



Real Estate Market Commentary

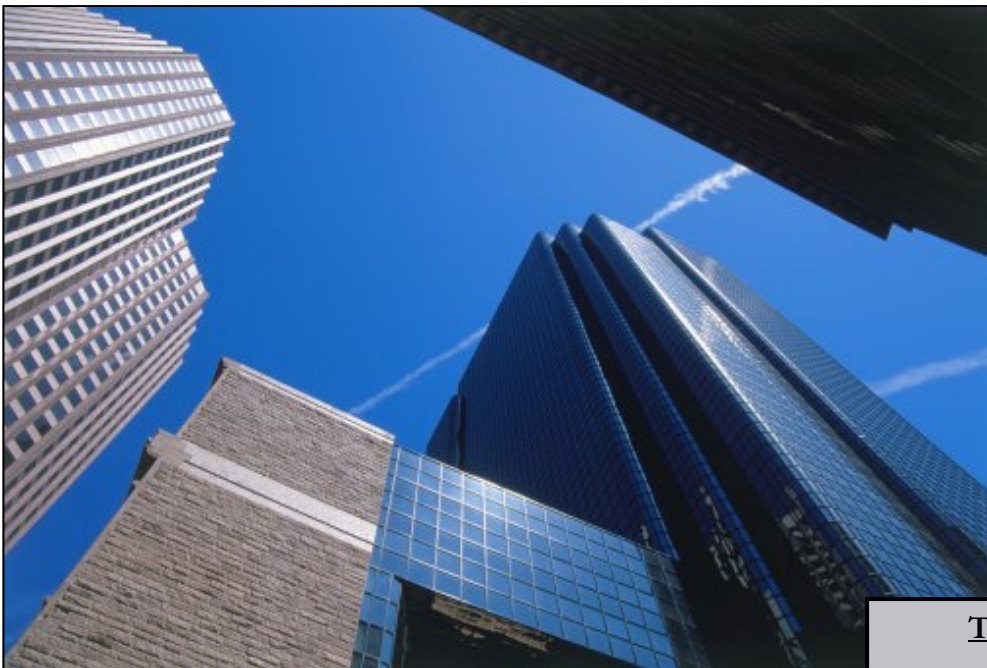


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Economic Highlights

CANADA

- Growth in Canada was revised +0.1% to 3.2% in 2010 but expectations for 2011 & 2012 have decreased due to moderation of consumer spending, reduction of government stimulus, and continuation of a strong Canadian dollar affecting export-heavy regions.

ONTARIO

- Growth in Ontario was revised +0.4% to 3.4% in 2010. However, the recovery in the auto sector this quarter was disrupted by the earthquake/tsunami in Japan. The manufacturing sector continues to also struggle primarily due to the high Canadian dollar.
- Ontario has now recouped all jobs lost during the recession. The unemployment rate has dropped from 9.4% in 2009 to 7.7% today, primarily led by the private sector which continues to be a strong contributor to overall growth.

ALBERTA

- Growth in Alberta was revised +0.5% to 3.8% in 2010. Expectations continue to be strong for 2011 due to rising commodity prices and significantly improved levels of population migration.
- Growth in 2012 is expected to moderate primarily due to rising business and labor costs. Alberta has one of the tightest job markets in Canada which is expected to result in upward pressure on wages.

BRITISH COLUMBIA

- Growth in B.C. was revised +0.6% to 4.0% in 2010, primarily due to strong gains from the mining and forestry industries.
- Expectations for growth in 2011 and 2012 continue to be lower as the residential housing market appears to be hitting a peak and export demand from the U.S. remains light. The result of the HST referendum in the coming quarter will remove some of the uncertainty that has been slowing business and consumer spending.

Real GDP	2010	2011 (f)	2012 (f)
Canada	3.2%	2.8%	2.5%
Ontario	3.4%	2.6%	2.5%
Alberta	3.8%	3.9%	3.4%
British Columbia	4.0%	2.7%	3.0%

Unemployment Rate	Jun 2011	Dec 2010	Mar 2010
Canada	7.4%	7.7%	7.6%
Ontario	7.7%	8.1%	8.1%
Alberta	5.6%	5.7%	5.5%
British Columbia	7.3%	8.1%	7.6%

Job Creation (000)	Jun 2011	Mar 2011	Last 12 mos.
<i>*monthly change except for last 12 mos.</i>			
Canada	28.4	-1.5	237.5
Ontario	40.3	5.6	114.3
Alberta	22.0	5.7	71.2
British Columbia	-9.4	3.5	18.2

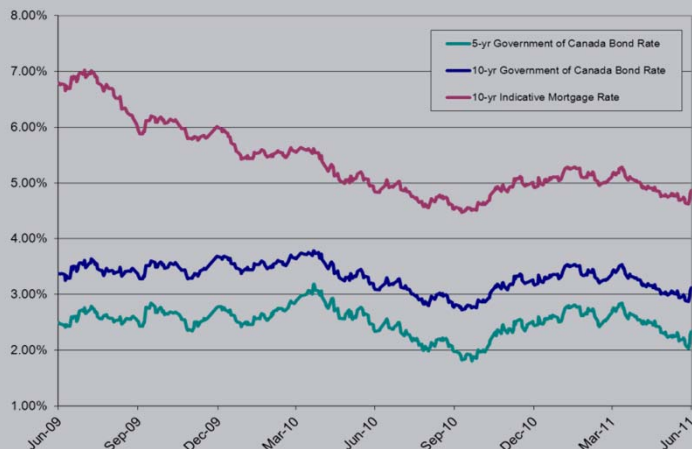
CPI	Jun 2011	Mar 2011	Last 12 mos.
<i>*monthly change except for last 12 mos.</i>			
Canada	-0.7%	1.1%	3.1%
Ontario	-0.6%	1.2%	3.6%
Alberta	-0.6%	0.2%	2.1%
British Columbia	-0.5%	0.8%	2.7%

Retail Sales	May 2011	Feb 2011	Last 12 mos.
<i>*monthly change except for last 12 mos.</i>			
Canada	0.4%	0.4%	4.0%
Ontario	0.5%	0.7%	4.1%
Alberta	0.2%	1.5%	7.8%
British Columbia	-0.7%	0.7%	1.4%

Source: Statistics Canada, Bank of Nova Scotia, CIBC, BMO, RBC, TD, National Bank

YIELD TREND ANALYSIS

	Government of Canada Bond Yield		10-yr Indicative Mortgage
	5-yr	10-yr	Face Rate
30-Jun-11	2.34%	3.12%	4.87%
<i>Increase / (Decrease) from Prior Periods to June 30, 2011</i>			
31-Mar-11	(0.38%)	(0.29%)	(0.29%)
31-Dec-10	(0.10%)	(0.05%)	(0.05%)
30-Sep-10	0.36%	0.33%	0.33%
30-Jun-10	0.00%	0.02%	0.02%
31-Mar-10	(0.55%)	(0.52%)	(0.68%)
31-Dec-09	(0.44%)	(0.56%)	(1.12%)
30-Sep-09	(0.19%)	(0.23%)	(1.09%)
30-Jun-09	(0.16%)	(0.26%)	(1.93%)





Toronto Market Commentary

	Office			Industrial		
	Q2-2011	Q1-2011	Q2-2010	Q2-2011	Q1-2011	Q2-2010
Vacancy						
Downtown	5.1%	5.9%	6.8%	--	--	--
Overall	7.1%	7.8%	8.3%	6.0%	6.3%	6.9%
Average Capitalization Rate						
Downtown	6.4%	6.6%	7.4%	--	--	--
Suburban	7.1%	7.5%	8.0%	7.0%	7.0%	7.6%
Lease Rates (per sq.ft.)	\$17.31	\$16.98	\$17.41	\$4.69	\$4.64	\$4.82
New Supply (thousand sq.ft.)	116	140	758	1,706	273	72
Under Construction (thousand sq.ft.)	1,805	1,379	1,308	1,607	1,639	1,509
Absorption (thousand sq.ft.)	776	882	634	2,469	2,090	-1,823

Source: Cushman & Wakefield, Colliers, CB Richard Ellis, DTZ Barnicke

Office

Leasing Activity Remains Strong for PWC Tower

On June 14, 2011, British Columbia Investment Management Corporation (bcIMC) announced that PWC Tower (18 York Street), the first of two office towers at Southcore Financial Centre, was 96% leased. In early May, Avison Young announced that it will be relocating its global corporate headquarters to PWC Tower in the second quarter of 2012. Avison Young will be joining other anchor tenants such as RSA Canada and SNC-Lavalin. Currently under construction in Toronto's emerging southcore financial district, the 26-storey PWC Tower (650,000 sq.ft.) is scheduled for completion in fall 2011.

Industrial

Warehouse Demand Outpaces Supply

During the second quarter, third party logistics providers, logistics centres and warehouses proved to be the most sought after real estate within the GTA industrial market. Despite strong demand, no new suitable product (>250,000 sq.ft., with large bays and high ceilings) was introduced to the market during the quarter. As a result, what little space is available has been quickly absorbed.



Ottawa Market Commentary

	Office			Industrial		
	Q2-2011	Q1-2011	Q2-2010	Q2-2011	Q1-2011	Q2-2010
Vacancy						
Downtown	4.9%	5.4%	3.8%	--	--	--
Overall	7.2%	7.3%	6.0%	5.9%	6.7%	5.8%
Average Capitalization Rate						
Downtown	6.6%	6.8%	7.1%	--	--	--
Suburban	7.6%	7.8%	8.1%	7.4%	7.6%	8.1%
Lease Rates (per sq.ft.)	\$17.20	\$17.35	\$16.30	\$8.11	\$8.28	\$7.66
New Supply (thousand sq.ft.)	0	0	60	0	0	123
Under Construction (thousand sq.ft.)	1,078	654	515	109	109	103
Absorption (thousand sq.ft.)	92	-471	7	255	-185	-88

Source: Cushman & Wakefield, CB Richard Ellis, DTZ Barnicke

Office

Crown Land to be Redeveloped

Redevelopment of the Crown-owned Lorne Building (90 Elgin Street) in downtown Ottawa has been awarded to the Great-West Life Assurance Company. Following demolition of the existing eight-storey building in June, the new 17-storey LEED Gold office building will be leased to the federal government for 25 years. Upon maturity of the lease, ownership of the property will revert back to the Crown.

Sun Life Invests in ByWard Market Real Estate

One of Canada's largest life insurance companies, Sun Life Assurance Co. of Canada, has purchased 100 Murray Street (\$18 million) from East Lane Developments. Located in the ByWard Market, the five-storey, 53,000 sq.ft. building (\$339 per sq.ft.) includes major tenants such as SAP and Ridout & Maybee LLP.

Industrial

Ericsson Announces Relocation

Ericsson has announced that in summer 2012 it will be relocating its current operations in 3500 Carling Avenue to 349 Terry Fox Drive. Located within the Kanata Business Park, the 205,000 sq.ft. state-of-the-art facility contains 114,000 sq.ft. of industrial/lab space. Complementing Ericsson's long-term view of growth in the Ottawa market, the new facility has the potential to expand by an additional 40,000 sq.ft.



Calgary Market Commentary

	Office			Industrial		
	Q2-2011	Q1-2011	Q2-2010	Q2-2011	Q1-2011	Q2-2010
Vacancy						
Downtown	8.1%	10.6%	13.1%	--	--	--
Overall	9.1%	11.2%	13.2%	3.8%	4.6%	5.3%
Average Capitalization Rate						
Downtown	7.0%	7.4%	8.1%	--	--	--
Suburban	7.3%	7.5%	8.3%	6.8%	6.9%	7.6%
Lease Rates (per sq.ft.)	\$18.21	\$18.50	\$19.61	\$7.87	\$7.84	\$7.55
New Supply (thousand sq.ft.)	0	0	0	57	78	0
Under Construction (thousand sq.ft.)	2,796	2,399	2,635	878	575	180
Absorption (thousand sq.ft.)	1,244	515	597	243	540	558

Source: Cushman & Wakefield, Colliers, CB Richard Ellis, Avison Young

Office

Absorption Levels Climb

During the second quarter, record absorption levels have occurred in the downtown office market as many tenants seek to acquire more space to accommodate newly hired and relocated employees. In addition to the expansion activity of existing tenants, a resurgence in the energy sector has attracted many new companies to the city (South Africa-based Sasol, Thailand's PTTEP, Korea's Kogas and PetroChina), further contributing to the positive absorption levels.

Homburg REIT Acquires Interest in Scotia Centre

On April 14, 2011, Homburg REIT successfully acquired a 50% interest in the 42-storey Scotia Centre (225 - 7 Ave SW) in downtown Calgary. While Homburg will provide management of the property, Scotiabank will continue to maintain a 50% interest in the 607,350 sq.ft. office (85.5% of GLA) and retail (14.5% of GLA) complex.

Industrial

Plans for CN Logistics Park Move Forward

With Calgary's reputation as a transportation hub increasing, CN has announced its plans to develop a \$200 million 400-hectare logistics park in Rocky View County, east of Calgary. Scheduled to break ground this summer, beginning with CN's intermodal facility, the new project will include multiple distribution centres and more than two million sq.ft. of warehouse capacity.



Vancouver Market Commentary

	Office			Industrial		
	Q2-2011	Q1-2011	Q2-2010	Q2-2011	Q1-2011	Q2-2010
Vacancy						
Downtown	3.9%	4.0%	4.9%	--	--	--
Overall	7.9%	8.3%	8.8%	4.6%	4.4%	4.6%
Average Capitalization Rate						
Downtown	5.6%	5.8%	6.3%	--	--	--
Suburban	6.5%	6.6%	7.1%	6.3%	6.3%	6.6%
Lease Rates (per sq.ft.)	\$20.42	\$20.38	\$21.16	\$7.74	\$7.78	\$8.02
New Supply (thousand sq.ft.)	58	100	170	456	204	567
Under Construction (thousand sq.ft.)	740	749	578	1,646	1,613	1,743
Absorption (thousand sq.ft.)	204	155	105	295	758	435

Source: Cushman & Wakefield, Colliers, CB Richard Ellis, DTZ Barnicke

Office

Hotel Georgia Attracts Largest Strata Office Sale

Representing Vancouver's largest strata-titled office space sale to a single user (based on area and price), the College of Physicians and Surgeons of British Columbia (the "College") recently acquired seven floors (60,000 sq.ft.) in The Offices at Hotel Georgia (669 Howe Street) in downtown Vancouver for \$27.7 million. The College is expected to relocate from its 858 Beatty Street location in fall 2011.

Proposed Sea Island Business Park

Located on a 32-acre airport-controlled site next to the Canada Line's Templeton Station, the Vancouver International Airport Authority has proposed a six-building 800,000 sq.ft. business park at an estimated cost of \$200 million. With buildings ranging between four and eight storeys, the development would be constructed to a minimum LEED Gold standard. Initial construction of the phased development is anticipated to begin in 2012.

Industrial

Canada Post Finds New Home

Canada Post Corporation recently announced that it will be relocating its existing sorting operations in downtown Vancouver (349 West Georgia) to a new custom built facility (700,000 sq.ft.) near the Vancouver International Airport. Currently in the finalization stages of negotiations on a long-term land lease with YVR, the new facility is forecast to open in 2014. With Canada Post expected to remain in its current location for another year, no details regarding the building's future use have been disclosed.

Beedie Group Breaks Ground on Large Warehouse Development

In what will be Metro Vancouver's largest single-floor industrial building, the Beedie Group has broken ground on a 504,000 sq.ft. warehouse in New Westminster. Situated on 22-acres of land, the facility will be tenanted by Kruger Products.

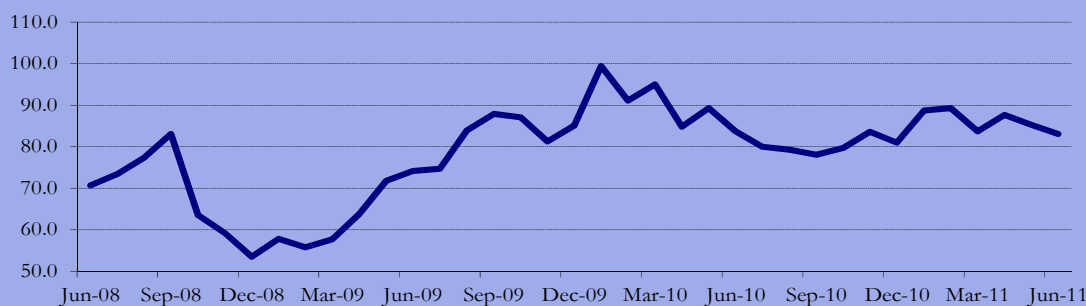


Retail Market Commentary

	Toronto	Ottawa	Calgary	Vancouver
Vacancy	4.5%	2.7% ↔	2.4% ↓	2.8% ↓
as of...	Q4 - 2010	Q2 - 2011	Q4 - 2010	Q2 - 2011
Average Capitalization Rate	6.6% ↓	7.1% ↓	6.9% ↔	6.1% ↔
as of...	Q2 - 2011	Q2 - 2011	Q2 - 2011	Q2 - 2011
Lease Rates (per sq.ft.)	n/a	\$21.45 ↑	\$26.37 ↑	n/a
as of...	--	Q2 - 2011	Q4 - 2010	--
Unemployment Rate	8.4% ↓	5.6% ↓	5.8% ↓	7.2% ↓
3-month moving avg as of...	June 2011	June 2011	June 2011	June 2011

Source: Cushman & Wakefield, Colliers, CB Richard Ellis, Statistics Canada

Canadian Consumer Confidence



Source: Conference Board of Canada

Retail

Canadian Retail Market Remains a Bargain

Despite strong economic recovery and continued strength in the Canadian Dollar, Canadian retail lease rates continue to remain at levels well below those experienced in the US and worldwide. According to Colliers International's 2011 Global Retail Report, the country's most expensive retail street (Toronto's Bloor Street - \$292 per sq.ft.) ranks only 37th in the world. Strong retail demand and relatively low rental rates have proven to be large factors in many US retailers push into the Canadian market.

Significant Capital Expenditures for Target's Northern Expansion

With Target having already spent \$11 million on its Canadian expansion, the US retailer has earmarked approximately \$2.3 billion (doubling its original renovation budget) to convert Zellers outlets to Target stores over the next two years. RioCan REIT will become Target's largest Canadian

landlord, with Target having already selected 21 of RioCan's 34 Zellers locations as part of its launch of up to 150 stores by 2013.

Blockbuster Canada Pushed Into Receivership

Blockbuster Canada has been pushed into receivership following Hollywood studios call for \$67-million (USD) in debt owing by its US parent company. After being offered as collateral by its US parent company in 2010 to avoid bankruptcy and ensure a steady supply of new releases, Blockbuster Canada has been placed on the market by its receiver in order to recoup losses following the recent bankruptcy and subsequent sale of the US parent company to Dish Network Corp (\$228 million) in April. As a result, Blockbuster Canada has already announced it will be closing a third of its 400 existing locations.



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