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Economic Highlights

August 2009

CANADA

- Canada's GDP declined 3.4% annualized in 2Q 2009 after falling an annualized 6.1% in 1Q 2009. GDP is expected to ease to -0.8% in 3Q09 and rebound 3.1% in 2010.
- Retail sales were up 1.0% in June, yet remain down 4.4% year-over-year.
- Canada's unemployment rate rose to 8.6% by the end of July 2009.

ONTARIO

- Ontario's economy has continued the downward spiral due to a collapse in manufacturing and acceleration in the decline in housing construction.
- Unemployment reached a 12-year high of 9.6% before easing to 9.3% in July.
- GDP is expected to contract 3.4% in 2009, worse than expectations of a 1.9% contraction initially forecasted in 1Q 2009.
- Despite government efforts to save the automakers, the outcome is uncertain as financial assistance is conditional on companies maintaining their historical share (roughly 20%) of North American production. Further, parts manufacturers are dependent on assembly plants in the US.
- As the ramping up of infrastructure spending continues, a boost in construction activity is expected to lead to a recovery in 2010 with 2.2% GDP growth.

ALBERTA

- The Alberta economy has shown mounting layoffs with new employment insurance claims up 145% over year-ago levels. The unemployment rate now stands at 6.6%.
- The plunge in energy prices during the last half of 2008, together with elevated construction costs and the credit crunch have derailed or caused a scaling back of many capital projects. One-half of the \$130 billion in proposed oilsand projects are on hold.
- Housing starts are down 65% year-over-year in the first 5 months of 2009 and are expected to hit a 13-year low for 2009.
- Retail sales are down more than 10% year-over-year.
- GDP is expected to decline by 2.5% for 2009, and then recover with 2.9% growth in 2010.

BRITISH COLUMBIA

- The British Columbian economy has shown increased weakness in manufacturing, construction, mining, transportation and retail trade.
- The unemployment rate currently stands at 7.8% in July, down from 8.1% in June.



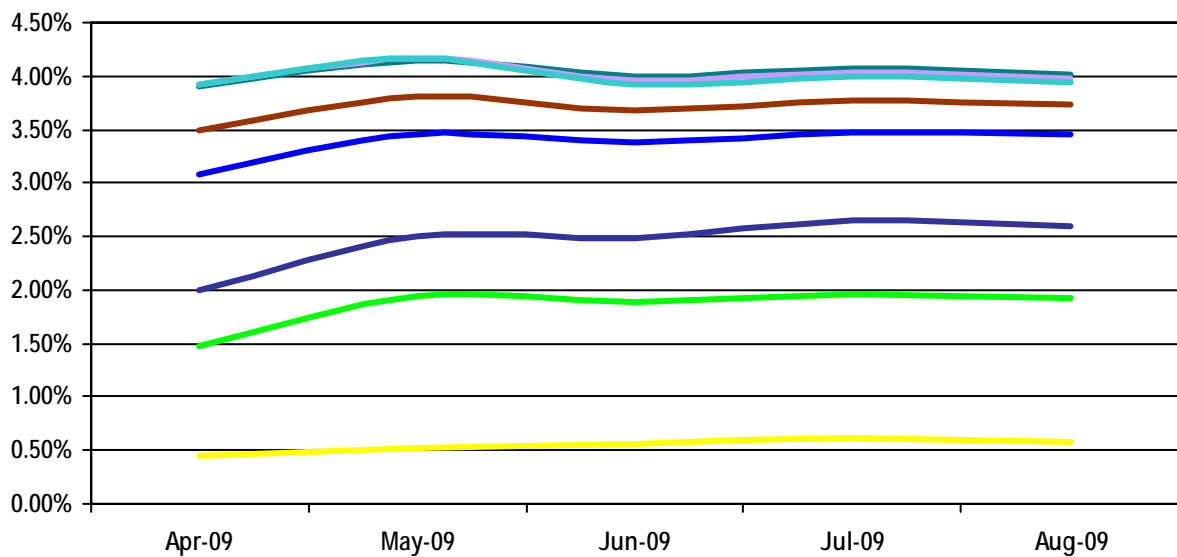
Economic Highlights

August 2009

- The housing sector has shown a pick-up in existing home resales this spring but the sector remains fragile. Housing starts are forecast to drop by 57% in 2009 to a total of 14,700 units, the lowest tally since 2000.
- The provincial GDP has been revised down to -1.9% in 2009 from -1.5% as forecasted in 1Q09.
- The provincial and federal governments have increased spending on public infrastructure projects, which are slated to increase 15% this year.
- GDP is expected to increase 2.9% in 2010 with an increase of tourism spending associated with the 2010 Olympic and Paralympic Winter Games.

GOVERNMENT OF CANADA BOND RATES

- The Canadian bond market has been characterised by extreme volatility over the past 18 months, especially in the last quarter of 2008.
- Bond rates began trending upwards in the April through May 2009 period and have flattened out over the past few months.



1 year 3 year 5 year 10 year 15 year 20 year 25 year 30 year



Toronto Market Commentary

2nd Quarter, 2009

OFFICE TRENDS & PROJECTIONS

Leasing

- Average net asking rental rates experienced a 4.1% decrease to \$16.24 per square foot.
 - Rents are projected to decrease, particularly in buildings that have vacancy issues near-term.
- Overall vacancy increased by 0.7% to 8.4%, up from 7.7% last quarter, representing a total availability of 12.0 million square feet.
 - Vacancy rates are expected to continue to increase with significant new developments coming to market in late 2009. The percentage of vacant space represented by sublets was 23.7%, up from 19.6% in 1Q 2009.
- Net absorption in the GTA was -870,000 square feet this quarter, down from -1,100,000 in 1Q 2009

Investment

- Average capitalization rates in Downtown Toronto increased to 7.1% this quarter, up from 7.0% in 1Q 2009.
- Suburban capitalization rates increase to 8.1% this quarter, up from 7.8% in 1Q 2009.

INDUSTRIAL TRENDS & PROJECTIONS

Leasing

- Average asking rental rates in the GTA declined 4% to \$5.01 per square foot.
- Overall vacancy rate increased by 0.4% to 7.1%, representing a total availability of 59.3 million square feet.
- New supply increased by 900,000 square feet this quarter in comparison to 1.5 million square feet last quarter.
- Net absorption was -5.9 million square feet this quarter, up from negative absorption of 4.2 million square feet last quarter.

Investment

- Average capitalization rates increased to 8.3% from 7.9% in 1Q 2009.

OFFICE – TORONTO

VACANCY

DOWNTOWN.....	4.4% - 5.4%
OVERALL.....	4.7% - 8.4%

CAP RATES

DOWNTOWN.....	7.1%
SUBURBAN.....	8.1%

LEASE RATES..... \$14 - \$23 PSF

CONSTRUCTION..... 145,000 SF

ABSORPTION..... -870,000 SF

INDUSTRIAL – TORONTO

VACANCY RATES..... 5.8% - 8.0%

AVERAGE CAP RATE..... 8.3%

LEASE RATES..... \$5.01 - \$5.14 PSF

CONSTRUCTION..... 900,000 SF

ABSORPTION..... -5,900,000 SF

LEASE RATES VS. VACANCY



Source: Cushman & Wakefield Lepage
 2Q09 Marketbeat Greater Toronto Industrial Report



OFFICE TRENDS & PROJECTIONS

Leasing

- Downtown office vacancy increased from 2.0% to 2.5% in 2Q 2009. The downtown Class A market remains one of the tightest markets in Canada.
- Overall vacancy increased 0.3% to 6.5%.
- The office market experienced negative absorption of -2,000 square feet, unchanged from last quarter.
- After several quarters of strong activity from the federal government, public sector activity was subdued during 2Q 2009.

Investment

- Average capitalization rates in Downtown Ottawa declined to 7.4% from 7.5% last quarter.
- Suburban capitalization rates increased by 30 basis points to 8.4% from 8.1% last quarter.

INDUSTRIAL TRENDS & PROJECTIONS

Leasing

- Net rental rates decreased \$0.05 to \$7.85 per square foot.
- Vacancy decreased from 6.1% to 5.1% as Ottawa has been largely unaffected by deteriorating economic conditions.
- The industrial market experienced absorption of 264,000 square feet this quarter after absorption of 157,000 last quarter.
 - No new large blocks of land are expected to come on the market in the short-term and therefore the market is expected to remain stable.

Investment

- Average capitalization rates increased from 8.1% last quarter to 8.3% this quarter.

OFFICE – OTTAWA

VACANCY

DOWNTOWN.....	1.9% - 2.5%
OVERALL	5.1% - 6.5%

CAP RATES

DOWNTOWN.....	7.4%
SUBURBAN.....	8.4%

LEASE RATES..... \$14 - \$23 PSF

CONSTRUCTION..... 907,000 SF

ABSORPTION..... -2,000 SF

OVERALL RENT VS. VACANCY



Source: Cushman & Wakefield Lepage
2Q09 Marketbeat Ottawa Office Report

INDUSTRIAL – OTTAWA

VACANCY..... 4.4% - 5.1%

AVERAGE CAP RATE..... 8.3%

LEASE RATE..... \$7.71 - \$7.85 PSF

CONSTRUCTION..... 228,000 SF

ABSORPTION..... 264,000 SF



Calgary Market Commentary

2nd Quarter, 2009

OFFICE TRENDS & PROJECTIONS

Leasing

- Net lease rates dropped in the quarter, with average rates at \$14 to \$21 per square foot, down from \$16 - \$22 last quarter
 - Downtown class AA buildings dropped for the first time in this recession from \$51 per square foot to \$43 per square foot, while rents on class B, C buildings remained in a similar range as last quarter (\$22-\$26 per square foot).
 - Outlook is for rental rates to continue to decline throughout 2009.
- In the Downtown area, vacancy rates moved up 2.0% to 8.9%
 - The suburban vacancy rate also increased significantly from 10.3% last quarter to 12.4% this quarter.
- Net absorption improved from -898,000 last quarter to -7,000 in Q2 2009.

Investment

- Average capitalization rates in Downtown Calgary increased from 6.8% last quarter to 7.0% this quarter
- Suburban capitalization rates remained at 7.8%.

INDUSTRIAL TRENDS & PROJECTIONS

Leasing

- Net rental rates decreased \$0.07 to \$8.50 this quarter.
 - The amount of space under construction continues to decline with 809,000 square feet currently under construction, down from 2.8 million square feet in 2Q08. Rental rates are expected to continue to decline in 2009 as tenants have more options to consider.
- Vacancy increased from 3.7% last quarter to 4.4% in the second quarter.
 - Vacancy is expected to continue to rise in 2009 as a result of lower demand and availability of new supply.

Investment

- Average capitalization rates increased from 7.8% last quarter to 7.9% in Q2 2009.

OFFICE – CALGARY

VACANCY

DOWNTOWN..... 7.9% - 8.9%
 OVERALL..... 12.4% - 14.2%

CAP RATES

DOWNTOWN..... 7.0%
 SUBURBAN.....7.8%

LEASE RATE

DOWNTOWN..... \$22 - \$43 PSF
 OVERALL..... \$14 - \$21 PSF

CONSTRUCTION..... 6,600,000 SF

ABSORPTION..... -7, 000 SF

INDUSTRIAL – CALGARY

VACANCY..... 4.4% - 5.3%

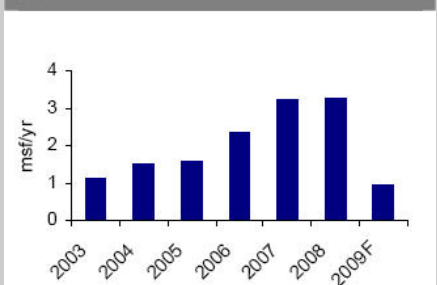
AVERAGE CAP RATE..... 7.9%

LEASE RATES..... \$6 - \$10 PSF

CONSTRUCTION..... 809,000 SF

ABSORPTION..... -441,000 SF

CONSTRUCTION COMPLETIONS



Source: Cushman & Wakefield Lepage
2Q09 Marketbeat Calgary Industrial Report



OFFICE TRENDS & PROJECTIONS

Leasing

- Average net rental rates declined \$0.07 this quarter to \$17.80 per square foot.
 - Further contractions in the export and resource sector are pushing lease rates moderately lower.
- Vacancy rates increased to 7.8% from 7.2% last quarter, indicative of significant sublease space coming back to market as businesses attempt to reduce operational costs.
- Absorption improved from -272,000 square feet to -193,000 square feet.

Investment

- Average capitalization rates in Downtown Vancouver increased by 0.5%, from 5.8% last quarter to 6.3% this quarter.
- Suburban capitalization rates remained at 7.0% this quarter.

INDUSTRIAL TRENDS & PROJECTIONS

Leasing

- Average net rental rates decreased \$0.15 this quarter to reach \$7.89 per square foot.
- Vacancy increased to 4.2% in Q2 2009 from 3.6% in Q1 2009.
- 1,220,000 square feet of new space is scheduled to come to market by October, with a quarter of this supply being built without lease commitments.

Investment

- The approaching 2010 Olympics will provide short-term economic stimulus to the area, but may not be sustainable as the majority of Olympics-related construction is already at or near completion.
- Average capitalization rates declined to 6.5% from 6.8% last quarter.

OFFICE – VANCOUVER

VACANCY

DOWNTOWN..... 2.5 % - 4.7 %
 OVERALL..... 6.4 % - 7.8 %

AVERAGE CAP RATES

DOWNTOWN..... 6.3 %
 SUBURBAN..... 7.0 %

LEASE RATES

DOWNTOWN..... \$19 - \$37 PSF
 OVERALL..... \$14 - \$27 PSF

CONSTRUCTION..... 22,000 SF

ABSORPTION..... -193,000 SF

INDUSTRIAL – VANCOUVER

VACANCY..... 3.6 % - 4.2 %

AVERAGE CAP RATE..... 6.5 %

LEASE RATES..... \$7 - \$16 PSF

CONSTRUCTION..... 2,100,000 SF

ABSORPTION..... -916,000SF



Source: Colliers International
 Metro Vancouver Industrial 2Q09 Market Report