

## INDUSTRIAL OVERVIEW OTTAWA, ON

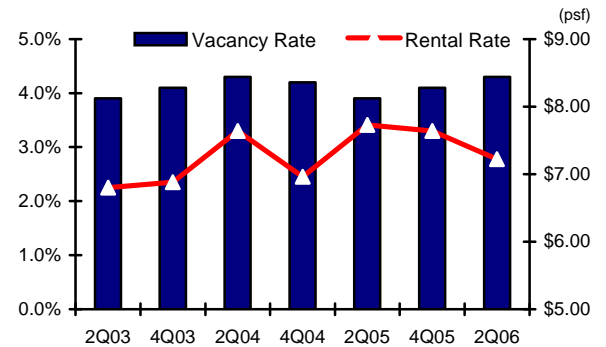
Mid Year 2006

### The Ottawa industrial market remained strong through the first half of 2006.

Vacancy increased slightly to 4.3% from 4.1% at 4<sup>th</sup> quarter 2005. Overall demand during the first six months of 2006 weakened marginally over the first two quarters of 2006 generating negative absorption of 6,000 square feet (sf). Reduced demand was no doubt a factor explaining why net rental rates decreased from six months ago to reach a weighted average of \$7.22 psf.

The Ottawa East market continued to outperform the Ottawa west market through the first half of 2006. Vacancy currently sits at 3.2%, only 0.1 percentage points higher than at year-end 2005. The eastern industrial market experienced positive absorption and saw stronger leasing activity than the western market. The Ottawa Business Park submarket in particular experienced a very successful first half of the year driving vacancy to 1.5% - down from 7.2% six months ago. This submarket benefited from the strongest demand seen in Ottawa East with over 80,000 sf of positive absorption. A large percentage of that space was located at 2370 Walkley Road which saw close to 30,000 sf removed from vacancy; 13,000 sf this space was leased to Farm Boy. Construction remained very active in Ottawa East over the first half of 2006. Regional Automotive relocated into their new facility, and Acklands Grainger will be moving into their new facility in short order. Construction continues at 2415 Stevenage, one of the few buildings in recent years that was not a design build project. Securit's new 68,000 sf facility is currently under construction and Canderel is expected to break ground shortly on their properties located on Swansea Crescent.

### Overall Vacancy vs. Rental Rates



The Ottawa West market posted higher vacancy than Ottawa East, with mid year vacancy at 6.1%. This market is characterized by the number of large pockets of contiguous space available - best illustrated by the fact that five buildings alone account for over 100,000 sf of vacancy. Overall demand continues to be weaker in Ottawa West generating negative absorption of approximately 18,000 sf. The East Merivale submarket showed the largest improvement over the past six months with vacancy declining by 5.5 percentage points to reach 0.8%. This submarket also experienced the second highest demand in the Ottawa West market with over 31,000 sf of positive absorption – 11,000 sf of this located in 1980 Merivale Road. Overall the Ottawa West market continues to struggle relative to Ottawa East. However some positive signs are beginning to emerge, particularly in the construction sector. Construction is underway on Iber Road in Kanata for Induspac's new 78,000 sf facility. Also located on Iber Road is a design build project for Virtucom's new 21,000 sf building. Giffels will soon be commencing construction on a new building for Smart Technologies, also located in Kanata, which is expected to have an industrial component. The square footage of the

new facility is estimated to be around 250,000 sf.

The industrial investment market has gotten off to a slower start in 2006 with a total sale value of just under \$45 million. The vast majority of this related to the portfolio sale of Commerce City to Conundrum Capital Corporation of Toronto. The portfolio was comprised of 15 industrial/office buildings containing a total of 386,094 sf. The value of the transaction was \$43.9 million.

**Vacancy (in the eastern market) currently sits at 3.2%, only 0.1 percentage points higher than at year-end 2005.**

**CUSHMAN & WAKEFIELD LEPAGE MARKET HIGHLIGHTS****Significant 1&2Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
1255 Leeds Avenue	Sheffield	Boyd Commercial	48,000	Multi-Tenant
2370 Walkley Road	Ottawa Business Park	Farm Boy	13,000	Multi-Tenant
1980 Merivale Road	East Merivale	N/A	11,000	Multi-Tenant

**Significant 1&2Q06 Sale Transactions**

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Commerce City Portfolio	Various	Conundrum	386,094	\$43,900,000

**Significant 1&2Q06 Construction Completions**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
1155 Algoma Road	Cyrville	Regional Automotive	60,000	First Half 2006
3020 Hawthorne Road	Stevenage/Belgreen	Acklands-Grainger	20,000	First Half 2006
1084 Kenaston Street	Cyrville	N/A	15,000	First Half 2006

**Significant Projects Under Construction**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
140 Iber Road	Kanata	Induspac	78,000	Second Half 2006
1171 Kenaston Street	Cyrville	Securit	68,000	Second Half 2006
130 Iber Road	Kanata	Virtucom	21,000	Second Half 2006
2415 Stevenage Drive	Stevenage/Belgreen	N/A	19,725	Second Half 2006

**CUSHMAN & WAKEFIELD LEPAGE MARKET/SUBMARKET STATISTICS**

Market/Submarket	Inventory	# of Buildings Buildings	Vacancy Rate	1 Year Ago	YTD		YTD		YTD Absorption	Weighted Average Net Rental Rate*
					Leasing Activity	Under Construction	Construction Completions			
Kanata	2,523,076	49	7.3%	4.7%	11,080	99,000	0	1,965	\$6.63	
Bells Corners	472,087	12	0.0%	0.0%	9,790	0	0	0	\$0.00	
Morrison/Queensview	415,519	9	10.0%	7.6%	0	0	0	(7,918)	\$8.33	
Woodward/Carling	544,800	23	4.8%	3.2%	16,552	0	0	(700)	\$7.94	
Ottawa Centre	852,314	30	6.3%	8.5%	33,645	0	0	33,910	\$6.67	
Ottawa South	705,111	11	10.2%	11.0%	21,000	0	0	(72,125)	\$5.75	
West Merivale	554,593	27	11.9%	0.3%	7,155	0	0	(690)	\$6.46	
East Merivale	557,403	25	0.8%	1.1%	31,715	0	0	30,350	\$5.65	
Colonnade	858,118	29	3.6%	5.3%	13,778	0	0	7,717	\$9.53	
Rideau Heights	641,918	28	2.7%	1.0%	5,116	0	0	(10,786)	\$10.45	
South Walkley	341,180	14	0.0%	0.0%	0	0	0	0	\$0.00	
Ottawa Business Park	1,443,428	31	1.5%	5.8%	109,016	0	0	82,270	\$9.28	
Coventry/Belfast	1,913,479	50	4.8%	5.7%	13,868	0	0	(33,132)	\$7.88	
Cyrville	2,209,839	60	2.4%	4.5%	95,114	68,000	75,000	73,918	\$6.98	
Sheffield	3,258,181	65	4.9%	3.1%	74,292	0	0	(69,818)	\$6.15	
Sheffield/Lancaster	1,170,820	20	4.7%	6.9%	24,560	0	0	(29,421)	\$7.30	
Stevenage/Belgreen	1,599,683	44	1.9%	0.9%	1,545	19,725	20,000	4,645	\$6.28	
South Gloucester/Albion	372,097	14	1.8%	0.0%	1,820	0	0	(6,820)	\$5.95	
Queensway	653,484	22	2.2%	0.9%	4,975	0	0	(9,357)	\$7.00	
Orleans	448,365	12	0.0%	0.0%	0	0	0	0	\$0.00	
<b>TOTAL</b>	<b>21,535,495</b>	<b>575</b>	<b>4.3%</b>	<b>4.0%</b>	<b>475,021</b>	<b>186,725</b>	<b>95,000</b>	<b>(5,992)</b>	<b>\$7.22</b>	

\* Rental rate reflects \$psf/year