

INDUSTRIAL OVERVIEW OTTAWA, ON

Year End 2006

The Ottawa industrial market was a consistent performer throughout 2006.

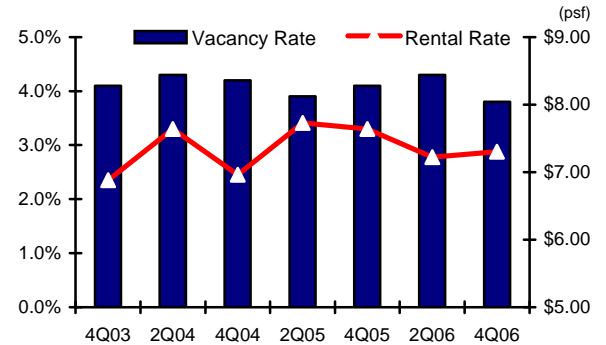
The Ottawa industrial market concluded the year on a positive note with vacancy declining slightly to 3.9% from 4.3% at mid-year 2006. Overall demand improved dramatically over the last six months of 2006 in comparison to the first two quarters of the year generating positive absorption of over 300,000 square feet (sf). Leasing activity also had a strong second half of the year with close to 700,000 sf of activity. This contributed to a year-end total of close to 1.2 million sf.

Vacancy in the Ottawa East market declined marginally to reach 3.1%, one tenth of a percentage point lower than the first two quarters of this year. Rental rates in Ottawa East also held relatively steady, declining slightly from \$7.24 to \$7.15. The eastern industrial market experienced positive absorption during the second half of the year of close to 71,000 sf. This positive absorption can be largely attributed to two factors. The first was the completion of 2905 Swansea – a multi-tenant 32,000 sf property. The second was the renewal of Boyd Moving & Storage at 1255 Leeds Avenue (located in the Sheffield Industrial Park sub-market) which generated close to 65,000 sf of positive absorption. It is expected that in the early months of 2007 at least two additional multi-tenant properties will be completed. However this new supply is being met with a tepid response and as a result new construction in 2007 will largely focus on design-build projects.

Although the Ottawa West market posted higher vacancy than the Ottawa East market at 5.1%, this is a full percentage point decline from the first half of 2006. Another positive for this market is that it posted strong absorption over the last six months of the year with over 240,000 sf. Similar to the Ottawa East market this positive absorption is largely due to new construction and a few significant transactions. Two design-build projects were completed contributing close to 100,000 sf of positive absorption.

The most significant of the deals was at 340 Legget Drive, where over 115,000 sf was removed from the market. A large portion of that absorption was due to Smart Technologies, who signed a short term lease until their new building is completed in the spring of next year. This new 260,000 sf assembly & warehouse facility will be a highlight for the Industrial West market in 2007 as it is the first building of its type to be built since the high tech collapse in the early years of the millennium. Construction activity is expected to remain brisk in 2007 in Ottawa West. Besides Smart Technologies, a new 25,000 sf multi-tenant property, located in the Rideau Heights Business Park, is expected to be completed in the early months of 2007. With two buildings already built on Iber Road this year, this area is becoming one of the hottest in town as developers are marketing two separate facilities. One is a smaller 15,000 sf multi-tenant property, the other is a site owned by Giffels who are proposing a 76,000 sf multi-tenant facility.

Overall Vacancy vs. Rental Rates



Overall demand in Q3 & Q4 dramatically improved, generating positive absorption of over 300,000 square feet

The total value of sales for the industrial investment market in 2006 was \$81.4 million, slightly below 2005 levels. Conundrum was by far the busiest industrial player this year as they purchased both the portfolios of Commerce City as well as the partial portfolio of Dymon Capital for a total value of \$66.5 million.

CUSHMAN & WAKEFIELD LEPAGE MARKET HIGHLIGHTS**Significant 3&4Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
340 Legget Drive	Kanata	Smart Technologies	70,000	Industrial - Manufacturing
1255 Leeds Avenue	Sheffield	Boyd Moving & Storage	64,739	Industrial - Storage
2477 Kaladar Avenue	Ottawa South	ABI	36,125	Industrial - Warehouse

Significant 3&4Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Dymon Portfolio - Various	Multiple	Conundrum Capital Corp.	N/A	\$22,600,000
5977 Hazeldean Road	Kanata	CMHC	74,128	\$3,800,000

Significant 3&4Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
140 Iber Road	Kanata	Induspac	78,000	December 2006
1171 Kenaston Street	Cyrville	Securit	68,000	December 2006
2905 Swansea Cres	Stevenage/Belgreen	Bytown Warehousing	31,647	December 2006
130 Iber Road	Kanata	Virtucom	21,000	December 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Palladium Drive	Kanata	Smart Technologies	260,000	May 2007
2855 Swansea Cres.	Stevenage/Belgreen	N/A	33,224	January 2007
2415 Stevenage Drive	Stevenage/Belgreen	N/A	19,725	First Half 2007

CUSHMAN & WAKEFIELD LEPAGE MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	# of Buildings Buildings	Vacancy Rate	1 Year Ago	EOY		EOY		EOY Absorption	Weighted Average Net Rental Rate*
					Leasing Activity	Under Construction	Construction Completions			
Kanata	2,854,641	53	5.9%	7.3%	146,434	260,000	99,000	123,404	\$8.32	
Bells Corners	363,842	12	0.0%	0.0%	9,790	0	0	0	N/A	
Morrison/Queensview	415,519	9	6.3%	8.1%	15,490	0	0	7,572	\$7.50	
Woodward/Carling	544,800	23	1.0%	4.6%	37,334	0	0	20,152	N/A	
Ottawa Centre	904,150	30	0.0%	10.2%	90,560	0	0	67,516	\$5.00	
Ottawa South	695,111	11	6.9%	0.0%	78,625	0	0	(62,566)	\$5.75	
West Merivale	554,593	27	3.4%	11.8%	23,391	0	0	46,571	\$8.40	
East Merivale	557,403	25	4.7%	6.3%	35,800	0	0	8,867	\$6.15	
Colonnade	858,118	29	2.4%	4.5%	31,240	0	0	18,022	\$9.75	
Rideau Heights	641,918	28	1.6%	1.0%	12,528	25,000	0	(3,532)	\$10.85	
South Walkley	366,680	15	3.5%	0.0%	12,837	0	0	0	\$12.00	
Ottawa Business Park	1,321,259	30	4.9%	7.2%	109,016	0	0	38,656	\$7.98	
Coventry/Belfast	1,913,479	50	2.4%	3.1%	96,547	0	0	13,115	\$5.82	
Cyrville	2,209,839	60	2.7%	5.1%	188,687	0	15,000	67,325	\$7.50	
Sheffield	3,258,181	65	3.3%	2.8%	163,163	0	0	(16,124)	\$5.85	
Sheffield/Lancaster	1,170,820	20	2.6%	2.2%	59,742	0	0	(5,142)	\$7.36	
Stevenage/Belgreen	1,649,220	46	2.0%	1.0%	36,442	52,949	51,647	34,309	\$7.53	
South Gloucester/Albion	387,097	15	1.3%	0.0%	3,640	0	0	(5,000)	\$5.95	
Queensway	676,482	23	8.9%	0.8%	20,465	0	0	(43,858)	\$6.50	
Orleans	448,365	12	0.0%	0.0%	0	0	0	0	N/A	
TOTAL	21,791,517	583	3.9%	4.1%	1,171,731	337,949	165,647	309,287	\$7.30	

* Rental rate reflects \$psf/year