

Hamilton/Burlington

Population
875,000

Office vacancy
10%

Industrial inventory
75 million sq ft

Office inventory
7 million sq ft

CBD Class A vacancy
5%

Industrial vacancy
7%



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Market overview

The overall economies for both Hamilton and Burlington performed well in 2007 and both are expected to improve in 2008. The manufacturing industry in the region has been struggling in recent years. However, with the acquisition of steel manufacturers Stelco Inc and Dofasco Inc by foreign interests, a renewed level of stability should be seen in this sector. Despite the issues in the steel industry, the employment rate is fairly healthy and the population of both cities is expected to continue to grow. Economic diversification away from heavy manufacturing has been underway for a number of years in Hamilton, which has helped to add strength to the economy.

Retail sector growth, ongoing demand from smaller industrial users, continued growth in the distribution/logistics sector and brisk sales of land parcels are the major driving forces within Hamilton and Burlington.

Office market

Office market vacancy in Burlington declined throughout 2007 and is expected to continue downward in 2008. Expect to see more speculative construction in mid to late 2008 as the market continues to tighten. In Hamilton,

vacancy also declined during 2007. However, this decline may be a temporary phenomenon as it is attributed, in large part, to the relocation of 300,000 square feet of municipal government space while existing facilities undergo renovation.

Leasing was steady in 2007, and is expected to continue through 2008. While 50% of leasing activity is from tenants leaving Mississauga, Oakville and Toronto, the remaining 50% represents the expansion of local businesses which is a positive sign. Steady demand bodes well for construction activity in the area. Worth noting, Sun Life has applied for permit for an 80,000 square foot speculative building and is awaiting approval. Other developers have also shown an interest in this market.

Rental rates are up slightly for Burlington in 2007, but remain static for Hamilton. The market itself is balanced, however, there is a shortage of larger blocks of space. Filling the need for full floor and larger users will be a challenge in 2008.

Industrial market

The industrial market in Burlington experienced a rise in vacancy over the year, while Hamilton experienced a slight decrease. Activity continued steadily throughout the

year. The majority of product on the market is predominantly older stock with new buildings more difficult to find. Nonetheless, there are plenty of opportunities for users actively seeking space.

Construction activity was not as brisk as recent years, a trend experienced throughout the rest of Ontario as well. Due to the lack of new supply, the market is challenged when it comes to attracting users that require newer buildings. There is relief on the horizon with new developments planned or in the works. One of the most significant developments is the area surrounding the Hamilton International Airport. Expect to see 3,000 acres of serviced land come on stream in the next two to three years, with 680 acres in 2008. This opportunity is expected to attract companies looking for faster turnaround, less congestion and significant freight cost savings than that currently offered in the Greater Toronto Area.

Investment market

The investment market is feeling the strain of strong demand and limited supply. The market is very buoyant, with pension funds, REITs and institutional investors all active. The most popular product right now is industrial, with some office and retail being sought after. Yields are expected to begin to trend higher as we move through 2008. The main challenge for Burlington and Hamilton is almost certainly going to be the lack of product to meet investor demand.

Retail market

The retail market is impressively strong with low vacancy. Even Jackson Square in the Hamilton core is improving and is running at 90% capacity. Malls are experiencing 2% vacancy, older strips 5% and new strips are running at full capacity. One of the key trends in this market is the power centre focusing on the popular life style retail format. No new significant retailers are expected to enter the market in 2008.

Rental rates are increasing, except for older strips where rents remain static. The major challenge in 2008 will be dealing with the significant lack of quality product available.

