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# KINGSTON 401 CORRIDOR

## MARKET OVERVIEW & FORECAST

Kingston was rated one of the three fastest-growing metropolitan economies in Canada in 2005. The city's service industry has improved greatly as a result of growth in non-commercial sectors such as health care and education. Manufacturing is rebounding following a recent decline, and employment rose nearly 3.0% in 2005.

Kingston is experiencing a tremendous growth period. The city plans to invest \$140 million into infrastructure improvements in 2006 with both the federal and provincial governments each expected to contribute \$25 million. The Ravensview Water Pollution Control Plant upgrade represents the largest such project ever undertaken by the city and is expected to increase opportunities for further development of commercial, residential, and industrial land.

The city is currently committed to several other strategic projects expected to have significant positive impacts on the economy and quality of life in Kingston. These include the building of a sport and entertainment centre and 4-pad Multiplex Centre; the revitalization of Market Square including an outdoor rink; and the \$9 million restoration of the historic Grand Theatre.

In addition, Block D, a seven acre brownfield site, is being co-developed by Ottawa based Gillin Engineering and Construction and Kingston based Homestead Land Holdings at an expected construction cost of \$85 million. This project is the first to utilize Kingston's Community Improvement Plan, which encourages the redevelopment of contaminated properties. Homestead broke ground in the spring of 2005 on a 17-storey, 142-unit, high-end residential apartment building. The company is also expected to proceed with a 17-storey, 94-unit condominium and a 14-storey, mixed-use office and residential building in 2006. Gillin will also begin construction on a 10 storey, 144-suite hotel located on the waterfront in 2006.

### KINGSTON MARKET AT A GLANCE

POPULATION  
**146,838**

OFFICE INVENTORY  
**1.8 million sf**

OFFICE VACANCY  
**9.6%**

CBD CLASS A VACANCY  
**11.2%**

INDUSTRIAL INVENTORY  
**6.9 million sf**

INDUSTRIAL VACANCY  
**13.4%**

## OFFICE MARKET HIGHLIGHTS

Steady absorption of surplus office space was recorded in 2005 with the vacancy rate stabilizing in the 10.0% range. Expect to see continued positive leasing activity and decreasing vacancy throughout 2006.

Call centre activity continues to thrive in the 401 Corridor. In 2005, Cornwall saw the expansion of its already established call centre sector with the opening of a new 33,750 square foot facility.

## INDUSTRIAL MARKET HIGHLIGHTS

Over 857 acres of serviced industrial land is available across the 401 Corridor. Industrial land values range between \$15,000 and \$45,000 per acre and represent a great investment opportunity. Available land in this area is within close proximity to two border crossings.

Industrial activity is rapidly expanding in Kingston and with a large number of construction projects scheduled for completion in 2006 this trend is expected to continue. These projects include a 10-acre, state-of-the-art distribution site; a 5.4 acre truck service and parts distribution centre; and three design-build industrial projects totaling 170,000 square feet.

Outside of Kingston, activity along the 401 Corridor has also been robust. In addition to many industrial land sales, five existing industries are in a physical expansion mode in Brockville, representing \$40 million dollars in new industrial investment, including a new design build distribution centre for Giant Tiger. In addition, Kott Group is building a new state-of-the-art truss production facility in Cobourg.

## INVESTMENT MARKET HIGHLIGHTS

Investment activity along the 401 Corridor is expected to continue throughout 2006. Aggressive cap rates, scarcity of product and higher costs in Tier One markets continue to attract investors to the region. REITs and institutional parties remain the primary purchasers.

## RETAIL MARKET HIGHLIGHTS

The retail market remained strong in 2005, as large format retailers continued to dominate the region. Work is nearing completion at the Kingston Centre, where Loblaw Companies Limited's big-box retail redevelopment is already 70% to 80% occupied. The 250,000 square foot power centre joint venture between Trinity Development Group and RioCan Real Estate Investment Trust is set to open in 2006.

The retail markets of Belleville, Napanee, and Cobourg also experienced growth in 2005. A number of mall revitalization projects and big-box retail developments are currently underway in Brockville, totaling over 300,000 square feet of new commercial space.

