



# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>DATE:</b>	December 2, 2015
<b>SUBJECT/REPORT NO:</b>	2015 Downtown Urban Growth Centre Employment Survey and Vacancy Update (PED15189) (Wards 1, 2 and 3)
<b>WARD(S) AFFECTED:</b>	Wards 1, 2 and 3
<b>PREPARED BY:</b>	Joe Muto (905) 546-2424 Ext. 7859
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

## Council Direction:

The purpose of this Report is to provide an information update on the 2015 Employment Survey of the Downtown Growth Centre and vacancy update to inform the General Issues Committee of the ongoing initiatives staff will be taking to address the information to date, in order to stimulate additional job creation in the core for years to come.

## Information:

An employment survey of the Downtown Hamilton Urban Growth Centre (UGC) has been conducted during the summer on an annual basis, since 2010, to track changing economic conditions and monitor the nature of employment and land use in the area. This monitoring assists staff in assessing our available programs and measuring growth targets for the UGC as outlined in the Urban Hamilton Official Plan (UHOP), which states that the UGC shall be planned to achieve a minimum gross density of 250 people and jobs per hectare (pjh) by 2031. In 2014 the UGC density was 184 pjh.

In 2015, there were an estimated 24,895 jobs within the UGC (from Queen Street to Victoria Avenue, Hunter Street to Cannon Street, and including James Street north to the CN Railway and south to Charlton Avenue). This result represents an increase of 195 jobs over the 2014 employment survey. This result is explained in further detail below. As it pertains to the UGC density, the new density is 185 pjh, which is a slight increase from last year. This value brings us closer to the target rate of 250 pjh, and has the potential to increase, given the new residential developments that are proposed.

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*OUR Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.*

*OUR Mission: WE provide quality public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.*

*OUR Values: Accountability, Cost Consciousness, Equity, Excellence, Honesty, Innovation, Leadership, Respect and Teamwork*

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The rate of residential increase is important, but it's also important to increase the employment rate in the core so as to maintain community vibrancy and economic benefit.

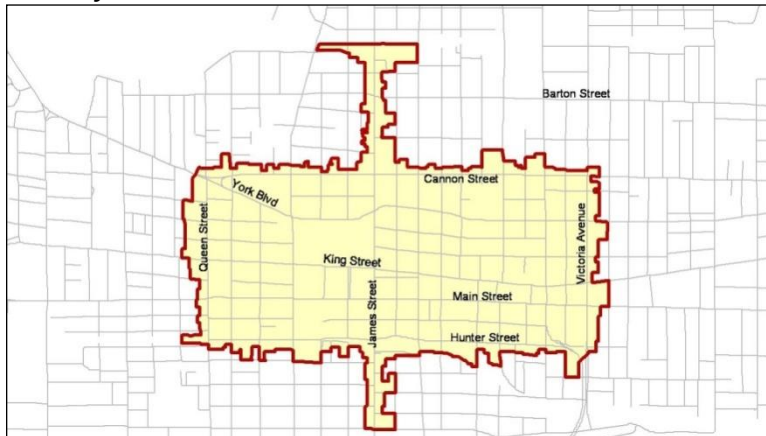
### 2015 Survey

Tenure	Jobs	%
Full-time	17,611	71%
Part-time	5,979	24%
Seasonal	1280	5%
Total	24,895	100%

### Annual Totals

Year	Jobs	Increase
2010	23,595	
2011	23,925	330
2012	24,015	90
2013	24,450	435
2014	24,700	250
2015	24,895	195

### Survey Area



*Downtown Hamilton Urban Growth Centre*

### Downtown Hamilton Urban Growth Centre Employment

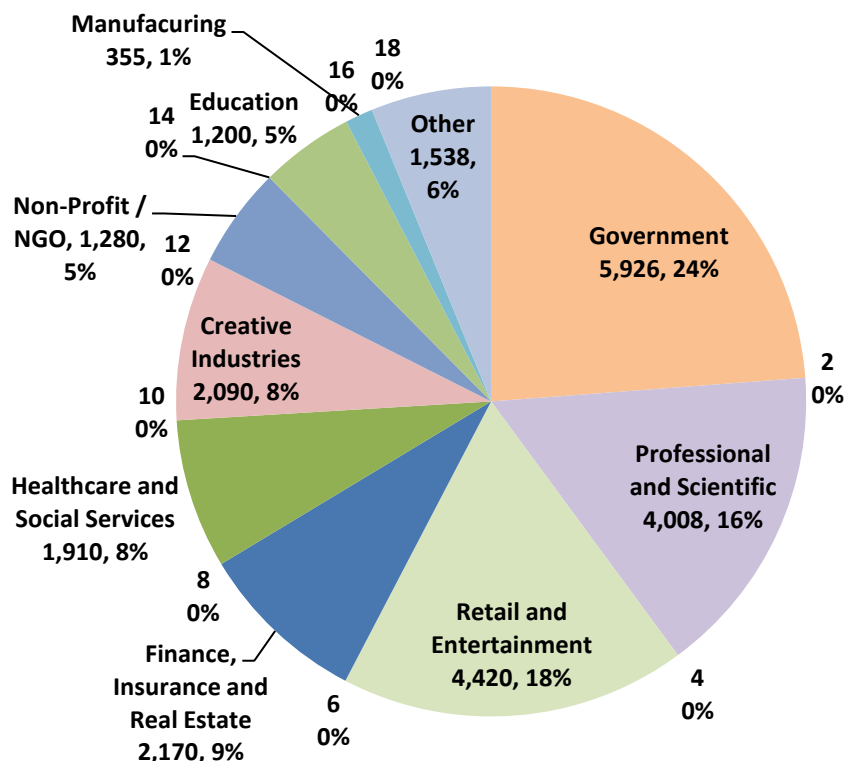
Type	2010	2011	2012	2013	2014	2015	Change 2014-2015
Government	5,870	5,715	5,675	5,840	5,945	5,902	-13
Professional / Scientific	3,890	4,030	4,125	4,200	4,330	4,473	322
Retail and Entertainment	3,530	3,515	3,655	3,935	3,735	3,928	685
Finance, Insurance and Real Estate	3,030	2,875	2,875	2,765	2,875	2,332	-705
Healthcare and Social Services	1,940	2,005	2,005	1,985	2,005	1,871	-95
Creative Industries	1,685	2,005	2,060	2,120	1,905	1,530	185
Non-Profit / NGO	1,160	1,160	1,120	1,335	1,645	1,336	-365
Education	885	1,050	1,045	1,055	1,030	1,201	170
Manufacturing	570	530	510	365	365	591	-10
Other	1,035	1,040	945	850	865	1,731	673
Total	23,595	23,925	24,015	24,450	24,700	24,895	195

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## 2015 UGC Employment



“Government” workers (federal, provincial and municipal, including police) continue to account for approximately one quarter of the jobs in Downtown Hamilton. This remains the same as last year. “Professional and Scientific” employment was marginally lower than the 2014 percentage, accounting for 16% of jobs in the Downtown. The “Other” employment sector increased by 3%, which can be attributed to the fact that the survey questions also included subcategories (i.e. religious employment), which was not previously recorded. This increase from 2014 in the “Other” employment sector is an important one, as these jobs should be recognized due to their significance to the social interactions of the community which assists residents and employees in the Downtown, not to mention, they are paying jobs. The “Creative Industries” sector saw a slight increase in jobs, however, kept the same 8% rate as 2014.

The larger Downtown employers for 2015 continue to be the “Government” (local / police, provincial, and federal), “Health Services”, “Educational” (McMaster), and “Professional / Scientific”. In 2015, a total of 957 new employment positions were introduced to the Downtown, the single largest being McMaster University.

Unfortunately, there were some job losses, one being the 200 jobs in the UGC which was attributed to an insurance company leaving the core. They moved their Downtown Hamilton office to a new office space location on the East Mountain. This contributed to the 3% loss within the “Finance, Insurance and Real Estate” sector. Other job losses in

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that category included two other insurance companies for a total of 335, and between three banking institutions for an approximately combined total of 100.

“Education” employment in the core was only slightly increased by 1%, due to the introduction of the new McMaster Continuing Education Centre in Jackson Square which officially opened in the Summer of 2015, and loss of employment opportunities at the former School Board site at 100 Main Street West at Bay Street.

### **Downtown Commercial Vacancies**

In addition to the number of jobs, the survey records the number of vacant and occupied commercial units and office suites in storefronts with direct access from the street. As indicated below, the overall visible commercial street front vacancy indicator in the UGC is 20%, an increase from 17% in 2014. However, the vacancy in some buildings resulted from the restoration/renovation of the space and is only temporary. This is a statistic that merits the need for continued City support and incentive for overall economic benefit in the Downtown and will, therefore, be evaluated through the five-year review of the Community Improvement Plan (CIP). The percentage vacant can vary by location, for example, James Street has fewer vacancies than King Street. It is evident, through this year’s survey that the continued vibrancy of the James Street North corridor, known for arts, fashion and food, saw storefront vacancy decline by 10% since the 2014 survey.

#### *Commercial Storefronts / Units with Direct Access from Street*

	Urban Growth Centre		King Street East (James to Wellington)		King Street West (Bay to Queen)		James Street North (Wilson to Murray)		James Street South (Hunter to Charlton)	
Vacant	207	20%	44	23%	10	19%	27	23%	7	10%
Occupied	827	80%	147	77%	43	81%	91	77%	60	90%
Total	1034	100%	191	100%	53	100%	118	100%	67	100%

### **Downtown Office Vacancy Survey**

The Urban Renewal Section also tracks vacancies within buildings with at least 5,000 sq. ft. of office space in the Downtown UGC. In June 2015, there was 5,263,295 sq. ft. of office space available, with 743,190 sq. ft. vacant, resulting in a 14.1% office vacancy rate.

The Downtown UGC has experienced great changes with over 47,700 sq. ft. of new office opportunities coming on stream. Hamilton also offers new office opportunities outside the UGC. Tenants continue to relocate within the City and consolidate, while the office market is embracing work from home / shared offices / flexible office spaces, resulting in a June 2015 Office Vacancy of 14.1%. In June of 2014 the rate was at 11.8%.

An important item to also note is that the former Stelco Tower is maintaining an unusually high office vacancy rate. This is primarily a result of their business plan which is to, ideally, lease or rent out multiple floors to one single end user. The former Stelco Tower accounts for approximately 30% of the vacant space in the UGC. Hypothetically, if we were to remove it from the inventory, the office vacancy would only be 10.3%, which approaches the rate where new ground-oriented development is more likely to occur, such as the new commercial office building totalling 30,000 sq. ft. at 123 James Street North at Vine Street. The office supply continues to change as buildings are demolished, renovated or converted, new offices are built, and tenant consolidation and movement continues to occur locally and within nearby communities. Some of the latest results in office vacancy can be attributed to loss of office use in the UGC to other areas of the City.

According to Coldwell Banker Richard Ellis' (CBRE) Canada Office, Q1, 2015 Report, the current research on this matter identifies that, *"The office market in Canada has noticed a slowdown in net leasing activity as occupiers continue to be cautious and cut back their real estate requirements amidst an environment with heightened economic uncertainty and looming business sentiment."* As well as, *"Technology tenants account for more than 25% of significant deals"*.

*Downtown Urban Growth Centre Office Vacancy (sq. ft.)*

Year End	2009	2010	2011	2012	2013	2014	2015
Inventoried Space	5,060,400	5,159,800	5,124,900	5,327,345	5,190,095	5,265,516	5,263,295
Vacant Space	771,200	678,600	618,555	684,010	674,655	671,656	743,190
Vacancy Rate	15.2%	13.2%	12.1%	12.8%	13.0%	12.8%	14.1%

Hamilton continues to focus on positive opportunities in the professional, scientific, technology, and healthcare sectors, working closely with our commercial realty firms for our local office market success. Office inquiries tend to be for call centres, healthcare, creative industries, and young entrepreneurs. Existing offices tend to be for legal, accounting, finance, insurance, real estate offices, creative industries and studios. Anecdotally, new office users come to Hamilton for lower rates and available office spaces. However, tenants are indicating that quality of life and the ability of their employees to purchase homes in the Hamilton area is resulting in better retention of employees.

Colliers International did a SPARK report called "Cities of Opportunity", for the City of Hamilton earlier this year, which provided a comparative analysis of mid-sized anchor cities. That Report was presented to the City, the real estate industry and the media. The market research was a comparative review of medium-sized anchor cities, which looked at Milwaukee to Chicago and Hamilton to Toronto. Colliers concluded that there

are five attributes that, when combined, have made, and continue to make, Hamilton an attractive choice. These attributes include cost of living, labour pool, redevelopment opportunities, low commuting times, and quality of life amenities.

Further, office tenants are also looking for “green” or “LEED” buildings that have the potential to maximize office amenities. Hamilton commenced the Office Tenancy Assistance Program in 2010. However, only three loan applications have been approved since its inception. The Commercial Façade Property Improvement Grant Program was also offered until the end of 2014, while only the Business Improvement Area Commercial Property Improvement Grant Program continues today. These Programs were considered complimentary to the Office Tenancy Assistance Program.

Looking forward to next year, one important determinant or instrument in addressing the office vacancy rate is the five-year review of the Downtown and Community Renewal Community Improvement Plan (CIP), which is well underway. Through that exercise, staff will review options and alternatives to address office vacancy rates, which may include the Office Tenancy Assistance Program or even “green” or energy efficient incentives. Staff will provide a comprehensive report with proposed recommendations on the five-year review of the CIP in early 2016. The report will also look at existing or new incentives and programs which will drive more development in all of the downtowns and, in turn, will bring more people into our vibrant downtowns, including employment opportunities.

#### **APPENDICIES AND SCHEDULES ATTACHED**

Not Applicable

JM / hk