

An External Newsletter of  
Cushman & Wakefield LePage  
*Retail Services*  
Issue 3, Second Half 2006

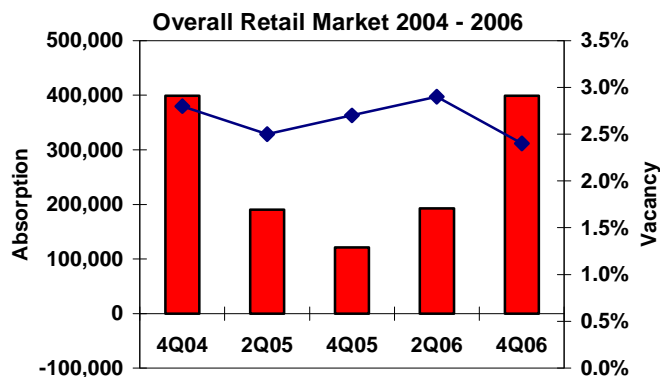
## Retail Market Year End 2006 Ottawa, Canada

### Overview Second Half 2006

#### Ottawa's retail sector performed strongly in 2006

Overall retail vacancy edged down half a percentage point over the second half of the year to 2.4%. Vacancy continues to remain very tight and has hovered at below three percent since 2002. This very competitive market has resulted from strength in retail sales, which continue to grow steadily. The Conference Board of Canada reports that sales in 2006 are estimated to be in excess of \$13.7 billion, with retail sales in 2007 projected to increase to \$14.4 billion (5.4% increase). The downside to such a tight market is finding space for new retailers expanding into Canada and looking to Ottawa as a potential site. Ottawa remains a desirable expansion point because of its strong retail sector, as well as being the fourth largest urban centre in Canada with one of the highest income levels in the country.

The strength of the retail market is generally driven by strength in the local economy and Ottawa is no exception. In the Conference Board of Canada's latest release, economic activity is expected to remain fairly stable with real GDP forecast to increase by 2.5% in 2007, following a 2.6% gain in 2006.



Despite these positive indicators there are concerns about whether the cooling housing market and a potential U.S. economic slowdown will have any impact on the local retail sector. However this uncertainty has not stopped the growth of power centres which continue to expand across the city, particularly in fast growing suburbs such as Orleans and Barrhaven, with future development planned for Kanata.

## Submarket Snapshots

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

Vacancy decreased slightly over the second half of the year to reach 1.1%, down from 1.9% at mid-year. Demand in the Regional Mall category gained momentum during the last six months of 2006 generating positive absorption of approximately 83,000 square feet (sf); contributing to a year-end total of 71,500 sf.

Place D'Orleans mall experienced a very successful six months, generating close to 43,000 sf of positive absorption. The most significant contributing factor was the lease of the space vacated by Market Fresh. In its place a 22,000 sf Good Life Fitness Club is expected to open in February.

The Rideau Centre has reported strong sales for 2006, and is forecasting further sales growth in 2007 of five to seven percent. This activity was certainly boosted by the addition of several destination retailers such as Banana Republic, Hugo Boss, and MAC. As a result of this success, however, the Rideau Centre is struggling to find space for other high profile retailers such as Pottery Barn, H&M, Zara, & Williams Sonoma that want to locate in the mall. Although Rideau Centre's proposed expansion plans were cancelled last summer, there are plans to revisit expansion opportunities in the future.

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

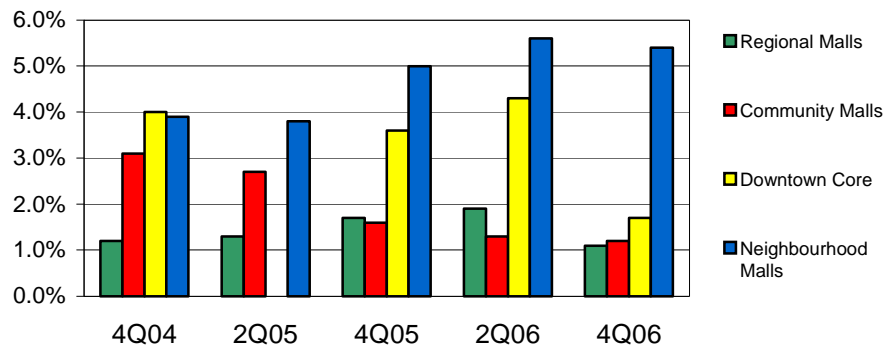
Retail vacancy in downtown core office towers declined substantially in the last half of 2006 to reach 1.7%, down from 4.3% at mid-year. The main drivers behind this decrease were the removal of close to 15,000 sf of space from L'Esplande Laurier and the completion of 131 Queen Street, which contains 15,000 sf of retail space. These two factors contributed to positive absorption of just over 30,000 sf for the second half of the year, giving a year-end total of just over 25,000 sf. Vacancy may be impacted in the latter half of 2007 as 340 Albert Street, which contains 13,000 sf of retail space, will be completed. Currently close to 12,000 sf of that space remains to be leased.

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

Community Malls experienced a steady 2006 with vacancy edging down only one tenth of a percentage point from mid-year to reach 1.2%. Overall demand remained high over the last six months of the year with close to 184,000 sf of positive absorption, contributing to a year-end total of over 410,000 sf. Although demand improved in numerous properties in this category, absorption can primarily be attributed to new construction at two power centres in Orleans, all of which were completed fully occupied. Significant construction remains at one of these power centres and it is expected that this new construction will contribute over 300,000 sf of positive absorption to the Ottawa retail market in 2007.

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

Overall vacancy decreased in the neighbourhood mall category to reach 5.4%, down from 5.6% recorded at mid-year. While most submarkets posted vacancy that was relatively close to mid-year numbers, Orleans weakened with year-end vacancy at 4.2%, up from 0.6% at mid-year. Multiple properties posted increases in vacancy with the vast majority located on St. Joseph Blvd, considered to be the traditional main street of Orleans. The jump in vacancy coincides with lower demand as Orleans posted the highest amount of negative absorption in all of the submarkets. At the other end of the spectrum, Nepean/Merivale Road vacancy was 5.8%, a decline of just over five percentage points from mid-year. This submarket also had the highest positive absorption of over 100,000 sf. There were two main factors that contributed to this, the first was the leasing of over 22,000 sf at City View Plaza to Le Baron Outdoor Products. The second factor was the completion of Merivale Market, a 83,000 sf development with Food Basics and Shopper's Drug Mart as its lead tenants.



## Significant Completed Projects/Buildings

	Submarket	Lead Tenant	Total S/F	Project/Building Type
Merivale Market	Nepean (Merivale Road)	Food Basics	83,000	Neighbourhood Mall
Winners/Homesense	Orleans	Winners/Homesense	45,862	Big Box Store
Linens N Things	Orleans	Linen N Things	28,838	Big Box Store

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## Significant Projects Under Construction

	Submarket	Lead Tenant	Total S/F	Project/Building Type
First Pro Orleans Centre	Orleans	Wal-Mart	485,000	Power Centre
Trinity Crossing (Trinity & RioCan )	Orleans	Real Canadian Superstore	372,000	Power Centre
Crown Pointe (Taggart)	Orleans	Giant Tiger	60,000	Neighbourhood Mall

## Ottawa Statistical Summary

Market Segment	Inventory	Vacancy Mid-Year 2006	Vacancy Year-End 2006	EOY Absorption	Average Net Rent	Average Tax & Ops
<b>Regional Malls</b>	<b>5,523,539</b>	<b>1.9%</b>	<b>1.1%</b>	<b>71,578</b>	<b>N/A</b>	<b>N/A</b>
<b>Community Malls</b>	<b>6,165,065</b>	<b>1.3%</b>	<b>1.2%</b>	<b>410,654</b>	<b>\$20.52</b>	<b>\$13.43</b>
<b>Downtown Core</b>	<b>618,166</b>	<b>4.3%</b>	<b>1.7%</b>	<b>25,480</b>	<b>\$24.77</b>	<b>\$20.86</b>
<b>Neighbourhood Malls</b>	<b>5,197,183</b>	<b>5.6%</b>	<b>5.4%</b>	<b>84,264</b>	<b>\$19.14</b>	<b>\$10.71</b>
Ottawa East	479,539	4.3%	4.3%	(19)	\$18.66	\$9.19
Gloucester	359,292	5.9%	5.4%	(4,872)	\$15.73	\$11.09
Orleans	648,592	0.6%	4.2%	12,242	\$23.00	\$10.25
Ottawa South	759,460	2.7%	2.1%	(7,242)	\$20.62	\$11.59
Kanata/Stittsville	852,228	8.0%	10.1%	(49,156)	\$20.09	\$12.61
Bell's Corners	296,828	5.1%	6.1%	16,955	\$20.73	\$9.67
Nepean (Merivale)	580,301	10.9%	5.8%	120,899	\$17.64	\$6.53
Nepean (Other)	660,862	12.1%	6.8%	1,504	\$18.62	\$9.51
Ottawa West	560,081	1.0%	2.9%	(6,047)	\$16.38	\$12.36
<b>Total</b>	<b>17,503,953</b>	<b>2.9%</b>	<b>2.4%</b>	<b>591,976</b>	<b>\$19.46</b>	<b>\$11.31</b>

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