Quarterly Report
Ottawa Office Q3 2011

Q3 2011

Contents

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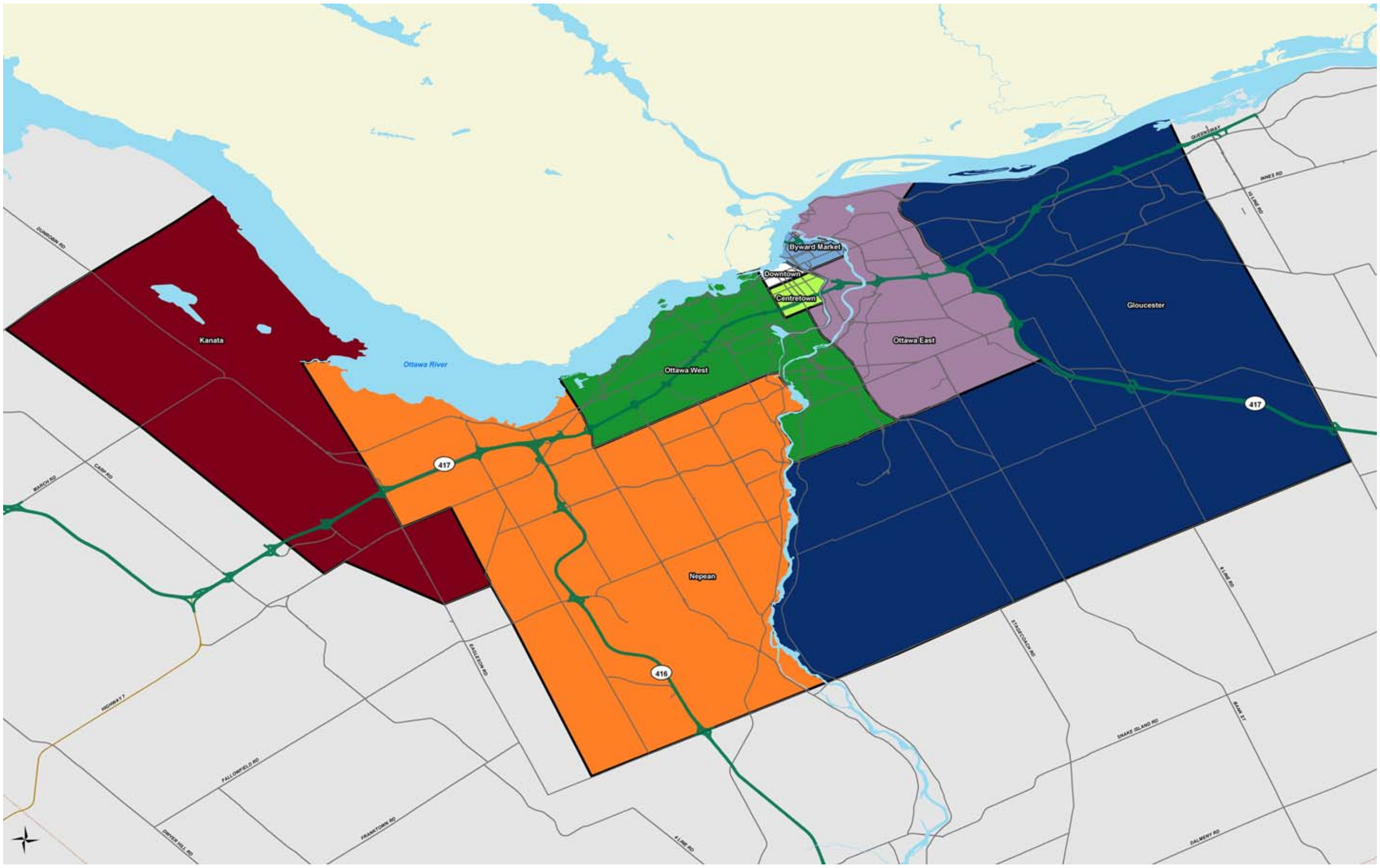
Executive Summary

- The overall vacancy rate in Ottawa increased by 52 basis points to 8.1% in the third quarter. While the overall availability rate increased by 7 basis points to 8.9%. The node with the lowest vacancy rate is Ottawa East at 4.7% and the node with the highest vacancy rate is Kanata at 14.7%.
- Demand for space from the public sector was the main driver of leasing activity downtown in Q3 2011, while private sector tenants were somewhat active in the suburban west markets.
- Across the Ottawa office market, 71.9% was available office space was directly available for lease whereas 28.1% was available for lease via a sublet.
- Average asking rates in Ottawa increased by $0.19 across the city in Q3 2011 to $17.87 per square foot.
- Downtown continues to command the highest rent averaging $22.65 per square foot in Q2 2011. Kanata continues to capture the lowest average net rent at $11.80 this quarter.
- The downtown market saw its vacancy rate increase by 31 basis points in Q3 2011 to 5.5%. Vacancy is expected to continue to rise in Q4 2011 as several large blocks of space come onto the market mainly as a result of the completion of EDC's new building.
- Kanata's office market experienced negative net absorption in Q3 2011. Avaya announced at the end of Q3 2011, that they have leased 425 Legget Drive, a 104,000 office/manufacturing building. Expect a few more announcements from tenants (Genband and Ciena) currently located at the Carling Campus that have yet to secure new premises.
- EDC's new headquarters at 150 Slater Street was completed in Q3 2011, which added 520,000 square feet to the downtown office market – 80,000 square feet of which is available for sublease.
- Four office buildings representing 1.1 million square feet were under construction in Ottawa this quarter, including:
  - 90 Elgin, 17-storey 646,000 square foot building for PWGSC
  - 5050 Innovation Drive, 5-storey 122,450 sq ft building for RIM
  - 395 Terminal Avenue, 8-storey 275,125 square foot office building for PWGSC
  - 2611 Queensview Drive – 80,000 square foot office building for Genivar

Ottawa Map



Ottawa Vacancy Rates High/Low

Markets with lowest vacancy rates	
Byward Market	4.84%
Ottawa East	5.48%
Downtown	5.51%
Gloucester	5.60%

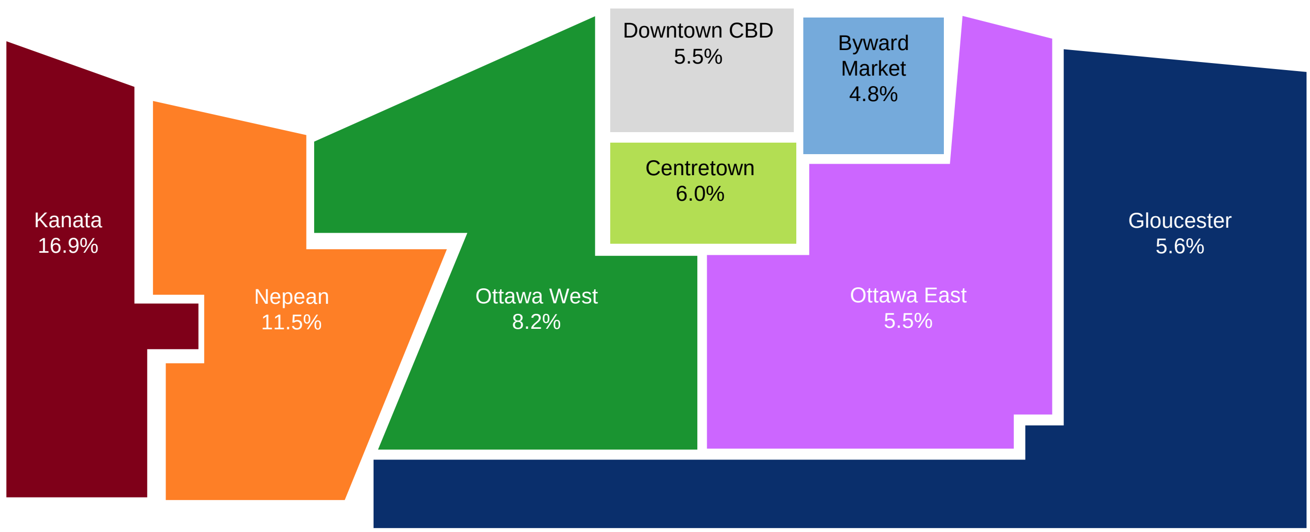
Markets with largest quarterly decrease	
Nepean	-0.75%
Byward Market	-0.16%

Markets with highest vacancy rates	
Kanata	16.91%
Nepean	11.46%
Ottawa West	8.24%
Centretown	5.97%

Markets with largest quarterly increase	
Kanata	+2.26%
Ottawa East	+0.81%
Centretown	+0.73%
Gloucester	+0.59%
Downtown	+0.31%
Ottawa West	+0.26%

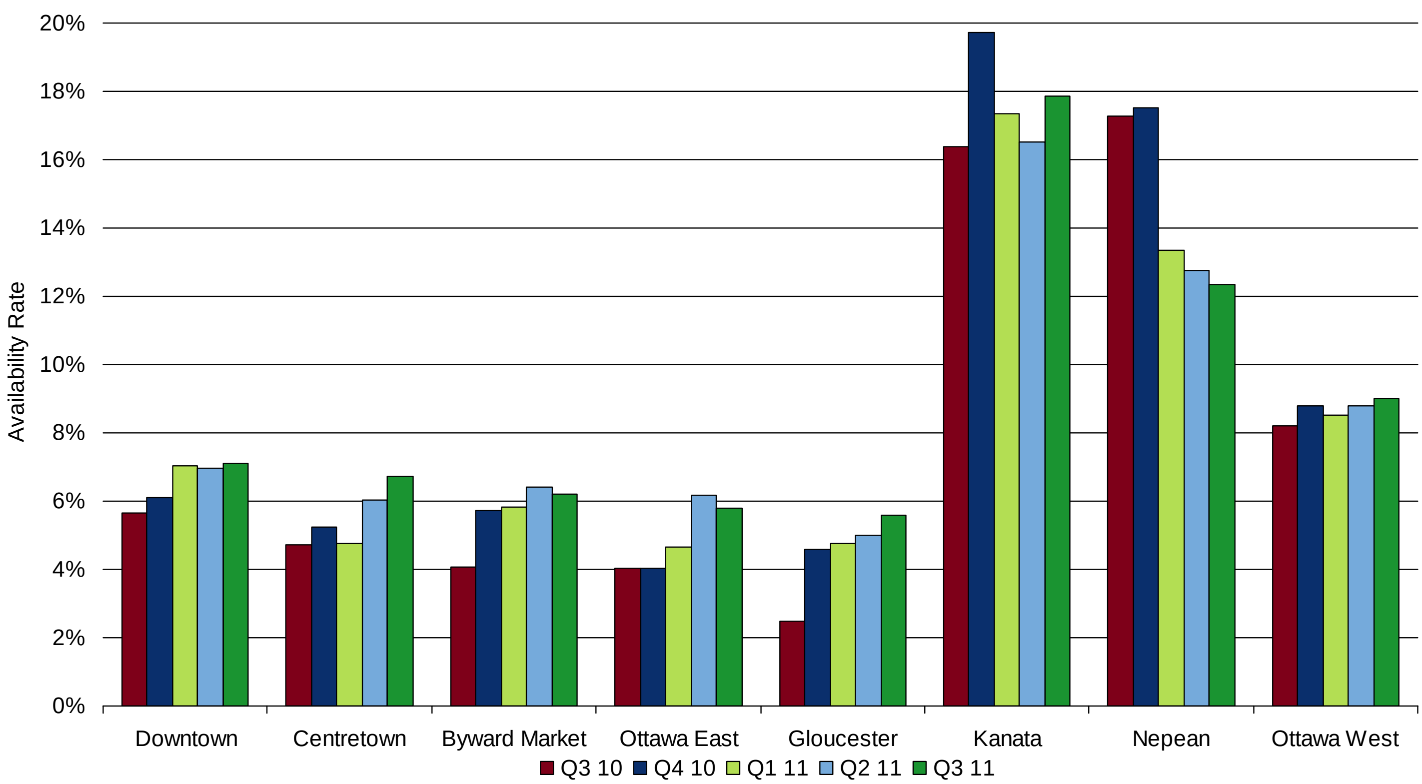
Ottawa Office Market Intelligence
Vacancy and Availability Rates

Office Vacancy Rates Across Ottawa



Ottawa Overall Office Vacancy Rate is 8.1%

Availability Rates By Market Node Q3 2010 to Q3 2011



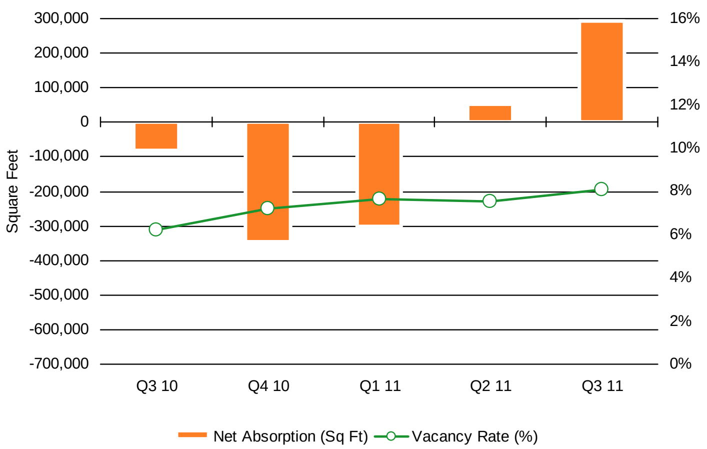
Q3 2011 Office Property Market
Ottawa

Market Summary

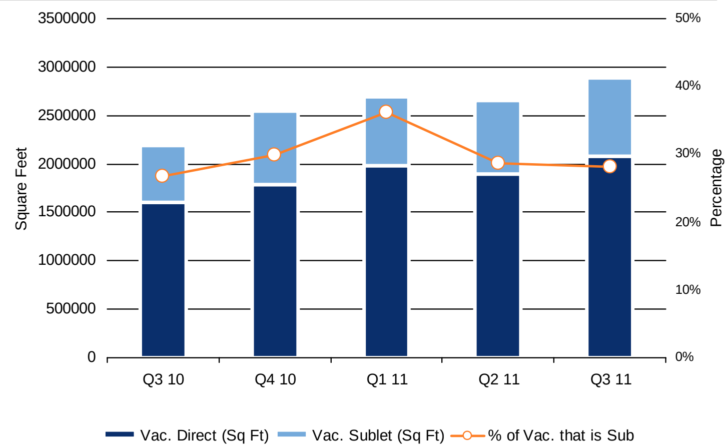
Market Area	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
Downtown	17,786,430	5.5%	7.0%	74.3%	25.7%	$21.64	$18.61	646,000
Suburban East	5,045,515	5.5%	5.7%	76.9%	23.1%	$14.14	$13.57	275,125
Suburban West	12,957,455	12.5%	13.4%	69.7%	30.3%	$14.15	$12.94	202,450
OTTAWA	**35,789,400**	**8.1%**	**9.2%**	**71.9%**	**28.1%**	**$17.87**	**$15.85**	**1,123,575**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.
Source: DTZ Barnicke

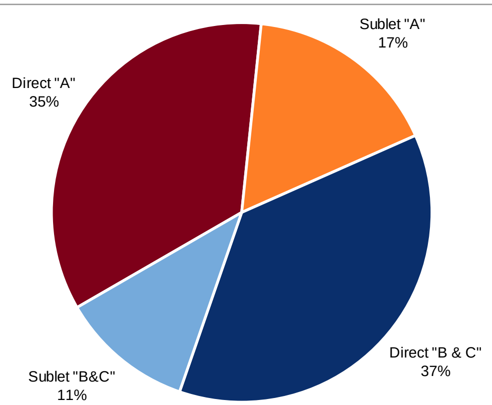
Absorption & Vacancy



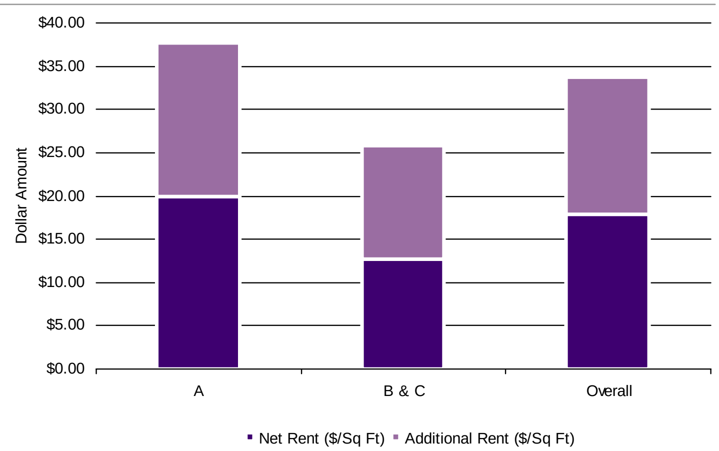
Direct & Sublet Vacancies



Availabilities by Class & Type

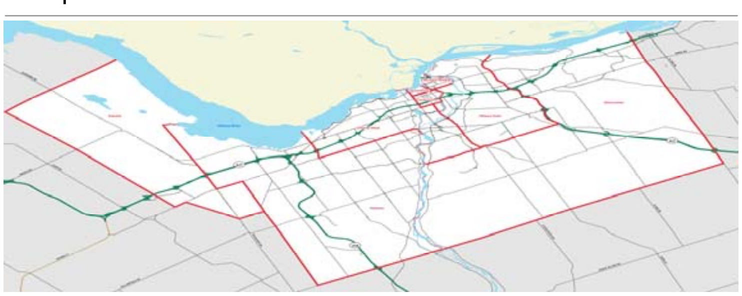


Weighted Average Asking Rates & Additional Rents



* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area



Notable Points

- The Ottawa office market experienced positive absorption for the second consecutive quarter
- The vacancy rate increased by 52 basis points to 8.06% from Q2 2011 to Q3 2011
- The average asking rate for direct space across all office classes increased $0.02 to $17.87 from $17.68 per square foot in Q3 2011
- There are three office buildings currently under construction in Ottawa totaling 1.0 million square feet
- There are six opportunities of space equal to or greater than 50,000 square feet in Ottawa

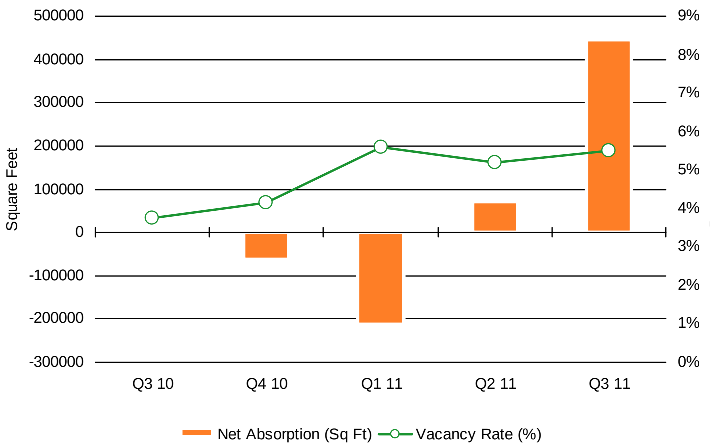
Q3 2011 Office Property Market
Ottawa - Downtown – **Central Business District**

Market Summary

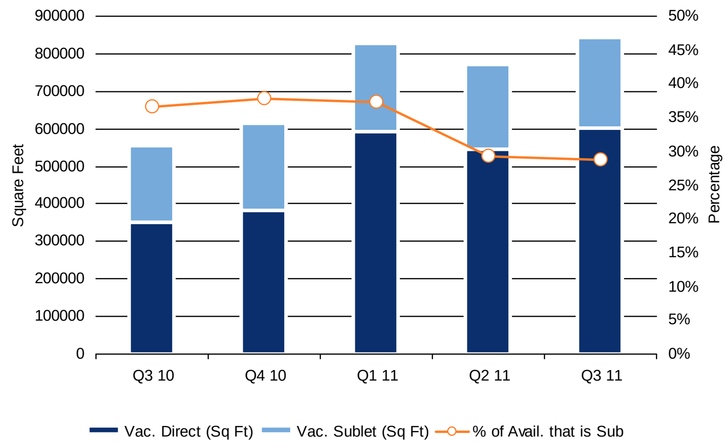
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	9,709,726	5.3%	6.2%	57.6%	42.4%	$25.49	$21.51	646,000
B	4,469,247	4.3%	7.6%	89.3%	10.7%	$17.95	$16.92	0
C	1,154,613	11.7%	13.0%	97.4%	2.6%	$16.98	$11.25	0
CBD	**15,333,586**	**5.5%**	**7.1%**	**71.2%**	**28.8%**	**$22.65**	**$19.40**	**646,000**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

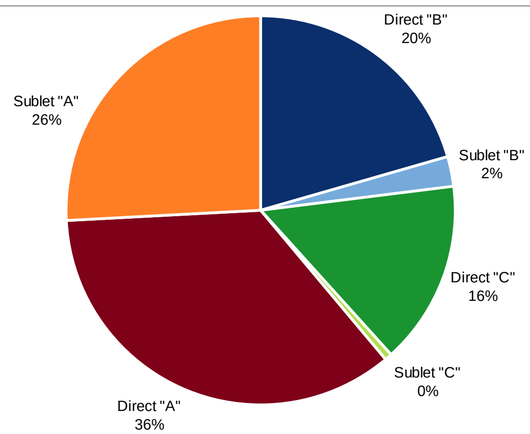
Absorption & Vacancy



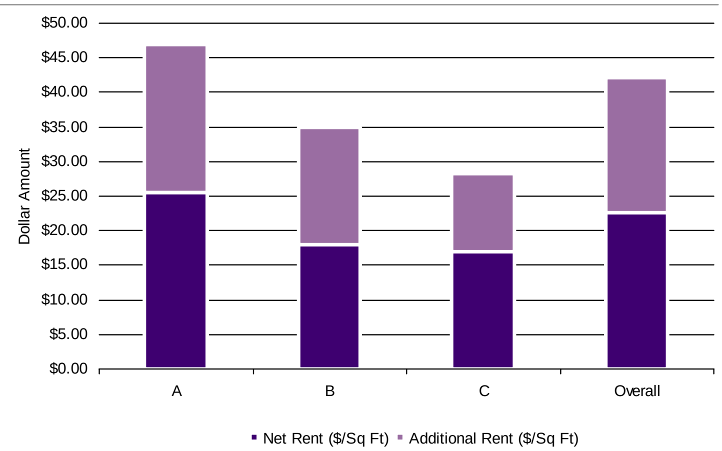
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



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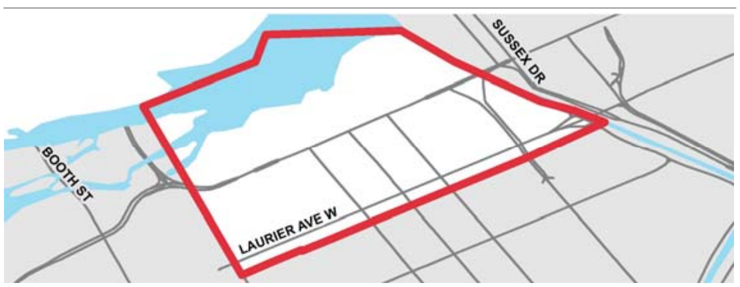
Map of Market Area



Notable Points

- The Downtown (CBD) market node experienced positive net absorption for the second consecutive quarter
- The vacancy rate increased by 31 basis points to 5.5% from Q2 2011 to Q3 2011
- Average asking rate for direct space across all office classes increased by $0.20 to $22.65 per square foot in Q3 2011
- EDC's new 520,000 sq ft headquarters at 150 Slater Street was completed in Q3 2011
- The is currently one building under construction in the CBD – the redevelopment project of 90 Elgin Street – 646,000 sq ft which will be occupied by the Department of Finance and Treasury Board
- There are three opportunities of space equal to or greater than 50,000 square feet in this market

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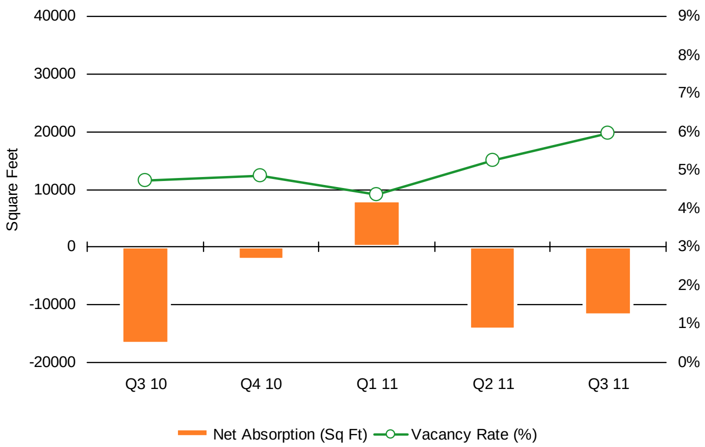
Q3 2011 Office Property Market
Ottawa - Downtown – **Centretown**

Market Summary

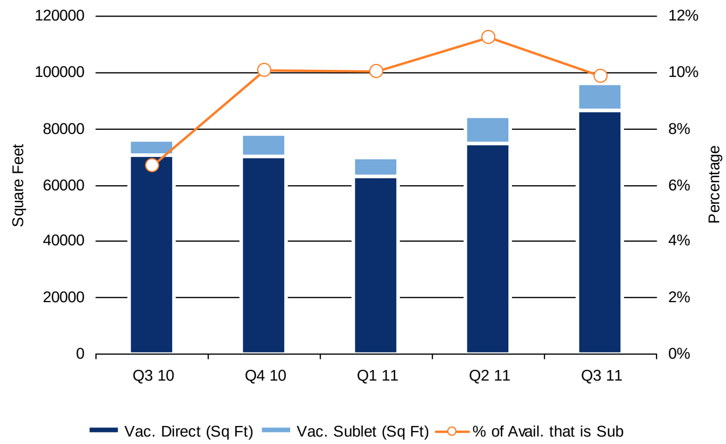
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
B	904,663	4.8%	6.5%	82.1%	17.9%	$16.57	$14.60	0
C	703,908	6.1%	7.0%	100.0%	0.0%	$12.49	$10.96	0
Centretown	**1,608,571**	**5.4%**	**6.7%**	**90.1%**	**9.9%**	**$14.79**	**$13.01**	**0**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

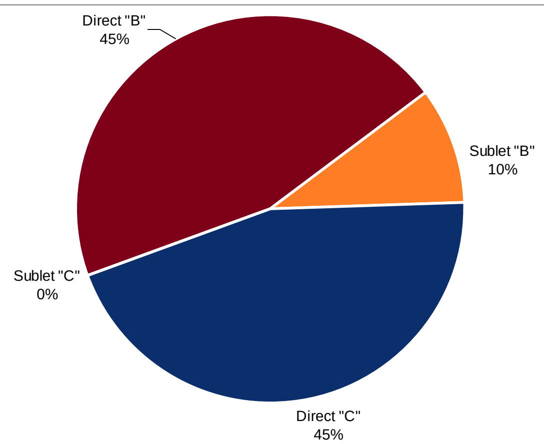
Absorption & Vacancy



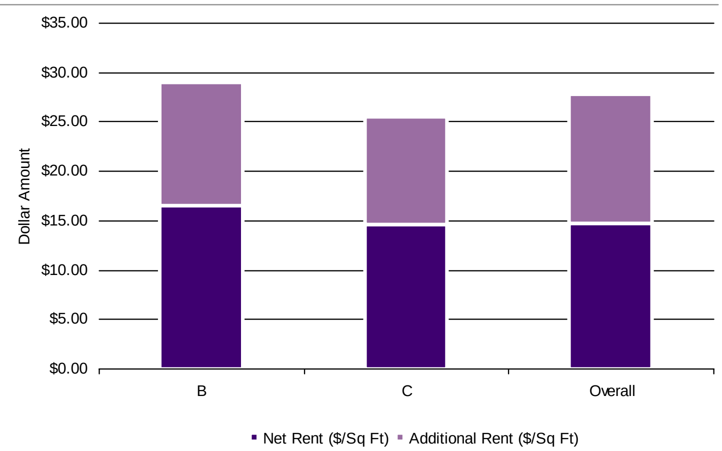
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area

Notable Points

- The Centretown market experienced negative net absorption for the second consecutive quarter in Q3 2011
- The vacancy rate increased by 73 basis points to 6.0% from Q2 2011 to Q3 2011
- The average net asking rental rates increased by $0.02 to $14.79 per square foot from Q2 2011 to Q3 2011
- There are no office buildings currently under construction in Centretown
- There are no opportunities for 10,000 square feet and greater spaces

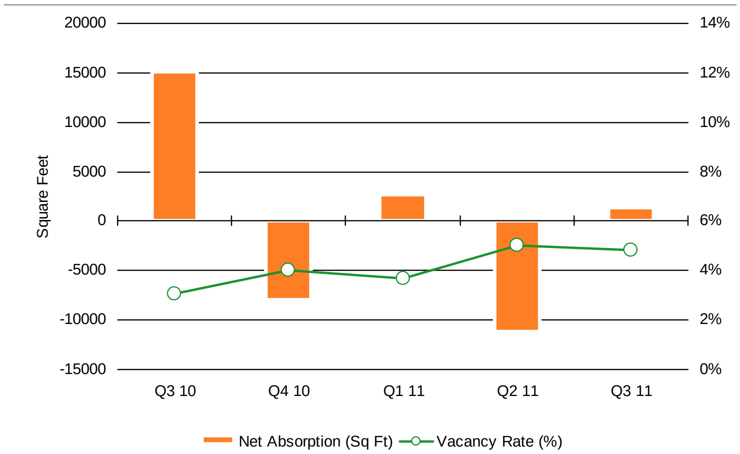
Q3 2011 Office Property Market
Ottawa - Downtown – **Byward Market**

Market Summary

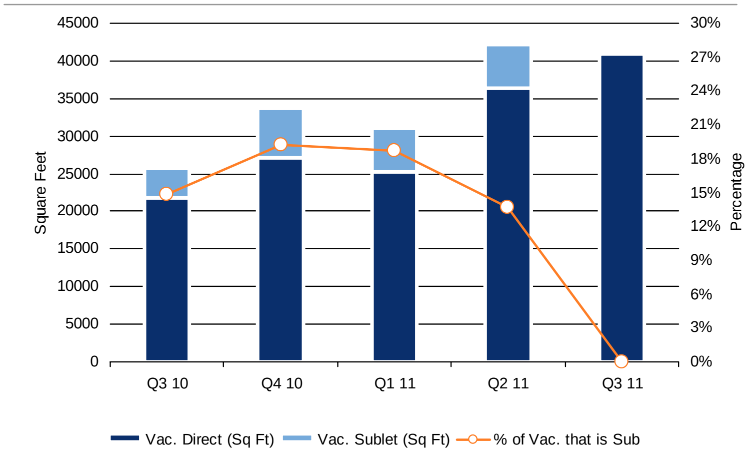
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	335,217	4.8%	7.6%	100%	0%	$17.78	$17.11	0
B & C	509,056	4.9%	5.3%	100%	0%	$15.43	$13.53	0
Byward Market	**844,273**	**4.8%**	**6.2%**	**100%**	**0%**	**$16.36**	**$14.95**	**0**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

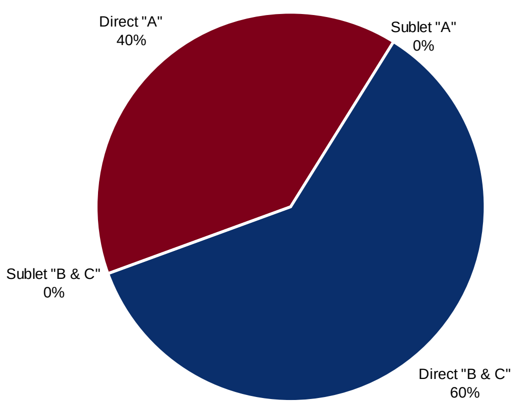
Absorption & Vacancy



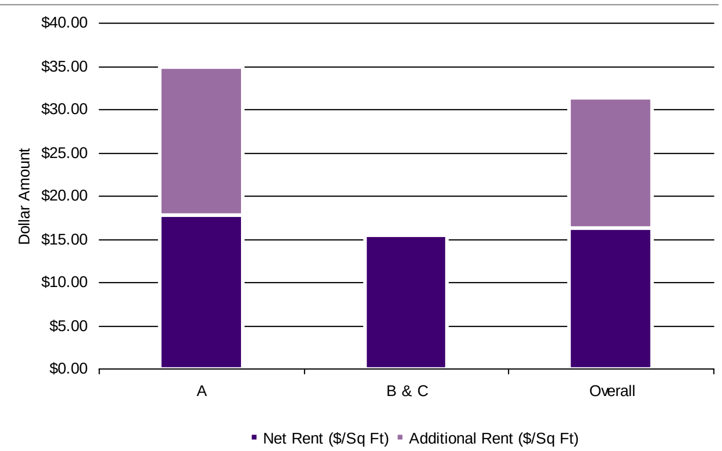
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



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Map of Market Area

Notable Points

- The Byward Market experienced positive net absorption this quarter
- The vacancy rate decreased by 16 basis points to 4.8% from Q2 2011 to Q3 2011
- The average net asking rental rates decreased by $0.18 to $16.36 per square foot from Q2 2011 to Q3 2011
- There are no office buildings currently under construction in the Byward Market
- There no opportunities for 10,000 square feet and greater spaces

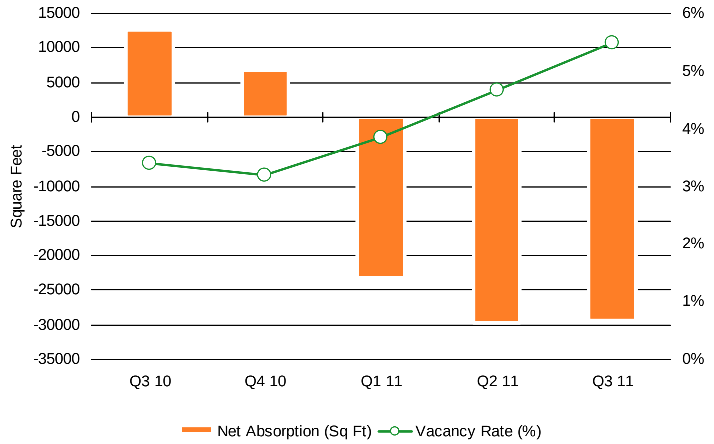
Q3 2011 Office Property Market
Ottawa –Suburban East – **Ottawa East**

Market Summary

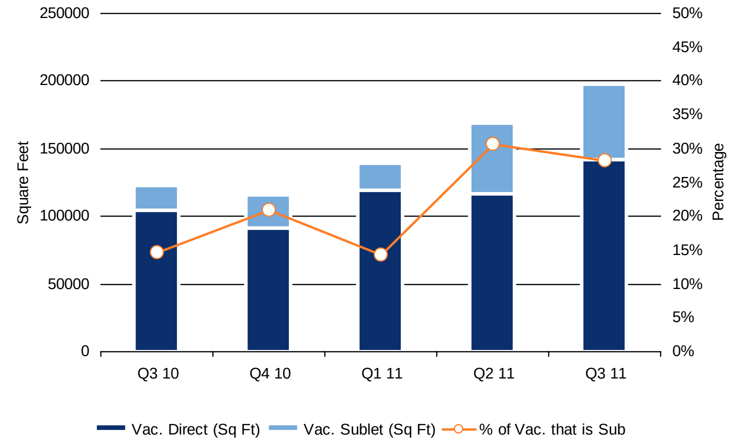
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,549,981	2.2%	2.3%	100.0%	0.0%	$14.27	$13.72	275,125
B & C	2,064,595	8.0%	8.3%	66.1%	33.9%	$12.28	$10.46	0
Ottawa East	**3,614,576**	**5.5%**	**5.8%**	**71.8%**	**28.2%**	**$13.14**	**$11.86**	**275,125**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

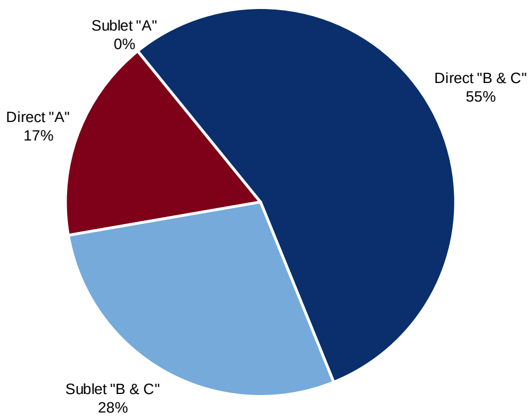
Absorption & Vacancy



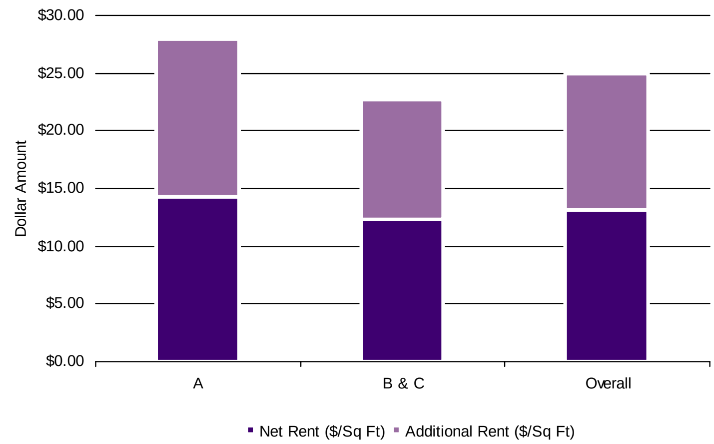
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



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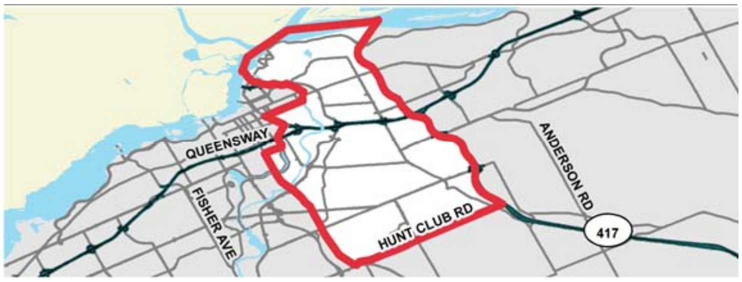
Map of Market Area



Notable Points

- The Ottawa East market experienced negative absorption for the third consecutive quarter
- The vacancy rate increased by 81 basis points to 5.5% from Q2 2011 to Q3 2011
- The average net asking rates remained unchanged at $13.14 per square foot in Q3 2011
- There is one new office building currently under construction in Ottawa East at 395 Terminal Avenue, 275,125 sq ft fully pre-leased to PWGSC
- There are four opportunities of space equal to or greater than 10,000 square feet in this market

Q3 2011 Office Property Market
Ottawa – Suburban East – **Gloucester**

Market Summary

Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,310,157	5.8%	5.8%	88.9%	12.2%	$17.05	$18.61	0
B & C	120,782	3.2%	3.2%	100.0%	0.0%	$12.63	$10.17	0
Gloucester	**1,430,939**	**5.6%**	**5.6%**	**89.5%**	**11.8%**	**$16.68**	**$17.90**	**0**

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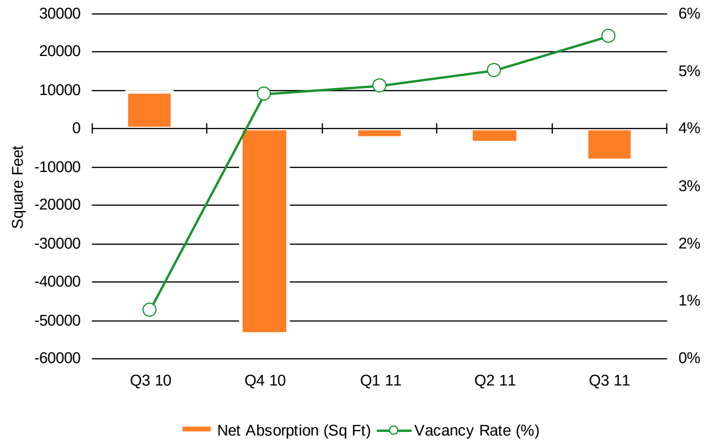
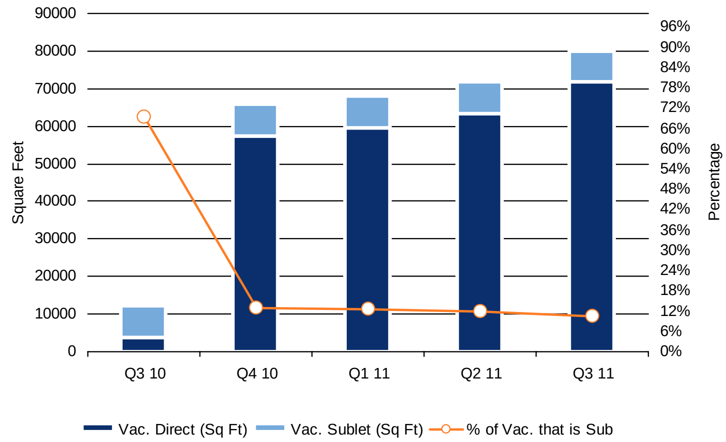
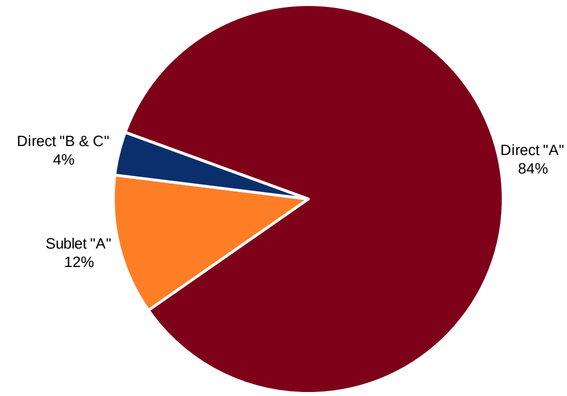
Absorption & Vacancy



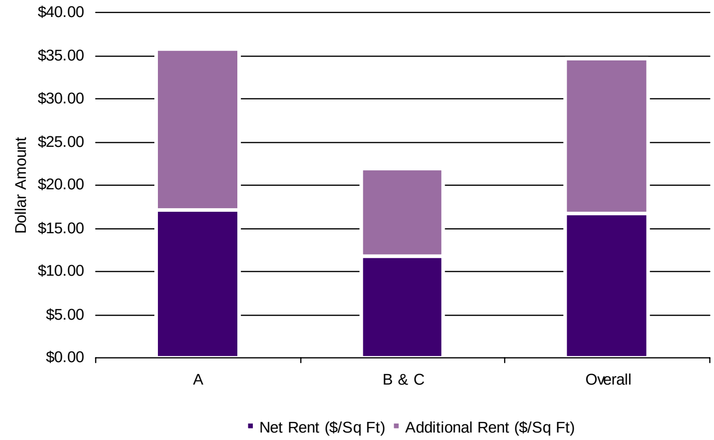
Direct & Sublet Vacancies



Availabilities by Class & Type



Weighted Average Asking Rates & Additional Rents



* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area

Notable Points

- The Gloucester market area experienced negative net absorption for the fourth consecutive quarter
- The vacancy rate increased by 59 basis points to 5.6% from Q2 2011 to Q3 2011
- The average net asking rental rates decreased by $0.02 to $16.68 per square foot from Q2 2011 to Q3 2011
- There are no office buildings currently under construction in Gloucester
- There are three opportunities for 10,000 square feet and greater spaces

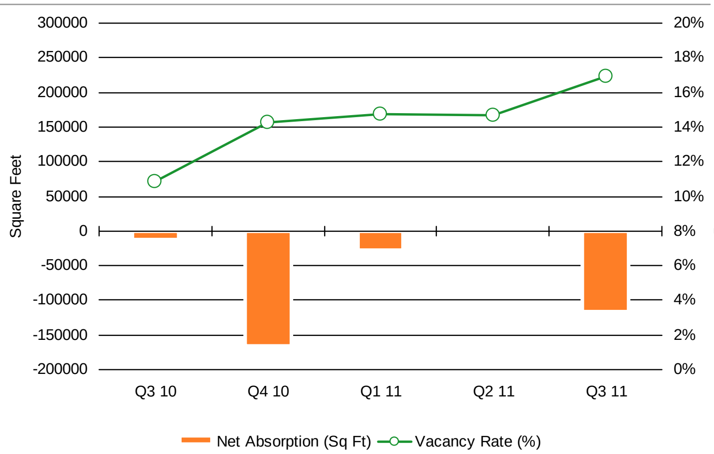
Q3 2011 Office Property Market
Ottawa – Suburban West – **Kanata**

Market Summary

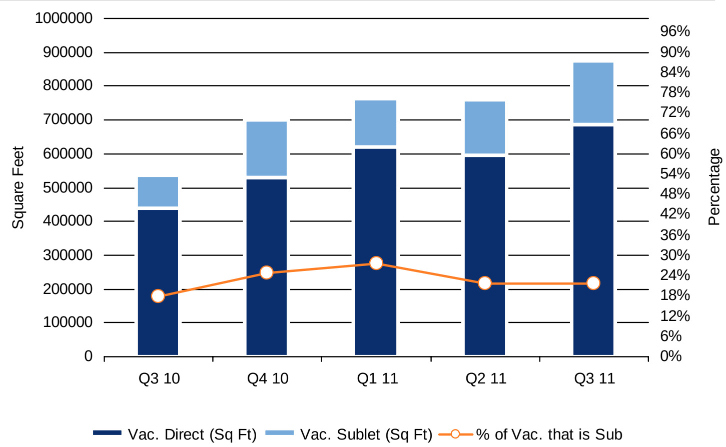
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	4,016,474	12.4%	13.4%	81.6%	18.4%	$12.61	$12.72	122,450
B & C	1,165,638	32.6%	33.2%	74.0%	26.0%	$9.02	$9.09	0
Kanata	**5,182,112**	**16.9%**	**17.9%**	**78.3%**	**21.7%**	**$11.80**	**$11.90**	**122,450**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

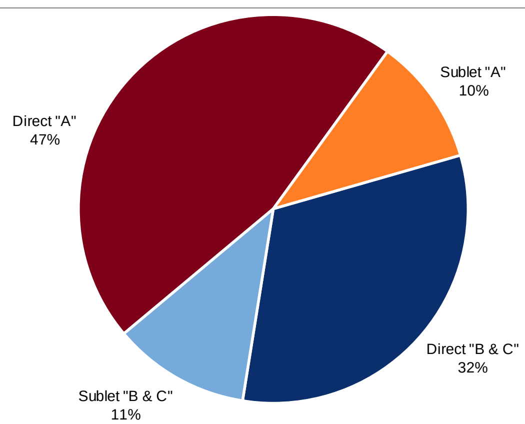
Absorption & Vacancy



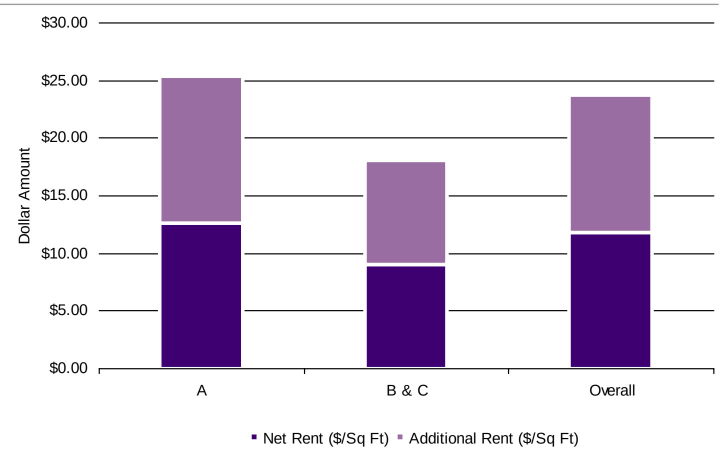
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



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Map of Market Area

Notable Points

- The Kanata market experienced negative absorption this quarter
- The vacancy rate increased by 226 basis points to 16.9% from Q2 2011 to Q3 2011
- The average net asking rental rate increased by $0.33 to $11.80 per square foot from Q2 2011 to Q3 2011
- There is currently one building under construction in Kanata, RIM's 122,450 square foot building at 5050 Innovation Drive
- There are three opportunities for 50,000 square feet and greater spaces

Q3 2011 Office Property Market
Ottawa – Suburban West – **Nepean**

Market Summary

Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	1,768,937	7.9%	8.3%	49.2%	50.8%	$16.19	$13.69	0
B & C	1,620,953	15.4%	16.8%	50.7%	49.3%	$12.14	$9.89	0
Nepean	**3,389,890**	**11.5%**	**12.4%**	**50.1%**	**49.9%**	**$14.26**	**$11.87**	**0**

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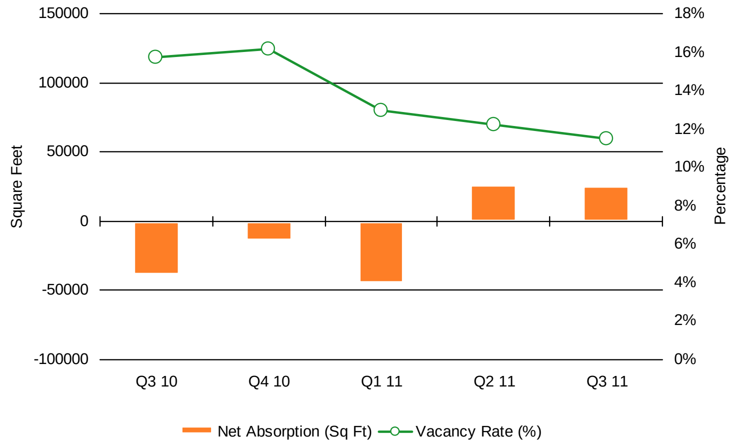
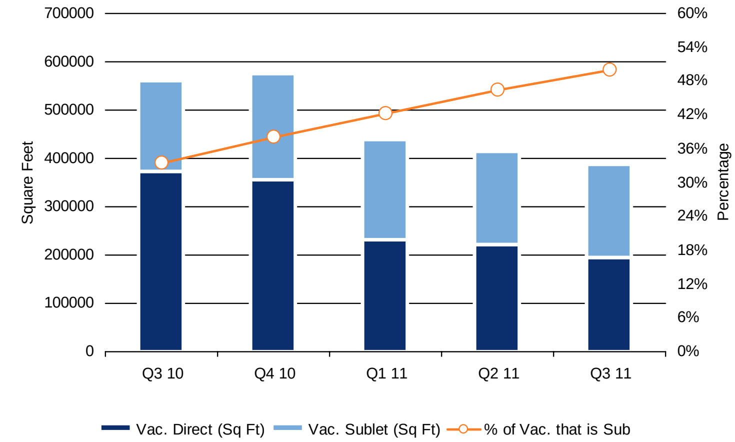
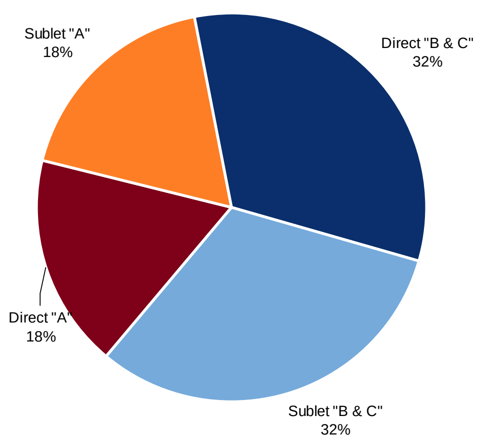
Absorption & Vacancy



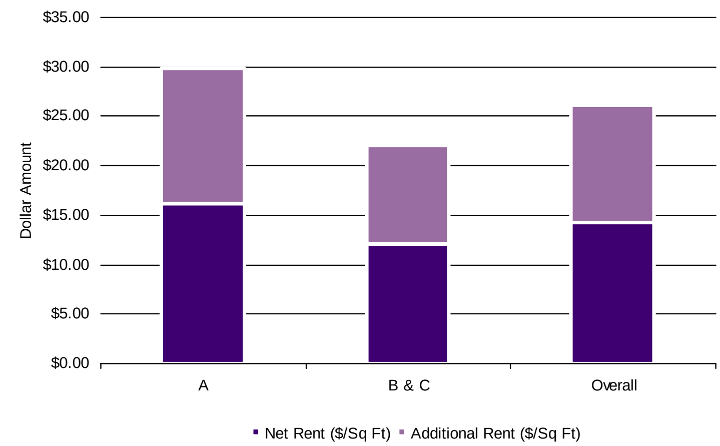
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area

Notable Points

- The Nepean market area experienced positive net absorption this quarter
- The vacancy rate decreased by 75 basis points to 11.5%
- Average net asking rental rate remained unchanged at $14.26 per square foot in Q3 2011
- There are no office buildings currently under construction in Nepean
- There is one opportunity for 50,000 square feet and greater spaces

Q3 2011 Office Property Market

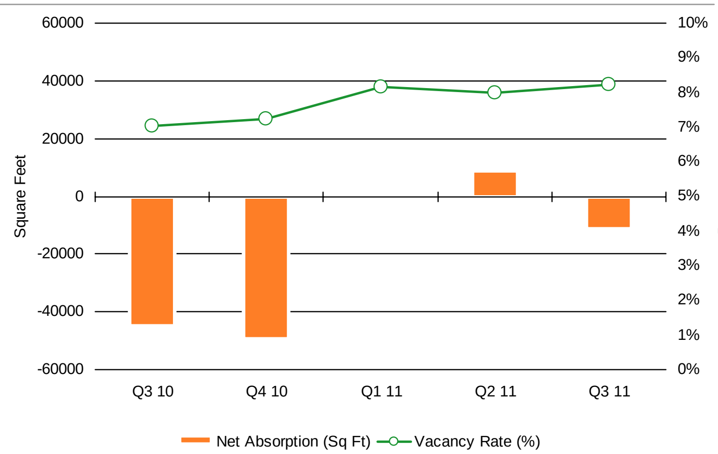
Ottawa – Suburban West – **Ottawa West**

Market Summary

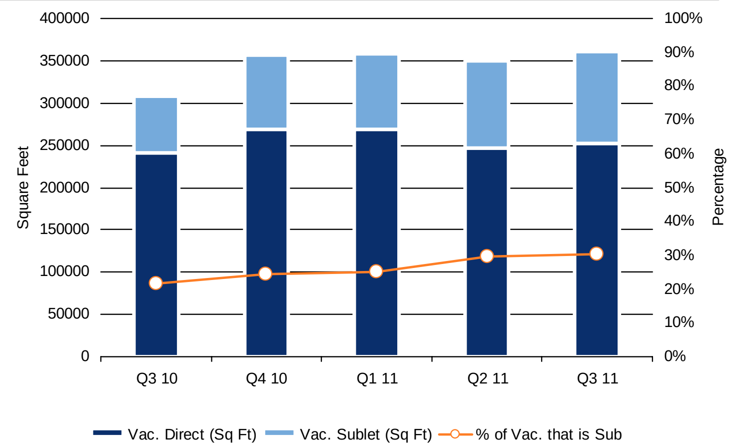
Class	Survey Inventory	Vacancy Rate	Availability Rate	Direct Space Ratio	Sublet Space Ratio	Average Asking Rate	Average Additional	Under Construction
A	2,850,465	7.4%	8.2%	55.7%	44.3%	$18.38	$16.23	80,000
B & C	1,534,988	9.7%	10.5%	89.6%	10.4%	$14.03	$12.71	0
Ottawa West	**4,385,453**	**8.2%**	**9.0%**	**69.7%**	**30.3%**	**$16.86**	**$15.00**	**80,000**

* Market statistics, charts, and tables are based on the office inventory, excluding government occupied offices, owner occupied offices, and offices with less than 20,000 square feet of rentable office space.

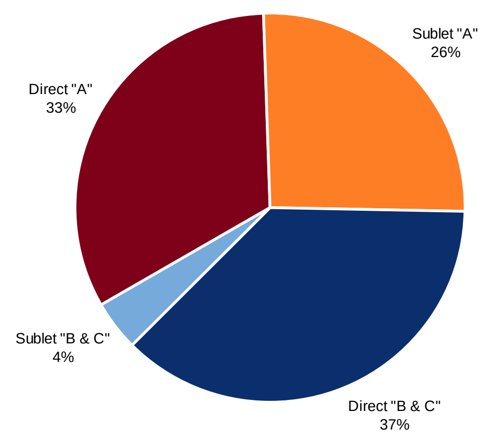
Absorption & Vacancy



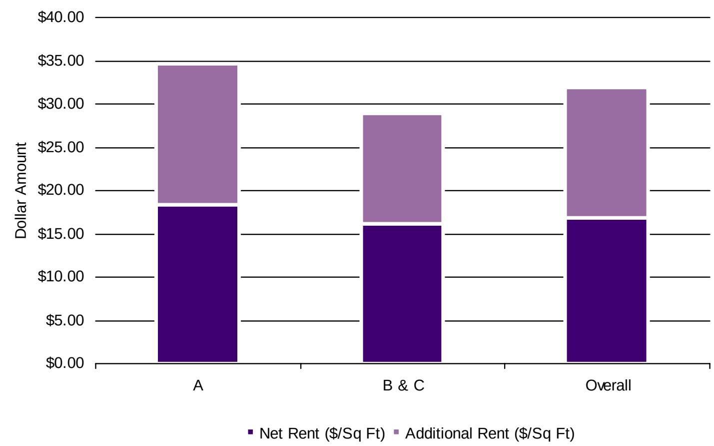
Direct & Sublet Vacancies



Vacancies by Class & Type



Weighted Average Asking Rates & Additional Rents



* Weighted average rents are calculated based on publicly advertised rental rates, which may or may not include inducements. Sample sizes vary node by node.

Map of Market Area

Notable Points

- The Ottawa West market area experienced negative net absorption this quarter
- The vacancy rate increased by 26 basis points to 8.2% from Q2 2011 to Q3 2011
- Average net asking rental rates increased $0.01 to $16.86 per square foot
- There is one office building currently under construction in Ottawa West, GENIVAR's 80,000 square foot building at 2611 Queensview Drive
- There are two opportunities for 25,000 square feet and greater spaces

Glossary

Availability:	Marketed space that may or may not be vacant.
Availability ratio:	Office space currently available as a percentage of inventory.
Floor space:	Floor area in sq ft adopted throughout is gross internal area.
Inventory:	Total floor space per building measured in square feet.
Building Class:	**Class A:** newly developed or comprehensively refurbished to new standard, including sublet space in new/refurbished buildings not previously occupied **Class B:** buildings of good specification, floor plate efficiency and image usually but not exclusively ten years old or less **Class C:** remaining poorer quality properties
Speculative development:	A newly developed or comprehensively refurbished building undertaken without the benefit of a secured tenant.
Development start:	A development in which work has started on the main contract. This usually excludes demolition and site clearance contracts.
Development completion:	A development in which the main contract has been completed, whether this be to shell and core or developer's finish.
Active demand:	Named entities with appointed agents and a declared requirement for office accommodation which it wishes to satisfy within the foreseeable future
Under offer:	Suites which a potential tenant has agreed in principle to acquire subject to negotiation.
Absorption:	Tenant transactions, including the following: (i) office buildings leased/sold to an eventual tenant that had not been previously recorded as under offer to that tenant (ii) Developments pre-leased/sold to a tenant (iii) owner occupier purchase of a freehold or long leasehold
Net rent:	The rent reported being paid, which may not take account of additional rent or concessions such as rent-free periods, or leasehold improvements.

DTZ Barnicke

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