



Ottawa Office Market

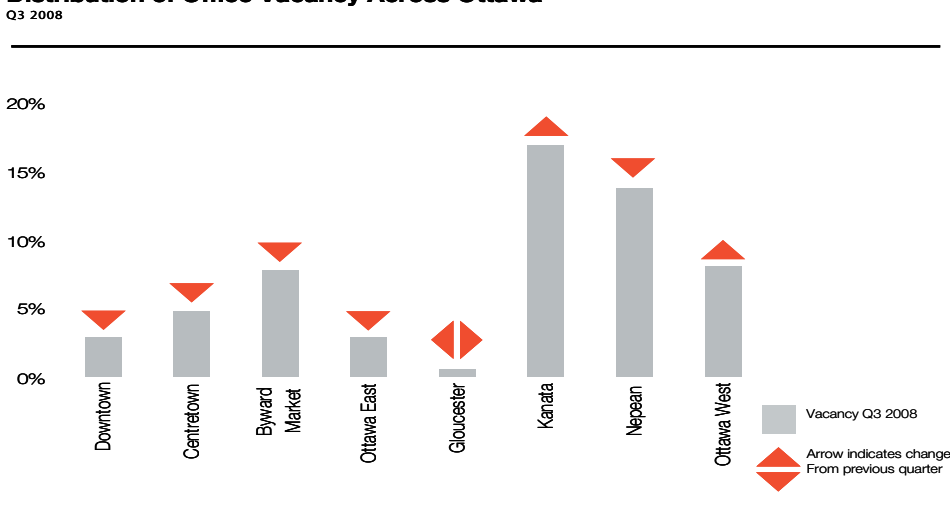
The Ottawa office market experienced a 40 basis points (bps) increase in vacancy over the quarter to end Q3 at 6.7%. During this period occupied space decreased by 147,000 square feet. Public sector demand for office space fuelled leasing activity in the third quarter as more than 150,000 square feet was leased by the federal government. We expect a slight pause in public sector leasing in the fourth quarter due to the federal election, but their leasing program will quickly resume in first quarter 2009. Private sector demand on the other hand is beginning to soften due to the sluggish US economy and the global credit crisis. Changing economic conditions are causing some tenants to rethink their occupancy needs. Some tenants are renewing in the short term, while others are reconfiguring in the name of efficiency or are relocating to less expensive space in order to reduce their business expenses.

Construction activity continues to be low in Ottawa at the end of Q3. Currently there is only one building under construction in Ottawa – Minto Place IV at 180 Kent Street in the downtown core. There are 28 projects in the pre-leasing stage of development, which could potentially add more than 3.8 million square feet to the market.

Office sales activity was quiet in the third quarter due to a shortage of supply on the market and the global credit crisis. However, Ottawa's economic fundamentals continue to be strong, and with the federal government's stabilizing effect on Ottawa's economy, we expect top quality investment grade office product will continue to be highly sought after by investors.

Notable sale transactions during Q3 included:
 - 1001 Farrar Road purchased by HOOPP Realty Inc for \$32.25 million (\$220/ sq ft)

Distribution of Office Vacancy Across Ottawa



Source: DTZ Barnicke

Downtown

Overall vacancy decreased by 50 basis points in Q3 to end the quarter at 2.9%, a year to date decrease in vacancy of 113 bps. Occupied space increased by 73,000 square feet with 81% of the growth attributable to activity in the Downtown Class B market. With no new building completions, the Downtown Class A market remains one of the tightest markets in Canada, currently sitting at 1.7%. Class B vacancy decreased by 136 bps to 3.9%, mainly as a result of the federal government leasing approximately 60,000 square feet at 473 Albert Street (Trebla Building).

The current average net rental rate in Downtown is approximately \$22.00 per square foot, with averages of \$26.00 per square foot for Class A space, \$18.00 per square foot for Class B space, and \$16.00 per square foot for Class C space.

There are six buildings in the pre-leasing stage that will potentially add more than 1.2 million square feet to the inventory if/when completed. Export Development Canada (EDC) finalized their plans for the construction of their new 19 storey headquarters in downtown Ottawa that will enable them to consolidate their 1000 employees in one 417,000 square foot building rather than split between two neighbouring downtown buildings. The building will be located at 150 Slater Street with occupancy scheduled for 2011.

Minto Developments have now leased four floors at 180 Kent Street – Minto Place Tower IV in Q3. The building is currently under construction and is expected to be completed for occupancy in Spring 2009.

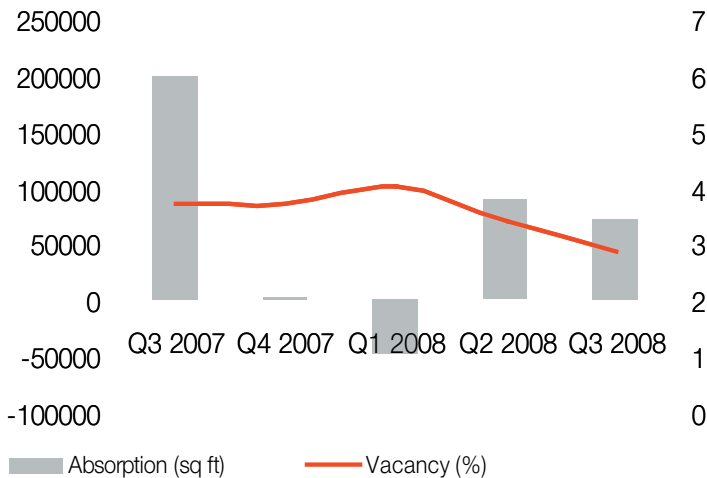
150 Slater Street, Ottawa



Vacancy in Centretown decreased by another 60 bps over the quarter to end Q3 at 4.7%, as occupied space increased by 4,900 square feet. Byward Market vacancy declined by 27 bps during the quarter to end Q3 at 7.8%. 10 Rideau Street is the only large block vacancy with a total of 46,000 square feet over 7 floors.

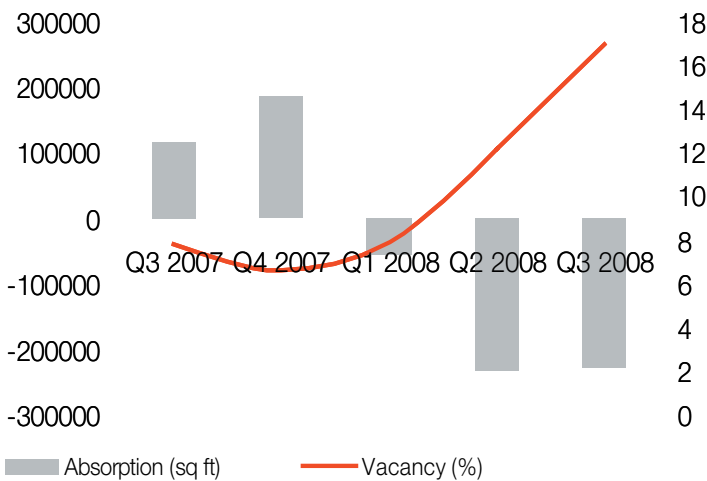
Notable leasing transactions during Q3 included:
 - PWGSC leased 60,000 square feet at 473 Albert Street
 - WSIB leased 40,000 square feet at 180 Kent Street

Downtown Absorption and Vacancy Q3 2007 – Q3 2008



Source: DTZ Barnicke

Kanata Absorption and Vacancy Q3 2007 – Q3 2008



Source: DTZ Barnicke

Kanata

Kanata's overall vacancy rate increased by 475 bps in the third quarter to 16.9%. Occupied space decreased by 229,000 square feet, mainly as a result of Dell Canada's space at 2500 Solandt Road (165,000 square feet) coming onto the sublet market. The two buildings formerly occupied by Dell (totaling in excess of 312,000 square feet) account for 38% of all vacant space in the Kanata office market.

Ever since the federal government issued an RFI in Q3 that included Kanata in its boundary parameters, there has been wild speculation in the marketplace that the federal government may finally leap the greenbelt and lease some significant blocks of space in Kanata in the near future.

400 March Road, Kanata



Nepean

Overall vacancy fell by 110 bps to end the quarter at 13.7%. Occupied space increased by 38,000 square feet, mainly as a result of the federal government leasing the two remaining full floors at 2934 Baseline Road (33,000 square feet). Currently there are two existing large block opportunities in Nepean - 70 Moodie Drive with 180,000 square feet, and 185 Corkstown Road with 126,000 square feet.

Ottawa West

Vacancy in Ottawa West increased by 80 bps to end the quarter at 8.0%. Occupied space decreased by 37,000 square feet in Q3. Tenants in the market looking for space options greater than 10,000 square feet currently have 8 spaces to choose from; of which only one is greater than 50,000 square feet (1725 Woodward Drive with 72,700 square feet). With continued tight market conditions and limited large block vacancies, average overall net rental rates for Class A space increased by \$0.31 to \$18.18 per square foot in Q3.

Ottawa East

Ottawa East's vacancy rate decreased by 20 bps in Q3, to end the quarter at 2.9%, as occupied space increased by 2,900 square feet. The Ottawa East Class A market is extremely tight, with vacancy at 1.4% or 21,000 square feet of vacant space. Tenants in the market looking for space greater than 10,000 square feet currently have 1 option.

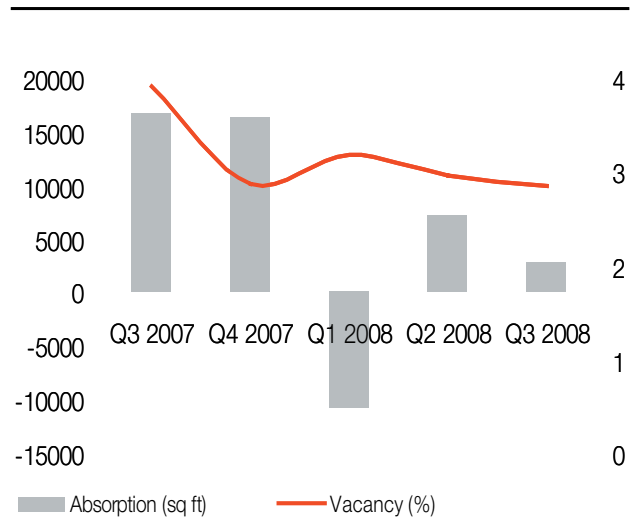
Gloucester

Gloucester saw virtually no change in overall vacancy during the third quarter, ending Q3 at 0.6%. Occupied space decreased by 1,500 square feet. The federal government leased 58,000 square feet of future available space at 1601 Telesat Court.

With continued record low vacancy and no new inventory scheduled to come onto the market in the next 12 months, Class A average net rental rates experienced considerable upward pressure in Q3, rising by \$1.95 to \$16.50 per square foot.

Ottawa East Absorption and Vacancy

Q3 2007 – Q3 2008



Source: DTZ Barnicke

Ottawa Office Market Highlights

Q3 2008

Zone	Q3/08 NRA (sq ft)	Q3/08 Direct (sq ft)	Q3/08 Sublet (sq ft)	Vacancy Rate	Space avail. in next 24 months (sq ft)	Q3/08 occupied (sq ft)	YTD growth (sq ft)	Weighted average net rent (per sq ft)	Under construction (sq ft)	YTD completions (sq ft)
Downtown	14,430,546	320,226	94,856	2.88%	468,049	14,015,464	116,289	\$22.36	383,000	0
Centretown	1,647,421	71,069	6,642	4.72%	0	1,569,710	19,168	\$17.51	0	0
Byward Market	844,273	65,623	0	7.77%	8,498	778,650	-31,850	\$16.88	0	0
Ottawa East	3,412,640	97,612	0	2.86%	9,353	3,315,028	-623	\$13.08	0	0
Gloucester	1,395,605	8,420	0	0.60%	9,957	1,387,185	4,079	\$16.12	0	0
Kanata	4,802,533	221,693	590,596	16.91%	56,054	3,990,244	-520,941	\$12.09	0	0
Nepean	3,516,408	313,723	167,756	13.69%	13,046	3,034,929	-150,040	\$13.81	0	0
Ottawa West	4,385,453	300,247	52,102	8.03%	69,134	4,033,104	21,804	\$16.33	0	0
Ottawa Total	34,434,879	1,398,613	911,952	6.71%	634,091	32,124,314	-542,114	\$17.75	383,000	0

Source: DTZ Barnicke

Contact

Paul Mullin

Research Coordinator
 Direct Tel: (613) 563 5231
 Email: paul.mullin@dtzbarnicke.com

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810 - 275 Slater Street
 Ottawa, Ontario, Canada, K1P 5H9

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