



OFFICE OVERVIEW OTTAWA, ON

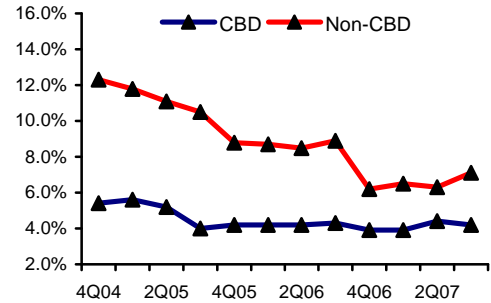
Third Quarter 2007

Ottawa office market softens slightly

Vacancy increased to 5.9% in the third quarter, largely due to a combination of new supply and tenants relocating to these new premises, leaving their previous spaces vacant. Absorption was close to 280,000 square feet (sf), the majority of which can be attributed to fully-leased construction completions. Absorption is expected to remain strong through to the end of the year as the new 145,000 sf facility for Dell Canada is expected to be completed, along with the 150,000 sf building for JDS. Unlike this quarter, there will be no offsetting negative absorption as these projects represent an expansion for Dell and a relocation by JDS. Although not as brisk as last quarter, leasing activity was solid at just over 380,000 sf. For the remainder of the year leasing activity is expected to remain particularly strong in the central area as new supply has created more opportunities for tenants to move around.

Vacancy in the central market edged up this quarter to 4.5%, with numerous small pockets of space coming onto the market, particularly in Centretown. With the completion of the new Telus building, absorption was close to 90,000 sf in the central market with demand concentrated in the downtown core. There were multiple spaces over 10,000 sf that were leased within the downtown core in both class A and class B buildings. These transactions helped boost leasing activity within the central area to 206,000 sf. Despite the space left vacant by Telus relocating to their new building, vacancy declined in the downtown core to reach 4.2%, with the class A vacancy rate also declining to reach 3.3%. Construction continues at 180 Kent, the class A 370,000 sf tower being built by Minto, which is expected to achieve the gold level LEED standard. Due to continued growth and the desire to “go green”, it has been speculated the federal government will lease the entirety of this building before it is completed. Along with the announcement last quarter that two towers located in Gatineau will be constructed for the government, it is also anticipated that in the coming months the federal government will be issuing a tender for 375,000 sf in the downtown core. This ensures the federal government will remain an active player in the market going into 2008.

**Overall Vacancy Rates
CBD vs. Non-CBD**



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Vacancy in the overall suburban market has had a bumpy ride over the last four quarters and this quarter was no exception. Vacancy edged back up to reach 7.2%, its highest vacancy level in a year. Absorption did rebound from last quarter due to the completion of the new facility for EMS Technologies as well as 353 Preston Street, but demand for existing space continues to soften. Leasing activity reflects this with just under 176,000 sf; the lowest total for a quarter in over two years. This weakening is being felt strongly in the suburban west market as vacancy climbed to 8.8%, up from 7.6% last quarter. This was in large part the result of tenant relocations, like EMS and International Datacasing, to their new premises. Vacancy was also impacted by 425 Legget coming onto the market, the now vacant building formerly occupied by Solectron. These events would have had a greater negative impact on absorption, but with the fully-leased building completions

there was just over 107,000 sf of positive absorption. Absorption will continue to be strong into next quarter with the completion of the new building for Dell as well as the completion of the JDS facility. Vacancy in the eastern suburban market declined to 3.3% this quarter with modest leasing activity and absorption. The greatest impact on this market this quarter was the removal of 45,000 sf of sublet space in the Ottawa East class A sub-market

CUSHMAN & WAKEFIELD LEPAGE MARKET HIGHLIGHTS**Significant 3Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
250 Albert Street	Central Business District	PWGSC	136,000	B
555 Legget Drive – A	Kanata	Nokia Products Limited	32,842	A
255 Albert Street	Central Business District	PWGSC	29,262	B

Significant 3Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
2215 Gladwin Crescent	Ottawa East	BGV III Office Ottawa Inc.	201,323	\$34,900,000
425 Legget Drive	Kanata	Canderel	107,000	\$6,965,344

Significant 3Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
353 Preston Street	Ottawa West	Government of Ontario	130,000	Q3 2007
215 Slater Street	Central Business District	Telus	110,000	Q3 2007
400 Maple Grove Drive	Kanata	EMS	105,000	Q3 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
180 Kent Street	Central Business District	N/A	370,000	Q2 2009
15 Bill Leatham Drive	Nepean	JDS	150,000	Q4 2007
1001 Farrar Road	Kanata	Dell Canada	145,000	Q4 2007

CUSHMAN & WAKEFIELD LEPAGE MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Buildings	Overall Vacancy Rate	1 Year Ago	Direct Vacancy Rate	Q3 Leasing Activity	YTD Leasing Activity	Q3 Absorption	YTD Absorption	Direct Wtd. Avg. Rental Rate*
CBD	13,951,298	80	4.2%	4.3%	3.5%	187,511	400,534	131,190	359,909	\$20.32
Centretown	1,658,757	30	7.1%	11.2%	6.8%	8,111	41,683	(39,457)	(65,296)	\$13.13
Byward Market	914,861	13	4.7%	4.5%	4.7%	10,090	49,091	(2,130)	18,985	\$15.75
Kanata	4,510,774	58	9.7%	8.0%	7.4%	30,091	186,167	57,477	54,341	\$14.04
Ottawa West	3,635,029	56	8.9%	11.7%	8.3%	61,169	172,870	74,045	30,478	\$14.27
Nepean	4,488,670	74	7.8%	10.5%	4.8%	43,208	263,342	(23,983)	(36,902)	\$12.99
Ottawa East	3,714,270	52	4.1%	7.8%	4.0%	28,871	114,283	59,603	62,816	\$11.96
Gloucester	1,312,799	12	1.0%	4.7%	0.7%	12,501	45,369	21,756	31,867	\$14.90
Total	34,186,458	375	5.9%	7.1%	4.8%	381,552	1,273,339	278,501	456,198	\$15.68

* Rental rates reflect \$psf/year