

The Condo Investor

Toronto Area, Fourth Quarter 2006

Synopsis: Rents and prices for condominium apartments continue to increase. Until now, an expanding volume of completions of condo rentals has been absorbed well. Two key investor locales (TREB districts C01 and W15) are showing softness for rents and prices, confirming that there are limits to the need for new condo rentals. Risks of a correction will escalate during 2007.

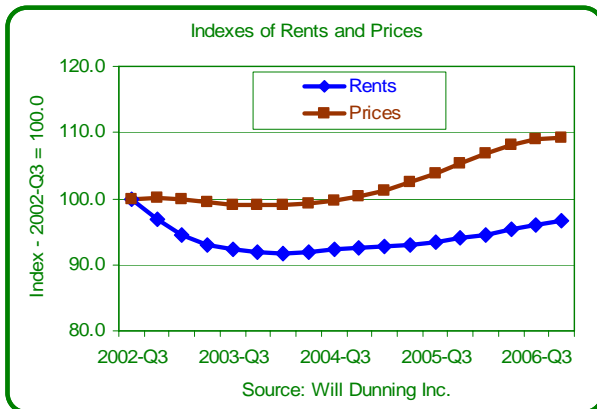
Overview of Rents and Values

Rents for condominium apartments continue to recover. The average condominium rent rose by 0.6% in Q4-2006 compared to the prior quarter and by 2.9% compared to a year earlier. A high percentage of projects (63%) had rent increases during Q4-2006.

My estimate of average condominium rents shows increases for 11 consecutive quarters. However, it has still not returned to the level seen at the start of the analysis period (in Q2-2002). As of Q4-2006, the average rent is still 3.3% below the starting in Q3-2002. For Q4-2006, the average rent is \$1.97 PSF, based on an average sized unit of 779 SF.

Prices also increased during Q4-2006, although the increase from the prior quarter was muted. Less than one-half of projects (45%) saw price increases during the quarter, and the price index was just barely in positive territory, with an increase of 0.2%. Compared to a year earlier, the price index has increased by 3.6%; compared to the start of the analysis period, the average price has increased by 9.2%. The average value is \$319 PSF as of Q4-2006.

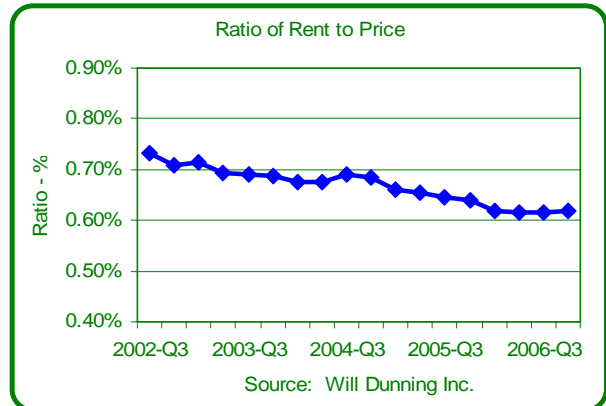
Increases in rents and prices are calculated using an index, which starts at Q3-2002 (at 100.0)



These estimates of rents and prices are based on "standardized" units - for each building, the rent

and price data are adjusted to hypothetically represent the same unit each time.

The chart below shows the ratio of rents to prices. The ratio has fallen during most of the period of the dataset, from 0.732% in Q3-2002 to 0.618% in Q4-2006. Initially (for the first year and a half), the ratio fell because of rent reductions; since then, rents have increased, but generally less rapidly than prices, which has resulted in further erosion of the ratio. The ratio rose fractionally during Q3-2006 and more rapidly during Q4, as rents increased more rapidly than prices.

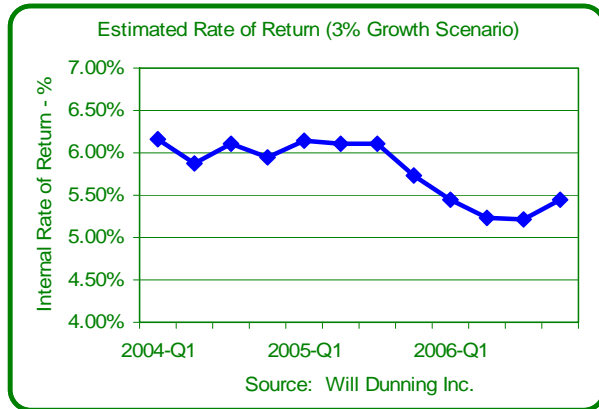


The increase in rents, combined with a dip in interest rates and slower growth in prices resulted in an increase in estimated rates of return. In addition, during the quarter, average condominium common charges increased slightly (by 0.4%, slower than the 0.6% growth of rents), which also contributed to improved rates of return. However, it should be noted that in general common charges have been increasing more rapidly than overall inflation, which is tending to be a drag on financial performance – during the past year the average common charge has increased by 3.6%, which exceeds the growth in rents (2.9%).

The 5-year mortgage rate (after lender discounts) was 5.15% during Q4-2006, versus 5.45% during Q3-2006.

The average condominium fee was 47.7 cents PSF during Q4-2006 versus 47.5 cents during Q3-2006 and 46.1 cents PSF during Q4-2005.

If an investor assumes 3% per year growth in rents and values, and 2% growth for condominium charges, the average estimated rate of return is 5.45% in Q4-2006. As shown in the following chart, the estimated rate of return improved compared to the previous two quarters, but the estimate for Q4-2006 is significantly lower than the estimates for 2004 and 2005



In this issue rents, prices, and rates of return have been estimated for 156 condominium addresses. More details are available in the Methodology section. At the end of the report a detailed table shows estimates of rents, prices, and rates of return for individual projects.

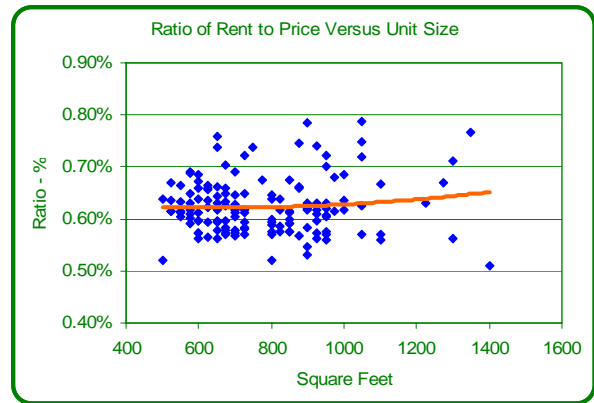
Three recently-completed projects have been added in this issue:

Projects Added this Quarter		
TREB District	Municipality	Addresses
N11	Markham	33 Cox Blvd
W15	Mississauga	3504 Hurontario St
W15	Mississauga	90 Absolute Ave, 90 Clarica Dr

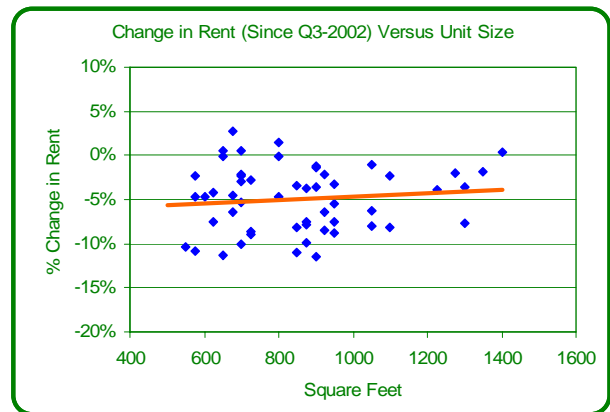
Several older projects have been removed from this issue, as available data doesn't support robust estimates of rents or values.

Rents and Prices

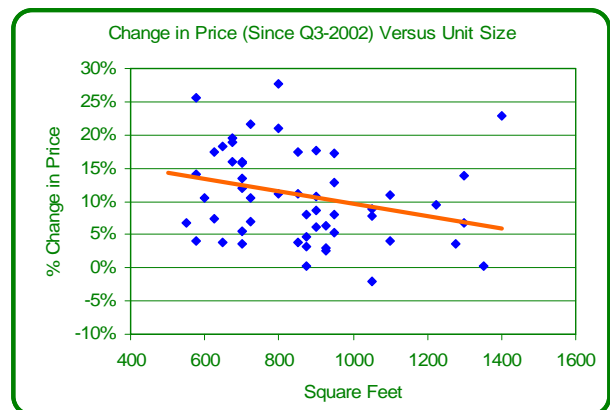
In this section three scatter plot charts are used to summarize the data on rents and prices. The first chart shows the ratios of rent-to-price, versus the size of the unit in square feet. It shows that, on average, the ratio of rent-to-price does not vary very much by unit size. Therefore, investment performance does not vary by much for units of different sizes.



The following chart summarizes data for projects that have been available since Q3-2002 (the start of the analysis period) and shows the amount of change in rent from Q3-2002 to Q4-2006. It shows that there are wide variations in rent changes for the various projects. On average, there has been no difference in rent performance for small and large units. The chart also shows that at most of the projects (90%), rents are lower than they were in Q3-2002.



The next chart shows that on average smaller units have seen more price growth than larger units. Again, there are very large variations from building to building. Out of the 54 projects profiled in this chart, only one has current pricing lower than in Q3-2002.



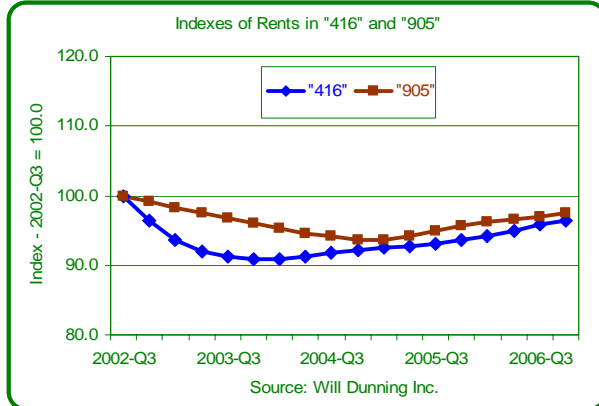
Rents and Prices in "416" and "905"

The following table shows the current rent and price estimates for "416" and "905". Rents and values are clearly lower in "905" than in "416". As will be discussed below, the lower rents in "905" do not necessarily result in lower investment returns – a key factor is the ratio of rent to value.

Average Rents and Prices in "416" and "905"			
Area	Average Size (Square Feet)	Average Rent (\$PSF)	Average Price (\$PSF)
"416"	760	\$2.04	\$335
"905"	848	\$1.70	\$258
Total	779	\$1.97	\$319

Source: Will Dunning Inc.

Both "416" and "905" have seen reductions in rents since the start of the analysis period. The two areas have seen similar reductions (-3.6% in "416" and -2.5% in "905"), although the paths have been different. Reductions began earlier in "416" and the total fall was greater than in "905". In "416", the reductions ended by mid-2003 followed by a slow recovery that lasted until the end of 2005; a more rapid recovery occurred in 2006. In "905" rents fell only gradually but over a longer period of time; the declines ended at the beginning of 2005. During 2006 rents rose gradually in "905" but more rapidly in "416".

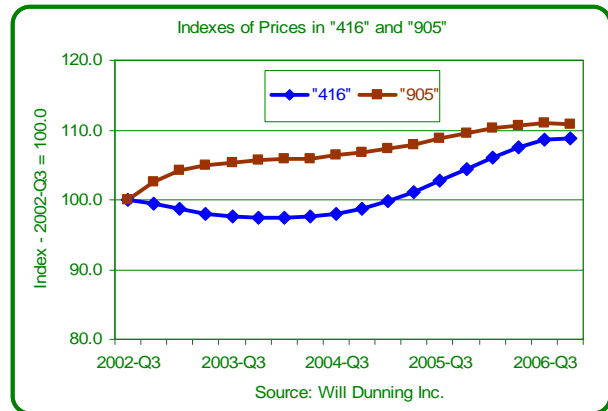


In terms of prices, there are, once again, distinctly different paths in "416" and "905". As rents fell rapidly in "416" during late 2002/early 2003, sell-offs by investors led to small reductions in average values during 2003. Values stabilized during 2004 and relatively strong growth was seen during 2005 (5.7%), with a slight easing during 2006 (4.3% increase). In "905", values have increased through the entire analysis period – except for the most recent period, when the index fell by 0.1%. During the past two years the rate of increase has been slower in "905" than in "416", and in the past three

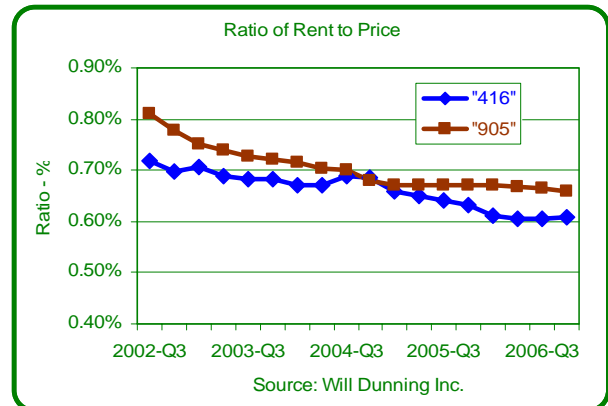
quarters there has been very little growth in condo values in "905".

Since Q3-2002, the index shows the average value in "416" has increased by a total of 8.8%. In "905", the total increase has been larger, at 10.9%.

It is quite possible that the price slowdown seen in Q4-2006 in "416" and "905" is a seasonal effect, as housing values tend to soften during the late fall.



The average rent ratio is higher in "905" than in "416". This does not result in better returns in "905", as realty tax rates are higher (0.978% in "905" versus 0.831% in "416") and maintenance is a higher percentage of rent in "905" (26.9%) than in "416" (24.4%). As is seen below, the average rates of return are very similar in "416" and "905".



Rates of Return

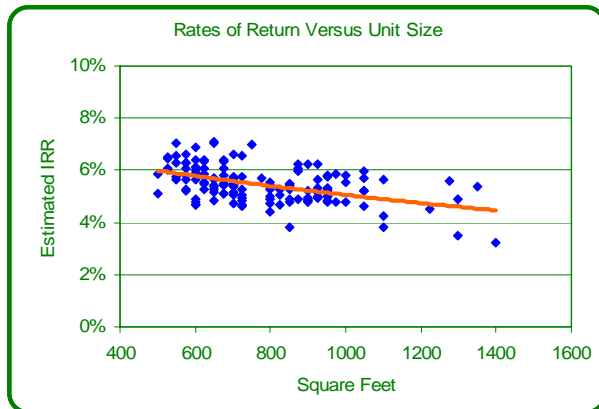
Potential rates of return (after tax, over a 10-year period) have been estimated, making various assumptions about rates of increase for rents and property values. Four sets of estimates are based on annual growth rates of: 0.0%, 1.5%, 3.0%, and 4.5%. In all scenarios, it is assumed that condominium fees increase by 2.0% per year. On

average the estimated annual rates of return are, respectively: -0.90%, 2.24%, 5.45%, and 8.38%.

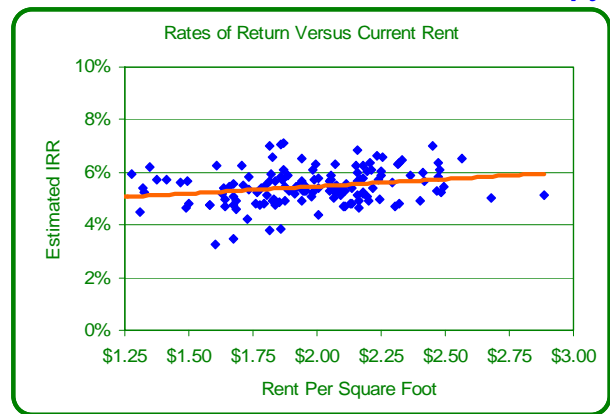
The rates of return have increased by about one-quarter of a percentage point compared to last quarter but are notably lower than during prior quarters. The improvement in estimated returns during the quarter is due to a reduction in interest rates (to 5.15% in Q4-2006, versus 5.45% in Q3-2006), and because rents increased more rapidly than condominium fees.

In this section, scatter plot charts illustrate rates of return. The charts show the returns assuming 3.0% per year growth in rents and property values. While the 3.0% assumption is being used for illustrative purposes, it is not expected that growth will average this rate over the next ten years¹.

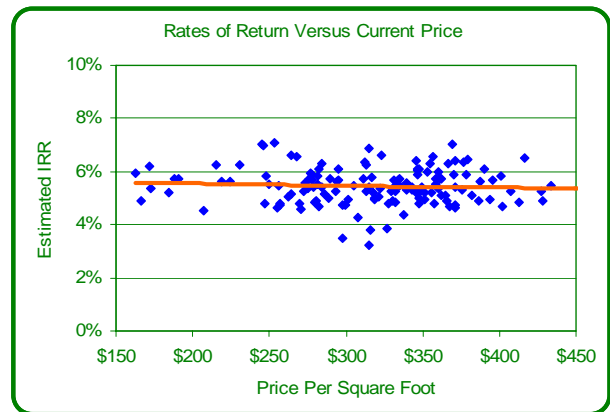
Estimated potential rates of return (based on a 3% growth assumption) vary widely across the projects, but in general are highest for the smallest units. Due to this wide variation, careful analysis is required of individual opportunities.



The next chart indicates that estimated rates of return are slightly higher for units with the highest \$ PSF rents (these are usually the smallest units). Again, while there is a trend line, there are large variations.

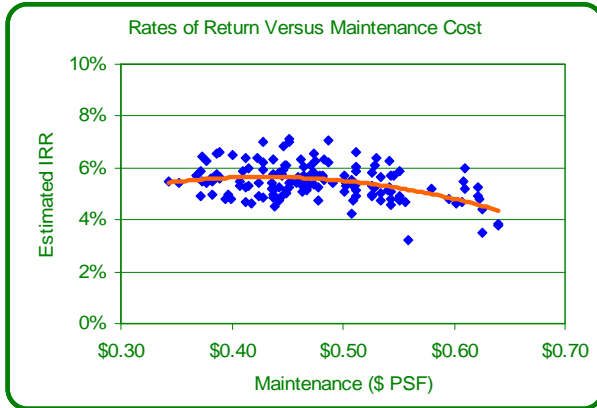
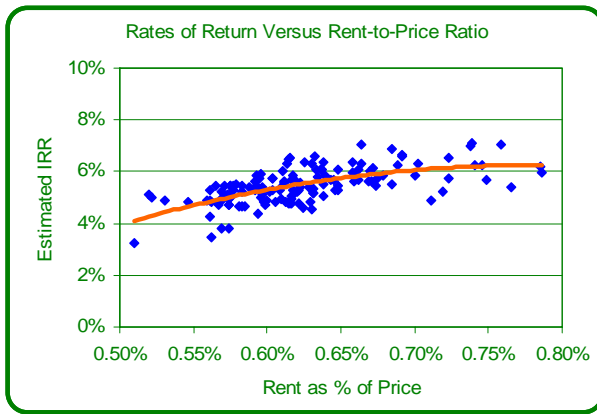


The following chart indicates that variations in selling price (\$PSF) have little or no impact on potential rates of return (the trend line suggests that on average, projects with low PSF values have slightly higher rates of return, but again there is very substantial variation around this trend). The implication of this is that older, low-priced projects can provide rates of return just as high (potentially higher) compared to new projects.



The next chart illustrates that a key factor in rates of return is the rent ratio. Estimated rates of return are highest for projects with the highest ratios of rent-to-price. This indicator does the best job of “explaining” rates of return, but it alone does not provide a definitive conclusion. As is illustrated in the subsequent chart, the level of common charges is another key issue. Also of key importance is the outlook for common charges.

¹ As has been discussed rents are currently lower than they were four years ago and this alone should lead to cautious assumptions about future growth in rents. Moreover, there is some risk of declines during the next 2-3 years. As for values, they are unlikely to increase by very much during the next 2-3 years, due to the very high volumes of pending completions. Over the next ten years, therefore, the average rate of increase in rents and values is quite unlikely to exceed 3% per year, and could be lower.



The average rate of return (again based on the 3% growth assumptions) is slightly higher in “905” (5.51%) than in “416” (5.45%). However, given current trends in rents and prices, that small gap could soon be reversed.

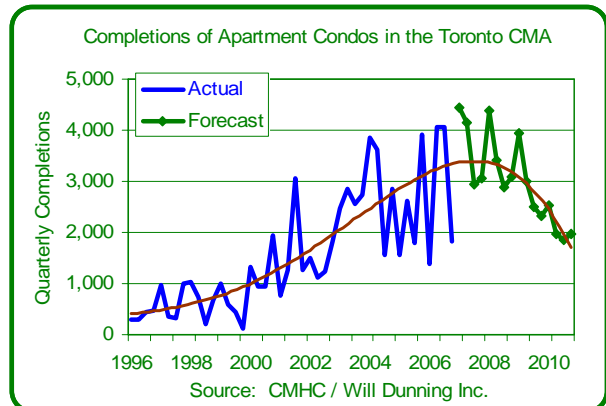
Supply Situation

Completions of new apartments increased in 2006 and are slated to increase even more in 2007 and 2008. Importantly, beginning around the middle of 2006, an increased share of the newest completions was investor-owned. During 2005 there were high volumes of completions of new condominium apartments, but relatively few of these projects contained large investment components. This was because the slump in rents (and small reductions in prices) during late 2002 and 2003 deterred investors – for a while. As the projects that were sold in that period were completed during 2005, there were, as stated, few rental units within them.

As rents recovered during 2004 to 2006, investor activity resumed, and this is now starting to result in increasing completions of investor-owned apartments. During the two year draught for new rental condos, some pent-up demand developed, which allowed the 2006 completions, in general, to

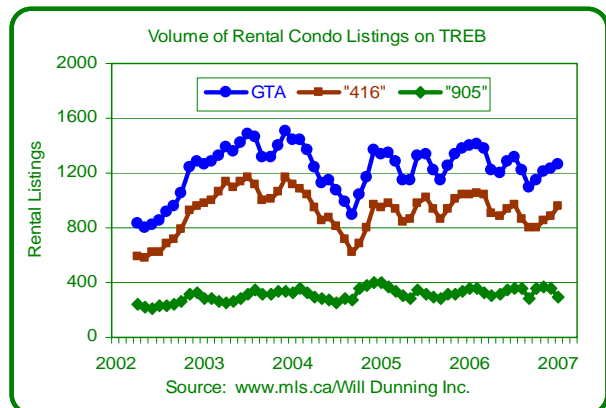
rent up quite quickly without causing any reduction in average rents. During Q4-2006, however, it appears that rents softened in downtown Toronto (TREB district C01) and were virtually unchanged in district W15 (Mississauga Square One area) – both of these are major investor locales.

Looking forward, I forecast that completions of new condominium apartments will remain quite elevated for at least the next 2 years (until early in 2009). The forecast reduction in completions during 2009 occurs only because I assume that sales will soon start to fall – to the extent that sales remain elevated into 2007, completions will be higher than forecast in 2009.



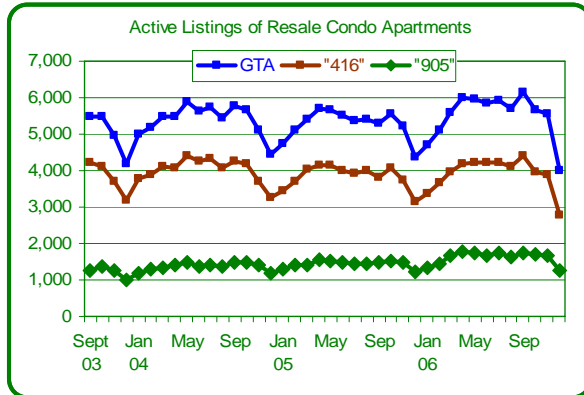
To this point the increased completions have not caused flooding in either the rental or owner-occupancy components of the condo apartment market.

As shown in the next chart, the volume of rental condo listings has increased during the past few months, but is still not especially high, which has allowed for continuing rent increases in most areas.

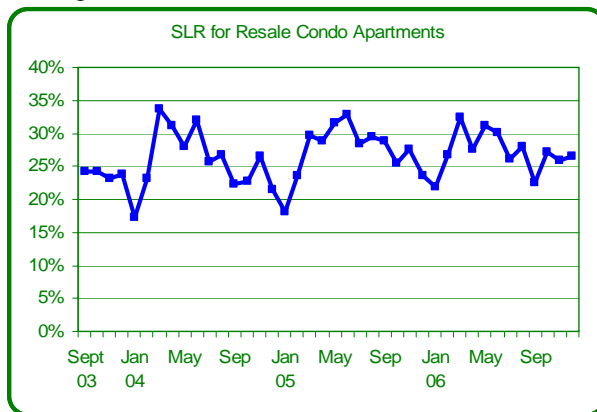


Resale listings expanded during 2006, rising by 4.5% compared to 2005. However, this is not surprising, since typically about 10% of newly-completed apartment condominiums are resold

within the first six months. The rise in listings is simply a function of the increased volume of new completions. Resale activity has largely kept up with the rising volume of listings, with the consequence that the sales-to-listings ratio for 2006 (27.3%) was in line with 2004 (26.0%) and 2005 (27.5%).

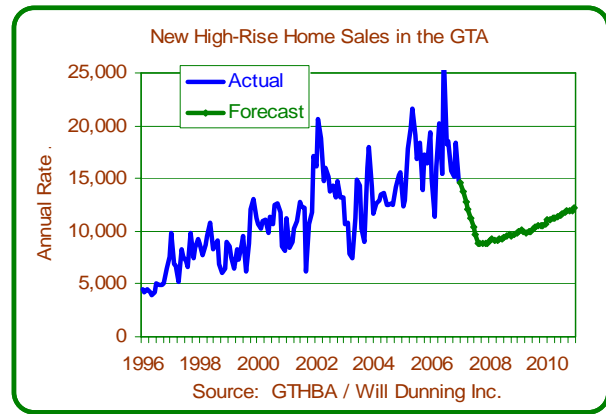


As shown in the next chart, the sales-to-listings ratio did fall in the closing months of 2006, but this is a regular seasonal event.



To conclude, the rising volume of completions has – to this point – had minimal negative impacts. However, as stated last issue, I suspect that the pent-up demand for condo rentals that might have developed during 2004 and 2005 will soon be depleted, and that before much longer the rising volume of completions will exceed demand. I expect that by the second quarter of 2007 there will be clear signs of over-supply in the condo rental market and rents will be under pressure.

In my forecast of high-rise sales (and therefore my forecast of completions) I am assuming that sales will start a gradual decline early in 2007. In this scenario, it would be quite clear by about mid-year that the sales trend has dropped. But, with the sales forecasts exceeding 10,000 units per year during 2007 to 2010, even this scenario should be seen as quite robust.



The following table summarizes annual completions of condo apartments, showing the high levels that are expected for 2007 and 2008.

Completions of Condominium Apartments in Toronto CMA	
Year	Annual Completions
1998	1,924
1999	4,830
2000	7,165
2001	4,818
2002	12,808
2003	9,915
2004	9,798
2005	12,134
2006	13,581
2007	14,628
2008	13,774
2009	11,735
2010	8,330

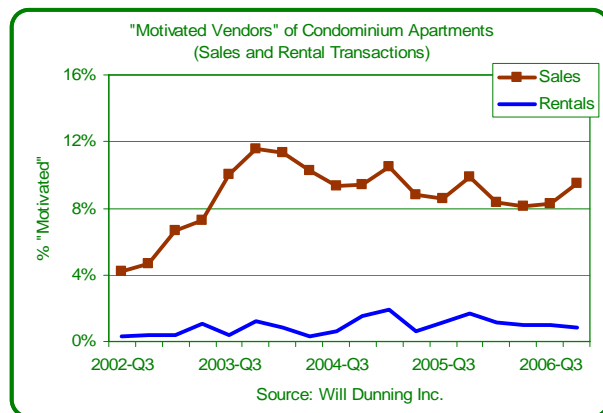
Source: CMHC actual data, forecasts by Will Dunning Inc.

“Motivated Vendors”

The sales and rental transactions have been electronically reviewed to find references to “motivated vendors”. During mid-2002 until the end of 2003 there was a sharp rise in the percentage of sales that were made by “motivated vendors”. This corresponds to the rapid influx of investor owned units, falling rents, and falling prices. The rate trended downwards during 2004 and 2005 and then was flat during most of 2006 (with an up-tick during the final quarter, which might be a seasonal event).

For rental listings, there is a quite low percentage of “motivated vendor” references. Over the entire analysis period, the rate averages just 0.9% (less than one out of every hundred) for rental

transactions, versus 8.7% (one out of every 11) for sales.



Investment Strategy

As I've indicated many times, I think that this is not a good time to buy condominium apartments for investment purposes – there is a very substantial risk of rent reductions during the next two to three years, which raises a related risk of value reductions. It is entirely possible that total returns will be negative during the next three years.

For those who are driven to invest, my thoughts are:

- The greatest risks are in the areas where there are the largest amounts of recent and pending completions – i.e. the west side of downtown Toronto (TREB district C01), as well as the Mississauga Square One area (district W15). It can be seen in Table A-3 that during the past year TREB districts C01 and W15 have been weak performers in terms of rent growth. I expect that these are the most likely areas to see significant rent corrections during 2007 and 2008. In addition, value growth decelerated during 2006 in these two TREB districts.
- On the other hand, TREB district C14 (east side of Yonge Street, north of the 401) was one of the worst affected areas during the 2002/2003 downturn. While its rent (and price) index shows that it has recovered less fully than other areas, it has better momentum, and is less threatened by pending supply.
- TREB district E09 (Scarborough Town Centre area) is similar to C14 in its dynamics, but because there is less depth of demand in that area, I see it as more risky than C14.

Overview of the Methodology

Information on rental and sales transactions was processed as follows:

- Furnished suites were removed.
- Unit sizes (square feet) were estimated from a variety of sources, including condominium declarations, schedules provided by developers, comments within the transaction records, sales brochures, and web sites.
- Statistical analysis was used to estimate the effects of the following variables on rents and prices: transaction date, unit type (bedrooms and dens), size in square feet, floor level, and provision of parking and lockers.
- One or more representative unit type was selected for each property.
- Buildings were selected for inclusion in the final results based on the apparent reliability of estimates.

Key assumptions in the financial analysis were:

- Financing is based on a 75% ratio.
- The assumed mortgage rate for 2006-Q4 is 5.15%.
- An income tax rate of 46.4% was used.
- Realty tax rates were obtained from the municipalities' websites.

Review of reliability has resulted in the exclusion of some addresses that had been included in previous issues. In some cases, this is a seasonal event. A few projects that were removed in previous issues have been restored in this issue.

In addition, new addresses are being added, when the data they provide allows for reliable estimates. Most of the additions are recently completed projects, but some are older. Finally, addresses are combined where I judge that more reliable estimates would result.

Average rates of change in rents and prices were calculated using an index that allows for the inclusion of projects for which estimates are not available for the entire analysis period.

Rents, prices, and rates of return are estimated with effective dates at the midpoint of each quarter.

Updated analysis has resulted in some revisions of historical estimates of rents and prices.

Additional Services

This research has generated a very rich dataset that can be used to investigate many questions concerning the economics of apartments – both ownership and rental. Four examples are:

- Analyzing turnover rates for different unit sizes in different locations.
- Assessing rents and rates of return for proposed developments.
- Estimating the value (impacts on rents and selling prices) of amenities.
- Assessing the economics of converting conventional rentals to condominium (estimating potential selling prices for converted units).

Feel free to contact me to discuss research opportunities.

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**Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4**

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
C01	10 Navy Wharf Crt	H,E,P,L	1+Den	700	\$2.03	\$2.17	\$344	\$359	-0.60%	2.55%	5.73%	8.65%
C01	10 Yonge St, 10 Queens Quay	H,E,P,L	1+Den	850	\$1.79	\$1.81	\$295	\$316	-2.28%	0.71%	3.79%	6.66%
C01	10 Yonge St, 10 Queens Quay	H,E,P,L	2 BR	1100	\$1.84	\$1.86	\$310	\$326	-2.24%	0.75%	3.83%	6.69%
C01	1001 Bay St	P,L	1+Den	700	\$2.20	\$2.10	\$363	\$371	-1.43%	1.61%	4.72%	7.60%
C01	1055 Bay, 44 St. Joseph	H,E,P,L	1+Den	675	\$2.19	\$2.16	\$337	\$362	-1.14%	1.96%	5.12%	8.03%
C01	140 Simcoe St	P,L	1 BR	600	\$2.23	\$2.25	\$364	\$378	-0.42%	2.73%	5.90%	8.81%
C01	16, 18 Yonge St	H,E,P	1+Den	700		\$2.08		\$358	-0.75%	2.36%	5.51%	8.40%
C01	16, 18 Yonge St	H,E,P	2+Den	925		\$2.11		\$376	-0.89%	2.18%	5.30%	8.18%
C01	208, 218 Queens Quay W, 8 York	H,E,P	1 BR	575	\$2.41	\$2.47	\$399	\$401	-0.53%	2.63%	5.83%	8.77%
C01	208, 218 Queens Quay W, 8 York	H,E,P	1+Den	725	\$2.19	\$2.24	\$392	\$394	-1.23%	1.83%	4.96%	7.84%
C01	219, 231 Fort York Blvd	H,P	1 BR	625	\$2.04	\$2.05	\$330	\$346	-0.44%	2.70%	5.87%	8.78%
C01	219, 231 Fort York Blvd	H,P,L	2 BR	900	\$1.93	\$1.94	\$354	\$365	-1.20%	1.82%	4.90%	7.74%
C01	228, 230 Queens Quay W	H,E,P	1 BR	550	\$2.43	\$2.42	\$387	\$396	-0.68%	2.46%	5.65%	8.58%
C01	228, 230 Queens Quay W	H,E,P	2 BR	925	\$2.07	\$2.07	\$342	\$347	-1.24%	1.86%	5.01%	7.92%
C01	24 Wellesley St W	H,E,P,L	1+Den	700	\$2.09	\$2.16	\$326	\$334	-0.74%	2.46%	5.68%	8.65%
C01	250, 260, 270 Queens Quay	P,L	1+Den	800	\$1.61	\$1.64	\$258	\$278	-0.88%	2.24%	5.40%	8.30%
C01	250, 270 Wellington St W	H,E,P,L	1 BR	600	\$2.37	\$2.40	\$405	\$428	-1.25%	1.79%	4.91%	7.78%
C01	250, 270 Wellington St W	H,E,P,L	1+Den	650	\$2.29	\$2.32	\$390	\$413	-1.32%	1.72%	4.83%	7.70%
C01	3 Navy Wharf, 5 Marine Court	H,E,P,L	1+Den	675		\$2.32		\$371	-0.04%	3.17%	6.39%	9.32%
C01	3 Navy Wharf, 5 Marine Court	H,E,P,L	2+Den	1050		\$1.99		\$349	-0.97%	2.11%	5.24%	8.12%
C01	30 Grand Trunk Cres	H,E	1+Den	650		\$2.00						
C01	33 Harbour Sq	H,E,P,L	2 BR	1400	\$1.58	\$1.60	\$293	\$315	-2.64%	-0.55%	3.25%	6.03%
C01	35 Mariner Terrace	H,E,P,L	1+Den	675	\$2.03	\$2.10	\$331	\$359	-0.83%	2.28%	5.43%	8.33%
C01	361, 373 Front St W	H,E,P,L	1+Den	675	\$2.06	\$2.09	\$342	\$365	-1.08%	1.99%	5.12%	8.01%
C01	361, 373 Front St W	H,E,P,L	2+Den	900	\$2.05	\$2.07	\$338	\$355	-1.02%	2.08%	5.22%	8.12%
C01	38 Elm St	H,E,P,L	1 BR	725	\$2.05	\$2.13	\$320	\$348	-1.45%	1.65%	4.82%	7.74%
C01	381, 397 Front St W	H,E,P,L	1+Den	650	\$2.10	\$2.22	\$351	\$371	-0.89%	2.23%	5.40%	8.31%
C01	381, 397 Front St W	H,E,P,L	2+Den	950	\$1.99	\$2.07	\$325	\$343	-1.00%	2.12%	5.29%	8.21%
C01	410 Queens Quay W	H,E,P	1 BR	600	\$2.23	\$2.30	\$395	\$402	-1.47%	1.58%	4.70%	7.58%

Continued ...

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Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
C01	736, 750 Bay St	H,E,P,L	1 BR	575	\$2.45	\$2.48	\$381	\$408	-1.03%	2.09%	5.27%	8.19%
C01	736, 750 Bay St	H,E,P,L	2 BR	900	\$2.14	\$2.17	\$332	\$351	-1.36%	1.76%	4.93%	7.86%
C01	77 Harbour Sq	H,E,P,L	1 BR	725	\$2.13	\$2.16	\$346	\$371	-1.54%	1.52%	4.64%	7.53%
C01	81 Navy Wharf Crt	H,E,P,L	1+Den	675	\$2.13	\$2.19	\$339	\$346	-0.36%	2.84%	6.07%	9.02%
C01	81 Navy Wharf Crt	H,E,P,L	2+Den	925	\$2.02	\$2.05	\$326	\$331	-0.69%	2.47%	5.67%	8.60%
C02	18 Yorkville	H,E,P	1 BR	500		\$2.89		\$555	-0.96%	2.05%	5.12%	7.95%
C02	18 Yorkville	H,E,P,L	2 BR	800		\$2.68		\$514	-1.06%	1.95%	5.02%	7.85%
C02	942 Yonge St	H,E,P	1 BR	650	\$2.07	\$2.24	\$344	\$362	-0.66%	2.51%	5.70%	8.64%
C02	942 Yonge St	H,E,P	1+Den	700	\$2.04	\$2.19	\$365	\$382	-1.13%	1.95%	5.08%	7.97%
C07	153,155 Beecroft Rd	E,P,L	1 BR	500	\$2.27	\$2.36	\$352	\$370	-0.55%	2.64%	5.86%	8.82%
C07	153,155 Beecroft Rd	E,P,L	2 BR	850	\$1.78	\$1.84	\$289	\$299	-1.51%	1.60%	4.77%	7.69%
C07	4968,4978 Yonge St	P	1 BR	550	\$2.08	\$2.18	\$342	\$355	-0.11%	3.07%	6.28%	9.21%
C07	4968,4978 Yonge St	P	1+Den	675	\$1.88	\$1.96	\$333	\$343	-0.80%	2.30%	5.44%	8.32%
C07	7, 23 Lorraine Dr	H,E,P,L	2+Den	875	\$1.81	\$1.87	\$281	\$282	-0.42%	2.82%	6.08%	9.06%
C08	105 Victoria St	-	1 BR	625	\$1.87	\$1.88	\$292	\$332	-0.77%	2.33%	5.46%	8.34%
C08	109 Front St E	H,E,L	1 BR	575	\$2.29	\$2.29	\$375	\$387	-0.66%	2.46%	5.63%	8.54%
C08	109 Front St E	H,E,P,L	2 BR	850	\$2.14	\$2.14	\$352	\$360	-0.89%	2.23%	5.39%	8.29%
C08	210, 220 Victoria St	H,E	1 BR	625	\$2.23	\$2.21	\$358	\$347	-0.34%	2.87%	6.10%	9.05%
C08	210, 220 Victoria St	H,E	2 BR	1000	\$2.02	\$2.01	\$323	\$316	-0.62%	2.57%	5.79%	8.74%
C08	7 King St E	H,E,P,L	1 BR	650	\$2.33	\$2.47	\$361	\$427	-0.94%	2.14%	5.28%	8.17%
C08	7 King St E	H,E,P,L	1+Den	800	\$2.09	\$2.20	\$332	\$386	-1.27%	1.79%	4.92%	7.79%
C08	85 Bloor St E	H,E	1 BR	525		\$2.56	\$0	\$416	0.12%	3.31%	6.52%	9.45%
C08	85 Bloor St E	H,E,P,L	2 BR	800		\$2.50	\$0	\$434	-0.79%	2.30%	5.45%	8.34%
C09	8 Park Rd	H,E	1+Den	625	\$2.33	\$2.47	\$354	\$376	-0.13%	3.11%	6.37%	9.34%
C09	8 Park Rd	H,E,P,L	2 BR	950	\$2.09	\$2.18	\$337	\$351	-1.10%	2.03%	5.22%	8.16%
C13	5,7 Concorde Pl	H,E,P,L	1 BR	700	\$1.63	\$1.63	\$251	\$264	-1.16%	1.99%	5.17%	8.10%
C13	5,7 Concorde Pl	H,E,P,L	2+Den	1225	\$1.30	\$1.31	\$200	\$207	-1.78%	1.35%	4.52%	7.45%
C14	1, 3 Pemberton Ave	H,E,P,L	1 BR	575	\$2.08	\$2.23	\$303	\$323	0.03%	3.33%	6.63%	9.63%

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Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
C14	1, 3 Pemberton Ave	H,E,P,L	2+Den	975	\$1.80	\$1.89	\$266	\$278	-0.65%	2.60%	5.87%	8.87%
C14	10 Northtown Way	H,P,L	1+Den	650	\$2.04	\$2.07	\$344	\$350	-0.85%	2.27%	5.43%	8.34%
C14	10 Northtown Way	H,P,L	2 BR	850	\$1.92	\$1.95	\$325	\$329	-1.00%	2.12%	5.27%	8.18%
C14	16, 18 Harrison Garden Blvd	H,E,P,L	1 BR	525	\$2.29	\$2.48	\$375	\$390	-0.34%	2.86%	6.08%	9.04%
C14	16, 18 Harrison Garden Blvd	H,E,P,L	2 BR	825	\$1.93	\$2.05	\$323	\$332	-1.04%	2.10%	5.28%	8.22%
C14	18 Hillcrest Ave, 35 Empress Ave	P	1+Den	675	\$1.83	\$1.94	\$304	\$335	-0.79%	2.32%	5.46%	8.35%
C14	18 Hillcrest Ave, 35 Empress Ave	P	2 BR	950	\$1.57	\$1.64	\$266	\$288	-1.22%	1.86%	4.98%	7.86%
C14	18, 28 Pemberton Ave	H,E,P,L	1 BR	600	\$2.00	\$2.16	\$303	\$315	0.26%	3.56%	6.86%	9.85%
C14	18, 28 Pemberton Ave	H,E,P,L	2 BR	875	\$1.71	\$1.82	\$268	\$276	-0.53%	2.70%	5.95%	8.93%
C14	188 Doris	H,E,P	1 BR	600	\$2.05	\$2.20	\$328	\$346	-0.07%	3.15%	6.38%	9.33%
C14	20,22,26,28 Olive Ave	H,E,P,L	1 BR	575	\$2.05	\$2.15	\$301	\$313	-0.30%	2.98%	6.27%	9.28%
C14	20,22,26,28 Olive Ave	H,E,P,L	2 BR	800	\$1.82	\$1.89	\$285	\$293	-1.12%	2.06%	5.27%	8.24%
C14	23 Hollywood Ave	H,E,P,L	1 BR	600	\$2.14	\$2.16	\$328	\$353	-0.37%	2.80%	6.00%	8.92%
C14	23 Hollywood Ave	H,E,P,L	2 BR	825	\$1.95	\$1.96	\$321	\$339	-0.94%	2.15%	5.29%	8.18%
C14	256,260 Doris Ave	H,E,P,L	2 BR	925	\$1.76	\$1.81	\$277	\$286	-1.20%	1.95%	5.14%	8.09%
C14	28 Byng Ave	H,E,P,L	2 BR	850	\$1.92	\$2.06	\$295	\$305	-1.00%	2.22%	5.47%	8.47%
C14	28 Empress Ave	H,E,P,L	2 BR	850	\$1.77	\$1.92	\$313	\$315	-0.90%	2.25%	5.43%	8.36%
C14	28, 30 Harrison Garden Blvd	P	1+Den	625	\$1.96	\$1.95	\$299	\$313	-1.05%	2.10%	5.29%	8.22%
C14	28, 30 Harrison Garden Blvd	P	2 BR	800	\$1.79	\$1.78	\$287	\$297	-1.50%	1.59%	4.74%	7.64%
C14	29, 39 Pemberton Ave	H,E,P,L	1 BR	625	\$2.03	\$2.07	\$288	\$312	-0.19%	3.06%	6.33%	9.31%
C14	29, 39 Pemberton Ave	H,E,P,L	2 BR	950	\$1.71	\$1.73	\$259	\$275	-1.02%	2.14%	5.35%	8.29%
C14	31, 35 Bales Ave	P,L	1 BR	525		\$2.33		\$379	0.06%	3.25%	6.46%	9.39%
C14	31, 35 Bales Ave	P,L	2 BR	850		\$1.92		\$333	-0.77%	2.33%	5.47%	8.36%
C14	33 Empress Ave	P,L	2 BR	900	\$1.78	\$1.79	\$302	\$328	-1.31%	1.72%	4.82%	7.67%
C14	33 Sheppard Ave E	H,P	1 BR	600	\$2.06	\$2.11	\$344	\$367	-1.48%	1.57%	4.69%	7.57%
C14	5,15 Northtown Way	H,E,P	1 BR	575	\$2.16	\$2.25	\$337	\$347	-0.40%	2.81%	6.05%	9.02%
C14	5,15 Northtown Way	H,E,P	1+Den	700	\$1.93	\$2.01	\$314	\$322	-0.96%	2.19%	5.38%	8.32%
C14	5,15 Northtown Way	H,E,P	2 BR	925	\$1.78	\$1.84	\$295	\$301	-1.34%	1.78%	4.94%	7.86%

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Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
C14	60 Byng Ave	H,E,P,L	1 BR	525	\$2.28	\$2.41	\$361	\$360	-0.50%	2.74%	6.00%	8.99%
C14	60 Byng Ave	H,E,P,L	1+Den	650	\$2.08	\$2.18	\$347	\$346	-1.16%	1.99%	5.19%	8.13%
C14	78,80 Harrison Garden Blvd	P	1 BR	575	\$2.13	\$2.31	\$346	\$367	-0.12%	3.09%	6.31%	9.26%
C14	78,80 Harrison Garden Blvd	P	2 BR	950	\$1.72	\$1.83	\$306	\$319	-1.23%	1.85%	4.98%	7.86%
C14	8 Hillcrest Ave	P,L	1 BR	550	\$2.11	\$2.18	\$359	\$361	-0.58%	2.57%	5.75%	8.67%
C14	8 Hillcrest Ave	P,L	2 BR	875	\$1.83	\$1.87	\$329	\$330	-1.28%	1.79%	4.91%	7.78%
C15	1,2,3,8 Rean Dr	H,E,P,L	1 BR	625	\$1.93	\$2.06	\$295	\$311	-0.74%	2.48%	5.73%	8.71%
C15	1,2,3,8 Rean Dr	H,E,P,L	1+Den	725	\$1.87	\$1.98	\$307	\$321	-1.23%	1.89%	5.07%	8.00%
C15	1,2,3,8 Rean Dr	H,E,P,L	2 BR	900	\$1.71	\$1.76	\$281	\$280	-1.49%	1.64%	4.82%	7.76%
C15	1,2,3,8 Rean Dr	H,E,P,L	2+Den	1050	\$1.64	\$1.69	\$271	\$270	-1.68%	1.44%	4.60%	7.53%
C15	17 Barberry Pl	H,P,L	1 BR	550	\$2.17	\$2.25	\$342	\$357	0.12%	3.34%	6.57%	9.52%
C15	17 Barberry Pl	H,P,L	1+Den	725	\$1.92	\$1.99	\$323	\$335	-0.57%	2.57%	5.74%	8.65%
C15	18 Kenaston Gdns	H,P,L	1 BR	550		\$2.45		\$369	0.47%	3.75%	7.02%	9.99%
C15	18 Kenaston Gdns	H,P,L	2 BR	950		\$1.85		\$332	-1.30%	1.75%	4.86%	7.73%
E04	8,18 Mondeo Dr	H,E,P	1 + Den	675		\$1.66		\$256	-0.96%	2.24%	5.46%	8.43%
E05	25,55,75,175,225,275 Bamburgh Circ	H,E,P	1 + Den	950	\$1.38	\$1.38	\$190	\$190	-0.90%	2.42%	5.74%	8.78%
E05	25,55,75,175,225,275 Bamburgh Circ	H,E,P	2+Den	1300	\$1.18	\$1.18	\$166	\$166	-1.64%	1.61%	4.89%	7.91%
E09	1, 11 Lee Centre Dr	H,E,P,L	1+Den	650	\$1.72	\$1.86	\$242	\$245	0.25%	3.67%	7.05%	10.10%
E09	1, 11 Lee Centre Dr	H,E,P,L	2 BR	875	\$1.50	\$1.61	\$214	\$215	-0.49%	2.87%	6.23%	9.29%
E09	36, 38 Lee Centre Dr	H,E,P,L	1+Den	650	\$1.81	\$1.87	\$256	\$253	0.35%	3.74%	7.11%	10.14%
E09	36, 38 Lee Centre Dr	H,E,P,L	2 BR	750	\$1.76	\$1.82	\$249	\$246	0.23%	3.62%	6.98%	10.02%
E09	50, 60 Brian Harrison Way	H,E,P,L	1+Den	650		\$1.86		\$290	-0.72%	2.48%	5.71%	8.67%
E09	50, 60 Brian Harrison Way	H,E,P,L	2 BR	800		\$1.80		\$282	-0.87%	2.31%	5.53%	8.48%
E09	68, 88 Corporate Dr	H,E,P	2+Den	1050	\$1.41	\$1.41	\$189	\$189	-0.98%	2.36%	5.71%	8.78%
E09	83 Borough Dr	H,P	1+Den	700		\$1.67		\$274	-0.77%	2.39%	5.58%	8.50%
N02	50, 60 Disera Dr	H,P	1+Den	700	\$1.74	\$1.82		\$295	-0.65%	2.50%	5.68%	8.60%
N03	130,135 Pond Dr	H,P	2 BR	925	\$1.68	\$1.71	\$238	\$230	-0.42%	2.92%	6.26%	9.30%

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Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
N03	20,30,40 Harding Blvd	H,E,P	2+Den	1350	\$1.25	\$1.32	\$174	\$173	-1.28%	2.05%	5.39%	8.46%
N03	25, 51 Times Ave	H,E,P	1+Den	725	\$1.91	\$1.94	\$271	\$268	-0.10%	3.22%	6.55%	9.56%
N03	25, 51 Times Ave	H,E,P,L	2 BR	950	\$1.71	\$1.73	\$250	\$248	-0.71%	2.55%	5.83%	8.84%
N03	23,39 Oneida Cres	H,E,P,L	1 BR	600	\$1.88	\$1.94	\$282	\$295	-0.78%	2.42%	5.65%	8.61%
N03	23,39 Oneida Cres	H,E,P,L	2 BR	775	\$1.82	\$1.86	\$266	\$276	-0.75%	2.47%	5.72%	8.70%
N03	48, 62 Suncrest Blvd	H,P	1 BR	600	\$1.99	\$1.98	\$291	\$295	-0.37%	2.87%	6.12%	9.09%
N03	9015, 9017 Leslie St	H,E,P	1+Den	675	\$1.94	\$2.00	\$286	\$284	-0.26%	3.03%	6.32%	9.33%
N03	9015, 9017 Leslie St	H,E,P,L	2+Den	1000	\$1.67	\$1.71	\$251	\$250	-0.96%	2.27%	5.52%	8.51%
N11	33 Cox Blvd	H,P	2+Den	925		\$1.83		\$318	-1.23%	1.83%	4.94%	7.81%
W06	1 Palace Pier	H,E,P	1 BR	800	\$1.86	\$2.01	\$275	\$338	-1.79%	1.27%	4.40%	7.29%
W06	1 Palace Pier	H,E,P	2 BR	1300	\$1.58	\$1.67	\$259	\$297	-2.53%	-0.37%	3.48%	6.33%
W06	2083,2087 Lake Shore Blvd W	H,P,L	1 BR	600	\$2.13	\$2.14	\$355	\$358	-1.42%	1.66%	4.81%	7.72%
W06	2119,2121 Lake Shore Blvd W	H,E,P	1 BR	625	\$1.99	\$2.11	\$316	\$339	-0.80%	2.36%	5.56%	8.50%
W06	2119,2121 Lake Shore Blvd W	H,E,P,L	2+Den	1100	\$1.66	\$1.73	\$295	\$308	-1.86%	1.16%	4.25%	7.11%
W10	710 Humberwood Blvd	H,E,P,L	2 BR	825		\$1.49		\$255	-1.55%	1.53%	4.66%	7.55%
W15	1,33 Elm Dr W	H,E,P,L	1+Den	650	\$1.81	\$1.84	\$273	\$278	-0.77%	2.44%	5.67%	8.64%
W15	1,33 Elm Dr W	H,E,P,L	2 BR	825	\$1.65	\$1.67	\$258	\$262	-1.27%	1.87%	5.06%	8.00%
W15	115, 135, 145, 155 Hillcrest Ave	H,E,P	1+Den	900	\$1.29	\$1.35	\$168	\$172	-0.58%	2.83%	6.22%	9.30%
W15	115, 135, 145, 155 Hillcrest Ave	H,E,P	2 BR	1050	\$1.23	\$1.28	\$160	\$163	-0.84%	2.56%	5.95%	9.03%
W15	156 Enfield Pl	H,E,P,L	2 BR	950	\$1.46	\$1.50	\$226	\$247	-1.44%	1.66%	4.81%	7.71%
W15	220 Burnhamthorpe, 3939 Duke of York Blvd	H,E,P	1+Den	725	\$1.73	\$1.76	\$273	\$272	-1.12%	2.05%	5.26%	8.21%
W15	220 Burnhamthorpe, 3939 Duke of York Blvd	H,E,P,L	2 BR	900	\$1.65	\$1.67	\$270	\$269	-1.50%	1.61%	4.77%	7.69%
W15	325, 335 Webb Dr	H,E,P,L	2 BR	1050	\$1.35	\$1.32	\$177	\$184	-1.32%	1.95%	5.23%	8.26%
W15	3504 Hurontario St	H,E,P,L	1 BR	575		\$1.91		\$318	-1.06%	2.05%	5.20%	8.10%
W15	3880,3888 Duke of York Blvd	H,E,P	1+Den	675	\$1.83	\$1.86	\$284	\$282	-0.63%	2.59%	5.82%	8.79%
W15	3880,3888 Duke of York Blvd	H,E,P	2 BR	975	\$1.56	\$1.58	\$258	\$257	-1.49%	1.61%	4.76%	7.67%
W15	3880,3888 Duke of York Blvd	H,E,P	2+Den	1000	\$1.57	\$1.58	\$258	\$257	-1.48%	1.63%	4.78%	7.70%

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Table A-1
Rents, Prices, and Potential Rates of Return for Condo Rentals in the Toronto Area, 2006-Q4

TREB District	Address	Included in Rent	Unit Type	Sq.Ft.	Rent \$PSF		Price \$PSF		2006-Q4 IRR @ Growth Rate of...			
					2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.00%	1.50%	3.00%	4.50%
W15	4080, 4090 Living Arts Dr	H,P,L	1+Den	700		\$1.78		\$284	-0.92%	2.23%	5.42%	8.35%
W15	4080, 4090 Living Arts Dr	H,P,L	2 BR	850		\$1.68		\$281	-1.33%	1.76%	4.90%	7.80%
W15	90 Absolute Ave, 90 Clarica Dr	H,E,P,L	1+Deb	725		\$1.64		\$283	-1.49%	1.57%	4.68%	7.56%
W19	25,35 Kingsbridge Garden Circ	H,E,P	1 BR	700	\$1.71	\$1.82	\$265	\$264	0.02%	3.32%	6.60%	9.59%
W19	25,35 Kingsbridge Garden Circ	H,E,P,L	2 BR	1100	\$1.43	\$1.50	\$224	\$224	-0.82%	2.40%	5.64%	8.62%
W19	25,35 Kingsbridge Garden Circ	H,E,P,L	2+Den	1275	\$1.41	\$1.47	\$219	\$219	-0.86%	2.36%	5.60%	8.58%
W20	2545, 2565, 2585 Erin Centre Blvd	H,E,P,L	1 BR	575	\$2.12	\$2.07	\$293	\$307	-0.72%	2.50%	5.75%	8.73%
W20	2545, 2565, 2585 Erin Centre Blvd	H,E,P,L	2 BR	875	\$1.69	\$1.66	\$247	\$257	-1.70%	1.43%	4.61%	7.55%

Source: Will Dunning Inc.
Note: Codes for "Included in Rent" are: H=heat; E=hydro; P=parking; L=locker.



Table A-2
Summary Data, By TREB District – All Projects

TREB District	Square Feet	Rent \$PSF		Price \$PSF		10 Year IRR @ Growth Rate of...			
		2005-Q4	2006-Q4	2005-Q4	2006-Q4	0.0%	1.5%	3.0%	4.5%
C01	766	\$2.09	\$2.12	\$345	\$362	-1.08%	1.99%	5.16%	8.06%
C02	663	\$2.06	\$2.50	\$354	\$453	-0.95%	2.11%	5.23%	8.10%
C07	690	\$1.97	\$2.04	\$320	\$330	-0.68%	2.49%	5.69%	8.62%
C08	717	\$2.14	\$2.25	\$266	\$379	-0.68%	2.45%	5.61%	8.52%
C09	788	\$2.21	\$2.33	\$345	\$364	-0.61%	2.57%	5.80%	8.75%
C13	963	\$1.46	\$1.47	\$225	\$236	-1.47%	1.67%	4.84%	7.78%
C14	735	\$1.94	\$2.03	\$312	\$326	-0.77%	2.40%	5.59%	8.53%
C15	759	\$1.87	\$2.00	\$303	\$322	-0.80%	2.36%	5.55%	8.49%
E04	675		\$1.66		\$256	-0.96%	2.24%	5.46%	8.43%
E05	1125	\$1.28	\$1.28	\$178	\$178	-1.27%	2.02%	5.31%	8.34%
E09	766	\$1.64	\$1.74	\$230	\$249	-0.37%	2.93%	6.24%	9.25%
N02	700	\$1.74	\$1.82		\$295	-0.65%	2.50%	5.68%	8.60%
N03	844	\$1.76	\$1.80	\$256	\$258	-0.63%	2.65%	5.93%	8.93%
N11	925		\$1.83		\$318	-1.23%	1.83%	4.94%	7.81%
W06	885	\$1.85	\$1.93	\$300	\$328	-1.68%	1.22%	4.50%	7.39%
W07	825		\$1.49		\$255	-1.55%	1.53%	4.66%	7.55%
W15	837	\$1.56	\$1.63	\$237	\$254	-1.15%	2.03%	5.23%	8.19%
W19	1025	\$1.51	\$1.60	\$236	\$236	-0.55%	2.69%	5.95%	8.93%
W20	725	\$1.90	\$1.86	\$270	\$282	-1.21%	1.96%	5.18%	8.14%
"416"	760	\$1.96	\$2.04	\$310	\$335	-0.89%	2.24%	5.43%	8.36%
"905"	848	\$1.66	\$1.70	\$247	\$258	-0.93%	2.28%	5.51%	8.47%
All Areas	779	\$1.90	\$1.97	\$297	\$319	-0.90%	2.24%	5.45%	8.38%

Source: Will Dunning Inc.

Table A-3						
Summary of Rents and Prices, By TREB District						
Index Values for 2002-Q4 to 2006-Q4						
<i>TREB District</i>	<i>Rent</i>			<i>Price</i>		
	<i>2002-Q3</i>	<i>2005-Q4</i>	<i>2006-Q4</i>	<i>2002-Q3</i>	<i>2005-Q4</i>	<i>2006-Q4</i>
C01	100.0	97.0	98.2	100.0	105.6	110.3
C02	100.0	93.3	97.8	100.0	111.4	117.5
C07	100.0	92.9	96.4	100.0	99.7	102.8
C08	100.0	96.2	98.3	100.0	113.4	120.9
C13	100.0	95.1	95.5	100.0	106.7	111.4
C14	100.0	90.1	93.8	100.0	102.6	106.7
E05	100.0	91.9	91.8	100.0	107.3	107.3
E09	100.0	87.2	91.7	100.0	101.2	102.7
N03	100.0	93.4	95.4	100.0	113.9	114.2
W06	100.0	93.3	97.7	100.0	97.2	106.9
W15	100.0	96.3	98.1	100.0	108.0	109.6
W19	100.0	92.7	97.6	100.0	104.6	104.4
"416"	100.0	93.6	96.4	100.0	104.4	108.8
"905"	100.0	95.7	97.5	100.0	109.6	110.9
All Areas	100.0	94.0	96.7	100.0	105.3	109.2

Source: Will Dunning Inc.