

OTTAWA OFFICE MARKET

The Ottawa office market continued its steady pace of improvement in the first half of 2006. Overall vacancy decreased by 0.2% in the second quarter, from 7.4% in Q1 to 7.2% at the end of Q2. As a result, occupied space increased by just over 78,000 sq.ft., and bringing the year-to-date net absorption to 123,000 square feet.

As the private and public sectors continue to expand, the availability of large contiguous vacant spaces continues to steadily decline in all parts of the city. Currently there are only **three** options available immediately for tenants seeking more than 50,000 sq.ft. This scarcity is putting upward pressure on rental rates, particularly in the western suburbs where demand is strongest.

New office construction in Ottawa continues

to be steady, and for the time being remains focused in the Downtown core. While no new office buildings were added to the inventory this quarter, there are currently six buildings totaling 1.1 million sq.ft. of new office space under construction, of which more than 700,000 sq.ft. will be delivered in 2006. With several large tenant requirements currently looking in the suburban market, we anticipate a number of new design build projects to be announced by year-end 2006. Presently there are 10 projects in the pre-leasing stage of development, representing 1.6 million square feet of potential new office space.

Ottawa continues to be one of the hottest real estate markets from an investment perspective; however, demand continues to outstrip the supply of investment grade office product.

The most notable transaction in Q2 was the sale of Saktó's west end portfolio to BRIQ Nominees Inc for \$49.6 million, which comprised of 8 buildings (120 Robertson, 2625 Queensview, 2735 & 2745 Iris, 1-9 & 10 Brewer Hunt, 21-31 Richardson Side Road) and totaled 323,397 sq.ft.

OTHER NOTABLE SALE

TRANSACTIONS INCLUDED:

- Purchase of 495 Richmond Road by Richmond Road (Luxembourg) Holdings SA for \$30 million
- Purchase of 1130 Morrison Drive by 2082749 Ontario Inc for \$8.5 million
- Purchase of 150 Metcalfe Street by OCP Management Ltd for \$29.4 million

DOWNTOWN

The downtown office market remained tight but flat in the first half of 2006. Overall, vacancy increased 0.2% to end Q2 at 4.2%. Occupied space increased by just over 14,000 sq.ft. for the quarter.

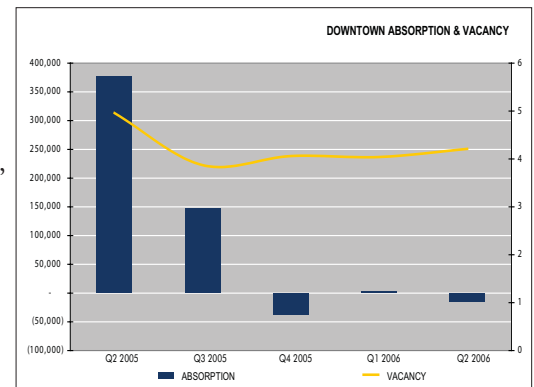
The downtown Class A market recorded positive net absorption of 34,542 sq.ft. in Q2 as vacancy decreased from 3.2% to 2.8%

Space options continue to be very limited for larger users. This trend will continue until new supply comes on stream in 2007.

Activity levels continued to improve in the downtown fringe markets of Centretown and the Byward Market in the second quarter as they continue to be an economical alternative to the downtown core. Vacancy in Centretown ended the first quarter at 17.7%, while the Byward Market's vacancy declined from 8.3% to 6.1% as occupied space decreased by 17,600 sq.ft. in Q2.

NOTABLE LEASING TRANSACTION DURING Q2 INCLUDED:

- PWGSC (House of Commons Communications Department – 5,069 sq.ft. at 181 Queen Street



OTTAWA OFFICE MARKET HIGHLIGHTS: SECOND QUARTER 2006

ZONE	June-06 NRA	June-06 Direct	June-06 Sublet	June-06 Total	Vacancy Rate	Space Available in next 12 months	YTD Growth	Weighted Average Net Rent	Under Construction	YTD Completions
CBD Total	13,471,674	431,923	135,581	567,504	4.21%	58,235	-12,257	\$21.92	683,000	0
Centretown Total	1,644,626	291,104	665	291,769	17.74%	38,282	3,886	\$16.94	0	0
Byward Market Total	794,698	44,965	3,087	48,052	6.05%	58,520	28,149	\$12.85	53,020	0
Ottawa East Total	3,277,554	166,904	30,401	197,682	6.02%	119,104	5,533	\$13.04	0	0
Gloucester Total	1,395,605	25,123	35,837	60,960	4.37%	8,052	3,135	\$15.47	0	0
Kanata Total	4,177,295	325,343	76,775	402,118	9.63%	4,799	139,524	\$11.68	0	0
Nepean Total	3,184,095	243,160	24,052	236,434	8.39%	37,213	-65,717	\$14.24	0	0
Ottawa West Total	4,113,107	383,318	76,779	460,097	11.19%	320,028	21,122	\$14.97	444,800	0
OTTAWA TOTAL	32,058,654	1,911,840	383,177	2,295,017	7.16%	623,332	123,375	\$17.26	1,180,820	0

KANATA

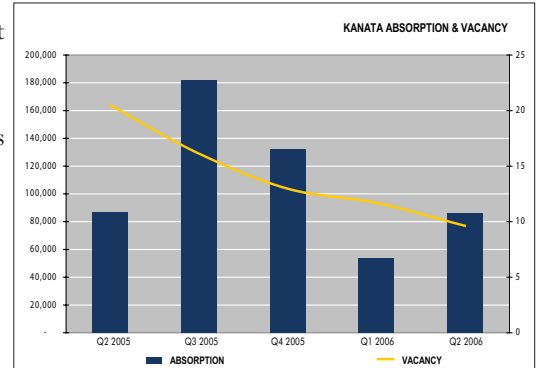
Kanata continued to be the most active and top-performing office market in Ottawa in the first half of 2006. For the ninth consecutive quarter, Kanata's overall vacancy declined by 2.1% and now stands at 9.6%, down from 20.5% one year ago. Occupied space increased by 86,000 sq.ft. in Q2.

As demand for space continues to rise, the supply of larger opportunities with immediate occupancy continues to shrink. Currently there are only two options available for tenants seeking more than 20,000 sq.ft., of which only one option is greater than 50,000 sq.ft. This limited supply of space is putting upward pressure on rental rates in Kanata. We expect formal announcements

to be made with regard to at least two new build-to-suit projects in Kanata in Q3. Smart Technologies are expected to build a new 250,000 sq.ft. facility on Palladium Drive, while EMS Technologies are rumoured to be relocating from their Woodward Drive offices to a new 100,000 sq.ft. building in Kanata in 2007.

NOTABLE LEASING TRANSACTION DURING Q2 INCLUDED:

- General Dynamics Canada – 42,000 sq.ft. at 350 Legget Drive
- Smart Technologies – 76,220 sq.ft. at 340 Legget Drive
- Tropic Networks Inc. – 8,600 sq.ft. at 275 Michael Cowpland Drive (renewal)

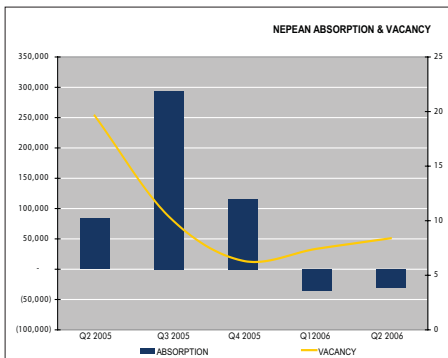


NEPEAN

Nepean's vacancy rate increased in Q2 from 7.4% to 8.4%, as occupied space decreased by 30,745 sq.ft. There was no shortage of leasing transactions in Q2, however positive gains were off-set by several large vacancies which included two full floors at 2934 Baseline Road (33,448 sq.ft.), and the entire building at 8 Colonnade Road (25,480 sq.ft.).

NOTABLE LEASING TRANSACTION DURING Q2 INCLUDED:

- ADT Security Services Canada Inc. – 7,600 sq.ft. at 14 Concourse Gate (lease renewal)

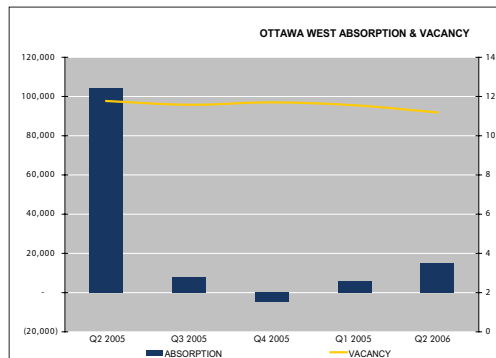


OTTAWA WEST

Activity levels in the Ottawa West market remained stable in Q2 with overall vacancy declining by 0.4% to 11.2%, as occupied space increased by 15,000 sq.ft.

NOTABLE LEASING TRANSACTION DURING Q2 INCLUDED:

- Fuel Industries Inc. – 17,936 sq.ft. at 7 Hinton Drive

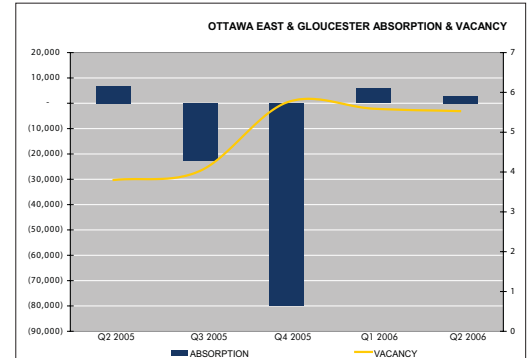


OTTAWA EAST & GLOUCESTER

User demand in the Ottawa East and Gloucester markets remained soft through mid-year 2006. Current vacancy in Ottawa East stands at 6.0%, while the Gloucester office market's overall vacancy decreased by 0.5% in Q2 to 4.4%.

NOTABLE LEASING TRANSACTIONS DURING Q2 INCLUDED:

- CaseWare International -13,900 sq.ft. at 1420 Blair Place



FOR MORE INFORMATION PLEASE CONTACT:

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