



1730 St. Laurent Boulevard
Ottawa East
Up to 30,038 sq.ft. available for sublease through J.J. Barnicke Limited



28 Steacie Drive
Ottawa East
7,615 sq. ft. available for lease direct through J.J. Barnicke Limited

The citywide vacancy rate declined from 9.08% to 7.93% in the second quarter, as a result of significant leasing activity from the public sector and small to medium sized lease deals completed by the private sector. On an overall basis, net absorption was 452,533 sq.ft. in the second quarter, compared with negative 108,943 sq.ft. during the first quarter of 2003, resulting in a year-to-date positive net absorption of 343,590 sq.ft.

The amount of sublease space on the market has declined over the past year and now accounts for 46% of all available space, a significant decrease from the 63% recorded at mid-year 2002. The decline is attributed to modest leasing activity and space being returned direct to the landlord. Nevertheless, the majority of sublease space continues to be located in the suburban west markets.

Net asking rates remained flat in the second quarter of 2003, however some landlords and sublandlords are offering concessions including free rent, delayed occupancy, and improvement allowances to secure and retain quality tenants. Downtown Class "A" net asking rates are currently in the \$24 to \$30 per sq.ft. range, while the suburban Class "A" net asking rental rates range from \$12 to \$21 per sq.ft.

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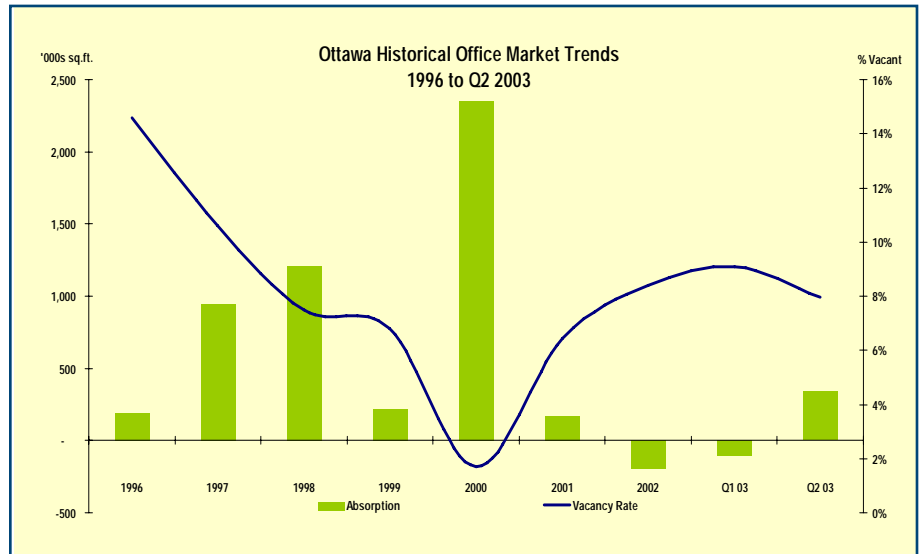
Central Area

Ottawa's Downtown continues to be one of the best performing real estate markets in Canada. The overall Central Business

District vacancy rate decreased in the second quarter to 2.56%, down from 2.82% at the end of Q1 as occupied space increased by 34,153 sq.ft. The CBD Class 'A' direct vacancy rate is 0.90%, when we account for sublet space, the Class 'A' effective rate is 2.10%. As a result, Ottawa has received a lot of attention from foreign real estate investors in the first half of 2003. For example, the Standard Life Centre (380,000 sq.ft. two tower office complex), the Chambers at 40 Elgin Street (187,000 sq.ft.) and the Heritage Building at 155 Queen Street (246,000 sq.ft.) office building) are currently under contract to outside investors. The CBD Class 'B' and Class 'C' vacancy remained stable at 2.86% and 4.89% respectively.

Suburban Market

The overall suburban west vacancy rate decreased by 2.14 percentage points, from 18.81% in Q1 to 16.67% at the end of the second quarter, resulting in occupied space to increase by 420,048 sq.ft. This decrease is largely attributed to the largest new lease deal of the second quarter of 2003, which involved the City of Ottawa leasing the entire building at 100 Constellation Crescent (387,627 sq.ft.). Consequently, the Nepean Class 'A' vacancy rate decreased by 23.31 percentage points, and now stands at 6.07%. The City plans to consolidate its employees from six buildings to the state-of-the-art facility previously occupied by Nortel Networks Corporation. Subsequently, the City has put four properties up for sale (580 Terry Fox Drive, 495 Richmond Road, 1595 Telesat Court, and



MARKET AT A GLANCE

Population
1.1 million

Competitive Office Space
29.9 million sf

Federal Government
Owned Office Space
16.9 million sf

Total Vacancy
7.95%

CBD Class "A" Direct
0.90%

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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. leased by the
City of Ottawa

land site at 150 Elgin Street) and another three properties (2 Constellation Crescent, 560 Rochester Street and 180 Elgin Street) will be available for sublease in the third quarter of 2003.

For the sixth consecutive quarter, the Ottawa West overall vacancy increased to 11.78% up from 9.40%, as occupied space decreased by 3,817 sq.ft. in the second quarter.

At 28.80%, the Kanata office market continues to face the largest challenges, however the market has remained very stable over the past 12 months. Despite additional space being returned to market in the second quarter, the Kanata market recorded positive net absorption of 12,476 sq.ft., as a result of several notable lease transactions, including Bookham Technology PLC leasing 38,958 sq.ft. at 1-10 Brewer Hunt Way, while LaBarge Weinstein leased 7,000 sq.ft. at 515 Legget Drive.

The suburban east markets continue to perform well despite its overall vacancy rate slightly increasing in the second quarter to 4.39% from 3.85% in the first quarter, as occupied space decreased by 15,301 sq.ft.

The Ottawa East overall vacancy rate increased in the second quarter from 2.76% to 2.83%. This increase was attributed to 30,038 sq.ft. released to the sublet market at 1730 St. Laurent Boulevard.

Vacancy in the overall Gloucester market increased 1.28 percentage points in the second quarter, from 5.96% to 7.24%. This increase was mainly attributed to a 38,000 sq.ft. block of sublease space brought onto the market at 4200 Labelle Street by the Ottawa Community Care Access Centre.

Outlook

The outlook for the Ottawa office market in the second half of 2003 continues to be optimistic. With continued improvement in the local economy, we foresee that the current trend of positive leasing activity and declining vacancy rates will continue. We expect PWGSC will be active in the second half of 2003, due to the constant demand pressures for space. We also anticipate that with the quality of discounted sublet space available in the marketplace, the federal government will be forced to take a more serious look at placing tenants outside of the downtown core.

Q2 2003 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 2003 Net Absorption | Q2 2003 Net Absorption | Year-to-Date Net Absorption | Year-to-Date New Inventory | Under Construction | Net Asking Rental Rates | Additional Rents (Operating Costs & Taxes) |
|----------------------------------|----------------------|------------------------|---------------------|------------------------|----------------------|------------------------|------------------------|-----------------------------|----------------------------|--------------------|-------------------------|--|
| Central Business District | | | | | | | | | | | | |
| CBD "A" | 7,553,148 | 67,970 | 0.90% | 90,468 | 2.10% | -8,616 | 41,148 | 32,532 | 0 | 589,933 | \$24 - 30 | \$14 - 19 |
| CBD "B" | 4,495,788 | 104,326 | 2.32% | 24,119 | 2.86% | 4,411 | -5,739 | -1,328 | 0 | 0 | \$15 - 22 | \$11 - 15 |
| CBD "C" | 921,857 | 45,045 | 4.89% | 0 | 4.89% | -5,796 | -1,256 | -7,052 | 0 | 0 | \$10 - 15 | \$10 - 12 |
| CBD TOTAL | 12,970,793 | 217,341 | 1.68% | 114,587 | 2.56% | -10,001 | 34,153 | 24,152 | 0 | 589,933 | | |
| Centretown Ottawa | | | | | | | | | | | | |
| CTN "B" | 904,572 | 48,884 | 5.40% | 3,754 | 5.82% | -10,948 | 247 | -10,701 | 0 | 0 | \$10 - 15 | \$10 - 17 |
| CTN "C" | 639,480 | 22,814 | 3.57% | 0 | 3.57% | -24,076 | 7,318 | -16,758 | 0 | 0 | \$10 - 15 | \$9 - 10 |
| CTN TOTAL | 1,544,052 | 71,698 | 4.64% | 3,754 | 4.89% | -35,024 | 7,565 | -27,459 | 0 | 0 | | |
| Byward Market Ottawa | | | | | | | | | | | | |
| MKT "A" | 338,066 | 9,710 | 2.87% | 1,593 | 3.34% | -14,099 | 6,507 | -7,592 | 0 | 0 | \$15 - 19 | \$12 - 16 |
| MKT "OTHER CLASSES" | 466,939 | 8,241 | 1.76% | 0 | 1.76% | 2,504 | -439 | 2,065 | 0 | 0 | \$9 - 15 | \$10 - 12 |
| MKT TOTAL | 805,005 | 17,951 | 2.23% | 1,593 | 2.43% | -11,595 | 6,068 | -5,527 | 0 | 0 | | |
| Ottawa East | | | | | | | | | | | | |
| EST "A" | 907,704 | 14,349 | 1.58% | 30,038 | 4.89% | 141,365 | -32,042 | 109,323 | 0 | 222,027 | \$13 - 20 | \$10 - 15 |
| EST "OTHER CLASSES" | 1,612,228 | 26,969 | 1.67% | 0 | 1.67% | 6,965 | 34,270 | 41,235 | 0 | 0 | \$10 - 16 | \$9 - 12 |
| EST TOTAL | 2,519,932 | 41,318 | 1.64% | 30,038 | 2.83% | 148,330 | 2,228 | 150,558 | 0 | 222,027 | | |
| Gloucester | | | | | | | | | | | | |
| GLO "A" | 1,301,281 | 24,346 | 1.87% | 67,972 | 7.09% | 20,448 | -10,294 | 10,154 | 0 | 0 | \$16 - 21 | \$13 - 16 |
| GLO "OTHER CLASSES" | 74,544 | 7,235 | 9.71% | 0 | 9.71% | 0 | -7,235 | -7,235 | 0 | 0 | \$9 - 13 | \$8 - 10 |
| GLO TOTAL | 1,375,825 | 31,581 | 2.30% | 67,972 | 7.24% | 20,448 | -17,529 | 2,919 | 0 | 0 | | |
| Kanata | | | | | | | | | | | | |
| KAN "A" | 3,256,528 | 392,187 | 12.04% | 614,209 | 30.90% | -72,792 | -24,726 | -97,518 | 0 | 0 | \$12 - 19 | \$10 - 17 |
| KAN "OTHER CLASSES" | 442,097 | 18,780 | 4.25% | 29,680 | 10.96% | 24,663 | 37,202 | 61,865 | 0 | 0 | \$9 - 18 | \$10 - 13 |
| KAN TOTAL | 3,698,625 | 410,967 | 11.11% | 643,889 | 28.52% | -48,129 | 12,476 | -35,653 | 0 | 0 | | |
| Nepean | | | | | | | | | | | | |
| NEP "A" | 1,595,216 | 66,473 | 4.17% | 30,407 | 6.07% | -17,732 | 371,861 | 354,129 | 0 | 0 | \$13 - 18 | \$10 - 14 |
| NEP "OTHER CLASSES" | 1,429,645 | 29,581 | 2.07% | 131,859 | 11.29% | -48,918 | 39,528 | -9,390 | 0 | 0 | \$8 - 15 | \$8 - 15 |
| NEP TOTAL | 3,024,861 | 96,054 | 3.18% | 162,266 | 8.54% | -66,650 | 411,389 | 344,739 | 0 | 0 | | |
| Ottawa West | | | | | | | | | | | | |
| WST "A" | 2,378,802 | 211,227 | 8.88% | 53,329 | 11.12% | -94,284 | -17,718 | -112,002 | 0 | 0 | \$12 - 24 | \$12 - 16 |
| WST "OTHER CLASSES" | 1,545,485 | 180,821 | 11.70% | 16,767 | 12.78% | -12,038 | 13,901 | 1,863 | 0 | 0 | \$10 - 18 | \$9 - 16 |
| WST TOTAL | 3,924,287 | 392,048 | 9.99% | 70,096 | 11.78% | -106,322 | -3,817 | -110,139 | 0 | 0 | | |
| OTTAWA TOTALS | 29,863,380 | 1,278,958 | 4.28% | 1,094,195 | 7.95% | -108,943 | 452,533 | 343,590 | 0 | 811,960 | | |

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"Success is measured by results"

