

Economic Overview	Quick Stats		Change on 2013
<p>The US economy continued to pick-up in 2014 and US stock markets rose 11.5%. China slowed and the Eurozone continued its sluggish performance. Falling oil prices contributed to a weaker Canadian Dollar which has lost over 10% of its value against the USD during 2014. Canadian Real GDP rose 2.5% in 2014 after increasing 2.0% in 2013. Ontario GDP is on par with national figures. Kingston is forecast to grow less than the provincial and national average at 1.8% in 2015. Unemployment in Kingston has decreased to 6.4%, and remains lower than the provincial and national rate. However, total employment in Kingston decreased in 2014 by 3.3%, as a result of retirees leaving the workforce. Kingston experienced a notable 25% drop in private sector development which follows a trend over recent years with non-institutional construction activity decreasing by over 50% since 2011.</p>	<p>Canadian GDP Growth 2.5% Ontario GDP Growth 2.5% National Inflation 1.9% Bank of Canada Interest Rate 0.75% Kingston Unemployment 6.4% Residential Units (#) 2014 480 Private Construction Permits 2014 (sqft) \$900Ksf</p>	<p>↑ ↑ ↑ ↓ ↓ ↓ ↓</p>	
<p>Retail Market</p> <p>2014 was another challenging year for the downtown retail market. Although vacancy rates remained at around the same levels, net rents have continued their decline and vacancy periods have lengthened. However, with a number of large residential developments in progress in the downtown core, which will assist the revitalisation of the downtown we expect the market to rebound in coming years. The suburban retail markets have also experienced downward pressure on rents as vacancy rates have increased.</p>	<p>Prime Downtown Rents \$/psf (net) \$10-20 Downtown Vacancy Rate 10% Prime Suburban Rents \$/psf (net) \$12-20 Suburban Vacancy Rate 6%</p>	<p>↓ ↔ ↓ ↑</p>	
<p>Office Market</p> <p>There has been limited activity in the office market over the last 12months with limited new supply coming onto the market. Prime rents in the downtown and suburban market have remained stable. There has been little change in net absorption rates City-wide although vacancy times have increased.</p>	<p>Prime Downtown Rent \$/psf (gross) \$18-24 Prime Suburban Rents \$/psf (gross) \$18-24 Vacancy Rate 15%</p>	<p>↔ ↔ ↔</p>	
<p>Industrial/Business Park Market</p> <p>Industrial occupier demand was steady in 2014. Limited availability for high grade accommodation means that most new supply is 'built-to-suit'. With interest rates remaining at historically low levels many SME's are looking to own rather than rent. Rental levels have been stable although the vacancy rate has increased. A number of large industrial vacancies account for the increase in the vacancy rate. For industrial units smaller than 5,000sqft the vacancy rate is below 5%.</p>	<p>Prime Industrial Rents \$/psf (net) \$5-8.50 Vacancy Rate 10%</p>	<p>↔ ↑</p>	
<p>Multi-Residential Market</p> <p>Residential tenant demand remained strong in 2014. There has been a steady supply of new buildings, with a focus on the student market. Vacancy rates have increased slightly over recent years. There are a number of large projects in pre-development in the downtown area, which will add to supply. Senior housing is another growth area due to demographics, but there is relatively little new supply in this sub-sector. Overall investor demand is strong and capitalisation rates have decreased. Generally a sellers' market.</p>	<p>Average Monthly Rent for 2 br \$1080 Downtown Vacancy Rate 2.5% Suburban Vacancy Rate 2.5% Large Multi-Res Prime Cap Rate 6% Small Multi-Res and student housing Prime Cap Rate 5%</p>	<p>↑ ↑ ↑ ↔ ↔</p>	

<p>Land</p> <p>(In this section land values vary depending on the stage of planning. Prices are based on land approved for development. Location is critical – especially for commercial development land).</p> <p>Land prices have increased in most areas. The demand for residential land is particularly strong in good downtown and suburban locations. Downtown residential land values have increased significantly in locations close to the University, with potential for high-density residential development.</p> <p>The City of Kingston is the main of industrial development land and currently has over 150 acres of serviced industrial land for sale.</p>	<p>Suburban Housing \$/acre Suburban Multi-Res \$/acre Downtown Multi-Res \$/square foot Quality Suburban Commercial \$/acre Downtown Commercial Land \$/square foot Industrial/Business Park \$/acre</p>	<p>\$90K-110K \$300K-500K \$80-150 \$400K-550K \$80-\$120 \$85K-130K</p>	<p>↔ ↔ ↑ ↔ ↑ ↔</p>
<p>Investment Market</p> <p>The availability and low cost of debt finance has continued to support investment demand during 2014. Residential and commercial real estate investments have delivered good rental and capital returns through a period of low interest rates. Capitalisation rates have decreased (i.e. values increased) across all sub-sectors, but yields still show a good premium on other fixed income investments. Investor demand has been strong and we expect to remain strong under the current conditions.</p>	<p>Prime Retail Cap Rates Prime Office Cap Rates Prime Industrial Cap Rates</p>	<p>5.5-7% 6-5% 7-9%</p>	<p>↓ ↓ ↓</p>
<p>Outlook</p> <p>Kingston is experiencing steady growth. There is less new commercial development that in previous years, except for some specific sub-markets (such as student residential). Generally the market continues to show stability and is well-positioned going into 2015. The local economy supports the current rental levels but commercial tenant demand in some sectors is weak and does not support speculative development. While the downtown retail market has experienced weaker tenant demand and rental levels, this should be improved by the supply of new residential units in the downtown core. Continued low interest rates are supporting the investment market. It will be a good time for owners to reassess their portfolio's and take advantage of the market conditions. The buoyancy of the market makes it a good time to consider estate planning issues.</p>			

Sources include: City of Kingston, Statistics Canada, Industry Canada, CMHC, Rogers & Trainor Research.

About Rogers & Trainor: Founded in 1997, Rogers & Trainor is the largest commercial real estate brokerage firm in Kingston and the 401 Corridor (Belleville to Brockville). With 11 full-time professionals, the firm has experience in all aspects of the commercial real estate market, including residential investment. Our mission is to create value for our clients by combining extensive local knowledge and experience with established national relationships and marketing strategies.

For more information and any general enquiries please contact:

James Ward MRICS, Principal
Rogers & Trainor Commercial Realty Inc.
Tel: 613-384-1997 ext. 25
Cell: 613-893-3335
Email: jward@rtcr.com

While every effort has been taken to ensure the accuracy of this report, it is never simple to make generalisations on real estate markets. We know all too well that every property is different! Therefore this report should be used for general indication only. We would be pleased to discuss any property specific enquiry, and assist where possible through our full range of commercial brokerage, investment and advisory services.