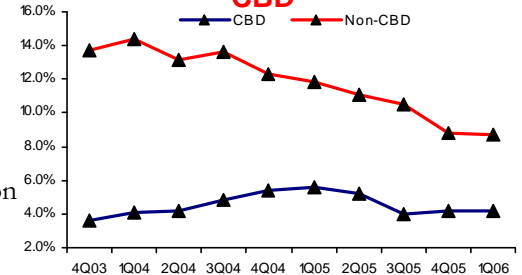


After a year of consistently declining office vacancy, the first quarter of 2006 stabilized at 6.9%. This leveling off was also reflected in the demand for space, which experienced just over 4,000 sq. ft. of positive absorption. It is not surprising that this quarter was quiet, given the election of a new federal government. Basically, the private sector is sitting tight, waiting to see what the government has in store. As the year progresses, activity is certainly expected to pick up. Speculation is growing about Public Works putting out a RFP for a possible 800,000 sq. ft., likely to be built in the downtown core. As well, numerous projects will be completed in 2006. These include 131 Queen, 250 Tremblay, 100 Murray and the new tower located at 333 Preston. These buildings will add over 670,000 sq. ft. to the office market, of which 270,000 sq. ft. currently remains vacant.

The central office market remains strong, with vacancy declining from 5.7% to reach 5.5%. Although overall demand was low with absorption numbers of just over 17,000 sq. ft., this amount marks an improvement over the negative absorption at the end of 2005. Despite static vacancy in the Centretown market this quarter, there was movement in other areas. There has been tremendous success at 190 O'Connor, a 55,000 sq. ft. property that was renovated and came back to the market in the fall of 2005. As of this quarter only 2,550 sq. ft. remains vacant. Demand for this one property accounted for over half of all leasing activity seen in Centretown, and almost all of the positive absorption. The Downtown Core remains competitive with overall vacancy remaining at 4.2%. Although overall demand was weaker this quarter with a negative absorption of close to 5,000 sq. ft., leasing activity was strong in Class A buildings with over 90,000 sq. ft. removed from the market. The largest of these deals was located in 55 Metcalfe where over 30,000 sq. ft. was subleased to Health Canada. The Class A core market is one of the tightest in the city with vacancy dropping slightly to reach 3.0%. This low vacancy is reflected in asking net rental rates that remain in the \$25-\$28 range. Vacancy in the Byward Market declined this quarter to reach 7.5%, down from 8.6%. Slightly higher demand was seen with positive absorption of over 9,000 sq. ft. – more than three times the amount seen at the end of 2005. This is positive news for a submarket that has been struggling with high vacancy since the latter half of 2005 when a major tenant relocated to the downtown core.

Overall Vacancy Rates CBD vs. Non-CBD



The Suburban market cooled slightly this quarter, with overall vacancy increasing marginally to 8.2% from 8.0%. Although this is the first time vacancy has climbed rather than fallen in two years, the increase of vacant space is fairly insignificant at less than 25,000 sq. ft. The Suburban East market struggled this quarter with vacancy climbing to 5.7% from 4.3% – the highest level of vacancy seen in this market in over two years. The Ottawa East Class A submarket was the strongest this quarter with vacancy declining as well as having the highest amounts of leasing activity and the only positive absorption in the Eastern Suburban market. The other submarkets were left to contend with an additional 67,000 sq. ft. of vacant space being placed on the market this quarter, largely located in four buildings. On the other hand the Suburban West market maintained its momentum with vacancy dropping for the eighth straight quarter to reach 9.2%. The highest demand continued to be in Kanata, which recorded over 100,000 sq. ft. of positive absorption as well as over 150,000 sq. ft. of leasing activity, both of which were the highest in the city. Vacancy in Kanata currently sits 9.8% - an astonishing decline of 19% in just two years.

Vacancy in Kanata continues to drop and currently sits at 9.8% -- an astonishing decline of 19% in just two years.

CUSHMAN & WAKEFIELD LEPAGE MARKET HIGHLIGHTS**Significant 1Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
303 Terry Fox Drive	Kanata	Bridgewater Systems	39,000	A
55 Metcalfe Street	Central Business District	Health Canada	33,681	A
303 Terry Fox Drive	Kanata	COM DEV Ltd.	19,716	A
535 Legget Drive	Kanata	Solace Systems	13,951	A

Significant 1Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
150 Metcalfe Street	Central Business District	OCP Management	104,000	\$29,400,000
360 Laurier Ave. W.	Central Business District	The Blackstone Group	103,000	\$15,000,000
71-77 Bank Street	Central Business District	71 Bank Street Limited	19,000	\$4,200,000

Significant 1Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
None this quarter				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
131 Queen Street	Central Business District	National Capital Commission	300,000	Q3 2006
340 Albert Street	Central Business District	IDRC	330,000	Q3 2007
333 Preston Street I	Ottawa West	Adobe	220,000	Q4 2006
333 Preston Street II	Ottawa West	N/A	130,000	Q1 2007

CUSHMAN & WAKEFIELD LEPAGE MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	Overall Vacancy Rate	Q1 2005 Vacancy Rate	Direct Vacancy Rate	Sublet Vacancy Rate	Q1 Leasing Activity	Q1 Absorption	Under Construction	Completions	Direct Wtd. Avg. Rental Rate*
CBD	13,225,298	4.2%	5.4%	3.5%	0.7%	146,875	(4,933)	630,000		\$19.06
Non-CBD	18,756,333	8.7%	11.8%	7.3%	0.9%	335,547	9,008	574,837		\$13.68
Centretown	1,627,284	15.2%	6.6%	15.2%	0.0%	22,551	12,891	61,817		\$13.92
Byward Market	861,841	7.5%	1.1%	7.1%	0.4%	12,684	9,484	53,020		\$15.51
Kanata	4,836,138	9.8%	20.3%	8.0%	1.9%	150,293	100,786			\$11.89
Ottawa West	3,263,296	10.5%	13.3%	9.3%	1.2%	88,811	2,136	350,000		\$14.78
Nepean	3,334,157	6.9%	15.4%	5.8%	1.1%	17,300	(55,534)			\$12.06
Ottawa East	3,520,818	5.8%	3.1%	4.5%	1.3%	31,132	(48,813)	110,000		\$12.67
Gloucester	1,312,799	5.7%	4.7%	1.1%	4.6%	12,776	(11,942)			\$14.95
Total	31,981,631	6.9%	9.2%	5.7%	1.2%	482,422	4,075	1,204,837		\$14.35

* Rental rates reflect \$psf/year

** Please note that figures do not include Mercury Centre, the former JDS Uniphase Campus, at 3000 Merivale Road