

ISSUES DRIVING TENANT DECISIONS

- **Fear of future revenue**
- **Cost cutting measures**
- **Structured changes in the economy**
- **Capital preservation**
- **Sublet market discounts**
- **Quoted vs. deal rates**