

Waterloo Region & Guelph

Industrial Q3 2018



WATERLOO REGION INDUSTRIAL

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Waterloo Region Employment	295k	298k	▲
Waterloo Region Unemployment	4.4%	7.4%	▲
City of Guelph Employment	92k	89k	▲
City of Guelph Unemployment	4.7%	4.1%	▲
Canada Unemployment	6.2%	6.0%	▲

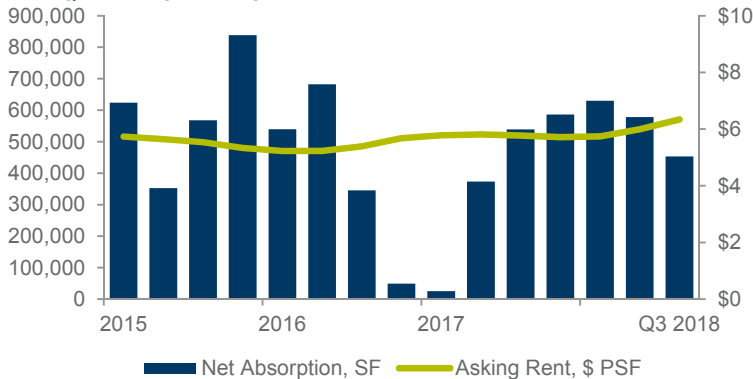
Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Overall Vacancy*	4.3%	2.5%	▲
Net Absorption (sf)	529,472	30,845	▲
Under Construction (sf)	316,358	204,206	▲
Average Asking Rent	\$5.71	\$7.07	▲

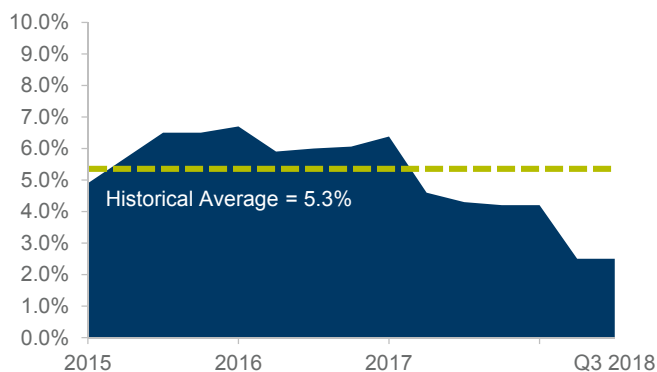
*Numbers adjusted to include properties for sale

Overall Net Absorption/Overall Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

There have been some significant changes to the political-economic landscape with the election of a new provincial government. They have initiated changes that include removing green initiatives and putting a halt on the minimum wage increase. This past quarter Ontario saw a decrease in employment in both scientific and technical services, as well as the public sector. Contrary to the general Ontario job sector statistics, Waterloo Region and Guelph both experienced employment growth over the second quarter of 2018, markets where the science and technology sectors are strong. Following a few months of Canadian employment increases, the most recent Canadian labour force statistics show employment declined by 52,000 in August 2018, with the unemployment rate increasing by 20 basis points to 6.0%.

Market Overview

The overall asking rent in Waterloo Region continued to increase in the third quarter of 2018, while the vacancy rate remained unchanged at 2.5%. There were quite a few changes in Cambridge this quarter, which played a significant role in the decline of absorption from over 1.5 million square feet in Waterloo Region in the second quarter, to just below 31,000 square feet in the third quarter. Specifically, the Eagle and L.G. Lovell areas of Cambridge experienced the most significant change in absorption within Waterloo Region. There appears to be a cyclical pattern of absorption and although the third quarter of 2018 had low absorption, that is not uncommon in the three-year historical trend. There are a few industrial developments that are set to begin construction imminently, with occupancy beginning as early as late 2019. The City of Cambridge has given final approval to begin construction on 40 acres of combination industrial and office space. The large project will be developed and managed by Intermarket Properties (IP) and will be called the IP Park

Outlook

The amount of available land to develop industrial space within the GTA is becoming limited, while the amount of companies looking for distribution centres is increasing. Once completed the IP Park will provide employment opportunities within Waterloo Region, while maintaining close proximity to Highway 401. The IP Park and Industrial Campus in combination with the potential mix-use Huron Park expansion, will result in easy commerce between Waterloo Region and Toronto. For large tech companies already located within Waterloo Region, the addition of distribution facilities and close proximity to Toronto will lead to anticipated continued growth for both office and industrial space.

MARKETBEAT

Waterloo Region & Guelph

Industrial Q3 2018



SUBMARKET	INVENTORY (SF)	QUARTERLY LEASING ACTIVITY (SF)	QUARTERLY SALES ACTIVITY (SF)	OVERALL VACANCY (SF)	OVERALL VACANCY RATE	CURRENT NET OVERALL ABSORPTION (SF)	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG. NET RENT	OVERALL WEIGHTED AVG. ADD. RENT	OVERALL WEIGHTED AVG. GROSS RENT
Cambridge	10,267,499	0	0	46,068	0.4%	5,853	195,854	70,990	0	\$8.42	\$3.88	\$12.30
Eagle	3,810,053	31,082	0	138,050	3.6%	-88,915	-61,837	0	0	\$8.47	\$1.12	\$9.59
Eastern	5,006,226	2,352	66,483	555,021	11.1%	121,795	-56,229	0	0	\$3.17	\$2.83	\$6.00
L.G. Lovell	11,515,512	9,752	0	315,976	2.7%	-84,954	263,616	31,595	0	\$6.38	\$2.51	\$8.89
Misc.	2,245,835	0	0	196,739	8.8%	-31,700	5,556	0	0	\$6.13	\$3.08	\$9.22
CAMBRIDGE SUBTOTAL	32,845,125	43,186	66,483	1,251,854	3.8%	-77,921	346,960	102,585	0	\$5.67	\$2.59	\$8.26
Bridgeport	3,121,820	3,200	0	135,507	4.3%	-61,075	-34,002	0	0	\$5.03	\$2.85	\$7.88
Hanson/Ardelt	1,820,276	0	0	0	0.0%	0	16,955	0	0	n/a	n/a	n/a
Huron	4,756,491	0	54,220	43,637	0.9%	39,077	75,850	19,246	0	\$6.46	\$2.93	\$9.39
Lancaster	1,640,783	0	0	0	0.0%	0	3,200	0	0	n/a	n/a	n/a
Manitou	2,010,691	0	0	7,379	0.4%	0	477,620	0	0	\$12.00	\$2.00	\$14.00
Wilson	2,677,855	0	0	33,483	1.3%	0	-21	0	0	\$6.50	\$5.40	\$11.90
Misc.	3,168,409	0	2,400	186,444	5.9%	2,400	39,673	0	0	\$10.43	\$3.78	\$14.21
KITCHENER SUBTOTAL	19,196,325	3,200	56,620	406,450	2.1%	-19,598	587,175	19,246	0	\$6.60	\$3.14	\$9.74
Conestoga	4,208,637	6,536	10,385	82,468	2.0%	53,525	99,317	0	0	\$9.17	\$4.57	\$13.74
Dearborn	637,799	0	0	88,110	13.8%	2,045	-926	0	0	\$6.75	\$3.50	\$10.25
Northland	3,065,871	1,446	23,000	25,437	0.8%	24,446	208,620	0	0	\$6.72	\$3.42	\$10.14
Misc.	1,038,300	2,000	0	2,400	0.2%	-400	32,900	0	0	\$8.00	\$5.00	\$13.00
WATERLOO SUBTOTAL	8,950,607	9,982	33,385	198,415	2.2%	79,616	339,911	45,498	0	\$8.14	\$4.13	\$12.27
Hanlon	5,884,627	115,665	0	139,335	2.4%	50,998	112,550	0	0	\$7.89	\$3.62	\$11.51
Northwest	13,779,247	0	0	105,045	0.8%	0	154,994	36,877	0	\$7.48	\$3.60	\$11.08
Puslinch	2,013,437	0	0	0	0.0%	0	0	0	0	n/a	n/a	n/a
York Watson	1,274,969	0	0	4,050	0.3%	-2,250	-4,050	0	0	\$13.33	\$3.50	\$16.83
Misc.	2,524,911	0	0	28,642	1.1%	0	16,200	0	0	n/a	n/a	n/a
GUELPH TOTAL	25,477,191	115,665	0	277,072	1.1%	48,748	279,694	36,877	0	\$7.87	\$3.62	\$11.49
WATERLOO REGION TOTALS	86,469,248	172,033	156,488	2,133,791	2.5%	30,845	1,553,740	204,206	0	\$7.07	\$3.37	\$10.44

*Rental rates reflect asking \$psf/year

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
66 Moorefield Street	66,483	Dock Levellers Inc. / Tigercat International Inc	\$4,900,000 / \$74	Eastern
124 Bleams Road	51,590	1277523 ALBERTA ULC / Undisclosed	\$967,312 / \$19	Huron
715 McMurray Road	23,000	Santokh Judge / 2228610 ONTARIO INC	\$2,275,000 / \$99	Northland

Cushman & Wakefield WR
4295 King Street East, Suite 401
Kitchener, ON N2P 0C6
cushwakewr.com

For more information, contact:
Courtney Jones, Research Analyst
Tel: +1 519 804 4386
courtney.jones@cushwakewr.com

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