An External Newsletter of Cushman & Wakefield's Retail Services

Second Quarter 2007

Ottawa

Cushman & Wakefield Retail Services

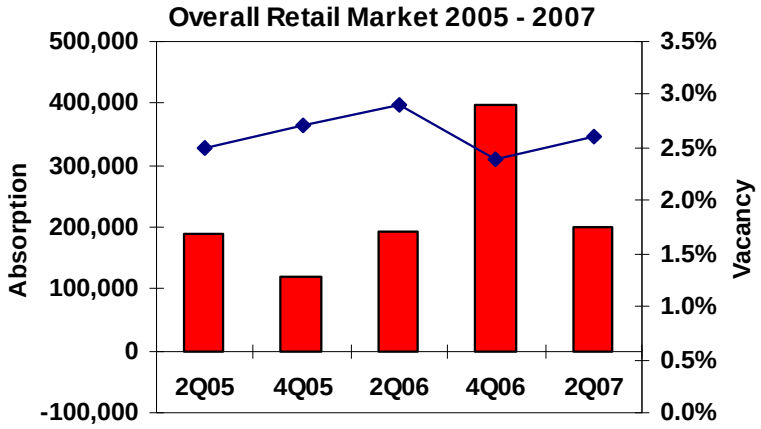
The Ottawa Retail Services Team is pleased to provide you with its semi-annual newsletter, a publication focused on retail consumer reporting, Ottawa retail market highlights, and submarket snapshots and statistics.

Cushman & Wakefield is one of the leading brands in retail services. And with good reason: Putting our clients first has been our business plan since 1917. No other real estate services company offers more in retail, including tenant and landlord representation, appraisal, property sales, and international coverage.

Ottawa Overview Mid-Year 2007

Although there was a slight rise in vacancy in the first half of 2007, the market continues to be extremely tight with overall vacancy at 2.6%. This sits well below the national vacancy rate of close to 5%. Overall demand was strong with positive absorption of over 200,000 square feet (sf), with three quarters of that located in the community mall segment of the market. This strong performance comes despite the fact that the Ottawa economy cooled slightly in 2006 with real GDP growth coming in at 2.5%, and is expected to moderate even further in 2007, declining to 2.2%*. However domestic demand is expected to remain healthy. The Conference Board is currently forecasting retail sales of over $14.3 billion in 2007, a 5.2% increase over 2006, and output growth in wholesale and retail trade is projected to average 3.5% per year over 2007 and 2008.

* Conference Board of Canada Metropolitan Outlook



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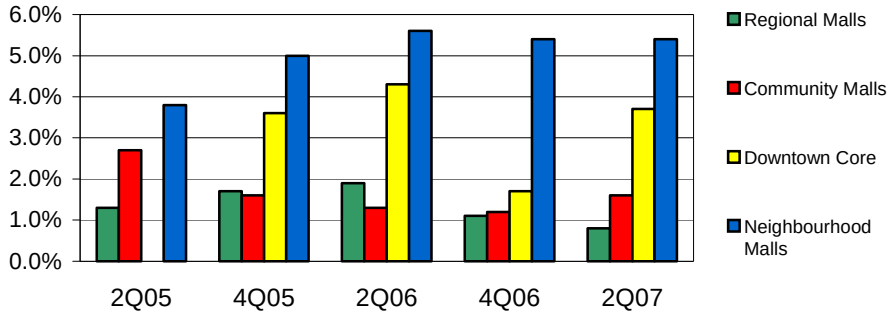
Ottawa Mid-Year 2007

The Regional Mall category includes both large enclosed malls as well as larger power centres of over 375,000 square feet. Vacancy declined once again over the first half of 2007, edging down slightly to reach 0.8%. After substantial gains were achieved during the latter half of 2006, demand has stabilized with just under 15,000 sf of positive absorption. Although Place D'Orleans continues to have multiple pockets of space available totalling just over 19,000 sf, overall vacancy has declined over the last year, and it appears that the mall has recovered from the loss in recent years of both Wal-Mart and Market Fresh. At the other end of the city Kanata Centrum has scaled down its plans for new construction. On the positive there currently are only four pockets of space available and Best Buy will soon be opening its third Ottawa location. There continues to be plans for new construction of additional power centres, one located in Kanata of approximately 455,000 sf that is being developed by Trinity and the other in Orleans, reportedly a FirstPro development site located along Innes Road – which has been the hotspot of retail development in the city over the past few years. The speculation is the Orleans development could be anchored by Costco, which would be its fourth location in Ottawa.

Retail vacancy in the downtown core increased to 3.7%, largely due to the release of vacant space at L'Esplanade Laurier. Although the completion of 340 Albert added 13,000 sf of new supply to the retail market, this had little affect on absorption as close to 12,000 sf of that space remains vacant. As a result of these two factors overall demand was minimal with a negative absorption of close to 350 sf.



The Community mall segment, which features smaller enclosed malls as well as smaller power centres between 110,000 sf and 375,000 sf, continues to remain fairly consistent with vacancy increasing slightly to reach 1.6%. Overall demand remains high with just over 155,000 sf of positive absorption. This was in large part the result of completions at Smart Centre Orleans that were pre-leased before construction commenced. It is at this centre that a 130,000 sf Canadian Tire is currently under construction, which, once completed, will be the largest in Canada. Other significant projects currently underway include the mixed-use office and retail project known as the Ottawa Train Yards that has been years in the planning. Currently there is a 130,000 sf Wal-Mart store and 265,000 sf of additional retail space is under construction, with completion slated for this fall.

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Overall vacancy in the neighbourhood mall segment, which predominately features strip plazas of between 10,000 sf and 110,000 sf, remained at 5.4% during the first half of 2007. Demand was relatively modest, with positive absorption of just over 30,000 sf. This absorption was primarily due to the completion of over 35,000 sf of new construction at Crown Pointe Plaza in Orleans. Little change is expected in this segment throughout the rest of this year. However this may change going into 2008 as there are numerous projects planned or in the pre-leasing stage. In Kanata alone the total amount being marketed is over 200,000 sf.

Retail Sales

Project	Submarket	Property Type	Retail SF	Sale Price
2030 Tenth Line Road	Orleans	Retail Plaza	84,544	$20,650,000
420 Hazeldean Road	Kanata	Retail Plaza	59,434	$16,500,000
1657 Cyrville Road	Gloucester	Retail Plaza	22,204	$3,100,000

Significant Projects/Buildings Under Construction

Project	Submarket	Property Type	Retail SF	Possession Date
Terminal Avenue	Ottawa East	Power Centre	265,000	Fall 2007
3890 Innes Road	Orleans	Big Box Store	130,000	Spring 2008
Terry Fox Drive	Kanata	Big Box Store	25,000	Summer 2007

Significant Completed Projects/Buildings

Project	Submarket	Property Type	Retail SF	Possession Date
5150 Innes Road	Orleans	Grocery Store	40,000	Spring 2007
3890 Innes Road	Orleans	Big Box Store	32,000	Summer 2007
3890 Innes Road	Orleans	Big Box Store	29,000	Summer 2007

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Ottawa Statistical Summary

Market Segment	Inventory	Vacancy Mid-Year 2007	Vacancy Year-End 2006	YTD Absorption	Average Net Rent	Average Tax & Ops
Regional Malls	**5,437,539**	**0.8%**	**1.1%**	**14,800**	**N/A**	**N/A**
Community Malls	**6,351,098**	**1.6%**	**1.2%**	**156,453**	**$17.66**	**$14.41**
Downtown Core	**631,166**	**3.7%**	**1.7%**	**-341**	**$29.66**	**$19.46**
Neighbourhood Malls	**5,243,748**	**5.4%**	**5.4%**	**30,001**	**$19.15**	**$10.63**
Ottawa East	479,539	3.2%	4.3%	5,535	$19.58	$8.50
Gloucester	359,292	4.4%	5.4%	3,702	$15.77	$11.34
Orleans	695,157	4.3%	4.2%	29,982	$18.53	$9.67
Ottawa South	759,460	2.5%	2.1%	-3,572	$19.31	$11.28
Kanata/Stittsville	852,228	11.7%	10.1%	-13,340	$20.46	$12.58
Bell's Corners	296,828	6.9%	6.1%	-2,528	$18.27	$9.47
Nepean (Merivale)	580,301	4.9%	5.8%	5,500	$18.49	$7.37
Nepean (Other)	660,862	6.8%	6.8%	345	$18.57	$9.38
Ottawa West	560,081	2.1%	2.9%	4,377	$20.88	$11.88
Total	**17,663,551**	**2.6%**	**2.4%**	**200,913**	**$18.96**	**$11.43**

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