

HAMILTON BURLINGTON OAKVILLE

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MARKET OVERVIEW & FORECAST

High demand for steel continues to be an economic generator for the Hamilton/Burlington/Oakville economy. Although dependence on the steel industry is declining as the economy diversifies further, it is still an important industry sector overall.

The real estate market remained strong in 2005 with improved activity in the retail, residential, office, and industrial sectors. The cost of land in the region is relatively inexpensive when compared to other areas of the Greater Golden Horseshoe. As a result, developers and investors have been drawn to areas like Stoney Creek, Ancaster, Brantford, Hamilton, and Oakville. The region is increasingly being referred to as "3PL West" due to the number of large format distribution centres that have been built or are currently being developed.

Expansion of the Hamilton International Airport continues and with completion expected in 2007, increasing passenger and cargo capacity. The vision of the expansion plan is to create an industrial, commercial, and residential community around the airport creating an "aerotropolis".

OFFICE MARKET HIGHLIGHTS

The Burlington/Oakville market remained strong in 2005, with vacancy rates dropping to 13.0% in Burlington and 15.0% in Oakville, helped by transaction activity from Genworth Financial, General Electric, and West 49. The addition of the new 70,000 square foot Voortman building did not significantly impact vacancy levels. Although vacancy has declined as demand for office space continues to improve, expect rental rates to remain flat during 2006 while the market continues to strengthen.

In contrast, vacancy rates in Hamilton remain high, reaching 18.3% in 2005. The completion of a new building for the federal government in 2004 resulted in large block opportunities coming to market that have yet to be backfilled. In May 2005, Hamilton city council voted to proceed with the renovation of City Hall to be carried out in three stages. As a result, city services will be relocating to the former Eaton's in the City Centre in late 2006 or early 2007 for approximately 2.5 years while the renovations are completed. This move will temporarily ease vacancy concerns in the Hamilton office market. However, tenant demand will need to revitalize before there is true improvement in this market. Rental rates are expected to remain flat through 2006.

INDUSTRIAL MARKET HIGHLIGHTS

Demand for space by industrial tenants is strong in the region. Industrial vacancy ended 2005 at 7.0% in Hamilton, 6.0% in Burlington, and 4.2% in Oakville. Industrial land sales have been brisk, with transaction volume limited only by the supply of available serviced land.

Large tenants have shown significant interest in the region given the supply of more inexpensive land, particularly warehouse and distribution users requiring access to the US. In Burlington, UPS leased 800,000 square feet for their new head office and main distribution facility with occupancy in 2006; Maytag leased 200,000 square feet for a new distribution facility; and O.R.E. Development Corporation is building 80,000 square feet of industrial on spec. In Hamilton, Steelcare Inc. leased 170,000 square feet of warehousing space. In addition, McMaster University is in the process of developing a world-class research innovation and bioscience park at the former 850,000 square foot Camco facility. In Stoney Creek, Norstar Windows will be constructing 200,000 square feet and Andres Wines leased 114,000 square feet. Further out in Brantford, Procter & Gamble will be adding another 400,000 square feet to the 800,000 square feet they recently moved in to. Camco will also be adding to their presence in Brantford by an additional 60,000 square feet. In addition, O.R.E. Development Corporation is developing 500,000 square feet of spec industrial distribution space in Brantford.

BURLINGTON MARKET AT A GLANCE

POPULATION
200,000

OFFICE INVENTORY
2.7 million sf

OFFICE VACANCY
13.0%

TOTAL INDUSTRIAL
MARKET SIZE
12.5 million sf

INDUSTRIAL VACANCY
6.0%

INVESTMENT MARKET HIGHLIGHTS

The investment market remained strong in 2005. Demand outpaced supply and cap rates continued to fall. Most investment product on the market in 2005 received multiple offers. In many cases, offers were unsolicited, even on older dysfunctional properties in and around Hamilton. Expect this trend to continue throughout 2006.

RETAIL MARKET HIGHLIGHTS

The retail market continues to gain momentum. Driven by an active residential and infill development market, the retail sector continues to expand. Rental rates are at an all time high, with brisk leasing activity in both new and older retail.

