Following a year of government uncertainty, the Ottawa office market rebounded in 2005 with significant absorption. Overall vacancy dropped from 12.0% to 9.4%. Ottawa registered over 1,300,000 square feet of absorption during 2005, in contrast with just 17,000 square feet in 2004. This is the market's best performance since 2000. The suburbs saw a sharp decline in vacancy over the year from 17.5% to 13.6%. The downtown core saw minimal change, dropping from 4.6% to 4.2%.

It was a battle of the giants in 2005, with "go big or go home" as the theme. The completion of a number of large deals over the year created a shortage of large pockets of available space (over 100,000 square feet) in the region. The federal government was active as usual, taking occupancy of GWL's new building at 269 Laurier for 376,000 square feet and Arnon's 2 Constellation Drive for 123,000 square feet. Dell Computers also leased the entire former Nokia building in Kanata for 154,000 square feet. When the dust settled at year-end 2005 there were only two immediately available options in the region over 100,000 square feet.

Worth noting is that the International Development Research Centre leased 125,000 square feet at Oxford's Constitution Square Phase III. The property will introduce 350,000 square feet to the market in mid-2007. Outside of the downtown core, the big news was Adobe's 120,000 square foot tenancy at Sakto's Preston Square, due for occupancy in early 2007.

Sublet space region-wide has become increasingly rare. Over 2005, the region's sublet space has declined by 50% from 881,000 square feet to below 450,000 square feet. The drop in sublease availability is largely due to expiry of leases that were signed during the tech boom. Landlords are adjusting rents to keep up with the tightening market. As a result, Colliers is seeing office tenants renewing earlier and for longer terms than in previous years.

Looking at 2006

The Conference Board of Canada forecast calls for a strengthening economy in 2006. It will be tough to top levels of absorption seen in 2005, but we do expect to see a further decline in vacancy. Office inventory in the region should remain unchanged in 2006, but there will be significant product from both new projects and relocations coming on-stream in 2007.

As always, the federal government remains a major player in Ottawa and plans for relocations and expansions will impact the entire office market. We do not expect to see PWGSC move out to Kanata in 2006, but we do expect the RCMP to finalize plans for the former JDS Campus of 900,000 square feet in South Ottawa. Amongst other large users, JDS Uniphase is currently looking to acquire 125,000 square feet of space in an increasingly tight market.

With vacancy at its current low level, we anticipate increasing build-to-suit activity to accomodate demand from both private and public sectors.

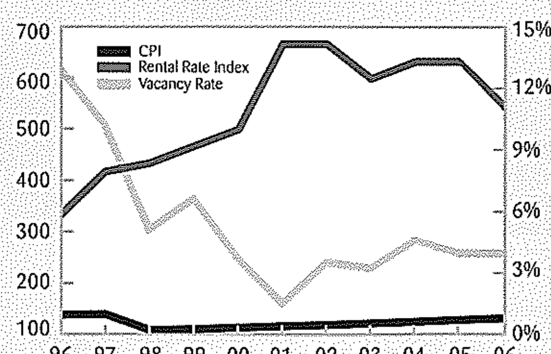
Ottawa (Downtown)

Year	Inventory Square Feet	Net New Supply Square Feet	Absorption Square Feet	Vacancy Percent
2003	13,358,381	-	40,075	3.2%
2004	13,607,536	249,155	50,677	4.6%
2005	14,016,427	408,891	448,191	4.2%
2006	14,016,427	-	28,500	4.0%

Ottawa (Suburban)

Year	Inventory	Net New Supply	Absorption	Vacancy
2003	18,386,338	(1,361,057)	(1,390,166)	16.2%
2004	18,643,365	257,027	(33,406)	17.5%
2005	18,885,365	242,000	934,305	13.6%
2006	18,885,365	-	415,000	11.4%

Colliers Rental Rate Index - Ottawa



Index: 1990 = 100 Source: Conference Board of Canada