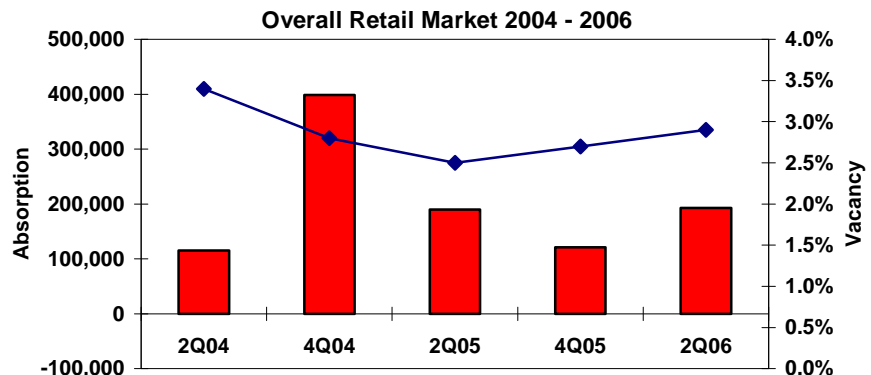


Overview First Half 2006

Ottawa's retail sector shows strength

Overall retail vacancy edged higher over the first half of the year to 2.9% from 2.7% at year-end 2005. Despite this small increase, vacancy remains very tight and has hovered at below three percent since 2002. This very competitive market has resulted from strength in underlying retail sales, which has grown steadily over the past few years. Sales in 2005 were in excess of \$13.1 million. Retail sales in 2006 are projected to increase to \$13.8 million (4.6% increase). According to a recent report by Statistics Canada, the Ottawa-Gatineau area remains the second wealthiest metropolitan area in Canada.

Strength of the retail sector is generally driven by strength in the local economy and Ottawa is no exception. In the Conference Board of Canada's latest release, steady growth is forecasted for the Ottawa region. The high-tech sector is in the midst of a rebound and spending on large construction projects continues to be robust. This will help ensure Ottawa's economy achieves its best growth in four years.



Another important influence over the health of the retail sector is the strength of the housing market. Although housing starts are expected to slow over previous years levels due to rising new home prices and higher mortgage rates, Canada Mortgage and Housing recently announced it is bumping up its housing start forecast for 2006. CMHC expects local builders will start work on 4,850 new homes this year. Late last year the forecast was 4,700 starts for 2006. Actual starts in 2005 totaled 4,982.



Submarket Snapshots

Retail Spotlight – Regional Malls (375,000 + sf)

Vacancy increased slightly over the first half of the year to reach 1.9%, up from 1.7% at year-end 2005. The Regional Mall category also experienced slightly weaker demand during the first six months of 2006 generating negative absorption of approximately 12,000 square feet (sf). This softening can be attributed to slight increases in vacant space in the Place D’Orleans Shopping Mall as well as Carlingwood Mall.

The May opening of Zeller’s in Place D’Orleans filled the 117,000 sf block of space left vacant by the departure of Wal-Mart. In anticipation of the Zeller’s opening, the mall underwent renovations, including repainting of the mall as well the addition of new mall furniture, directories, and signage. Although some large pockets of space remain at Place D’Orleans, such as the space generated by recently departed Market Fresh and the space left vacant by Sport Chek relocating, the mall has added some new retailers to its tenant mix and it is expected they will continue to see greater occupancy levels as 2006 progresses.

Bayshore Shopping Centre has had greater success in filling space left vacant by Market Fresh’s departure. Savory’s Fine Foods has taken over that 17,000 sf space and recently opened their first location in Ottawa.

Unfortunately the Rideau Centre’s plans for expansion appear to have hit a snag. Viking Rideau has confirmed that they are withdrawing its application for site plan approval for the expansion. This expansion would have been approximately 150,000 sf. and would have meant an additional 25 to 30 stores.

Retail Spotlight – Downtown Core (10,000 + sf)

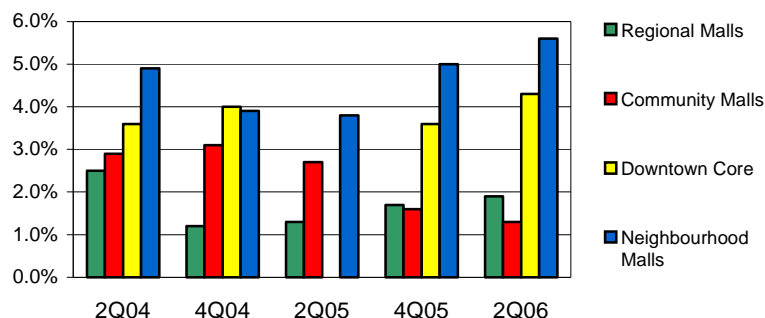
Retail vacancy in downtown core office towers continued to climb during the first half of year, rising to 4.3% from 3.6% at year-end 2005. This slight softening is due to weaker demand as evidenced by negative absorption of 5,000 sf. There will be 15,000 sf of new retail inventory added to the downtown core in the second half of 2006 with the completion of 131 Queen Street. This will also provide a boost to absorption levels since currently the retail portion of the project is fully leased.



Retail Spotlight- Community Malls (110,000 – 375,000 sf)

The Community Mall submarket experienced a very successful two quarters, with vacancy declining to 1.3%, down slightly from 1.6% at year-end 2005. This submarket also benefited from a large boost in positive absorption with the completion of numerous stores at the Trinity project located on Innes Road in Orleans. The Community Malls market should remain strong throughout the remainder of the year, and this will likely continue into 2007, as this project and the First Pro Shopping Centre project (also located along Innes Road) are expected to expand. Blossom Park Centre also had a successful first half of the year with no vacancy to report and over 15,000 sf of positive absorption. This is a remarkable turn around considering one year ago over half of the centre was vacant.

Retail Spotlight – Neighbourhood Malls (10,000 – 110,000 sf.)



Overall vacancy increased in the neighbourhood mall category to reach 5.6%, up from 5.0% recorded at year-end 2005. The Nepean (Other) submarket softened substantially in the first six months of 2006 with vacancy climbing 6.6 percentage points to reach 12.1%. This submarket also had the largest amount of negative absorption in the neighbourhood mall category with close to 45,000 sf returning to market. This was in large part due to a 30,000 sf unit becoming available in Barrhaven Crossing.

Orleans was the strongest submarket with vacancy dipping to 0.6% by mid-year. This submarket had the highest amount of positive absorption at approximately 36,000 sf. This was in large part due to the addition of the fully leased Phase I of Crown Pointe Plaza to the survey. Inventory levels are expected to increase further with the completion of two developments later in 2006 – a 26,000 sf development in Barrhaven anchored by Farm Boy and a 83,000 sf development in Nepean anchored by Food Basics.



Significant Completed Projects/Buildings

Project/Building	Submarket	Lead Tenant	Total S/F	Project/Building Type
Zeller's	Orleans	Zeller's	117,000	Department Store
Farm Boy	Nepean/Other	Farm Boy	21,000	Grocery Store
Mark's Work Warehouse	Kanata	Mark's Work Warehouse	12,000	Big Box Store

Significant Projects Under Construction

Project	Submarket	Lead Tenant	Total S/F	Property Type
First Pro Orleans Centre	Orleans	Wal-Mart	485,000	Power Centre
Orleans Marketplace (Trinity)	Orleans	Real Canadian Superstore	200,000	Power Centre
Crown Pointe (Taggart)	Orleans	Various	60,000	Neighbourhood Mall

Significant Sale Transactions

Building	Submarket	Purchaser	Total S/F	Sale Price
1350 Baseline Road	Nepean/Other	First Capital Corp.	N/A	\$5,150,000
1008-1024 Wellington Street	Ottawa West	2102970 Ontario Inc.	N/A	\$3,200,000
405-439 St. Laurent Blvd.	Ottawa East	Golden Dragon Ho Inc.	16,000	\$2,200,000

Ottawa Statistical Summary

Market Segment	Inventory	Vacancy Mid-Year 2006	Vacancy Year-End 2005	Absorption	Average Net Rent	Average Tax & Ops
Regional Malls	5,483,526	1.9%	1.7%	(12,106)	N/A	N/A
Community Malls	5,969,625	1.3%	1.6%	226,667	\$22.84	\$18.16
Downtown Core	593,072	4.3%	3.6%	(4,729)	\$24.74	\$18.97
Neighbourhood Malls	5,147,635	5.6%	5.0%	(17,093)	\$18.79	\$10.55
Ottawa East	561,228	4.3%	4.5%	(405)	\$17.52	\$10.00
Gloucester	359,292	5.9%	4.6%	(6,700)	\$16.07	\$11.02
Orleans	640,707	0.6%	1.3%	36,183	\$23.00	\$10.25
Ottawa South	746,963	2.7%	1.2%	(11,730)	\$16.02	\$11.56
Kanata/Stittsville	852,228	8.0%	4.6%	(30,982)	\$19.01	\$12.70
Bell's Corners	296,828	5.1%	10.0%	19,876	\$19.68	\$9.94
Nepean (Merivale)	497,301	10.9%	15.1%	17,196	\$18.56	\$7.73
Nepean (Other)	647,862	12.1%	5.5%	(44,931)	\$20.16	\$10.16
Ottawa West	545,226	1.0%	2.3%	4,400	N/A	N/A
Total	17,193,858	2.9%	2.7%	192,739	\$19.31	\$11.43

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