OTTAWA OFFICE QUARTERLY

Fourth Quarter 2002 Review, Winter 2003

1601 Telesat Court
Gloucester
10,700 sq. ft. available for lease direct through J.J. Barnicke Limited

865 Carling Avenue
Dow's Lake Court II, Ottawa
Completed in Q4

MARKET AT A GLANCE

Population
1.1 million

Competitive Office Space
31.1 million sf

Federal Government Owned Office Space
16.9 million sf

Total Vacancy
8.39%

CBD Class "A"
2.53%

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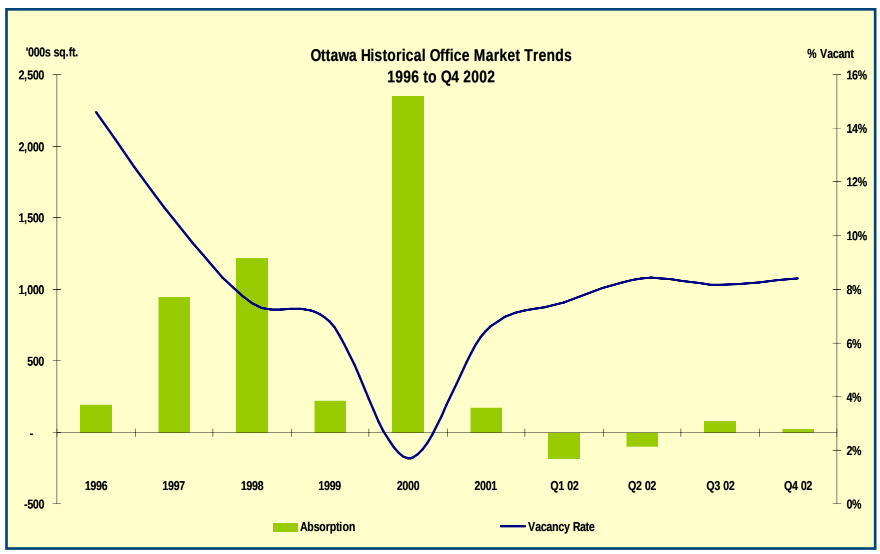
The Ottawa office market is showing signs of a recovery from the tech slowdown. The pace of sublease space flooded to the market by downsizing technology and telecom tenants has significantly slowed, and growth within the federal government continues to provide stability to the market.

According to recent reports, the federal government will acquire approximately 5.3 million square feet of new space in the National Capital Region by 2007. Public Works and Government Services Canada (PWGSC) since April 2002 have signed contracts in excess of 2.8 million sq.ft. of space in the National Capital Region and they plan to occupy an additional 500,000 sq.ft. of space per year over the next five years.

Ottawa's downtown continues to be the tightest office market in Canada, with an overall vacancy rate of 2.75%. The western suburban market continues to be challenged by the aftershocks of the tech slowdown as its vacancy rate currently stands at 15.88%.

Ottawa's overall vacancy rate ended the year at 8.39%, up from 7.86% recorded one year ago. On an overall basis, net absorption in the fourth quarter was 19,601 sq.ft., resulting in the total net absorption for the year of negative 192,281 sq.ft. - the majority of which was returned to the market in the first half of the year.

Downtown Class "A" net rental rates remain in the $22 to $30 per sq.ft. range, while the suburban Class "A" net rental rates are in the $12 to $21 per sq.ft. range. We anticipate that the "flight to quality" will increase, as downtown tenants, whose leases are starting to roll over, will take another serious look at the very attractive rates and space available in the suburbs.



One of the hottest development markets in Canada over the past two years, Ottawa witnessed the completion of only six office buildings totaling 586,983 sq.ft. in 2002, compared to 26 office buildings totaling 2.3 million sq.ft. in 2001. Demand for new construction in 2003 will continue to be primarily driven by the public sector.

Central Business District

The CBD Class 'A' vacancy, excluding sublease space, is a mere 0.55%, down from 1.41% in Q3. When you add in the sublet space being offered, the Class 'A' effective rate is 2.53%, which is one of the lowest in North America. We have seen a few downtown Class 'A' tenants move to Class 'B' office space as a means of cutting costs. Consequently, both the CBD Class 'B' and 'C' markets saw increases in leasing activity, and a decrease in overall vacancy in the fourth quarter.

Construction continues on CBC's new headquarters of 252,000 square feet at 181 Queen Street, while GWL Realty Advisors will break ground at 269 Laurier Avenue W on their new 337,933 sq.ft. office tower for Public Works and Government Services Canada (PWGSC). There are currently 6 office buildings in the pre-leasing mode in the CBD totaling 1.5 million sq.ft. We could see at least one or two projects get the go ahead in 2003, especially if the federal government issues another tender for a downtown building.

The Downtown Fringe markets remained very tight in the fourth quarter. The overall Centretown vacancy rate rose to 3.10% in Q4, up from 2.96% in Q3, while the Byward Market overall vacancy rate rose to 1.61%, up from 1.43%.

Suburban Market

The overall suburban west vacancy rate increased from 13.29% to 13.91% in Q4 2002. The Kanata sub-market continues to face the biggest challenges as we enter 2003. There is currently 1.02 million sq.ft. of vacant space on the market - of which 62% is available for sublease.

The Nepean sub-market experienced its second consecutive quarter of positive absorption, and as a result, Nepean's overall vacancy decreased to 19.63% in Q4, down from 20.06%. If we were to exclude the largest vacant block of office space in Ottawa, 100 Constellation Drive (387,000 sq.ft.), from the survey, the Nepean overall vacancy rate would be a healthy 6.75%.

The Ottawa West overall vacancy increased for the fourth consecutive quarter, and now stands at 5.16% at Q4, up from 3.92% in Q3. Dow's Lake Court Tower II, 96,239 sq.ft. , Class 'A' office building was completed in Q4, and was added to the survey - the building is 91% leased. Canada Post Corporation, in the fourth quarter, purchased the 655,000 sq.ft. Canada Post Place at 750 Heron Road & 2701 Riverside Drive from Standard Life Assurance Company for an undisclosed price.

As we enter 2003, the suburban east market continues to be stable, the overall vacancy rate increased slightly in Q4 to 8.10%, up from 7.65% in Q3. The Ottawa East overall vacancy rate increased from 7.85% to 8.40%, mainly as the result of 30,132 sq.ft. being returned to the sublease market at 2060 Walkley Road. The Gloucester overall vacancy rate increased in Q4 to 7.51%, up from 7.25% in Q3, mainly as the result of 10,700 sq.ft. coming available at 1601 Telesat Court. Construction will begin in Q1 2003 at 1600 Star Top Road, on Arnon's new 222,027 sq.ft. office building which was recently awarded by tender from PWGSC.

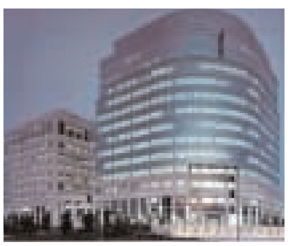
The outlook for the Ottawa office market in 2003 continues to be optimistic, with continued improvement in the local economy, which is expected to increase by 2.9% in 2003, and increased job growth in the public and private sectors (expected to be 2.2%), we anticipate an increase in leasing activity, and a reduction in the overall vacancy in 2003.

Q4 2002 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	Q4 2002 Net Absorption	Year-to-Date Net Absorption	Year-to-Date New Inventory	Under Construction	Weighted Average Net Rental Rate	Weighted Average Additional Rent
Central Business District											
CBD "A"	7,533,456	41,082	0.55%	149,888	2.53%	3,497	-75,256	0	245,000	$24.78	$14.81
CBD "B"	4,491,109	101,148	2.25%	25,969	2.83%	19,075	-43,759	0	0	$15.62	$11.18
CBD "C"	921,857	34,793	3.77%	3,200	4.12%	14,558	9,901	0	0	$12.75	$10.36
CBD TOTAL	**12,946,422**	**177,023**	**1.37%**	**179,057**	**2.75%**	**37,130**	**-109,114**	**0**	**245,000**	**$17.71**	**$12.11**
Centretown Ottawa											
CTN "B"	906,420	32,882	3.63%	9,054	4.63%	-11,688	15,442	0	0	$13.22	$12.12
CTN "C"	639,480	4,390	0.69%	1,666	0.95%	9,400	2,266	0	0	$9.83	$9.05
CTN TOTAL	**1,545,900**	**37,272**	**2.41%**	**10,720**	**3.10%**	**-2,288**	**17,708**	**0**	**0**	**$11.53**	**$10.58**
Ottawa East											
EST "A"	1,053,528	7,205	0.68%	146,505	14.59%	15,052	-17,007	215,000	0	$14.97	$10.43
EST "OTHER CLASSES"	1,587,148	33,751	2.13%	34,453	4.30%	-29,621	-2,126	0	0	$11.66	$9.83
EST TOTAL	**2,640,676**	**40,956**	**1.55%**	**180,958**	**8.40%**	**-14,569**	**-19,133**	**215,000**	**0**	**$13.32**	**$10.13**
Byward Market Ottawa											
MKT "A"	338,066	2,118	0.63%	1,593	1.10%	-3,183	1,950	0	0	$13.38	$12.58
MKT "OTHER CLASSES"	530,939	10,306	1.94%	0	1.94%	1,608	15,066	0	0	$11.60	$10.37
MKT TOTAL	**869,005**	**12,424**	**1.43%**	**1,593**	**1.61%**	**-1,575**	**17,016**	**0**	**0**	**$12.49**	**$11.47**
Ottawa West											
WST "A"	3,665,791	98,506	2.69%	54,044	4.16%	60,547	2,405	96,239	0	$17.53	$13.62
WST "OTHER CLASSES"	1,457,637	70,081	4.81%	41,522	7.66%	4,674	-38,032	0	0	$12.22	$10.62
WST TOTAL	**5,123,428**	**168,587**	**3.29%**	**95,566**	**5.16%**	**65,221**	**-35,627**	**96,239**	**0**	**$14.88**	**$12.12**
Gloucester											
GLO "A"	1,295,192	54,713	4.22%	47,759	7.91%	-3,451	75,120	100,744	0	$14.62	$12.89
GLO "OTHER CLASSES"	70,000	0	0.00%	0	0.00%	0	0	0	0	$9.93	$6.53
GLO TOTAL	**1,365,192**	**54,713**	**4.01%**	**47,759**	**7.51%**	**-3,451**	**75,120**	**100,744**	**0**	**$12.28**	**$9.71**
Kanata											
KAN "A"	3,299,377	351,298	10.65%	557,573	27.55%	-57,985	207,746	150,000	0	$15.98	$12.33
KAN "OTHER CLASSES"	363,468	37,767	10.39%	72,558	30.35%	-16,089	-84,924	0	0	$13.59	$10.73
KAN TOTAL	**3,662,845**	**389,065**	**10.62%**	**630,131**	**27.83%**	**-74,074**	**122,822**	**150,000**	**0**	**$14.78**	**$11.53**
Nepean											
NEP "A"	1,599,598	38,975	2.44%	410,127	28.08%	7,180	-288,458	25,000	0	$17.28	$11.98
NEP "OTHER CLASSES"	1,394,923	108,425	7.77%	30,311	9.95%	6,027	27,385	0	0	$12.19	$9.35
NEP TOTAL	**2,994,521**	**147,400**	**4.92%**	**440,438**	**19.63%**	**13,207**	**-261,073**	**25,000**	**0**	**$14.73**	**$10.67**
OTTAWA TOTALS	**31,147,989**	**1,027,440**	**3.30%**	**1,586,222**	**8.39%**	**19,601**	**-192,281**	**586,983**	**245,000**	**$13.96**	**$11.04**

535 Legget Drive
Kanata
Up to 125,964 sq. ft. sublet available through J.J. Barnicke Limited

100 Constellation Crescent
Nepean
387,627 sq. ft. sublet available through J.J. Barnicke Limited



Canada Post Place
655,000 sq. ft. purchased by Canada Post Corporation in Q4 from Standard Life Assurance Company

For more information please contact:

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"Success is measured by results"