



TAYLOR WILSON
J.J. BARNICKE NIAGARA

NIAGARA

MARKET OVERVIEW & FORECAST

The Niagara regional economy continues to expand. Despite a slowing in tourism infrastructure spending and a decrease in visitors to the area in 2005, the number of wineries continued to grow and is now approaching 60 and two new world-class golf courses opened with more on the way. Construction began on the \$985 million tunnel at the Sir Adam Beck generating station with completion slated for 2009. A new \$300 million Cancer and Cardiac Care Hospital is planned for west St. Catharines on a 40-acre site. Fort Erie has been chosen as the new location for a Wind Tower factory, creating 100 new jobs. The greenhouse industry continues to grow with the announcement that St. David's Hydroponics is building a new, 17-acre, greenhouse facility.

The housing market remains hot, with infill sites and redundant school properties seeing multiple bids. A proposal is in the works to redevelop the Prudhommes Landing site in Vineland into a "lifestyle community" to include the development of 665 residential units, a 100 room hotel, a welcome center, 550,000 square feet of retail space, 155,000 square feet of hospitality and entertainment space, and 35,000 square feet of office space.

NIAGARA MARKET AT A GLANCE

POPULATION
420,000

OFFICE INVENTORY
650,000 sf

OFFICE VACANCY
15.0%

CBD CLASS A VACANCY
12.0%

INDUSTRIAL INVENTORY
1.3 million sf

INDUSTRIAL VACANCY
4.0%

OFFICE MARKET HIGHLIGHTS

Office leasing activity remains sluggish and market conditions continue to favour the tenant, due in part to the quantity of space available. As a result, landlords are showing a willingness to be aggressive in their deal making. Parking continues to be the primary challenge for tenants and most large landlords are purchasing additional lots to gain the competitive edge. Free surface parking, proximity to the QEW interchange, and competitive rates in converted light industrial buildings are fuelling a migration to north St. Catharines and, in particular, the Martindale Road and Hannover Drive area.

In 2005, Niagara Credit Union, entered into a corporate merger with Toronto based HEPSCO Credit Union that formed the province's single largest credit union. The merger has created a new company, Meridian, with corporate head offices located at the QEW/Martindale Rd. interchange. Also of note in 2005, Canadian

Tire Financial Services announced plans to open a new 50,000 square foot call centre facility in St. Catharines.

INDUSTRIAL MARKET HIGHLIGHTS

The industrial market continues to move away from heavy industry with growing strength in warehousing, light assembly, and distribution activities. Vacancy at the end of 2005 was in the range of 4.0%.

The speculative building and land market has returned. Rental rates range from \$4.00 to \$6.50 per square foot net for newly constructed facilities. Numerous industrial land parcels have been purchased with profits realized on resale in a matter of months.

In south St. Catharines, Merritton Developments Inc. continued its Brown-field redevelopment program with the remediation of the former Domtar Paper Plant and subsequent 10-acre sale to Sobeys Food Stores.

INVESTMENT MARKET HIGHLIGHTS

Demand remains high for quality investment real estate, limited only by available supply. Cap rates have lowered into the 9.0% range depending on location and quality. Small strip plazas and multi-unit industrial buildings continue to be the choice of most small and mid-range investors with multiple bids occurring for good product offerings.

Most retail plaza trades in 2005 were in the \$80.00 to \$100.00 per square foot range. Recent sales of large industrial facilities ranged between \$30.00 and \$38.00 per square foot, including land. Multiple bids on Class A quality office investments are common. 80 King Street, the largest building in the region, sold for \$5.5 million in 2005. Prime commercial land is exceeding \$500,000 per acre while vacant industrial serviced land is approaching \$200,000 per acre. Sale/leasebacks have become popular, which is fuelling the industrial investment market.

RETAIL MARKET HIGHLIGHTS

Loblaws Properties Limited purchased two large parcels in Grimsby and Niagara Falls for Great Canadian Superstore locations. Sobeys is enjoying a stronger presence in the market with the acquisition in 2004 of locally owned Commisso's Food Markets. South St. Catharines is growing rapidly with Pen Centre adding Boston Pizza, Kelsey's, Bowring, HomeSense and Sears Coverings in 2005. In the 4th Avenue corridor in west St. Catharines, Designer Depot and Home Outfitters have recently opened. Giant Tiger and Dollarama have been the most active in leasing former grocery locations that anchor small strip centers.

