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LONDON WINDSOR SARNIA

MARKET OVERVIEW & FORECAST

London's economy continues to grow. Located in the heart of Southwestern Ontario, London offers a desirable geographic location for manufacturers and is home to such industry leaders as General Motors of Canada, Ford Motor Company, 3M Canada, and Kellogg Canada Inc. In addition, the London area is home to more than 30 major auto parts suppliers and manufacturers including a new transmission parts plant for TransForm Automotive. London is also a world leader in biotechnology, information technology, and healthcare innovations.

OFFICE MARKET HIGHLIGHTS

The London office market remains healthy overall with vacancy in the range of 13.5% at the end of 2005. Institutional, government, and non-profit organizations continue to absorb Class B office space while Class A absorption remains stable with only a slight decrease from 2004. The outlook for 2006 is much the same, with some instances of retail space being converted to office space in outlying areas to accommodate increasing tenant demand.

INDUSTRIAL MARKET HIGHLIGHTS

London's manufacturing sector continues to prosper with 2.1% growth in 2005 and a projected growth rate of 3.9% in 2006. In 2005, Labatt Breweries announced it would be closing its Toronto plant and investing \$40 million in an expansion of its London facility, which is expected to increase production by 33.0% at that facility.

The automotive sector is a dominant industry in Southwestern Ontario and the London area continues to benefit. The CAMI Automotive plant located in Ingersoll has increased local parts production. Toyota recently announced an \$800 million investment in a new assembly plant in Woodstock, for production of the Rav4, starting in 2008. This announcement will likely cause a ripple effect for just-in-time, logistics, and other local parts suppliers

in the London area. In addition, Warren Industries announced it would be investing in a new 85,000 square foot manufacturing facility in London for completion in late 2006.

LONDON MARKET AT A GLANCE

POPULATION
459,700

OFFICE INVENTORY
5.2 million sf

OFFICE VACANCY
13.9%

CBD CLASS A VACANCY
12.8%

INDUSTRIAL INVENTORY
31.5 million sf

INDUSTRIAL VACANCY
4.8%

RETAIL MARKET HIGHLIGHTS

Retail activity at both the north and south ends of the city continued to thrive throughout 2005. Several well-known retailers including Wal-Mart, Sam's Club, Old Navy, Winners, Home Depot, Staples, and The Beer Store opened new stores in 2005, or are expected to open stores in 2006.

WINDSOR MARKET OVERVIEW

The Windsor market remained healthy in 2005 and continues to look positive for 2006. New developments include the recent federal government announcement of \$15 million in funding to Commercial Alcohols Inc. for the construction of a \$120 million ethanol plant on a 35-acre site in Ojibway Industrial Park. This new plant will produce 200 million litres of ethanol annually making it the largest ethanol producing facility in the country. The plant will also produce 200,000 tons of grain and carbon dioxide for the beverage market.

Notable investment sales in 2005 included the sale of the former 400,000 square foot General Motors Transmission Plant on Walker Road, and the sale/leaseback of a 620,000 square foot plant on Lauzon Road for Lear Corporation.

Net rental rates for office space in Windsor ranged from \$4.00 to \$13.00 per square foot in 2005, depending on age and class. Windsor's Class A vacancy rate was 10.8% while class B vacancy was 17.2% at the end of 2005.

SARNIA MARKET OVERVIEW

Affordable development land and excellent infrastructure has attracted many investors to Sarnia. Over the past few years Sarnia has also experienced an explosion in the retail sector.

Sarnia is a national and international leader in the production of chemicals, synthetic rubber, and a variety of oil-based products. Sarnia is home to 24 chemical firms, 10 petroleum and coal firms, and more than 50 fabricated metal product firms, all of which are employing more than 7,000 employees.

Sarnia's industrial market continued to prosper in 2005. With a total of \$1.5 billion in new investments announced for the Sarnia-Lambton area over the next couple of years, expect continued economic growth in 2006. New developments include Suncor's new \$120 million ethanol plant and \$800 million diesel desulphurization unit; Air Products Canada Limited's hydrogen plant; and UBE Automotive's \$10 million expansion. In addition, the 33-acre former Owens Corning Fiberglas site in Sarnia is being transformed into four large buildings for heavy industrial use.

