

FORGE & FOSTER

INVESTMENT MANAGEMENT

HAMILTON 2020 CRE YEAR END REVIEW

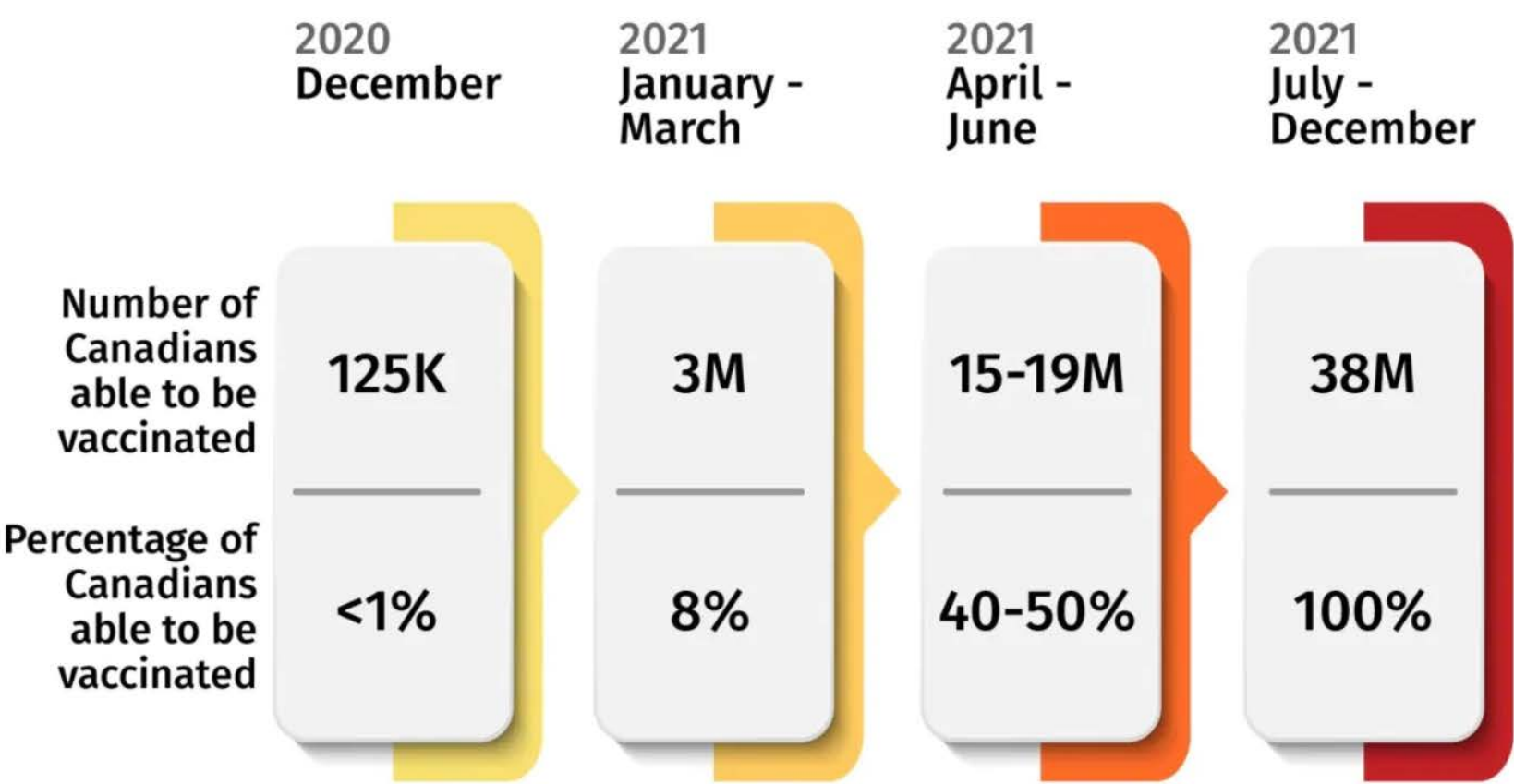
February 10, 2021

Questions

**How has COVID-19 effected
Hamilton CRE in 2020?**

**What's the view forward
with 2021?**

Canada's COVID-19 immunization timeline



Information is based on regulatory approval and anticipated delivery schedules of vaccine supply.

Most real estate forecasts are largely reliant on vaccination timeline.

January has seen a slowdown in arrivals of vaccines.

Procurement Minister and Prime Minister have recently stated a “ramp up” in Mid-February will address initial delay.

What happened in 2020?

2020 \$1,196,250,203

What happened in 2020?

2019 **\$952,074,857**

2020 **\$1,196,250,203**

2018 \$1,087,547,844

2019 \$952,074,857

2020 \$1,196,250,203

What happened in 2020?

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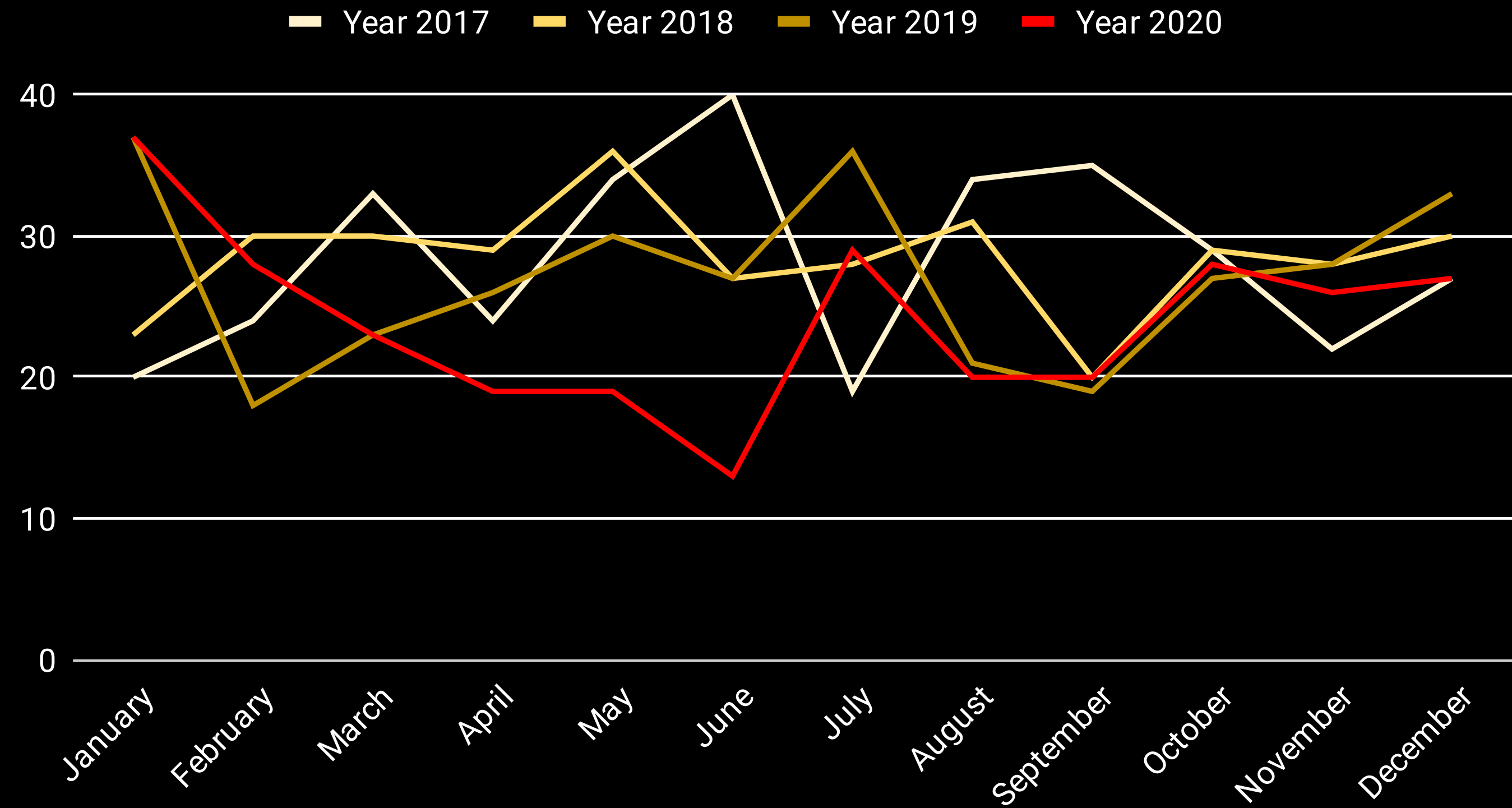
2017 **\$896,086,112**

2018 **\$1,087,547,844**

2019 **\$952,074,857**

2020 **\$1,196,250,203**

Number of Hamilton CRE Transactions



What happened in 2020?

2020
289

What happened in 2020?

2019

325

2020

289

What happened in 2020?

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2018

341

2019

325

2020

289

What happened in 2020?

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2017

341

2018

341

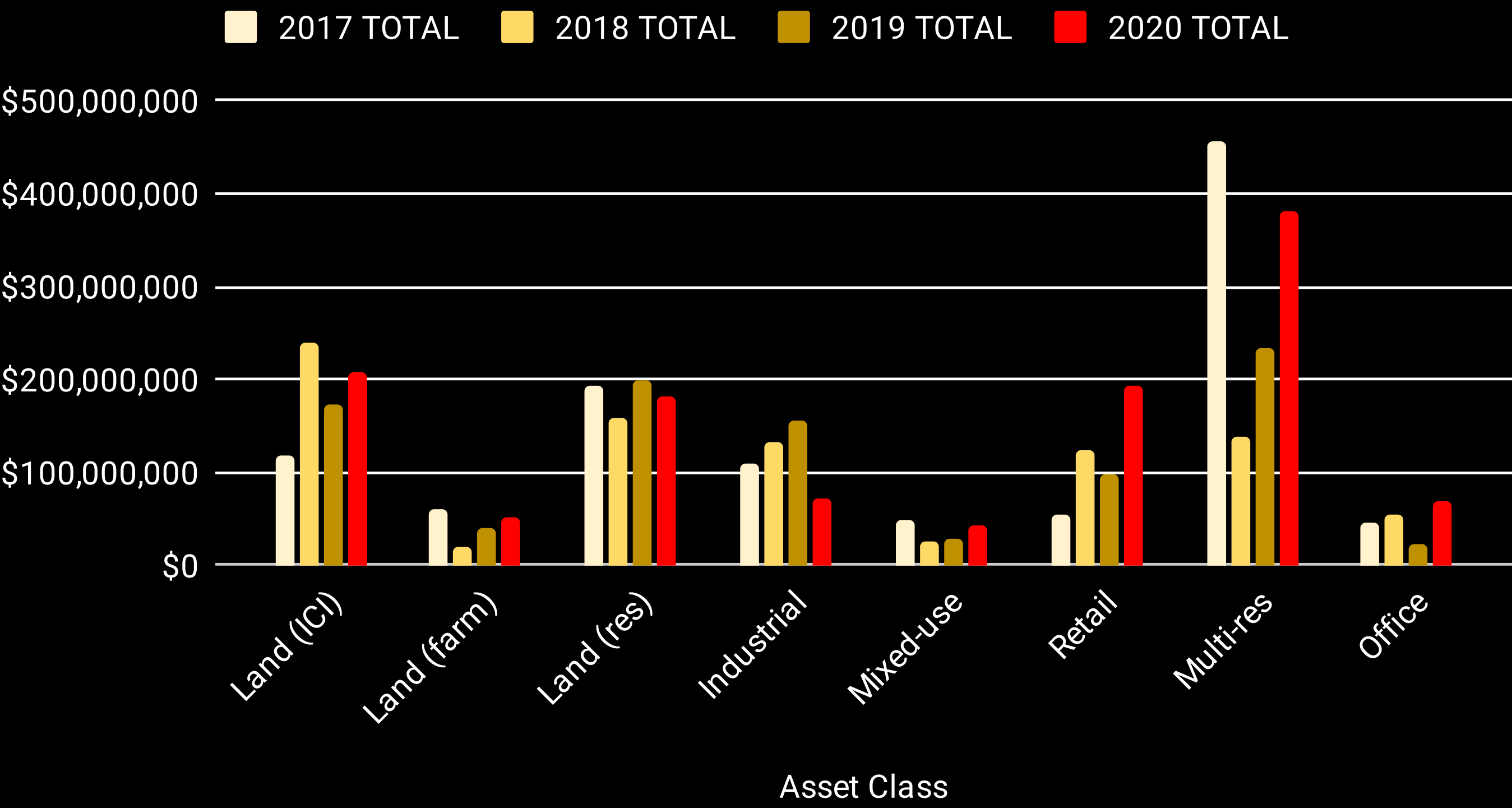
2019

325

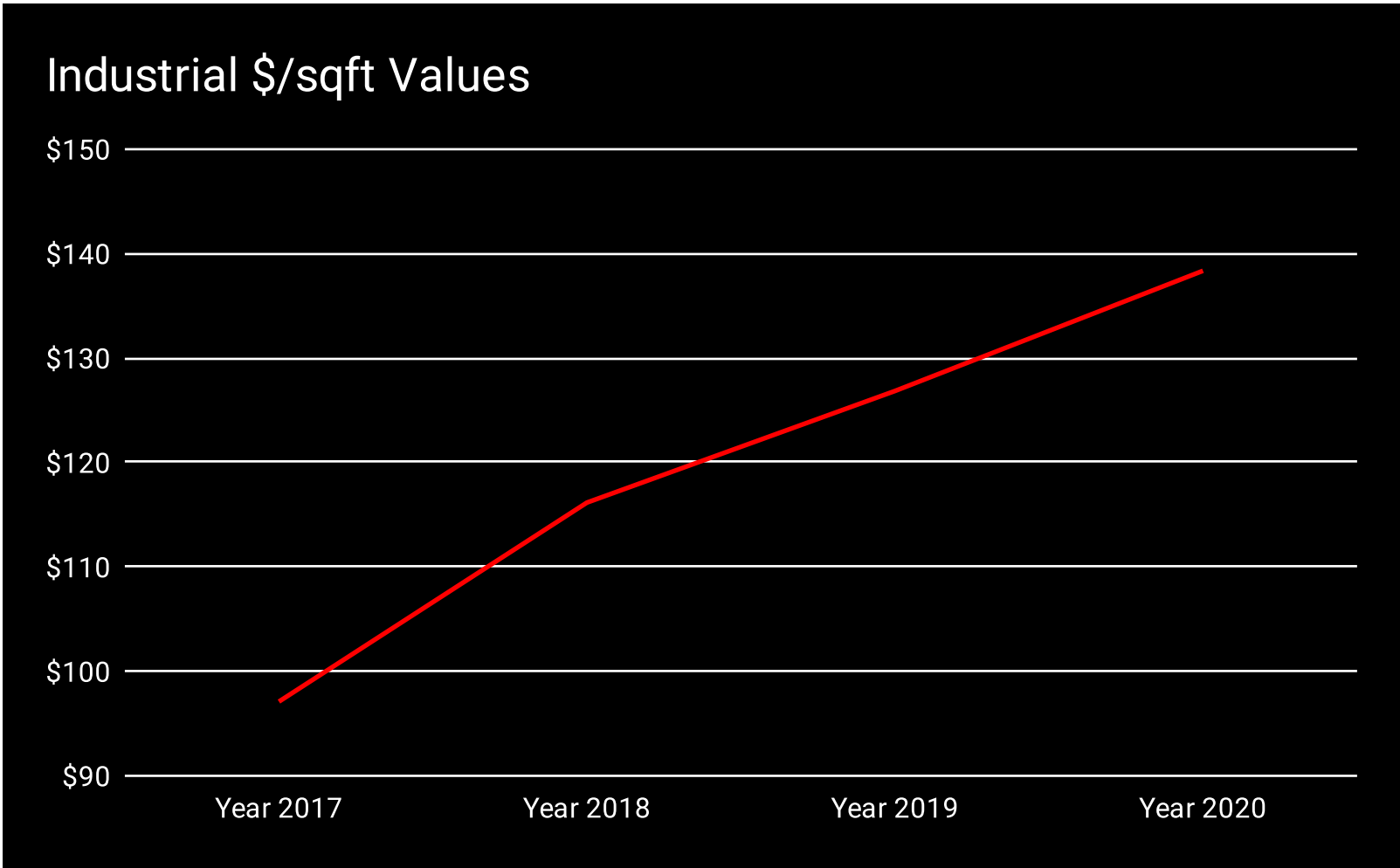
2020

289

2020 Hamilton CRE Values

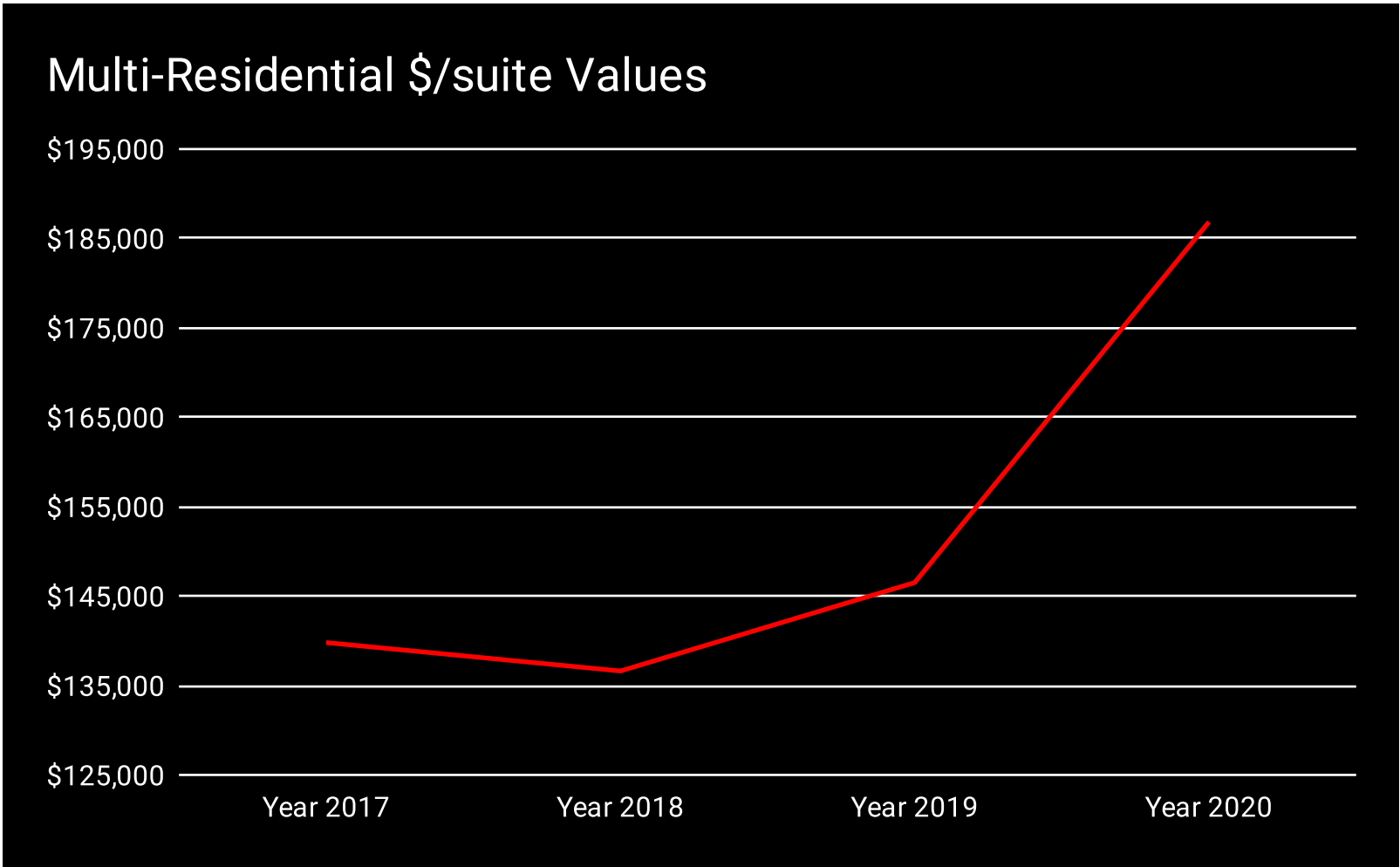


What happened in 2020?



\$97/sqft to \$138/sqft

42% increase over 4 years



\$139,000/suite to \$186,000/suite

34% increase over 4 years

What happened in 2020?

Is the office dead?

What happens with working from home (WFH) is going to be one of the most important outcomes of 2021.

Is the office dead?

For Hamilton, 2020 office is attributed to new tech and is also occupying flex space.



Is the office dead?



Is the office dead?



59 King St E
Q4 Inc. moved in 2020 from Toronto.
Have offices in London & Copenhagen.



50 King St E
Effort Trust office

Is the office dead?

Q3 2019

KEY TRENDS

- The overall vacancy in the Greater Toronto Area decreased 50 bps to 6.8% in Q3 2019. Closing in on conditions last seen in 2008, the metropolitan area is now just 20 bps away from matching its record low vacancy rate of 6.6%.
- Enduring demand from tech firms and flexible operators coupled with a lack of new supply has resulted in Toronto's vacancy rate contracting 30 bps to 2.3%, further cementing the market's standing as the tightest downtown office market in North America.

| STATISTICS | DOWNTOWN | | | SUBURBAN | | | TOTAL | | |
|--------------------------------|------------|------------|-----------|------------|------------|-----------|-------------|-------------|-----------|
| | Q2 2019 | Q3 2019 | Q/Q△ | Q2 2019 | Q3 2019 | Q/Q△ | Q2 2019 | Q3 2019 | Q/Q△ |
| Net Rentable Area | 87,681,935 | 87,639,159 | ◀ 0.0% | 76,619,643 | 76,451,674 | ▼ 0.2% | 164,301,578 | 164,090,833 | ▼ 0.1% |
| Overall Vacancy Rate | 2.6% | 2.3% | ▼ 30 bps | 12.7% | 11.9% | ▼ 80 bps | 7.3% | 6.8% | ▼ 50 bps |
| Direct Space | 1,722,865 | 1,453,121 | ▼ 15.7% | 8,751,199 | 8,205,508 | ▼ 6.2% | 10,474,064 | 9,658,629 | ▼ 7.8% |
| Sublet Space | 523,080 | 524,484 | ▲ 0.3% | 963,410 | 905,664 | ▼ 6.0% | 1,486,490 | 1,430,148 | ▼ 3.8% |
| Sublet % of Vacant Space | 23.3% | 26.5% | ▲ 320 bps | 9.9% | 9.9% | ◀ - | 12.4% | 12.9% | ▲ 50 bps |
| Class A Vacancy Rate | 2.4% | 2.1% | ▼ 30 bps | 13.0% | 12.5% | ▼ 50 bps | 6.9% | 6.5% | ▼ 40 bps |
| Average Class A Net Rent (psf) | \$35.43 | \$34.77 | ▼ \$0.66 | \$17.86 | \$17.65 | ▼ \$0.21 | \$21.63 | \$21.04 | ▼ \$0.59 |
| Current Quarter Absorption | 314,163 | 268,340 | ▼ 45,823 | -377,647 | 603,437 | ▲ 981,084 | -63,484 | 871,777 | ▲ 935,261 |
| Year to Date Absorption | 377,282 | 645,622 | | 371,477 | 974,914 | | 748,759 | 1,620,536 | |
| Current Quarter New Supply | 255,565 | 0 | ▼ 255,565 | 0 | 0 | ◀ - | 255,565 | 0 | ▼ 255,565 |
| Year to Date New Supply | 255,565 | 255,565 | | 43,189 | 43,189 | | 298,754 | 298,754 | |
| Under Construction | 8,509,234 | 8,557,139 | ▲ 47,905 | 712,323 | 772,903 | ▲ 60,580 | 9,221,557 | 9,330,042 | ▲ 108,485 |

Q4 2020

- The suburban vacancy rate rose for a third consecutive quarter to 15.3% marking the highest suburban vacancy rate in Toronto since 2004. Some occupiers have been allowing their leases to lapse in this intervening period with the intention of evaluating their office space needs once their workforce is able to return to office conditions that more closely resemble pre-COVID.

| STATISTICS | DOWNTOWN | | | SUBURBAN | | | TOTAL | | |
|--------------------------------|------------|------------|-------------|------------|------------|-----------|-------------|-------------|-------------|
| | Q3 2020 | Q4 2020 | Q/Q△ | Q3 2020 | Q4 2020 | Q/Q△ | Q3 2020 | Q4 2020 | Q/Q△ |
| Net Rentable Area | 89,240,274 | 89,265,728 | ◀ 0.0% | 76,868,646 | 78,026,237 | ▲ 1.5% | 166,108,920 | 167,291,965 | ▲ 0.7% |
| Overall Vacancy Rate | 4.7% | 7.2% | ▲ 250 bps | 12.6% | 15.3% | ▲ 270 bps | 8.4% | 11.0% | ▲ 260 bps |
| Direct Space | 2,690,832 | 3,853,751 | ▲ 43.2% | 8,243,101 | 9,182,995 | ▲ 11.4% | 10,933,933 | 13,036,746 | ▲ 19.2% |
| Sublet Space | 1,532,104 | 2,610,690 | ▲ 70.4% | 1,466,674 | 2,759,790 | ▲ 88.2% | 2,998,778 | 5,370,480 | ▲ 79.1% |
| Sublet % of Vacant Space | 36.3% | 40.4% | ▲ 410 bps | 15.1% | 23.1% | ▲ 800 bps | 21.5% | 29.2% | ▲ 770 bps |
| Class A Vacancy Rate | 3.9% | 5.5% | ▲ 160 bps | 12.8% | 16.5% | ▲ 370 bps | 7.7% | 10.2% | ▲ 250 bps |
| Average Class A Net Rent (psf) | \$35.90 | \$35.94 | ▲ \$0.04 | \$17.61 | \$17.50 | ▼ \$0.11 | \$20.77 | \$20.73 | ▼ \$0.04 |
| Current Quarter Absorption | -704,384 | -2,216,051 | ▼ 1,511,667 | -602,803 | -1,474,467 | ▼ 871,664 | -1,307,187 | -3,690,518 | ▼ 2,383,331 |
| Year-to-Date Absorption | -1,116,389 | -3,332,440 | | 41,997 | -1,432,470 | | -1,074,392 | -4,764,910 | |
| Current Quarter New Supply | 1,172,989 | 0 | ▼ 1,172,989 | 302,362 | 143,500 | ▼ 158,862 | 1,475,351 | 143,500 | ▼ 1,331,851 |
| Year-to-Date New Supply | 1,172,989 | 1,172,989 | | 713,822 | 857,322 | | 1,886,811 | 2,030,311 | |
| Under Construction | 8,642,279 | 9,081,350 | ▲ 439,071 | 197,080 | 103,590 | ▼ 93,490 | 8,839,359 | 9,184,940 | ▲ 345,581 |

Twitter, Square, Shopify allowing WFH permanently.



Tobi Lutke
@tobi



As of today, Shopify is a digital by default company. We will keep our offices closed until 2021 so that we can rework them for this new reality. And after that, most will permanently work remotely. Office centrality is over.

10:55 AM · May 21, 2020 · Twitter Web App

8,617 Retweets **3,413** Quote Tweets **39.9K** Likes

Facebook to Lease 730,000 Square-Foot Former Main Post Office in Manhattan

Amazon inks deals for Toronto office space after rival Shopify's expansion

JOSH O'KANE > AND RACHELLE YOUNGLAI >
PUBLISHED DECEMBER 9, 2020

TRENDING

Amazon confirmed Wednesday it is taking new space in office buildings in which it already has leases: three new floors at 18 York St. and two new floors at 120 Bremner Blvd. Spokesperson Kristin Gable said the company plans to occupy the new spaces in 2022.

It comes after Shopify, whose chief executive recently declared the end of “office centrality,” agreed to lease more space at its new building in Toronto. In June, Shopify exercised its option to take an additional 90,000 square feet of space at the Well, a huge new development, bringing its total to 340,000 square feet, according to Michael Emory, CEO one of one of the developers, Allied REIT.

Is the office dead?

22 storey. 2.8 million sqft



Is the office dead?

CBRE

2020 TECH TALENT ANALYZER

Rent

| | | | |
|----|--------------------|-------------|--|
| 11 | ORANGE COUNTY, CA | \$2,736,000 | |
| 12 | TORONTO, ON | \$2,685,750 | |
| 13 | OTTAWA, ON | \$2,523,955 | |
| 14 | MONTREAL, QC | \$2,479,500 | |
| 15 | CHICAGO, IL | \$2,412,000 | |
| 16 | PORTLAND, OR | \$2,332,500 | |
| 17 | PHILADELPHIA, PA | \$2,267,250 | |
| 18 | CALGARY, AB | \$2,263,420 | |
| 19 | CHARLOTTE, NC | \$2,235,750 | |
| 20 | RALEIGH-DURHAM, NC | \$2,180,250 | |
| 21 | HOUSTON, TX | \$2,177,250 | |

Total Cost (rent & wage)

| | | | |
|----|------------------|--------------|--|
| 41 | NASHVILLE, TN | \$37,814,148 | |
| 42 | ROCHESTER, NY | \$37,287,303 | |
| 43 | SACRAMENTO, CA | \$37,134,372 | |
| 44 | PITTSBURGH, PA | \$36,948,460 | |
| 45 | JACKSONVILLE, FL | \$36,070,661 | |
| 46 | CALGARY, AB | \$35,072,278 | |
| 47 | OTTAWA, ON | \$33,721,552 | |
| 48 | TORONTO, ON | \$31,474,364 | |
| 49 | VANCOUVER, BC | \$30,661,495 | |
| 50 | MONTREAL, QC | \$30,222,175 | |

What happened in 2020?

Are cities dead?

Are cities dead?

Why are people leaving Toronto and other gateway cities?

Immigration has been paused.

No students. Canada usually accepts 640,000 international students - 3rd highest in the world.

Big city lifestyle currently on pause...

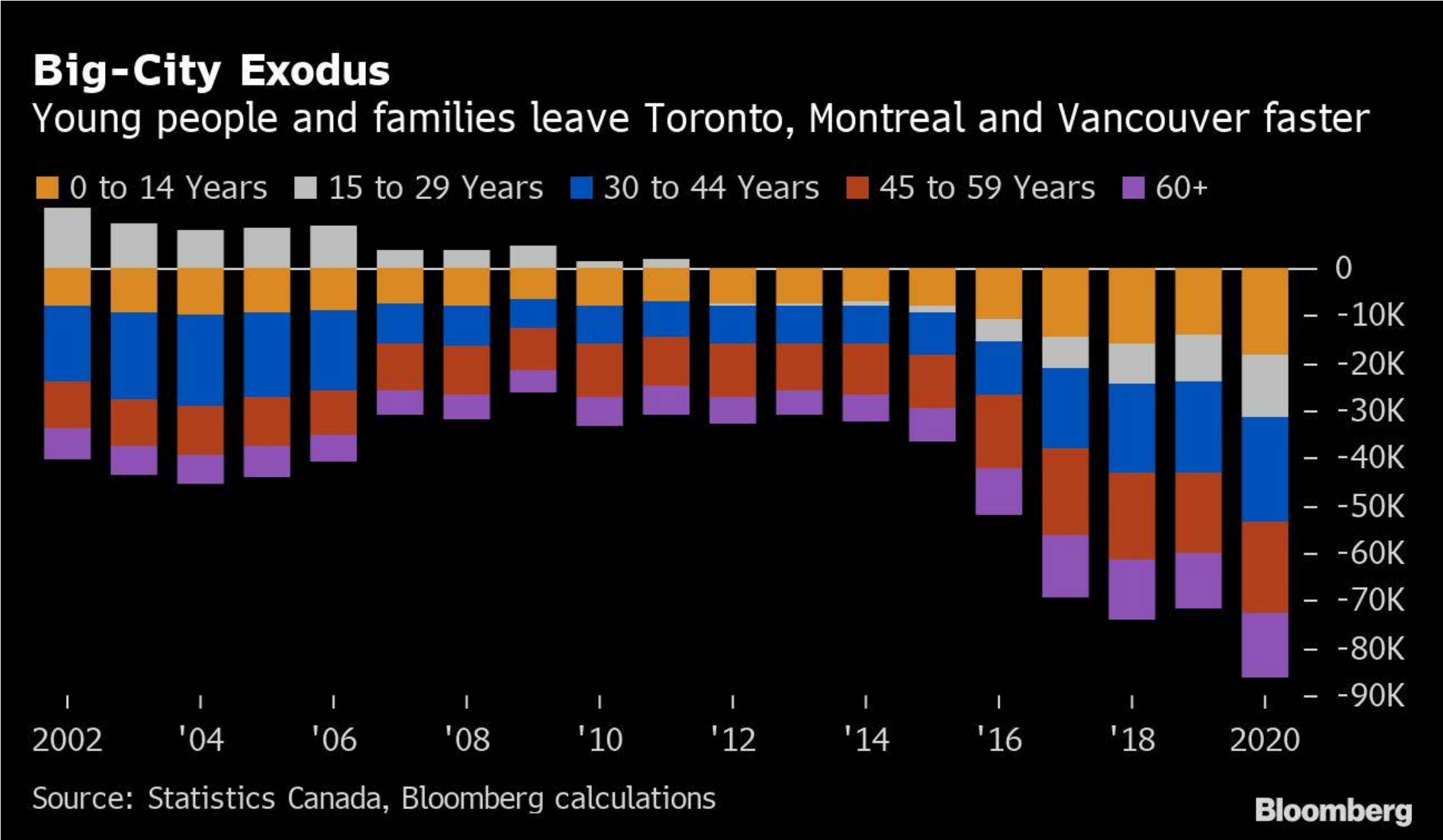
... and now looking for affordability and space.

Especially so with very low interest rates and high savings.

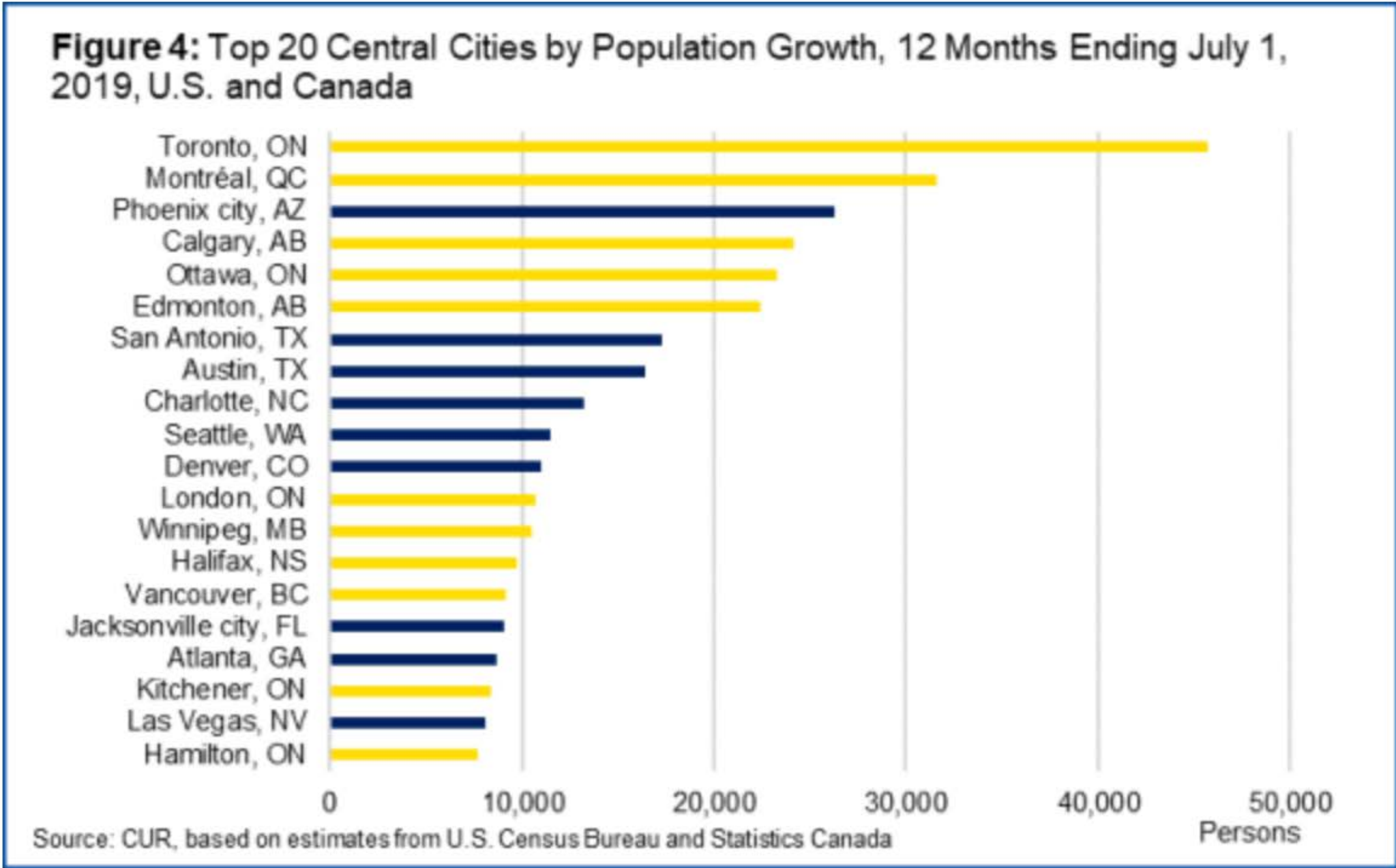
Canadian households have \$170 billion in unspent savings according to Stats Can.

Are cities dead?

Young families have been leaving the big cities for last 10 years.

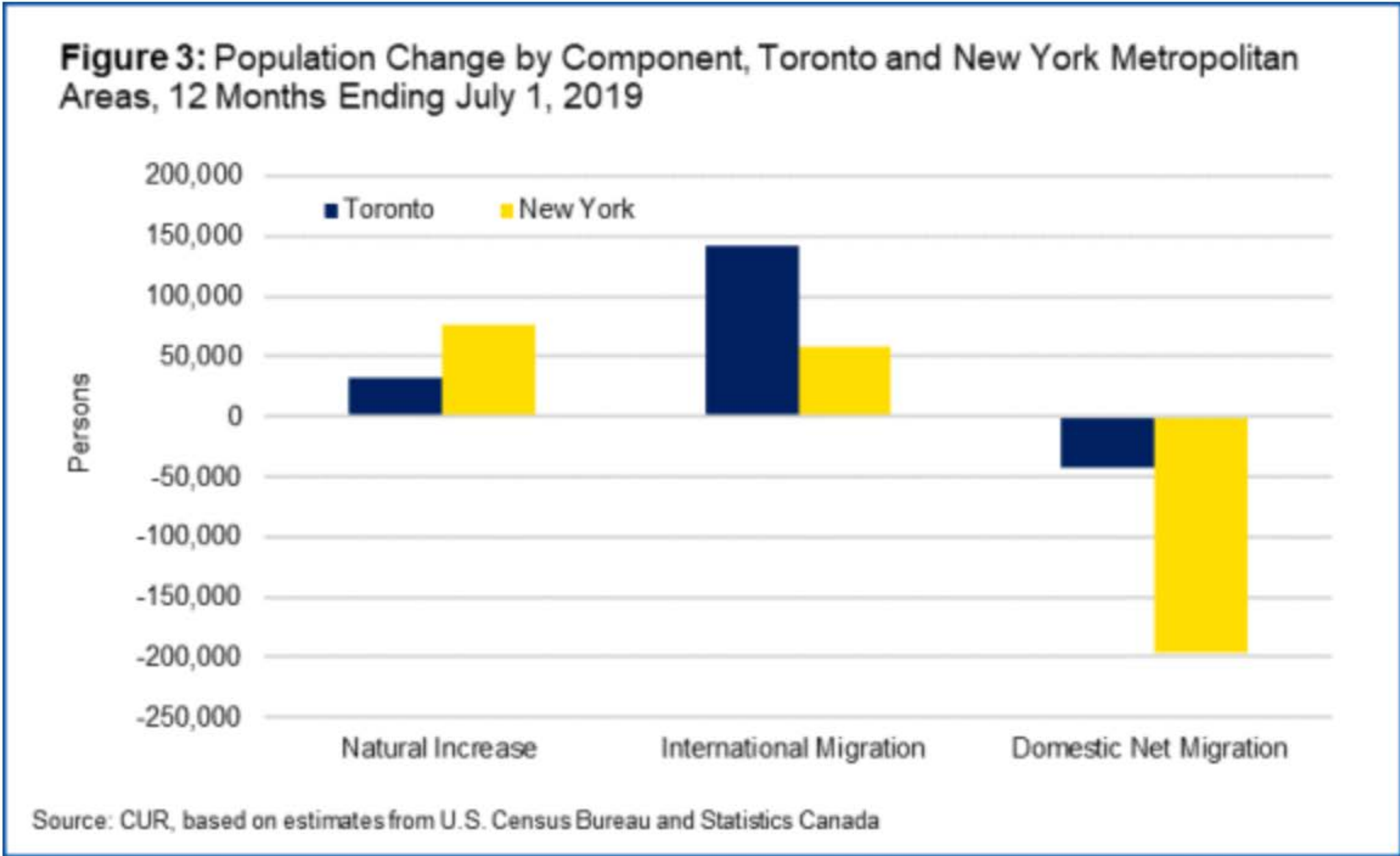


Toronto is the fastest growing city in North America...



Are cities dead?

... due in most part to immigration.



Canada increases immigration targets, says they are key to economic recovery

OTTAWA (Reuters) - Canada said on Friday that it would increase its immigration targets to bolster the economy and fill jobs in sectors experiencing shortages after the COVID-19 pandemic led to closed borders and a sharp slowdown in new arrivals.

The country is aiming to add 401,000 new permanent residents next year and 411,000 in 2022, an increase of 50,000 compared with the previous targets. The last time Canada attracted more than 400,000 people in one year was in the early 1900s.

“The plan today helps us to make up for the disruption that has been caused by COVID-19 in 2020,” Immigration Minister Marco Mendicino told Reuters.

Remote work, cheaper prices amid COVID-19 pandemic lift real estate outside major Canadian cities

Thirty regions in Canada hit record sales from January through November, with most in smaller markets in Ontario, Quebec, Manitoba, New Brunswick and Nova Scotia, according to new data from the Canadian Real Estate Association, or CREA. Ottawa and Montreal, two large cities that were booming before the pandemic, also had record sales over the same time period.

This has caused big city condo values and rental rates to fall, along with smaller market house values to rise.

GTA condo sales and rentals surge in fourth quarter while prices drop: TRREB

TRREB's new data showed 12,584 condos were rented in the quarter, up by about 86 per cent from the 6,756 rentals in the same period last year. The number listed for rent soared by 131.6 per cent, rising from 33,280 and 14,371.

"Growth in the number of available units far outstripped growth in rental transactions, as many investors chose to make their units available due to the impact of COVID-19 on tourism and the short-term rental market," said Patel.

Those who offered places for rent ended up charging less for rent than they would have a year ago. The average one-bedroom condo rent unit was down by 16.5 per cent year over year to \$1,845 compared to \$2,209. The average two-bedroom condo rent was down by 14.5 per cent over the same time period to \$2,453 compared to \$2,868.

The average selling price fell 1.1 per cent to reach \$610,044 in the quarter, down from \$616,771 a year earlier. Average selling prices in the city of Toronto decreased 2.4 per cent to \$644,516.

2020 marked year of ‘unprecedented’ growth for Hamilton-area real estate market

Nearly 15,000 homes were sold in 2020, marking an 8.4 per cent increase from 2019, while the average price of a home rose by 16.8 per cent to just a little more than \$690,000, based on the latest figures released by the Realtors Association of Hamilton-Burlington (RAHB).

In Hamilton, a detached single-family home sat on the market for an average of 24 days in 2020 compared to 31 in 2019. For Hamilton semi-detached, townhouses and row houses, the average number of days on the market was just 18, compared to 29 in 2019.

Are cities dead?



MLS® Residential Market Activity for RAHB Areas - (2020)

| | Number of Sales | | Average Sale Price | | |
|-------------------|-----------------|-------|--------------------|-----------|-----|
| | 2020 | 2019 | 2020 | 2019 | |
| Hamilton West | 735 | 671 | \$566,717 | \$504,441 | 11% |
| Hamilton East | 989 | 997 | \$494,138 | \$411,512 | 17% |
| Hamilton Centre | 1,263 | 1,158 | \$470,540 | \$390,018 | 17% |
| Hamilton Mountain | 2,113 | 2,045 | \$582,836 | \$501,835 | 14% |
| Flamborough | 304 | 269 | \$969,322 | \$788,337 | 19% |
| Dundas | 304 | 323 | \$764,378 | \$616,273 | 24% |
| Ancaster | 824 | 650 | \$874,754 | \$773,200 | 13% |
| Waterdown | 485 | 430 | \$767,719 | \$702,899 | 8% |
| Stoney Creek | 1,596 | 1,269 | \$659,010 | \$563,141 | 15% |
| Glanbrook | 551 | 550 | \$671,386 | \$588,650 | 14% |
| Burlington | 3,267 | 3,092 | \$878,372 | \$754,842 | 14% |
| Dunnville | 267 | 218 | \$485,529 | \$416,960 | |
| Cayuga | 80 | 71 | \$628,100 | \$492,451 | |
| Caledonia | 198 | 214 | \$580,779 | \$500,211 | |
| Hagersville | 67 | 68 | \$472,430 | \$384,495 | |
| Oneida | 10 | 12 | \$699,300 | \$581,833 | |
| Seneca | 35 | 24 | \$819,178 | \$631,242 | |
| Rainham | 53 | 57 | \$498,616 | \$466,153 | |
| Grimsby | 633 | 573 | \$673,368 | \$583,644 | |
| Smithville | 128 | 106 | \$588,165 | \$519,288 | |
| West Lincoln | 31 | 34 | \$809,376 | \$719,592 | |

HOUSING MARKET
INFORMATION

RENTAL
MARKET
REPORT

CANADA AND SELECTED MARKETS
DATE RELEASED: JANUARY 2021



THE OVERALL VACANCY RATE

Unchanged at
3.5%

The average rent is
\$1,207
UP by 5.4%

Fewer renters transition into homeownership

Fewer renters transitioned into homeownership this year, as vacancy and turnover rates for units with higher rents, such as two-or-more bedroom units and townhomes, were either steady or lower. Renters that transition into homeownership are more likely to be living in these units, since their monthly housing expenses are the closest substitute to homeownership costs. Vacancy rates were also unchanged for condominium rental apartments in the secondary rental market, which had the highest average rent of \$1,773.

Lower international migration and fewer student renters

Condominium rental supply increased

While the supply of rental units in the primary rental market was similar to last year, Hamilton’s universe of condominium rental apartments increased by nearly 4%. The vast majority of the additional rental units came from the high number of new condominium apartment completions since last year’s survey. Despite the strong growth in supply, rental demand for these units managed to keep pace. As a result, the vacancy rate for condominium rental apartments was unchanged at a very low 0.3%. Greater demand for condominium rental apartments was supported by fewer existing renters transitioning into homeownership and a steady inflow of renters switching over from the primary rental market. Condominium apartments have comprised most of the new rental housing stock in Hamilton in recent years, attracting renters looking for the newest building amenities.

44 Frid St



- **\$25,750,000**
- 258,982 sqft
- = \$99/sqft
- McMaster Innovation Park

150 Sanford Ave N



- **\$26,000,000**
- 149 suites
- = \$175,000/suite
- BC Firm

9451-9867 Dickenson Rd



- **\$36,134,100**
- 178.45 acres
- = \$202,489/acre
- Broccolini Construction

3479 Binbrook Rd

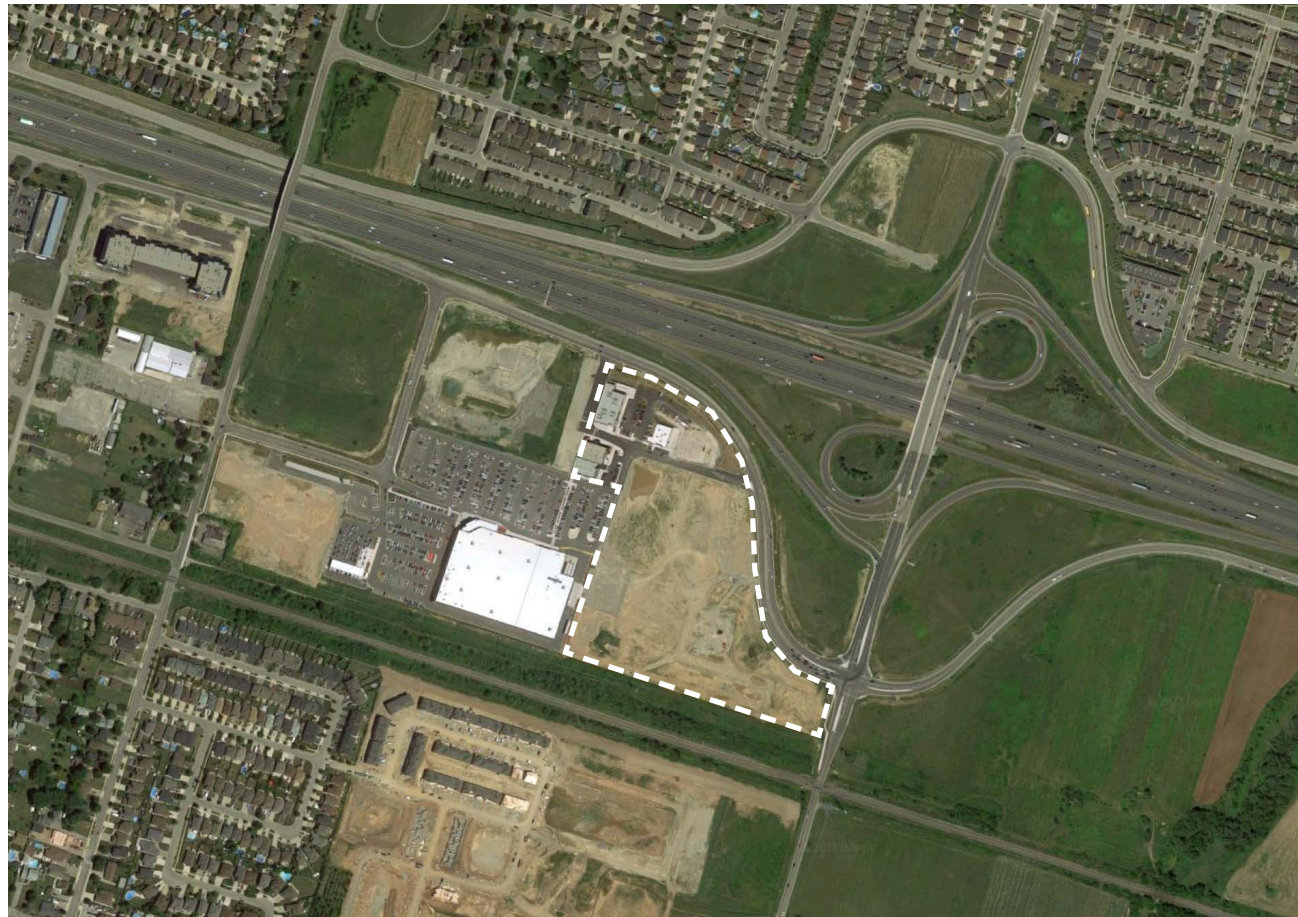


- **\$55,000,000**
- 229.67 acres
- = \$239,474/acre
- Penta Properties

2020 Hamilton Transactions

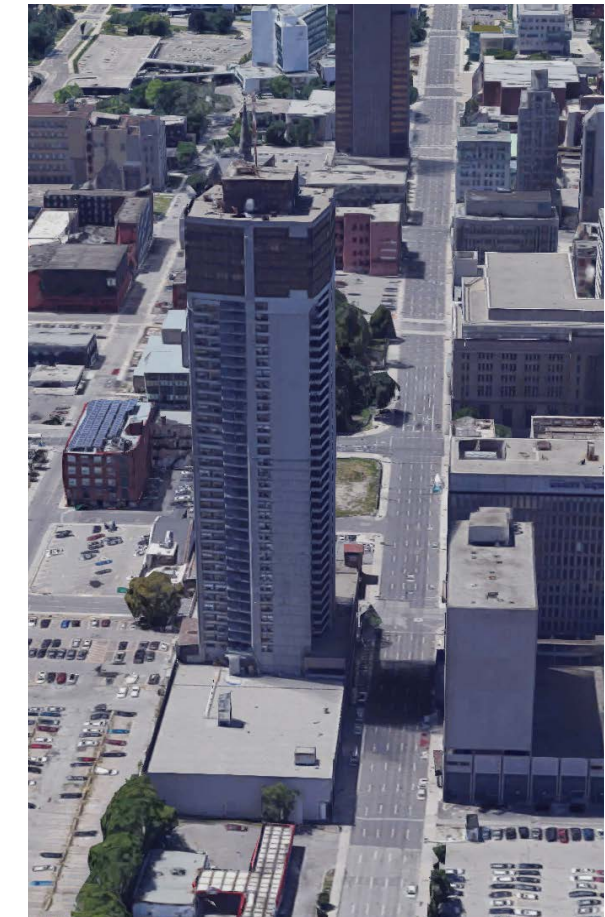
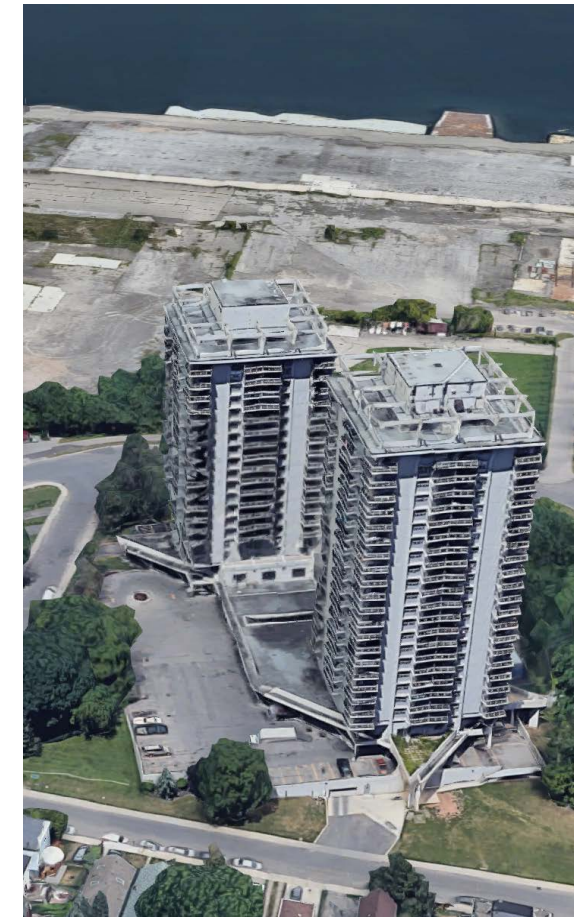
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1338 - 1378 S Service Rd



- **\$63,492,877**
- 19.21 acres
- = \$3,305,199/acre
- Crestpoint Real Estate

35 Brock St, 600 John St N 100 Main St W



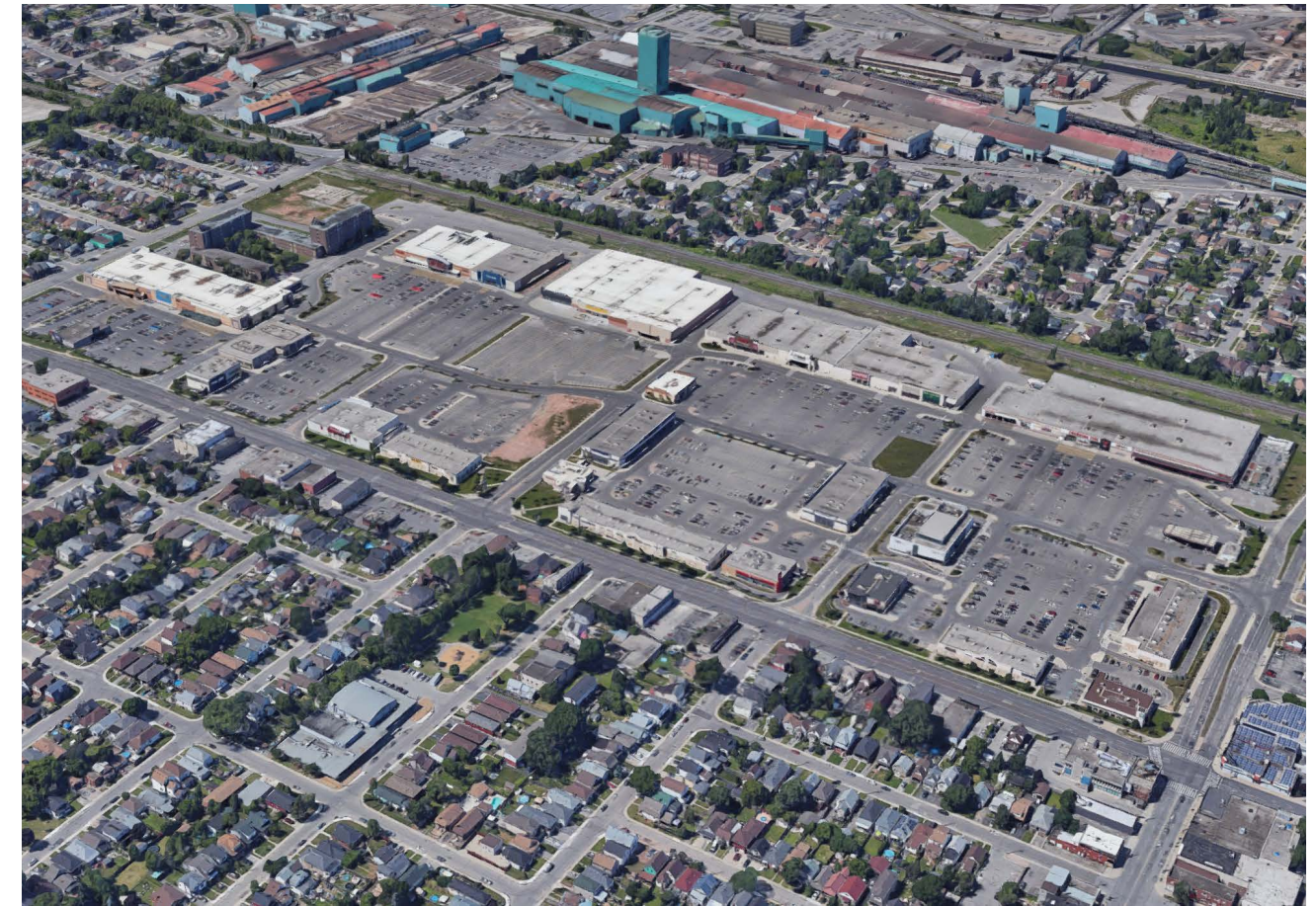
- **\$137,000,000**
- 528 suites
- = \$259,469/suite
- 40,000 sqft of commercial space
- InterRent REIT

140 Main St W



- **\$142,366,000**
- 321 suites
- = \$443,507/suite
- QuadReal Property Group

1089 Barton St E



- **\$150,000,000**
- 678,000 sqft and 66.5 acres
- = \$221/sqft
- Crestpoint Real Estate

1089 Barton St E, 87% leased.
1089 Barton St E sold for \$184,000,000 in 2014.

In general, retail feeling the brunt of COVID,
especially during lockdown

RioCan cuts payouts as COVID-19 challenges
outlook for retail real estate



80 John St N



- Proposed
- Kaneff Group
- 2x 30 storey
- 619 units

1 Jarvis St



- Proposed
- EMBLEM Developments
- 14 storey
- 375 units

77 James St N



- Proposed
- IN8 Developments
- 3x 30 storey, 1x 24 storey
- 2,000 units

190 Main St W



- Proposed
- BentallGreenOak
- 2x 28 storey and 1x 27 storey
- 826 units

CCRM Facility



- Located at MIP
- Envisioned to be Canada's largest and most advanced contract development and manufacturing organization (CDMO).
- Aimed to be a global leader in cell and gene therapy.

Aeon Bayfront Studios



- Hamilton witnessing massive growth in the film industry.
- Hamilton received \$59 million from the film industry in 2019.
- Studio will be the largest in Hamilton and part of a larger potential film district.

Amazon



- Located at Hamilton Airport.
- Panattoni Development constructing 855,000 sqft facility.
- Will create 1,500 jobs.
- Scheduled to open this year.

HUPEG



- Hamilton Urban Precinct Entertainment Group: Carmen's Group, LiUNA, Fengate Capital, Meridian Credit Union and more.
- \$500M pitch for reno's and operations of FO Centre, FO Concert Hall, Convention Centre and new residential developments.

Hamilton has never had \$100M + transactions since F&F has been recording (2017).

This, plus low CRE transactions number indicates:

- 1) Values are increasing.
- 2) Hamilton is attracting bigger players.
- 3) Which is simultaneously making it more difficult to acquire because of increased competition.

Low transaction numbers also impacted by COVID during middle months.

Not just seeing large asset management firms, but new build developers that are following the migration from Toronto.

Based on Provincial guidelines, Hamilton is expected to grow by 236,000 people and 122,000 jobs by 2051.

Almost all areas in Ontario surrounding Toronto will do well.

Toronto will continue to be fueled by record immigration levels and with rising detached home costs, condos will rebound in 2nd half of 2021.

The 905 and suburbs will be further fueled by existing population and young families leaving Toronto.

Recreational real estate (cottages) will continue to gain traction, but to a lesser extent when travel opens again.

In conjunction, Airbnb's will bounce back providing further pressure on Toronto rental market.

The trend of recreational real estate being used as a WFH node will continue because of tech, but to a lesser extent because of global reopening.

2nd half of 2021 will see droves of people heading back to offices, restaurants, bars, clubs, gyms, concerts, sporting events, theatres etc. which will rejuvenate cities.

On the flipside, many new behaviours adopted from COVID will stick to a lesser degree: i.e. Zoom meetings, WFH, online shopping, exercising at home, uber eats etc.

Office will rebound because of:

- 1) It's nice to be around people and socialize.
- 2) Better environment for collaboration and knowledge sharing.
- 3) General employment politics for personal growth.

May be downsizing of office space in short term, but Toronto positioned well to have space absorbed.

Changes for Class A office towers will be in demand: Touchless interface, HVAC updates, privatization of floorplate washrooms etc.

It's our belief people will continue to work in the "official" office, but with greater flexibility to be remote and at home if needed.

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