

PROFILE TORONTO

The City of Toronto is Canada's largest city with a population of 2.5 million residents. It is the heart of a large urban agglomeration of 5.0 million called the Greater Toronto Area (GTA)¹. The GTA is located on the north western shore of Lake Ontario and is part of an even larger urban complex stretching from the western end of the Lake through Southern Ontario to the Michigan border.

Toronto, with 76,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada as well as the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the most diverse economies in North America, characterized by highly specialized knowledge-based jobs. In 2004 an estimated \$240 billion of goods and services (GDP) was produced in the Toronto Census Metropolitan Area (CMA²). The City of Toronto accounts for slightly more than half of this total (\$129 billion).

Within the City, the main drivers in Toronto's economy are manufacturing and financial business services. Manufacturing (including the head offices of manufacturing firms) generates \$20 billion of annual output, an amount that is about the same as

financial services (banking, securities and insurance).

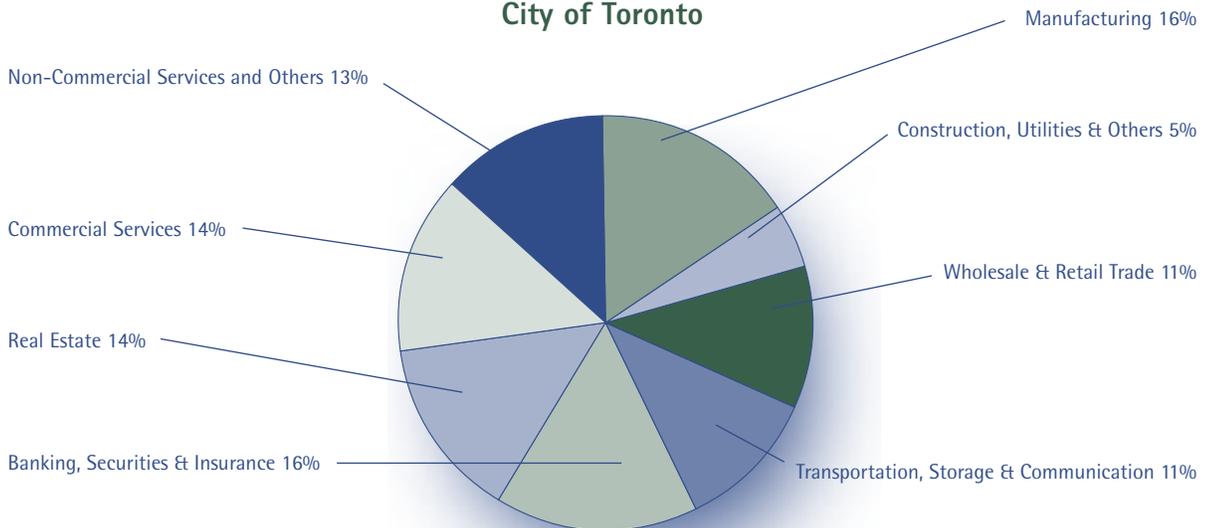
Manufacturing is somewhat more concentrated in the rest of the GTA, while financial and business services are predominately clustered in the City itself. The City also contains a concentration of health and education jobs. Manufacturing in the GTA is dominated by the auto sector and also contains a disproportionate share of related jobs in machinery and equipment, as well as primary and fabricated metals.

An estimated 1.45 million people work in the City of Toronto, which is 9.2% of all jobs in Canada.

The City of Toronto continues to be a net importer of labour from the surrounding regions. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus moving from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour both from the City and surrounding regions.

In 2004, the country's real GDP growth accelerated to 2.6% from 2.0% in 2003. The national economic growth rose against the backdrop of a healthy gain in corporate profits, with manufacturers stepping up production to meet foreign demand despite substantial appreciation in the Canadian dollar against the American dollar. Continued low interest

**TOTAL ECONOMIC OUTPUT
City of Toronto**



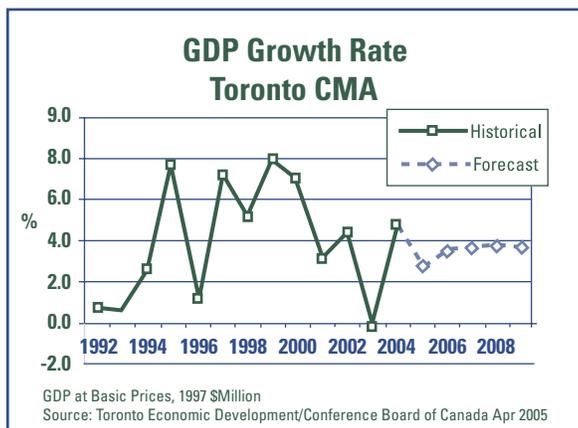
¹ Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

² Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis on labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

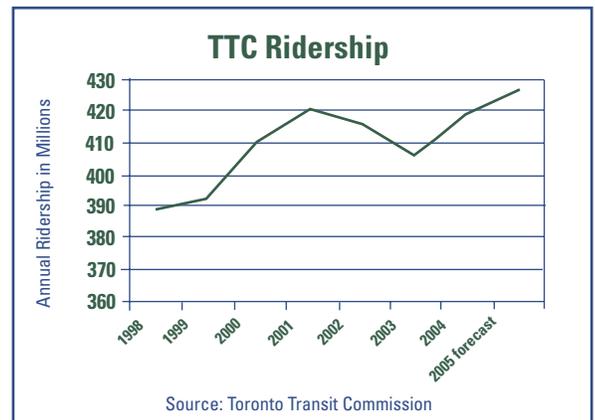
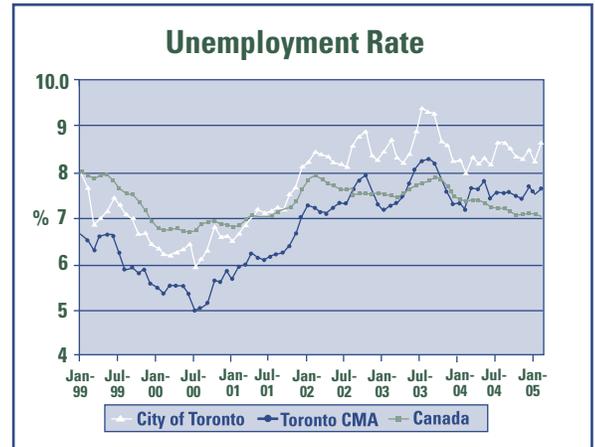
rates aided home building across the country, and consumers furnished their new homes with appliances and electronic products, spurring gain in retail trade. Consumer spending grew in tandem with personal disposable income.

The urban portion of Southern Ontario, which includes the GTA, accounts for one-half of the manufacturing activity in Canada. A major employer is the auto industry which benefited from export demand for Canadian built models. Ontario's goods-producing industries matched the performance of the services-producing industries for the first time in two years. Three industries - transportation equipment manufacturing, wholesale trade and finance - contributed significantly to the growth of the economy. Ontario consumers flocked to building material stores and new "big box" malls. However, gains in personal consumption and business investment were below the national average. Overall, Ontario's economy rose 3.1% in 2004 compared with 1.8% in 2003.

Toronto's economy had a remarkable expansion for eight years following the mid 1990s. In 2004 the Toronto CMA's economy rebounded from the 2003 brief recession with a real GDP growth of 4.6%, and enjoyed the fifth fastest economic growth rate amongst the country's Census Metropolitan Areas (CMAs), behind Regina (6.3%), Saguenay (6.3%), Edmonton (6.2%) and Victoria (5.5%).



In Toronto, the 2004 unemployment rate, after reaching the highest level in 2003 since amalgamation (8.6%), returned to an average of 8.4%, which had a positive impact on City services such as transit ridership. The downtown office vacancy rate averaged 9.9% (2003: 11.1%) and compared favourably with the GTA (10.9%).



Interest rates in Canada and the U.S. have dropped to the lowest level in more than 40 years. Stimulated by low mortgage rates, housing starts in the City have increased from 5,000 per year in 1996 to 13,560 in 2004 after peaking at 14,895 in 2003, and are capturing an increasing share of the regional housing starts.

Within the Greater Toronto Area, the economic growth of the City has been lagging behind the rest of the region, particularly between 2000 and 2003 when employment in the City declined. Despite a strong rebound in 2004, the economy is forecasted to slow down in 2005 due to slower growth in manufacturing, construction and services sectors. The Conference Board of Canada has projected that the Toronto CMA's economic growth over the next five years will average 2.7% annually. This growth rate is much closer to the long-term sustainable growth rate for the City's economy.