

Ottawa Office Market

Despite the global economic slowdown and the Canadian recession, Ottawa will be one of only five Canadian census metropolitan areas to grow this year, joining Saskatoon, Regina, Winnipeg, and Quebec City. According to the Conference Board of Canada, Ottawa's economy is forecasted to grow by 0.2% in 2009. The public administration sector continues to drive the local economy, and is projected to provide enough of an offset to the declines in the high tech sector to prevent the local economy from shrinking in 2009.

Ottawa's overall office market vacancy rate decreased by 65 basis points (bps) over the quarter to the end the first quarter (Q1) at 6.1%. During this period occupied space increased by 191,000 square feet in the first quarter, with Kanata, Ottawa West and Downtown recording the strongest activity levels.

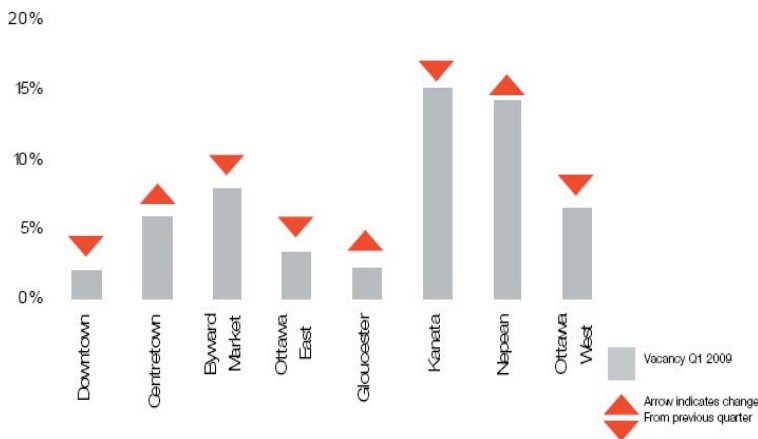
The overall average net rental rate increased in Q1 from \$17.72 to \$17.76 per square foot, while the average additional rent increased from \$13.95 to \$14.20 per square foot.

Due to the stabilizing influence of the federal government, Ottawa continues to be one of the most preferred locations in Canada by investors. However, investment sales levels remained low in the first quarter.

Notable sale transactions during Q1 included:

- 424 Parkdale Avenue purchased by Alcea Technologies Inc for \$1.1 million (\$ per square foot)
- 245 Stafford Road purchased by Strand Securities Corp for \$3.9 million (\$124 per square foot)

Distribution of Office Vacancy Across Ottawa
Q1 2009



Source: DTZ Barnicke

Downtown

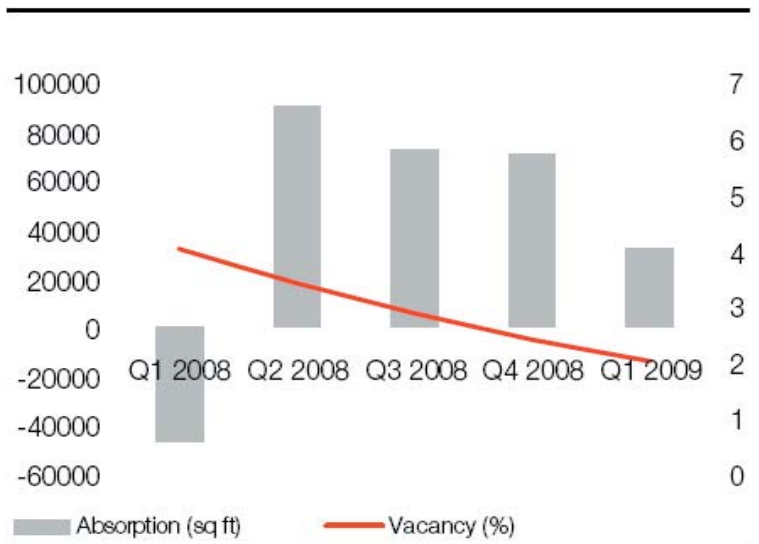
Ottawa's downtown market continues to be one of the tightest markets in Canada. For the fourth consecutive quarter, overall vacancy decreased by 35 basis points to end the quarter at 2.0%. Occupied space increased by 32,000 sq ft in Q1. The Class A vacancy rate declined by 42 bps to a mere 1.2%, while the Class B vacancy rate decreased by 24 bps to 2.3%. In the first quarter, the federal government leased approximately 100,000 square feet at 110 O'Connor that was not scheduled to come onto the market until October 2009. With the government snapping up large block availabilities, space options downtown for public and private sector tenants are few and far between. This space shortage may result in more leasing activity in the softer suburban west markets of Kanata and Nepean.

Minto Place Tower 4 at 180 Kent Street (383,000 square feet) will be completed in Q2 2009 where 50% of the building has been pre-leased, and will result in a slight rise in Class A vacancy in Q2. Site work has begun at 150 Slater Street on EDC's new 450,000 square foot head office, with occupancy scheduled for Fall 2011.

The current average net rental rate in Downtown is \$22.57 per square foot, with averages of \$25.88 per square foot for Class A space, \$17.79 per square foot for Class B, and \$16.01 per square foot for Class C.

Vacancy in Centretown increased by 82 bps to end Q1 at 5.9%. Occupied space decreased by 13,500 square feet. Vacancy in the Byward Market decreased by 67 bps to 7.9%, as occupied space decreased by 5,600 square feet.

Downtown Absorption and Vacancy
Q1 2008 – Q1 2009



Source: DTZ Barnicke



Kanata Absorption and Vacancy
Q1 2008 – Q1 2009



Source: DTZ Barnicke

Kanata

Overall vacancy decreased in the first quarter by 258 basis points from 17.7% to 15.1%. Occupied space increased by 114,000 square feet in Q1. The federal government completed their first deal outside of the greenbelt in Kanata in Q1 when they leased 66,000 square feet at 340 Legget Drive to be occupied by Health Canada. Tenants in the market looking for space greater than 10,000 square feet currently have 24 options to choose from; of which 4 are greater than 50,000 square feet.

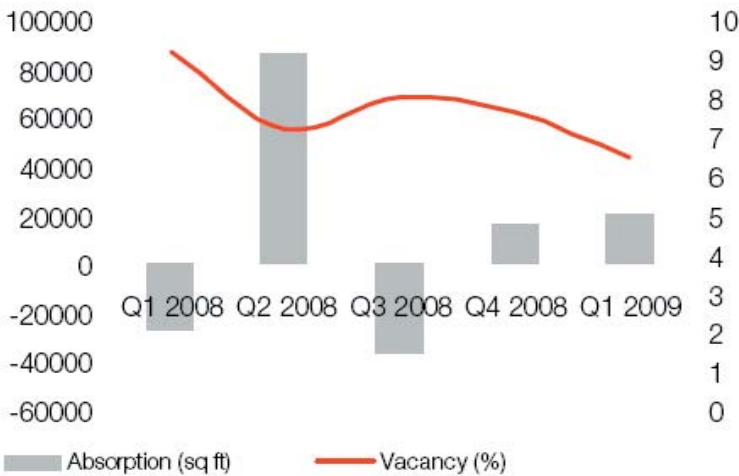
Other notable leasing transactions during Q1 included:

- DNA Genotek leased 23,500 square feet at 2 Beaverbrook Road
- SCI-Sanmina leased 73,000 square feet at 425 Legget Drive

750 Palladium Drive, Kanata



Ottawa West Absorption and Vacancy
Q1 2008 – Q1 2009



Source: DTZ Barnicke

Nepean

Overall vacancy in Nepean increased slightly by 43 bps during the first quarter to end the quarter at 14.3%, as occupied space decreased by 13,000 square feet. Tenants in the market looking for space options greater than 10,000 square feet currently have 8 to choose from; of which only 2 are greater than 50,000 square feet. Looking forward to Q2, there are several vacancies expected to come onto the market – 22,000 square feet at 62 Auriga Drive and 25,000 square feet at 64 Auriga Drive.

Ottawa West

For the second consecutive quarter, vacancy in Ottawa West decreased by 39 bps to end the first quarter at 6.4%, as occupied space increased by 52,000 square feet, mainly as a result of the federal government leasing the entire building at 1725 Woodward (73,000 square feet), and the Ottawa Police Services leasing approximately 27,000 square feet at 19 Fairmont Avenue.

Ottawa East

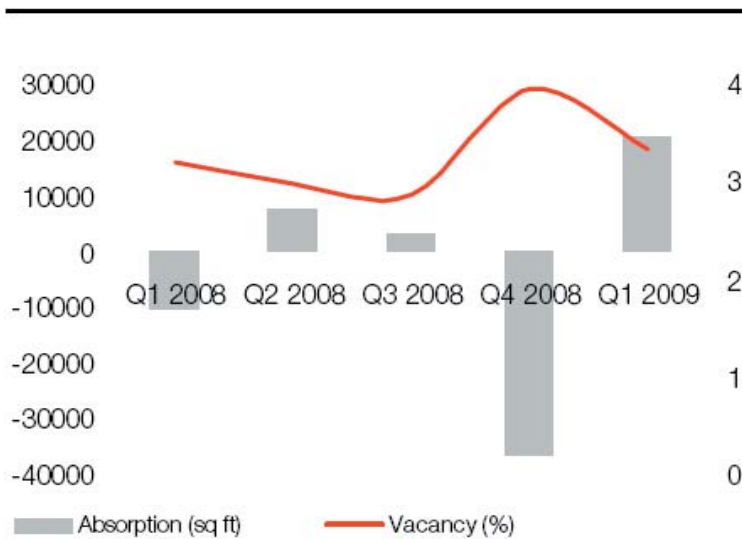
Ottawa East's vacancy rate decreased by 62 bps during the quarter to end Q1 at 3.3%, as occupied space increased by 20,000 square feet. The Class A market continues to be extremely tight at 1.0%. Tenants in the market looking for space greater than 10,000 square feet currently have 1 option. Despite the continued low vacancy there are no large vacancies expected to be released to the market, and there are no new buildings under construction.

Gloucester

The Gloucester office market continues to be extremely tight despite the overall vacancy rate increasing for the second consecutive quarter by 39 bps in Q1, to end the quarter at 2.1%. Occupied space decreased by 5,400 square feet. With no new private sector construction underway, and no large blocks of space anticipated to be coming onto the market, there is no relief in sight for tenants looking to expand in Gloucester in 2009. Net rental rates continue to rise and are currently \$16.73 per square foot for Class A (up from \$16.50 in the previous quarter), and \$11.79 per square foot for Class B & C space (up from \$11.66 in the previous quarter).

Ottawa East Absorption and Vacancy

Q1 2008 – Q1 2009



Source: DTZ Barnicke

Ottawa Office Market Highlights

Q1 2009

Zone	Q1/09 NRA (sq ft)	Q1/09 Direct (sq ft)	Q1/09 Sublet (sq ft)	Vacancy Rate	Space avail. in next 24 months (sq ft)	Q1/09 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	237,161	55,642	2.03%	357,240	14,137,744	31,557	\$22.57	383,000	0
Centretown	1,647,421	92,013	4,642	5.87%	43,355	1,550,766	-13,501	\$14.79	0	0
Byward Market	844,273	65,586	1,404	7.93%	17,408	777,238	5,579	\$17.57	0	0
Ottawa East	3,412,640	110,094	3,196	3.32%	5,558	3,299,350	20,387	\$13.34	0	0
Gloucester	1,395,605	18,731	10,845	2.12%	0	1,366,029	-5,438	\$16.30	0	0
Kanata	4,802,533	241,014	482,694	15.07%	66,566	4,078,825	113,857	\$12.26	0	0
Nepean	3,569,890	342,672	166,879	14.27%	63,082	3,060,339	-12,894	\$13.55	0	0
Ottawa West	4,385,453	232,471	50,039	6.44%	66,963	4,102,943	51,816	\$16.42	0	0
Ottawa Total	34,488,361	1,339,742	775,341	6.13%	620,172	32,373,278	191,363	\$17.76	383,000	0

Source: DTZ Barnicke

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