



345 Superior Boulevard, Unit #2,
Mississauga
J.J. Barnicke For Lease



3470-90 Pharmacy Avenue
Toronto
J.J. Barnicke For Lease



35 Grand Marshall Drive
Toronto
J.J. Barnicke For Lease



65 Travail Road
Markham
Speculative Development
J.J. Barnicke For Lease

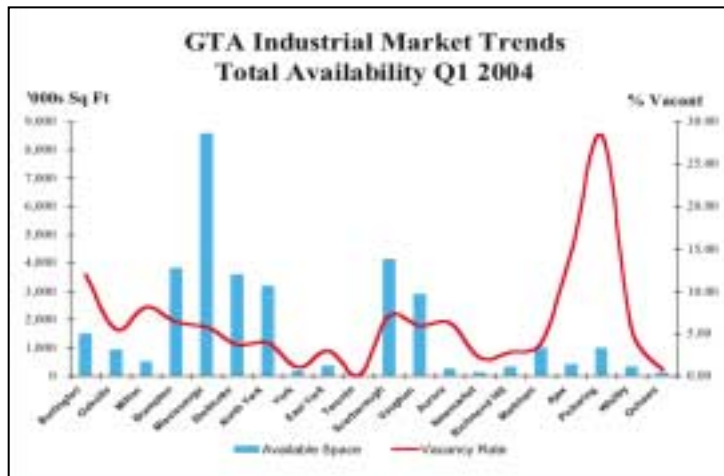
Canadian manufacturers continue to face challenges due to the rising value of the Canadian dollar. Following a year of declining production brought on primarily by the unexpected socio-economic events of 2003, it is the rising Canadian dollar that has had the greatest affect on the export-oriented business sector in Canada. The U.S. economy continues to rebound which should translate into increased demand during the year. Economic conditions in the manufacturing sector are expected to continue to improve over 2004/2005 as businesses adjust to the currency shock.

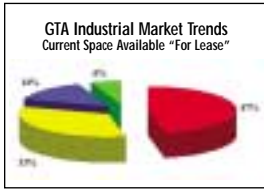
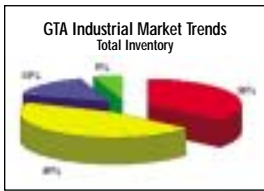
In the GTA, manufacturing activity is expected to grow by 1.9% in 2004 according to the Conference Board of Canada. Although growth is not expected to be strong, it is a sharp contrast to 2003 where manufacturing output declined by 4.4%. Several pending plant closures are expected to weigh on the rebound of the industrial market in the GTA. However, the outlook for 2005 is expected to be much more positive, with manufacturing output expected to increase by 6.2%.

While residential construction activity has been strong over the past two years, activity is expected to cool slightly in 2004 with construction output expected to decline from 6.5% in 2003 to 2.3% in 2004. New home starts are expected to slow to more demographically sustainable levels in 2004 and ease further in 2005 as interest rate begin to rise.

Industrial vacancy in the GTA increased in Q1, from 4.7% at the start of the year to 5.3% at the end of the first quarter. This increase in vacancy was concentrated in the Suburban West and Central Toronto, while the North and East markets experienced a slight decline in vacancy.

Investment sales activity remained buoyant in the first quarter. Recent significant transactions include the sale of 150 Biscayne Crescent, Brampton by First Gulf 150 Biscayne Inc. to Nureal Biscayne Inc. for \$24.8 million; The Clorox Company of Canada is the sole occupant of the property on a 15





- GTA West
- Metro Toronto
- GTA North
- GTA East

J.J. Barnicke Opportunities & Listings

100 Sunrise Avenue
Toronto
For Sale/Lease
115,000 sq.ft.

270 Ferrier Street
Markham
For Lease
26,800 sq.ft.

145 Konrad Crescent
Markham
For Lease
10,464 sq.ft.

Inspiration Avenue
Richmond Hill
Development
64,000 to 142,000 sq.ft.

14 Abacus Road
Brampton
For Sublease
30,645 sq.ft.

215 Evans Avenue
Toronto
For Sale/Lease
79,000 sq.ft.

1600 Courtney Park Drive
Mississauga
For Sublease
46,842 sq.ft.

345 Superior Drive, Unit #2
Mississauga
For Sublease
42,457 sq.ft.

441 Chrislea Road
Vaughan
For Sublease
100,626 sq.ft.

184 Courtland Avenue
Vaughan
For Sublease
51,220 sq.ft.

395 Ambassador Drive
Mississauga
For Lease
26,200 sq.ft.

5770 & 5780 Highway #7
Vaughan
For Sublease
226,487 sq.ft.

Richmond Hill and Newmarket were the most active nodes in this market in Q1. Current vacancy in Markham is 3.8%, down from 5.3% at the start of the year. Vacancy in Richmond Hill decreased 0.8% over the quarter, from 3.6% at the start of the year to 3.8%. In Newmarket, current vacancy sits at 2.1%, down from 3.2% at the start of the year. Overall vacancy in Vaughan increased to 5.9%, up 0.2% from the start of the year. Vacancy in Aurora currently sits at 6.2%, up 1.2% from the start of the year. We expect that consistent levels of demand will persist for 2004. However, new construction projects are needed to attract new tenants and/or prevent existing tenants from leaving the area in favour of a new location.

Intermittent spikes in vacancy continues to battle market stability in the GTA East. Where vacancy increased steadily in 2003, industrial vacancy is down 0.5% in Q1 2004. Current vacancy is 5.6% - due in large part to a decrease in the overall inventory available for sale in this region. Ajax, Pickering and Oshawa are the most active nodes in this region. Vacancy in Oshawa remains one of the lowest in the GTA at 0.7%, down from roughly 1.0% at the start of the year. In contrast, industrial vacancy in Pickering continues to be the highest overall in the GTA at 28.4%, down from 31.5% at the start of the year. Vacancy in Whitby more than doubled in Q1, up 3.0% over the past three months to end Q1 at 5.1%. This was largely attributed to an increase in inventory available for sale. Consistent with previous forecasts, the growth or stability of the East is contingent upon the auto sector and its supporting industries. Manufacturing activity is expected to rebound; the pace of which will be slower than previous years, thus casting a notion of doubt on the optimism that industrial activity will strengthen in East during 2004.

GTA Central

Vacancy in the Central GTA (encompassing the former cities of Toronto, North York, York, East York, Scarborough and Etobicoke) increased in Q1, from 3.5% at the start of the year to end first quarter at 3.8%. This region is home to much of the GTA's older stock of industrial space. As such user demand is more limited than in other areas throughout the GTA. Supply has remained in check over the years as very little new supply has been added to the region.

The Central GTA attracts a particular segment of the industrial user population given the constraints of its existing supply. Clear heights are typically not conducive to the needs of today's warehousing and distribution activities, traffic is a problem from a logistics perspective, realty taxes are higher than in the suburban regions and prime locations on which to develop are scarce. However, despite the limitations, there remains a healthy demand for central locations, particularly from users not constrained by clear heights and who are looking for economic space alternatives with public transit access in a central location.

Vacancy in the City of Toronto remained unchanged in Q1, holding at just below 1.0%. In contrast Scarborough posts the highest vacancy in the Central GTA at 7.1%, down from 7.2% at the start of the year. Etobicoke, North York, East York and York all experienced an increase in industrial vacancy over the first quarter of 2004. Vacancy in Etobicoke currently sits at 3.7%, up from 3.1% at the start of the year. North York saw vacancy increase from 3.6% to 3.9% over the quarter. Vacancy in the City of York doubled in Q1, from 0.5% to 1.0%. Current vacancy in East York is 2.9%, up from 2.7% at the start of the year.

GTA West

The vacancy rate for the GTA West market increased 0.5% during Q1 to end the quarter at 6.2%. The rise in vacancy was mainly attributed to new space added to the market in Oakville. Building completions continue to be concentrated in the design build segment of the market. Positive leasing activity continued in Q1 albeit at a slower pace than the rush seen at the end of 2003. There continues to be a strong demand from larger users. However, market availability has tightened in the 100,000 sq.ft. plus range. This is a positive sign for developers looking to construct larger facilities in 2004, since there will be pent-up demand from tenants to do so. We expect to see more speculative facilities being offered and constructed in the market this year than 2003.

Distribution, warehousing and logistics users continue to find the GTA West an attractive place to locate given the amenities of an international airport, existing highway network and proximity to the border for transport of goods to the United States.



395 Ambassador Drive
Mississauga
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441 Chrislea Road
Vaughan
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"Success is measured by results"

As a result these users are a large driving force in the demand for existing construction and design build facilities in this market.

Average rental rates for prestige industrial space in the GTA West market range from \$5.50 to \$6.50 per sq.ft. Rates overall for industrial space averages between \$3.50 and \$5.75. We expect rental rates to increase slightly over the course of 2004 as existing space tightens, however relief will be felt for the 100,000 sq.ft. plus users as new product is added to the market towards the end of the year.

The vacancy rate in Mississauga edged up slightly in Q1, by 0.2%, to end the quarter at 5.7%. Mississauga currently has the lowest vacancy in the GTA West, replacing Oakville which recorded the lowest vacancy at year end 2003. Dundee REIT was very active this quarter acquiring the Pauls Properties Corporation portfolio. This acquisition should help bolster user/investor confidence in the health of the Mississauga industrial market. The Orlando Corporation has plans in place to build a new freestanding 358,000 sq.ft. industrial facility in the Heartland Business Park with Winter 2004 occupancy.

Brampton's vacancy rate rose by 0.5% in Q1 to 6.4%. The Orlando Corporation has plans for two industrial facilities at their 410/Derry Business Park, 119,000 sq.ft. at 450 Export Boulevard and 296,000 sq.ft. at 7045 Beckett Drive. The Clorox Company has taken occupancy of their new facility at 150 Biscayne Crescent for a 15-year term. They will be joining Arvin Meritor who have leased 119,000 sq.ft. on First Gulf Boulevard as the newest tenants to call Brampton home.

The vacancy rate in Oakville rose by 1.3% from the start of the year to end the first quarter at 5.5%. Morguard Investments are underway with plans for a new 80,000 sq.ft. industrial building in the Winston Business Park. The facility offers QEW exposure and is expected to be ready for Winter 2004 occupancy. The vacancy rate in Burlington increased by 3.5% and currently sits at 12%, the highest in the GTA West.

Not covered in our statistics, but worth noting, is the increased interest being shown in Brantford by major multi-national industrial users. Of note is the announcement that Brantford has been chosen as the location for Proctor and Gamble's new \$70 million Canadian Distribution Centre. The 775,000 sq.ft. facility is to be built in Brantford's Northwest Business Park and is expected to be operational by June 2005. In addition Ferrero Group, makers of Ferro Rocher, Tic Tac and Nutella among other brands recently announced that Brantford has been prioritized to build their new North American manufacturing facility. Facility size and employment numbers have not been finalized. The City's policy of no industrial development charges, coupled with the availability of serviced low cost land and access to highway 403 make Brantford an attractive location for industrial users.

Land Market

Given the strength of the residential market over the last couple of years, demand for land in the GTA has been dominated by residential developers. With the expected cooling of the residential market over the next year, in addition to interest rate increases and demand returning to more demographically supportive levels, it remains to be seen whether the appetite for land acquisition by residential developers will decrease or whether they will bank land for future development opportunities. The largest residential land purchase this year occurred in Brampton where 348 acres were recently purchased by Mattamy Homes at Castlemore Road for \$65 million.

Unchanged from 2003, industrial and retail users will continue to increase their respective land development holdings portfolio in 2004. The largest industrial land purchase to date in 2004 was the purchase of 47 acres at 7350-7370 Mississauga Road North by Orlando Corporation for \$10.1 million.

Q1 2004 Notable Industrial Lease Transactions

General Mills Canada Corp
100 Edgeware Road
Brampton
443,000 sq.ft.

Forzani Group
636 Marcove Road
Mississauga
475,000 sq.ft.

Progistix Solutions Inc.
60 Driver Road
Brampton
152,000 sq.ft.

Schenker
6700 Northwest Drive
Mississauga
150,000 sq.ft.

Verwest
225 Monarch Avenue
Ajax
80,000 sq.ft.

Slimline Vinyl Windows
925 Brock Road
Pickering
69,000 sq.ft.

Booth Centennial
6700 Northwest Drive
Mississauga
307,000 sq.ft.

Geron & Associates
2680 Fourteenth Avenue
Markham
11,000 sq.ft.

Cabletel Communications
55 Valleywood Drive
Markham
32,000 sq.ft.

Notable Industrial User and Land Sales

Vendor	Address	Purchaser	Size	Price
Canadian Freightways Eastern Limited	5425 Dixie Road, Mississauga	Saputo Inc.	186,000 sq.ft.	\$20,000,000
Enbridge Gas Distribution Inc.	950 Burnhamthorpe Road W, Mississauga	The Corporation of the City of Mississauga	124,520 sq.ft.	\$8,580,000
Next Lighting Inc	4590 Dufferin Street, Toronto	Veritas 4590 Dufferin Street Corp	96,000 sq.ft.	\$6,925,000
575 Hood Road Holdings Limited	575 Hood Road, Markham	Novopharm Limited	ND	\$6,250,000
175694 Canada Inc.	1900 Derry Road East, Mississauga	Floorwood Limited	85,785 sq.ft.	\$5,225,000
H & R REIT	5 Bodrington Court, Markham	Belmont Press Limited	50,000 sq.ft.	\$3,025,000
Christos Kommatas et al	7350-7370 Mississauga Road N, Mississauga	Orlando Corporation	47.231 Acres	\$10,167,350
991045 Ontario Limited	Steeles Avenue, Halton Hills	Hopewell Development (Ontario) Inc.	62.837 Acres	\$6,265,994
9133-0589 Quebec Inc.	3750 Midland Avenue, Scarborough	KCAP Midland Inc.	10.177 Acres	\$5,100,000
Allied Systems (Canada) Company	Wentworth Street West, Oshawa	Transmetro Properties Limited	26.987 Acres	\$2,565,000

Source: RealNet Canada Inc.

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Market Outlook

The local economy is expected to strengthen in 2004, with a rebound in manufacturing activity expected for 2005. As a result, the GTA industrial market will continue along a stable path and begin to show further improvement as demand for space begins to pick up once again. With interest rates remaining low, users will continue to weigh the pros and cons of the lease vs. buy debate and we will continue to see an increasing demand on behalf of industrial users to own their own facilities. Industrial product will continue to represent stable investment returns and thus remain an attractive investment vehicle, with the only downside being constraints on product availability to meet the demand.

Q1 2004 INDUSTRIAL MARKET HIGHLIGHTS

Municipality	Total Building Inventory Sq. Ft.	Total Avail. 3/31/04	Total Avail. For Lease 3/31/04	Total Avail. For Sale 3/31/04	Vacancy Rate For Lease JJB 3/31/04	Vacancy Rate For Sale JJB 3/31/04	Overall Vac. Rate JJB 3/31/04	Weighted Overall Net Rate \$	Average Asking \$/sf
Burlington	12,486,922	1,494,418	1,173,998	399,797	9.40%	3.20%	11.97%	\$5.78	\$48.58
Oakville	17,000,000	935,594	680,204	255,390	4.00%	1.50%	5.50%	\$5.91	\$63.22
Milton	6,375,770	520,573	113,685	406,888	1.78%	6.38%	8.16%	\$6.25	\$54.13
Brampton	60,000,000	3,809,155	2,647,159	1,322,100	4.41%	2.20%	6.35%	\$4.52	\$54.87
Mississauga	150,000,000	8,589,503	7,713,050	1,409,464	5.14%	0.94%	5.73%	\$5.44	\$66.41
Suburban West	245,862,692	15,349,243	12,328,096	3,793,639	5.01%	1.54%	6.24%	\$5.58	\$57.44
Etobicoke	97,000,000	3,606,421	2,753,963	1,207,542	2.84%	1.24%	3.72%	\$4.44	\$99.30
North York	81,000,000	3,191,745	2,561,613	863,724	3.16%	1.07%	3.94%	\$4.80	\$58.62
City of York	17,372,355	176,160	110,500	125,660	0.64%	0.72%	1.01%	\$3.25	N/A
East York	11,419,802	339,713	145,913	193,800	1.28%	1.70%	2.97%	\$5.16	\$59.34
Toronto	40,670,000	35,032	9,500	25,532	0.02%	0.06%	0.09%	n/a	\$113.54
Scarborough	58,000,000	4,132,076	3,143,622	1,340,809	5.42%	2.31%	7.12%	\$4.79	\$54.12
Metro Toronto	305,462,157	11,481,147	8,725,111	3,757,067	2.86%	1.23%	3.76%	\$4.49	\$76.98
Vaughan	48,500,000	2,894,006	2,481,005	677,319	5.12%	1.40%	5.97%	\$5.65	\$63.53
Richmond Hill	11,080,000	314,126	303,662	38,165	2.74%	0.34%	2.84%	\$5.66	\$96.75
Aurora	4,324,000	269,318	139,389	176,011	3.22%	4.07%	6.23%	\$5.75	\$47.72
Newmarket	5,826,771	124,744	73,744	51,000	1.27%	0.88%	2.14%	\$6.41	\$123.53
Markham	26,000,000	996,186	791,389	204,797	3.04%	0.79%	3.83%	\$6.17	\$65.13
Suburban North	95,730,771	4,598,380	3,789,189	1,147,292	3.96%	1.20%	4.80%	\$5.93	\$79.33
Ajax	6,200,000	427,914	427,914	260,729	6.90%	4.21%	6.90%	\$4.59	\$24.93
Pickering	3,500,000	992,970	916,569	76,401	26.19%	2.18%	28.37%	\$4.50	\$40.58
Whitby	6,200,000	319,400	84,400	318,400	1.36%	5.14%	5.15%	\$3.95	\$31.88
Oshawa	17,550,000	127,093	37,611	117,413	0.21%	0.67%	0.72%	\$5.07	\$66.40
Suburban East	33,450,000	1,867,377	1,466,494	772,943	4.38%	2.31%	5.58%	\$4.53	\$40.95
TOTAL	680,505,620	33,296,147	26,308,890	9,470,941	3.87%	1.39%	4.89%	\$5.13	\$63.68

**Based on availability of industrial space for sale, lease or sublease above 8,900 sq. ft.

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