



185 Corkstown Road  
Ottawa (Nepean)  
Up to 519,000 sq. ft.  
available for sale or lease  
through J.J. Barnicke Limited

## MARKET AT A GLANCE

**Population**  
1.1 million

**Competitive Office Space**  
31.7 million sq. ft.

**Federal Government Owned  
Office Space**  
16.9 million sq. ft.

**Total Vacancy**  
10.35%

**CBD Class "A" Direct**  
2.50%

**Q1 2005 Net Absorption**  
-7,210 sq. ft.

The Ottawa office market's overall vacancy rate remained practically unchanged in the first quarter of 2005, rising only 0.08 percentage points to 10.35%. On an overall basis, net absorption in the first quarter was negative 7,210 sq.ft. As lease terms expire and roll into direct vacancy, the amount of sublease space vacant in Ottawa continues to decline. Overall sublease space now represents approximately 26% of total vacancy, compared to 40% one year ago. This shift has put some downward pressure on posted net asking rates and landlords are offering generous leasing inducements to attract and/or retain tenants.

## Downtown Markets

Downtown Ottawa's office market vacancy rose for the seventh consecutive quarter. The overall vacancy rate increased by half a percentage point to 5.39% in Q1 2005 on negative absorption of 68,608 square feet. The CBD Class 'A' vacancy rate increased by 1.06 percentage points to 4.02% in the first quarter. EDS released two full floors totaling just over 41,000 sq.ft. to the sublet market at 45 O'Connor Street (World Exchange Plaza). While the CBD Class 'B' vacancy rate decreased by 0.71 percentage points to 6.74% in the first quarter.



2465 St. Laurent Boulevard

Despite the recent trend of rising vacancies in Ottawa's downtown, we have yet to see any downward pressure on rental rates, however some landlords are offering improved inducement packages to retain tenants. Current asking gross rental rates now stand at a weighted average of \$37 per sq.ft. per year. Class 'A' buildings in the market offer direct space at an average asking rate of \$42 psf per year, while Class 'B' is currently averaging \$31 per sq.ft. per year. As a result, an increasing number of tenants are being lured out of the downtown core to the western suburbs to more affordable high quality space. For example, Rasmussen Starr Ruddy, LLP relocated their 8,000 sq.ft. offices from 55 Metcalfe Street (Downtown Class 'A') to 1600 Carling Avenue (Ottawa West Class 'A') in Q1 2005.

## Suburban Markets

Asking rental rates in the western suburban markets continue to bear little resemblance to actual deal rates. Some landlords are offering aggressive incentive packages with free rent and/or increased tenant improvement allowances which drop the true cost of a lease well below quoted rates.

For the third consecutive quarter, the Kanata office market was the best performing market posting 98,231 square feet of positive net absorption, which caused its vacancy rate to decline by 4 percentage points to 22.56%. Golder Associates Limited relocated their offices from 1796 Courtwood Drive (Ottawa West) to 32 Steacie Drive (Kanata Class 'B') in the first quarter. Asking gross rents in Kanata presently stand at a weighted average of \$24 per sq.ft. per year, but in reality they are closer to the operating costs & taxes of \$12 per sq.ft. per year.

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600 Peter Morand Crescent  
Ottawa (East)  
Up to 12,500 sq. ft.  
available for lease  
through J.J. Barnicke Limited



11 Holland Avenue  
Ottawa (West)  
Purchased by Canada Property  
(Trustee) No 1 Ltd. for \$58.7 million

The Nepean office market experienced further softening in Q1 as the overall vacancy rate increased by 1.14 percentage points to 22.25%. The Nepean Class 'A' vacancy was stable, however the 'non-Class 'A' vacancy rate increased by 2.69 percentage points as occupied space decreased by 40,047 square feet.

The Ottawa West overall vacancy increased in the first quarter and is currently 14.30% totalling just over 588,000 square feet. Asking gross rents in Ottawa West Class 'A' are currently at a weighted average of \$31 per sq.ft. per year. One major investment sale was completed in Q1 2005, as Canada Property (Trustee) No 1 Ltd purchased Holland Cross (11 Holland Avenue & 1600 Scott Street) for \$58.7 million from Calloway REIT.

There were two significant investment sales in Ottawa East in the first quarter. Dundead Canada (GP) purchased 2465 St. Laurent Boulevard for \$8.1 million (\$131/sq.ft.) and O&Y REIT purchased 2200 & 2204 Walkley Road for \$20.25 million (\$128/sq.ft.).

Ottawa will continue to attract investment capital resulting in ever increasing real estate values from buyers, both national and international. On the office leasing front, we see very little change in the downtown, however the low rental rates and availability in the west end/Kanata markets will see significant deals completed over the next six months, if the present flurry of activity is any indication.

## Q1 2005 OFFICE MARKET HIGHLIGHTS

| Location Code and Class          | Market Size (Sq.Ft.) | Direct Vacant (Sq.Ft.) | Direct Vacancy Rate | Sublet Vacant (Sq.Ft.) | Overall Vacancy Rate | Q1 2005 Net Absorption | Year-to-Date Net Absorption | Year-to-Date New Inventory | Under Construction | Weighted Average Net Asking Rental Rates | Weighted Average Additional Rents (Operating Costs & Taxes) |
|----------------------------------|----------------------|------------------------|---------------------|------------------------|----------------------|------------------------|-----------------------------|----------------------------|--------------------|--|---|
| <b>Central Business District</b> |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| CBD "A"                          | 7,654,460            | 191,425                | 2.50%               | 116,458                | 4.02%                | (90,481)               | (90,481)                    | 0                          | 657,933            | \$25.23                                  | \$16.56   |
| CBD "B"                          | 4,235,412            | 253,290                | 5.98%               | 32,182                 | 6.74%                | 10,834                 | 10,834                      | 0                          | 0                  | \$17.31                                  | \$13.37   |
| CBD "C"                          | 1,243,869            | 104,914                | 8.43%               | 9,038                  | 9.16%                | 11,039                 | 11,039                      | 0                          | 0                  | \$13.38                                  | \$11.39   |
| <b>CBD TOTAL</b>                 | <b>13,133,741</b>    | <b>549,629</b>         | <b>4.18%</b>        | <b>157,678</b>         | <b>5.39%</b>         | <b>(68,608)</b>        | <b>(68,608)</b>             | <b>0</b>                   | <b>657,933</b>     | <b>\$21.55</b>                           | <b>\$15.04</b>  |
| <b>Centretown Ottawa</b>         |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| CTN "B"                          | 885,469              | 82,813                 | 9.35%               | 0                      | 9.35%                | (1,280)                | (1,280)                     | 0                          | 0                  | \$13.88                                  | \$12.45   |
| CTN "C"                          | 743,154              | 38,258                 | 5.15%               | 0                      | 5.15%                | (5,836)                | (5,836)                     | 0                          | 0                  | \$13.69                                  | \$11.70   |
| <b>CTN TOTAL</b>                 | <b>1,628,623</b>     | <b>121,071</b>         | <b>7.43%</b>        | <b>0</b>               | <b>7.43%</b>         | <b>(7,116)</b>         | <b>(7,116)</b>              | <b>0</b>                   | <b>0</b>           | <b>\$13.79</b>                           | <b>\$12.11</b>  |
| <b>Byward Market Ottawa</b>      |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| MKT "A"                          | 291,621              | 18,718                 | 6.42%               | 2,016                  | 7.11%                | 9,198                  | 9,198                       | 0                          | 0                  | \$15.45                                  | \$15.15   |
| MKT "OTHER CLASSES"              | 503,077              | 7,357                  | 1.46%               | 0                      | 1.46%                | (4,988)                | (4,988)                     | 0                          | 0                  | \$13.10                                  | \$10.98   |
| <b>MKT TOTAL</b>                 | <b>794,698</b>       | <b>26,075</b>          | <b>3.28%</b>        | <b>2,016</b>           | <b>3.53%</b>         | <b>4,210</b>           | <b>4,210</b>                | <b>0</b>                   | <b>0</b>           | <b>\$13.97</b>                           | <b>\$12.51</b>  |
| <b>Ottawa East</b>               |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| EST "A"                          | 1,237,456            | 7,379                  | 0.60%               | 30,039                 | 3.02%                | 0                      | 0                           | 0                          | 99,850             | \$14.00                                  | \$11.04   |
| EST "OTHER CLASSES"              | 2,007,228            | 64,062                 | 3.19%               | 15,310                 | 3.95%                | 4,991                  | 4,991                       | 0                          | 0                  | \$11.57                                  | \$10.22   |
| <b>EST TOTAL</b>                 | <b>3,244,684</b>     | <b>71,441</b>          | <b>2.20%</b>        | <b>45,349</b>          | <b>3.60%</b>         | <b>4,991</b>           | <b>4,991</b>                | <b>0</b>                   | <b>99,850</b>      | <b>\$12.50</b>                           | <b>\$10.54</b>  |
| <b>Gloucester</b>                |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| GLO "A"                          | 1,274,823            | 25,440                 | 2.00%               | 34,186                 | 4.68%                | 0                      | 0                           | 0                          | 0                  | \$15.52                                  | \$14.66   |
| GLO "OTHER CLASSES"              | 120,782              | 5,000                  | 4.14%               | 1,824                  | 5.65%                | (5,000)                | (5,000)                     | 0                          | 0                  | \$10.33                                  | \$8.47  |
| <b>GLO TOTAL</b>                 | <b>1,395,605</b>     | <b>30,440</b>          | <b>2.18%</b>        | <b>36,010</b>          | <b>4.76%</b>         | <b>(5,000)</b>         | <b>(5,000)</b>              | <b>0</b>                   | <b>0</b>           | <b>\$15.07</b>                           | <b>\$14.13</b>  |
| <b>Kanata</b>                    |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| KAN "A"                          | 3,654,511            | 538,550                | 14.74%              | 309,998                | 23.22%               | 91,105                 | 91,105                      | 0                          | 0                  | \$12.49                                  | \$11.91   |
| KAN "OTHER CLASSES"              | 522,784              | 93,678                 | 17.92%              | 0                      | 17.92%               | 7,126                  | 7,126                       | 0                          | 0                  | \$11.23                                  | \$10.69   |
| <b>KAN TOTAL</b>                 | <b>4,177,295</b>     | <b>632,228</b>         | <b>15.13%</b>       | <b>309,998</b>         | <b>22.56%</b>        | <b>98,231</b>          | <b>98,231</b>               | <b>0</b>                   | <b>0</b>           | <b>\$12.33</b>                           | <b>\$11.76</b>  |
| <b>Nepean</b>                    |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| NEP "A"                          | 1,742,192            | 397,838                | 22.84%              | 122,914                | 29.89%               | 1,866                  | 1,866                       | 0                          | 0                  | \$16.92                                  | \$13.45   |
| NEP "OTHER CLASSES"              | 1,441,903            | 128,595                | 8.92%               | 58,976                 | 13.01%               | (40,047)               | (40,047)                    | 0                          | 0                  | \$11.23                                  | \$10.35   |
| <b>NEP TOTAL</b>                 | <b>3,184,095</b>     | <b>526,433</b>         | <b>16.53%</b>       | <b>181,890</b>         | <b>22.25%</b>        | <b>(38,181)</b>        | <b>(38,181)</b>             | <b>0</b>                   | <b>0</b>           | <b>\$14.34</b>                           | <b>\$12.70</b>  |
| <b>Ottawa West</b>               |                      |                        |                     |                        |                      |                        |                             |                            |                    |  |   |
| WST "A"                          | 2,426,452            | 240,916                | 9.93%               | 39,969                 | 11.58%               | 20,914                 | 20,914                      | 0                          | 0                  | \$16.91                                  | \$13.91   |
| WST "OTHER CLASSES"              | 1,686,655            | 237,324                | 14.07%              | 69,840                 | 18.21%               | (16,651)               | (16,651)                    | 0                          | 0                  | \$12.61                                  | \$11.43   |
| <b>WST TOTAL</b>                 | <b>4,113,107</b>     | <b>478,240</b>         | <b>11.63%</b>       | <b>109,809</b>         | <b>14.30%</b>        | <b>4,263</b>           | <b>4,263</b>                | <b>0</b>                   | <b>0</b>           | <b>\$15.15</b>                           | <b>\$12.90</b>  |
| <b>OTTAWA TOTALS</b>             | <b>31,671,848</b>    | <b>2,435,557</b>       | <b>7.69%</b>        | <b>842,750</b>         | <b>10.35%</b>        | <b>(7,210)</b>         | <b>(7,210)</b>              | <b>0</b>                   | <b>757,783</b>     | <b>\$16.98</b>                           | <b>\$12.31</b>  |

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