

INDUSTRIAL OVERVIEW OTTAWA, ON

Mid Year 2007

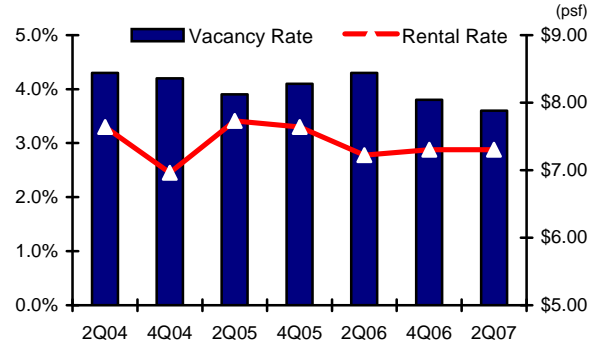
A strong start to 2007

The first half of the year saw vacancy in the Ottawa Industrial market decline to 3.6%, down from 3.9% at year-end 2006. Overall demand continues to remain strong with close to 400,000 square feet (sf) of positive absorption, which was almost evenly distributed between both markets – something not seen in 2006. Leasing also had a strong first half of the year with over 660,000 sf of activity, with close to two thirds of that amount located in the eastern suburban market.

Vacancy in the Ottawa East market declined over a full percentage point from year-end 2006 to reach 2.0% - the lowest vacancy has been since mid-year 2000. Due to such tight conditions it comes as no surprise that rental rates increased, rising slightly from \$7.15 to \$7.33. Another highlight was that over 200,000 sf of positive absorption was generated. The completion of two properties played a small role in this – one building close to 33,000 sf that is fully leased and the other close to 20,000 sf that has 10,000 sf still vacant. Perhaps the leading indicator of the strength of this market is that leasing activity amounted to over 425,000 sf, with multiple transactions over 10,000 sf. The only negative to this market's

performance during the first half of the year is that after 18 months of fairly steady construction activity, generally split between multi-tenant and build-to-suit projects, activity has slowed. Currently there are 13 projects in the proposal stage, including Canderel's third building located on Swansea Crescent, as well as the Controlex development off of Hawthorne Road. Vacancy is expected to remain extremely tight throughout the remainder of the year with the end result being dramatically fewer options for tenants. Given this situation it is safe to assume that some of these projects should get off the ground by the end of the year.

Overall Vacancy vs. Rental Rates



While the Ottawa East market posted a decline in vacancy of over a percentage point, vacancy in the Ottawa West market rose a percentage point to 6.1%. The Kanata sub-market played a key role in both the overall rise in vacancy as well as overall absorption over the first six months of the year. Two key events were responsible for this. One was the availability of the former Solectron facility; the other the availability of over 90,000 sf located at 349 Terry Fox Drive. The saving grace for this sub-market, and essentially the entire western market in terms of absorption, was the completion of the 260,000 sf facility for Smart Technologies. Without this completion, absorption for the western market would have been in the negative territory, rather than at just under 188,000 sf. Kanata may face some additional struggles going into the second half of the year as Smart Technologies' former premises becomes available. In addition there will be a 63,000 sf pocket of space to fill as Lee Valley Tools moves into their new facility located in Carp. Besides the construction of this property, construction activity has also slowed in the Ottawa West market.

Currently there are 7 developments being marketed, with three of those located on Iber Road. If any of these projects get underway it will most likely be due to the requirement of companies for specialized space, resulting in design builds. Given the current market it is unlikely there will be any significant speculative construction as one recently completed 25,000 sf multi-tenant building on MacFarlane Road remains vacant and an additional 16,000 sf building on Iber Road has over 13,000 sf vacant.

...leasing activity (in the eastern suburbs) totalled over 425,000 sf, with multiple transactions over 10,000 sf

CUSHMAN & WAKEFIELD LEPAGE MARKET HIGHLIGHTS**Significant 1&2Q07 New Lease Transactions**

| BUILDING | SUBMARKET | TENANT | SQUARE FEET | PROPERTY TYPE |
|------------------------|----------------------|---------------------|-------------|---------------|
| 1255 Leeds Avenue | Sheffield | Schleich | 41,456 | Multiple |
| 705-725 Belfast Road | Conventry/Belfast | Ashley Furniture | 33,809 | Multiple |
| 2060-2092 Walkley Road | Ottawa Business Park | MacDonald Dettwiler | 30,132 | Single Tenant |

Significant 1&2Q07 Sale Transactions

| BUILDING | SUBMARKET | BUYER | SQUARE FEET | PURCHASE PRICE |
|---------------------|-------------------------|----------------------|-------------|----------------|
| 130 & 140 Iber Road | Kanata | Roycom Inc. | 98,661 | \$12,260,000 |
| 5459 Canotek Road | Queensway Business Park | 1727912 Ontario Inc. | 28,800 | \$2,450,000 |

Significant 1&2Q07 Construction Completions

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|-----------------------|--------------------|---|-------------|-----------------|
| Palladium Drive | Kanata | Smart Technologies | 260,000 | May 2007 |
| 2855 Swansea Crescent | Stevenage/Belgreen | Tri-Ad International Freight Forwarding | 32,874 | January 2007 |
| 171 MacFarlane Road | Rideau Heights | N/A | 25,000 | First Half 2007 |
| 2415 Stevenage Drive | Stevenage/Belgreen | N/A | 19,725 | February 2007 |
| 129 Iber Road | Kanata | N/A | 16,521 | June 2007 |

Significant Projects Under Construction

| BUILDING | SUBMARKET | MAJOR TENANT | SQUARE FEET | COMPLETION DATE |
|----------|-----------|--------------|-------------|-----------------|
| N/A | | | | |

CUSHMAN & WAKEFIELD LEPAGE MARKET/SUBMARKET STATISTICS

| Market/Submarket | Inventory | # of Buildings Buildings | Vacancy Rate | 1 Year Ago | YTD | Under | YTD | YTD | Weighted Average Net Rental Rate* |
|-------------------------|-------------------|-----------------------------|-----------------|---------------|---------------------|--------------|-----------------------------|----------------|--------------------------------------|
| | | | | | Leasing Activity | Construction | Construction Completions | Absorption | |
| Kanata | 3,198,962 | 56 | 8.3% | 7.3% | 101,735 | 0 | 276,521 | 165,934 | \$7.15 |
| Bells Corners | 363,842 | 12 | 0.0% | 0.0% | 11,480 | 0 | 0 | 0 | \$0.00 |
| Morrison/Queensview | 415,519 | 9 | 6.2% | 10.0% | 13,435 | 0 | 0 | 135 | \$7.50 |
| Woodward/Carling | 530,800 | 22 | 1.0% | 4.8% | 1,038 | 0 | 0 | 0 | \$0.00 |
| Ottawa Centre | 904,150 | 30 | 11.4% | 6.3% | 3,900 | 0 | 0 | (12,867) | \$5.98 |
| Ottawa South | 695,111 | 11 | 7.8% | 10.2% | 18,000 | 0 | 0 | 8,324 | \$0.00 |
| West Merivale | 554,593 | 27 | 1.0% | 11.9% | 23,700 | 0 | 0 | 13,415 | \$7.98 |
| East Merivale | 557,403 | 25 | 2.9% | 0.8% | 13,293 | 0 | 0 | 10,098 | \$6.63 |
| Colonnade | 832,118 | 27 | 2.8% | 3.6% | 31,963 | 0 | 0 | (2,684) | \$8.60 |
| Rideau Heights | 625,918 | 28 | 4.7% | 2.7% | 19,000 | 0 | 25,000 | 5,600 | \$10.75 |
| South Walkley | 366,680 | 15 | 0.0% | 0.0% | 12,837 | 0 | 0 | 12,837 | \$0.00 |
| Ottawa Business Park | 1,321,259 | 30 | 1.2% | 1.5% | 48,729 | 0 | 0 | 48,729 | \$0.00 |
| Coventry/Belfast | 1,913,479 | 50 | 2.4% | 4.8% | 119,388 | 0 | 0 | (164) | \$8.18 |
| Cyrville | 2,227,122 | 60 | 2.6% | 2.4% | 40,387 | 0 | 0 | 1,496 | \$6.79 |
| Sheffield | 3,296,043 | 64 | 0.9% | 4.9% | 107,798 | 0 | 0 | 77,228 | \$6.50 |
| Sheffield/Lancaster | 1,170,820 | 20 | 4.4% | 4.7% | 41,011 | 0 | 0 | (21,243) | \$7.57 |
| Stevenage/Belgreen | 1,701,819 | 48 | 1.5% | 1.9% | 55,578 | 0 | 52,599 | 59,747 | \$7.81 |
| South Gloucester/Albion | 387,097 | 15 | 4.3% | 1.8% | 0 | 0 | 0 | (11,745) | \$7.04 |
| Queensway | 676,482 | 23 | 3.9% | 2.2% | 0 | 0 | 0 | 33,635 | \$6.29 |
| Orleans | 448,365 | 12 | 0.0% | 0.0% | 0 | 0 | 0 | 0 | \$0.00 |
| TOTAL | 22,187,582 | 584 | 3.6% | 4.3% | 663,272 | 0 | 354,120 | 388,475 | \$7.30 |

* Rental rate reflects \$psf/year