

2019 Downtown Urban Growth Centre Update

Annually surveys are conducted within the Urban Growth Centre (UGC) to collect data used to analyze trends and benchmark the City of Hamilton’s results with respect to employment numbers, commercial and office vacancies.

Downtown Employment Survey

Annually, the Employment Survey is completed throughout the summer for all businesses within the UGC. In 2019, there were 2,233 businesses and properties canvassed resulting in 26,305 jobs within the UGC boundaries. The responses showed an increase in 186 jobs across all industries, a 0.7% increase over 2018’s survey.

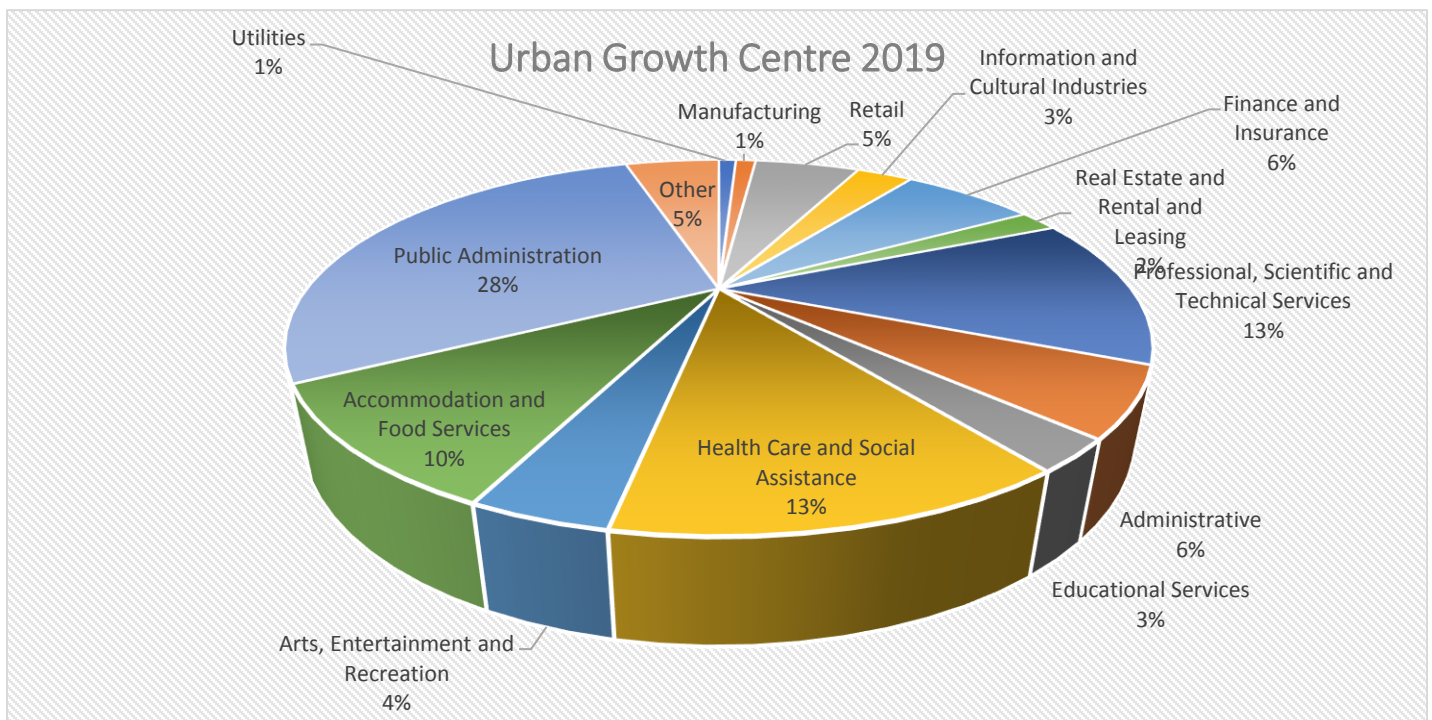
Downtown Hamilton Urban Growth Centre Employment by Industry Classification

| NAICS | Type | 2018 (restated) | 2019 | Change 2018-2019 |
|--------------|---|----------------------------|---------------|-----------------------------|
| 22 | Utilities | 221 | 206 | -15 |
| 23 | Construction | 27 | 72 | +45 |
| 31-33 | Manufacturing | 424 | 386 | -38 |
| 41 | Wholesale Trade | 36 | 36 | 0 |
| 44-45 | Retail | 1,343 | 1,273 | -70 |
| 48-49 | Transportation and Warehousing | 108 | 46 | -62 |
| 51 | Information and Cultural Industries | 712 | 735 | +23 |
| 52 | Finance and Insurance | 1,669 | 1,860 | +191 |
| 53 | Real Estate and Rental and Leasing | 482 | 601 | +119 |
| 54 | Professional, Scientific & Technical Services | 3,448 | 3,365 | -83 |
| 55 | Management of Companies and Enterprises | 0 | 0 | 0 |
| 56 | Administrative and Waste Management | 1,472 | 1,483 | +11 |
| 61 | Educational Services | 665 | 705 | +40 |
| 62 | Health Care and Social Assistance | 3,144 | 3,367 | +223 |
| 71 | Arts, Entertainment and Recreation | 860 | 971 | +111 |
| 72 | Accommodation and Food Services | 3,471 | 2,625 | -846 |
| 81 | Other Services (except public administration) | 1,209 | 1,219 | +10 |
| 91 | Public Administration | 6,828 | 7,355 | +527 |
| | | | | |
| | Total | 26,119 | 26,305 | +186 |

Annual Totals

| Year | Jobs | Increase | % Change |
|------|--------|----------|----------|
| 2011 | 23,925 | 330 | ----- |
| 2012 | 24,015 | 90 | 0.4% |
| 2013 | 24,450 | 435 | 1.8% |
| 2014 | 24,700 | 250 | 1.0% |
| 2015 | 24,895 | 195 | 0.8% |
| 2016 | 25,027 | 132 | 0.5% |
| 2017 | 25,359 | 332 | 1.3% |
| 2018 | 26,119 | 760 | 2.9% |
| 2019 | 26,305 | 186 | 0.7% |

2019 Urban Growth Centre Employment



Public Administration workers (Federal, Provincial and Municipal, including Police) totalled 7,355 jobs, accounting for public sector jobs within the survey. This sector continues to account for just over one quarter of the jobs in Downtown Hamilton, which has witnessed notable growth in both 2017 and 2018 with a 7.5% growth from 2017 to 2018 and an additional 2% growth in the last year. As per the information provided, 527 jobs were added in the year which can be attributed primarily at the Provincial level.

The addition of full time employees at Provincial institutions/offices within the downtown core accounts for 486 jobs and 92% of the total increase in jobs within this sector. The breakdown of this total into the three levels of government is: Federal: 1,940, Provincial: 1,970 and Municipal: 3,445.

Accommodations and Food Services saw a significant decline in the number of jobs in the UGC, which upon further investigation can be attributed to a business moving their catering/food service operations outside of the UGC, however, still within Hamilton. The number of businesses surveyed within this sector remained consistent from the 2018 survey, showing that this change was the result of a portion of the employees within one organization along with their operational activities relocating outside the UGC.

An increase was also seen in the Health Care and Social Assistance sector. Upon further investigation, it was found that in previous employment surveys there was an understatement of 453 jobs from one large employer downtown. Staff have now corrected this and restated the 2018 figures will be accurately reporting moving forward. Health Care and Social Assistance continues to be a strong sector in the UGC, accounting for the second highest total number of jobs and 13% of the overall.

Over the course of 2019, several new firms in the Finance, Insurance and Real Estate (FIRE) sectors have landed in Downtown Hamilton. In previous years there was a small decline in employment numbers seen in both sectors but through the work of commercial districts and small business staff, attraction of new organizations is increasing. Close to 20,000 sq. ft. of traditional and brick and beam space are now home to these fintech companies, specializing in wealth management and investor relations. They were drawn to the UGC due to affordability, modern amenities and our vibrant commercial district.

In review of the data provided, it is shown that the increase in jobs added within the UGC can be attributed to 147 new businesses which have opened since the 2018 survey. Although there have been fluctuations across various sectors as businesses shift, staff are seeing growth and new, vibrant businesses locating in the downtown. This trend is also supported by the decreased commercial storefront vacancy rate which as previously stated has dropped to 9.9%.

Downtown Office Vacancy Survey

As shown in the chart included below, the vacancy rate of Downtown office space has been declining year over year since 2015.

Downtown Urban Growth Centre Office Vacancy Year End 2019

| Year | Inventoried Space (sq. ft.) | Vacant Space (sq. ft.) | Vacancy Rate |
|------|-----------------------------|------------------------|--------------|
| 2011 | 5,124,900 | 618,555 | 12.1% |
| 2012 | 5,327,345 | 684,010 | 12.8% |
| 2013 | 5,190,095 | 674,655 | 13.0% |
| 2014 | 5,265,516 | 671,656 | 12.8% |
| 2015 | 5,263,295 | 743,190 | 14.1% |
| 2016 | 5,293,291 | 731,534 | 13.8% |
| 2017 | 5,289,012 | 719,667 | 13.6% |
| 2018 | 5,316,916 | 677,585 | 12.7% |
| 2019 | 5,598,287 | 667,720 | 11.9% |

New office space added just over 280,000 sq. ft. to the available inventory since the 2018 survey. The addition of a large portion of this space is credited to an audit of the surveyed properties that found, specifically, that 50 Main Street East and 12 James Street North were to be included, since the completion of their construction and reopening, as usable office space. With additional new mixed-use developments as well as renovations of existing spaces in the UGC, staff anticipate the amount of inventoried space will continue to increase year over year with the goal of continuing to decrease the vacancy rate.

The commercial districts and small business section continues to offer The Office Tenancy Assistance Program (OTAP) and Commercial Property Improvement Grant (CPIG) Program in the community downtowns including the UGC to foster redevelopment and improvement of existing buildings. The OTAP program provides a zero percent loan for leasehold improvements while the CPIG Program offers a matching grant to off-set the cost of eligible improvements.

Office Trends

Over the past several years, noticeable trends have included the growth of flex office and co-working spaces, as well as an increased demand for unique spaces to the Downtown office market. In 2018 it was reported that Regus, the world’s largest global co-working provider opened a 13,000 sq. ft. space occupying the whole fifth floor of 21 King Street West and since then an entire floor at the newly readapted King James building which has dedicated 5,700 sq. ft. to a co-working space. In addition to these work arrangements, there is a growing trend of employers offering working from home, telecommuting and hoteling options to their employees.

Heritage adaptive reuse projects (e.g. The Olympia Club, 59 King Street East) continue to attract tech and creative professionals to the core. These brick and beam buildings are being renovated and updated to a higher class of office space and as was discussed above, attracting new and exciting firms to the downtown core.

In their Oakville, Hamilton and Burlington Market Report Q4 – 2019, Colliers International stated that the gross rent for Class A space in Hamilton was \$26.59 which was lower compared to neighbouring communities; Burlington at \$31.99 and Oakville at \$33.95.