

OTTAWA OFFICE MARKET

Ottawa's office market fundamentals are strong as demand for office space continues to be driven by steady private sector growth and the Federal Government's continued need for swing space. Overall office market vacancy remained stable in the third quarter at 5.7%. Occupied space increased by 290,173 square feet for the quarter with growth spread between Downtown and Kanata. Continued strength in leasing activity is expected over the next few quarters.

With tightening market conditions and limited large blocks of contiguous space, rental rates in all parts of Ottawa continue to experience some upward pressure.

Construction activity continues to be strong. The Telus Building at 215 Slater was completed in the third quarter, adding 107,000 square feet of new space to the Downtown Class A market. There is currently 360,000 square feet of new office space under construction downtown at 180 Kent Street (Minto Place Tower 4).

In the suburbs, there are four buildings under construction totaling in excess of 527,000 square feet, all of which are fully pre-leased. Due to the current low interest rates, rents for new construction are very competitive to rents currently being achieved in existing buildings, and developers are able to build more efficient buildings from an operational cost perspective.

Real estate investment remains a favourable alternative to traditional equity investment and there is no shortage of demand for office product in Canada.

NOTABLE SALES TRANSACTIONS DURING Q3 INCLUDED:

- 222-230 Queen Street purchased by GE Canada Real Estate Equity Holding Co for \$82.4 million
- 110 O'Connor Street purchased by GE Canada Real Estate Equity Holding Co for \$69.9 million
- 700, 750, 770 & 800 Palladium Drive purchased by GE Canada Real Estate Equity Holding Co for \$40.9 million
- 1000 Innovation Drive purchased by GE Canada Real Estate Equity Holding Co for \$31.6 million
- 1145 Hunt Club Road purchased by GE Canada Real Estate Equity Holding Co for \$16.4 million
- 2465 St. Laurent Boulevard purchased by GE Canada Real Estate Equity Holding Co for \$7.3 million
- 240 Catherine Street purchased by 240 Catherine Street Inc. for \$4.75 million

DOWNTOWN

Leasing activity in the Downtown market remained steady in the third quarter. Overall, the vacancy rate remained unchanged during the quarter at 3.7%. With the completion of the Telus Building at 215 Slater Street and more tenants moving into Constitution Square Tower III at 340 Albert Street, the Downtown Class A market recorded 171,238 square feet of positive growth in the third quarter.

The downtown Class A vacancy rate rose by 0.3% in Q3 to 2.7% in the third quarter, mainly as a result of Telus vacating 21,035 square feet at 45 O'Connor, while Cisco Systems Canada moved out of 7,300 square feet at 55 Metcalfe Street.

Tenants looking for options greater than 10,000 square feet currently have twenty options to choose from; of which only two are greater than 50,000 square feet.

Overall vacancy in Centretown increased 1.1% over the quarter to end Q3 at 8.2%, as occupied space decreased by 18,590 square feet. Market conditions continue to improve in the Byward Market as overall vacancy decreased in Q3 by 0.9% to end the quarter at 4.6% as occupied space increased by 9,485 square feet. The 46,000 square feet of space at 10 Rideau Street remains the largest block available in the downtown fringe markets and will come to the market in January 2008.



10 Rideau Street, Ottawa (Byward Market)
Up to 46,000 square feet available for lease
Spring 2008 occupancy
For more details visit www.jjb.com/10rideau

OTTAWA OFFICE MARKET HIGHLIGHTS: THIRD QUARTER 2007

ZONE	Q3 2007 NRA	Q3 2007 Direct	Q3 2007 Sublet	Q3 2007 Total	Vacancy Rate	Space Available in next 12 months	YTD Growth	Weighted Average Net Rent	Under Construction	YTD Completions
CBD Total	14,360,266	447,846	88,256	536,102	3.73%	135,845	121,164	\$22.32	360,000	467,000
Centretown Total	1,648,389	131,314	4,285	135,599	8.23%	10,354	-35,268	\$17.48	0	0
Byward Market Total	844,273	39,137	0	39,137	4.64%	45,500	28,124	\$16.52	0	0
Ottawa East Total	3,376,760	124,557	7,636	132,193	3.91%	10,842	27,079	\$13.32	81,784	0
Gloucester Total	1,395,605	14,094	0	14,094	1.01%	13,736	31,019	\$15.67	0	0
Kanata Total	4,37,055	247,900	86,003	333,903	7.72%	13,418	122,815	\$12.76	148,222	105,000
Nepean Total	3,386,898	173,479	173,930	347,409	10.26%	37,508	29,181	\$13.71	156,000	0
Ottawa West Total	4,224,323	336,630	33,245	285,716	6.76%	68,647	-33,966	\$14.40	141,344	0
OTTAWA TOTAL	33,563,569	1,514,957	393,355	1,908,312	5.69%	335,850	290,148	\$17.66	887,340	572,000

KANATA

The Kanata office market continued to improve in the third quarter as the tech sector continues to grow. As a result, Kanata's overall vacancy rate decreased by 0.2% over the quarter to end Q3 at 7.9%. With the completion of EMS Satcom's new headquarters, at 400 Maple Grove Road, and other positive leasing activity, occupied space in Kanata increased by 115,913 square feet in Q3.

Tenants looking for opportunities greater than 10,000 square feet currently have thirteen options to choose from, of which only two are greater than 20,000 square feet and only one is greater than 50,000 square feet. Therefore, it is highly probable that another new office building will

break ground soon. Currently there are 7 buildings in the pre-leasing stage offering over 832,000 square feet of potential new space.

Decreasing vacancy and tightening market conditions have resulted in upward pressure on rental rates in Kanata. Since the beginning of the year, the Class A weighted average net asking rate has increased by 8.0% to \$12.92 per square foot.

NOTABLE LEASING TRANSACTION DURING Q3 INCLUDED:

- International Datacasting – 28,000 square feet at 50 Frank Nighbor Place
- Gallium Visual Systems Inc – 19,075 square feet at 411 Legget Drive



700 Silver Seven Road, Ottawa (Kanata)
10,000 to 15,000 square feet available for sublease
Immediate occupancy

NEPEAN

Nepean's vacancy rate decreased 0.5% over the quarter to end Q3 at 10.3%. As a result, occupied space increased by just over 18,500 square feet for the quarter.

The majority of vacant space in Nepean is located in the Bells Corners node, which continues to face some challenges of soft tenant demand since the relocation of several firms to Kanata and the closure of the Arvato Services Canada call centre. As a result, the Bells Corners overall vacancy rate is currently 24.0%.

Users looking for opportunities greater than 20,000 square feet currently have three buildings from which to select: 126,000 square feet at 185 Corkstown Road, and 66,600 square feet at 2934 Baseline Road, and 28,900 square feet at 301 Moodie Drive.

OTTAWA WEST

The Ottawa West overall vacancy rate rose from 6.8% to 8.8% in the third quarter as occupied space decreased by 84,000 square feet, mainly as a result of two technology companies relocating to Kanata. EMS Satcom vacated 72,000 square feet at 1725 Woodward Drive when they relocated their headquarters to their new 105,000 square foot state-of-the-art design built facility at 400 Maple Grove Road. International Datacasting vacated 31,000 square feet at 2680 Queensview Drive when they relocated to 50 Frank Nighbor Place.

Tenants in the market looking for space options greater than 10,000 square feet currently have eight spaces to choose from.

OTTAWA EAST & GLOUCESTER

The suburban east markets tightened considerably in the third quarter. Overall vacancy decreased by 1.0%, to end Q3 at 3.0%, resulting in 49,646 square feet of positive growth. Leasing activity levels are slow for new deals; these markets continue to be strong in terms of tenant retention and renewal activity.

Ottawa East's vacancy rate decreased by 0.5% in Q3, to finish the quarter at 3.9%, resulting in 16,663 square feet of positive growth. The Ottawa East Class A market is extremely tight, with vacancy at 0.8%.

There is virtually no available office space in Gloucester. Overall, Gloucester's vacancy declined by 2.4% in Q3, to finish the quarter at 1.0%, as occupied space increased by 32,983 square feet.

NOTABLE LEASING TRANSACTION DURING Q3 INCLUDED:

- ING Insurance Company of Canada – 8,600 square feet at 1400 St. Laurent Boulevard (Renewal)
- Delcan Corporation – 12,300 square feet at 1223 Michael Street (Renewal)
- Nexus Telecom - 1,487 square feet at 1900 City Park Drive

FOR MORE INFORMATION PLEASE CONTACT:

PAUL MULLIN
RESEARCH COORDINATOR
E-mail: paul.mullin@jjb.com

J.J. Barnicke Limited
275 Slater Street, Suite 810
Ottawa, Ontario K1P 5H9

Tel: 613-232-1215
Fax: 613-232-2136