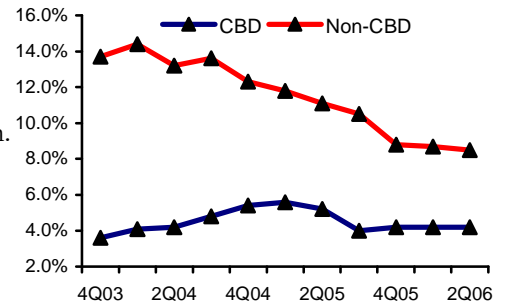


### Ottawa's office market pauses after strong showing in 2005

After the surge in demand and absorption experienced during 2005, driving the overall vacancy rate from 9.5% to 6.9%, Ottawa's vacancy rate has paused over the past two quarters. While leasing demand has remained strong (20% below the previous four quarter average) much of this demand has been offset as tenants who previously signed lease transactions have relocated, bringing offsetting space back to market. This has generated a flat vacancy rate over the past two quarters, hovering around 6.9%. It is expected that demand for suburban space will gain strength during the latter half of 2006. Projects such as 131 Queen, 100 Murray, 250 Tremblay, and 333 Preston are all expected to be completed by the end of the year. These completions should provide a significant boost to absorption levels as the project on Queen Street was entirely pre-leased to Public Works, and it is forecast that 333 Preston Street will be substantially leased by completion. Demand should also be strong for 250 Tremblay as it is going through a substantial renovation.

The investment side of the market was firing on all cylinders during the second quarter of 2006. Notable transactions completed over the quarter included: Conundrum Capital Corporation of Toronto acquiring the entire portfolio of Commerce City Properties. The portfolio consisted of fifteen office/industrial buildings, totaling almost 400,000 sf, and had a price tag of \$42.5 million. Saktio sold eight buildings to LaSalle Investment Management in May. This 323,000 sf portfolio consisted primarily of office and industrial properties, and had a price tag of \$50 million. Investment activity is predicated to remain strong through 2006 as market factors such as low vacancy and little supply will continue to make Ottawa a very attractive place for investment.

Overall Vacancy Rates  
CBD vs. Non-CBD



The central office market continues to tighten slowly, with vacancy declining from 5.5% to reach 5.3%. Demand picked up in the second quarter generating close to 40,000 sf of positive absorption – the strongest demand observed in the city. The Byward Market experienced one of its strongest quarters in recent months, with vacancy dropping by almost three percentage points to reach 4.8%; its lowest level in almost a year. This submarket also experienced the strongest demand in the central area with just over 23,000 sf coming off of the market. This rebound can largely be attributed to increased demand at 1 Nicholas Street which now has vacancy of 7.5%; down from 29% almost one year ago. The downtown core remained fairly static this quarter with

vacancy remaining flat at 4.2%. Overall demand in the core continued to soften slightly with small pockets of space becoming available – almost all under 5,000 sf. The class A segment continues to remain very competitive, with vacancy of 3.2%. Although demand in class A buildings weakened slightly this quarter generating negative absorption of 16,000 sf, this was in large part due to space returning to market within two buildings, which when combined, contributed over 85% of the space returned to market.

---

**...the sun continues to shine on Kanata with vacancy once again dropping to reach 8.7% – marking the ninth straight quarter vacancy has declined.**

---

The suburban market vacancy remained flat at 8.2%. Overall demand weakened slightly with approximately 10,000 sf of negative absorption.

Surprisingly, the western suburbs experienced overall negative absorption for

the first time since the beginning of 2004. This lower demand also helped to slightly edge up the vacancy rate in the western suburbs to 9.5%. However the sun continues to shine on Kanata and vacancy fell to 8.7%- marking the ninth straight quarter vacancy has declined. Demand also continues to remain strong in Kanata with just under 60,000 sf of positive absorption. The eastern suburbs rebounded this quarter with vacancy declining to 5.1%. Overall demand also picked up, particularly in class A product, with a positive absorption of over 26,000 sf.

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

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
1420 Blair Place	Gloucester	N/A	13,894	A
515 Legget Drive	Kanata	Great West Life	13,575	A
340 Albert Street	Central Business District	Kirby, Eades, Gale, & Baker	11,000	A
1 Nicholas Street	Byward Market	University of Ottawa	9,579	A

**Significant 2Q06 Sale Transactions**

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Sakto Portfolio	Various	BRIQ Nominee Inc.	323,397	\$49,600,000
495 Richmond Road	Ottawa West	Richmond Rd (Luxembourg) Holdings	111,000	\$30,000,000
1130 Morrison Drive	Ottawa West	Progeny	61,315	\$8,500,000

**Significant 2Q06 Construction Completions**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

**Significant Projects Under Construction**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
131 Queen Street	Central Business District	PWGSC	300,000	Q3 2006
340 Albert Street	Central Business District	IDRC	330,000	Q3 2007
199 Slater Street	Central Business District	Telus	110,000	Q2 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	No. of Buildings	Overall Vacancy Rate	1 Year Ago	Direct Vacancy Rate	Q2 Leasing Activity	YTD Leasing Activity	Q2 Absorption	YTD Absorption	Direct Wtd. Avg. Rental Rate*
CBD	13,225,298	72	4.2%	5.2%	3.2%	157,512	304,387	(4,868)	(9,801)	\$18.09
Centretown	1,653,952	31	13.7%	6.9%	13.7%	33,183	55,734	21,320	34,211	\$13.29
Byward Market	861,841	12	4.8%	4.1%	4.4%	20,150	32,834	23,408	32,892	\$15.89
Kanata	4,776,138	57	8.7%	19.0%	7.0%	87,601	237,894	59,461	160,247	\$11.65
Ottawa West	3,263,296	54	10.1%	12.8%	9.1%	80,797	169,608	12,963	15,099	\$15.46
Nepean	3,334,157	68	10.2%	13.1%	9.4%	13,076	30,376	(109,568)	(165,102)	\$11.76
Ottawa East	3,520,818	49	5.1%	3.3%	4.0%	26,576	57,708	17,150	(31,663)	\$13.18
Gloucester	1,312,799	12	5.0%	3.9%	1.7%	27,657	40,433	9,426	(2,516)	\$14.72
<b>Total</b>	<b>31,948,299</b>	<b>355</b>	<b>6.8%</b>	<b>8.7%</b>	<b>5.6%</b>	<b>446,552</b>	<b>928,974</b>	<b>29,292</b>	<b>33,367</b>	<b>\$14.25</b>

\* Rental rates reflect \$psf/year

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